Why should anyone work for you?

Remuneration’s function in the EVP decision-making process.

By Dr Mark Bussin and Stephan van der Merwe

Management of remuneration was once straightforward with a strong link between job level and pay, but this is no longer the case as more complex remuneration theories and practices are developed.

It is therefore essential that organisations constantly introduce change in strategy, structure, processes and culture to maintain their competitive advantage.

Encouraging key talent to generate fresh perspectives and innovative ideas to maintain competitive advantage is critical for any business success. So what do organisations need to do to ensure that they attract key talent, allow talent to thrive and, most importantly, avoid losing talent to the competition?

Some suggest that companies have to concentrate on employee retention in the good and bad times. Here are some of the main reasons for focusing on employee retention in good and bad times:

- Preserving institutional memory;
- Controlling acquisition costs;
- Reducing customer attrition;
- Maintaining brand loyalty; and
- Enhancing customer experiences.

An Employee Value Proposition (EVP) is the terminology used to describe the characteristics and appeal of working for an organisation. EVP is closely related to employer brand. EVP is, in fact, a tool used to enhance the employer’s brand. It describes a desired future state of the company’s culture and strategic objectives. An employer’s brand builds an EVP that matches what employees want and what is expected from them.

Most organisations successfully align their EVP with their business strategy. There exists a relation between EVP decision makers and the business strategy decision makers.

We conducted a quantitative study, using a survey as the data-collection method. The survey was developed to explore the importance of remuneration in the EVP process and to gather data regarding EVP decision makers and the alignment of EVP to organisational strategy. A total of 101 respondents participated in this study, and content analysis and appropriate statistical procedures were used to interpret the data.

We found that the key EVP decision makers ranked in order of impact is as follows:

1. CEO;
2. Human Resource Director;
3. Executive team;
4. Financial Director;
5. Senior management;
6. Board member;
7. Line manager; and
8. Specialist.

The analysis of the means indicated that remuneration and its components play the following role in the EVP:

- Remuneration as a collective concept plays the most important part currently of all the components of remuneration in the EVP;
- Long-term incentives are regarded as requiring the most emphasis when organisations plan their future EVP. Long-term incentives play an important part in an organisation’s EVP, but currently play the smallest part of all the remuneration components; and
- Short-term incentives play an important part in the organisational EVP, and organisations need to put more emphasis on short-term incentives in the future.

The attributes that employees consider important differ from organisation to organisation, which needs to influence decision makers when they plan their remuneration strategy. While literature indicates that non-financial rewards are important in reward strategy, in newer studies it clearly shows that financial rewards remain the primary reward strategy.

Our study shows that the rank order of importance of the components of the total reward offering in terms of the EVP is as follows:

- Fixed salary;
- Development and career opportunities;
- Performance and recognition;
- Variable pay;
- Work-life balance; and
- Benefits.

Different job levels have a different view on the importance of the different remuneration components in the organisational EVP. The differences in perspectives of the different job levels also show that different organisations treat the remuneration process differently, and thus that total reward needs to be unique to each organisation. Also, different job levels in organisations seek different strategies when regarding their total reward package.

The decision makers, the business strategy, the employees’ needs, the environment of the organisation, and remuneration all play a role in organisation’s EVP. The relationships between these components should be managed to ensure an optimal EVP strategy. These relationships are indicated in the illustration of the EVP planning process below.

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