

VARIABLE PAY

(SHORT AND LONG TERM INCENTIVES / SALES INCENTIVES)



Don't let money run your life, let money help you run your life better. ”

– John Rampton, CEO of Due

Only **21%** of employees strongly agree that their pay and incentives motivate them to achieve their goals
- Gallup

Variable Pay

Are your incentive schemes adding value to the organisation and supporting your strategic needs?

Do your incentive schemes support the culture that you believe is important for the organisation?

Are you effectively communicating how people linked to the incentive schemes, are doing and what they can expect at the end of the year that is being measured?

Overview

Many organisations have considered or implemented incentive schemes for their senior employees. These usually comprise of short term incentives (cash) and long term incentives (schemes linked to the share price or underlying value of the organisation).

The intention behind these schemes is to share organisational success with those who have contributed significantly to this. There is a need to align employees in the achievement of strategic imperatives that contribute to this success.

Some of the key objectives often considered include the following:

- **Line of sight** - Wanting to ensure that where employees are eligible to incentive schemes they have the ability to influence the outcome measured and used for paying incentives.
- **Retention mechanisms** - Wanting to ensure that key executives and leaders want to remain with the organisation because of the incentives they would lose if they left (particularly with long term incentive schemes).
- **Going the extra mile** - Being able to reward key people in the business who have gone the extra mile to ensure organisational success is achieved.

Incentives are definitely not a case of one-size fits all. Understanding the context of the organisation, the history and the desired future is critical in establishing a scheme that will support what is needed.

Understanding the pay mix (between Guaranteed pay (cash and employer funded benefits) and Variable pay) is critically important and should be aligned with the organisation's needs. Some organisations require relatively high guaranteed pay, with low incentive pay percentages, whilst others could require the exact opposite. This mix should be informed by the Remuneration Philosophy that the organisation has adopted.

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Business value gained through the solution

- Leadership aligned with what is critically important for the organisation.
- Alignment of leadership initiatives with what is important for the organisation and their areas of responsibility/contribution.
- Leadership incentivised to deliver a higher level of performance and deliverables which drive the organisation forward.
- Organisational success in excess of what is expected is shared with the people in the organisation who helped make this happen.

Solution features

- Design of pay mix and the various incentive pay elements optimised for the organisation and suited to their context.
- Our design framework will ensure the scheme is designed in alignment of the organisation culture.
- The scheme will ensure that leaders are aligned with what is needed for the organisation to succeed.
- The scheme design will ensure strategic objectives are supported and encouraged.
- A robust communication plan will facilitate regular and ongoing communication on an on-going basis.

Process overview

Depending on your needs, some or all of these process elements may be suitable:

- Understand the context of the organisation and the potential need for a new/revised scheme or schemes.

- Understand the organisation's strategic imperatives.
- Understand the organisation's culture and what is important to enhance/protect.
- Facilitate workshops with the executive team in order to agree the principles, design the framework and agree the imperatives.
- Obtain employee payroll information and business financials that will help model the potential outcomes and implications.
- Finalise the scheme design and implications with the executive team.
- Assist in the documentation of the scheme that can be used for the internal launch/communication process.
- Assist with the development of tools that can be used to monitor the progress of the scheme and communicate potential/expected results with scheme participants.
- Generate annual letters to participants explaining the outcomes and payments that are due.
- Review the metrics and the extent to which the schemes are delivering what was expected of them for the next year's launch and amendments.

Speak to a
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