Rewards Strategy: What are we talking about?

"You cannot be everything to everyone. If you decide to go north, you cannot go south at the same time." **Jeroen De Flander**

Based on thirty-plus years' experience as a rewards practitioner, below are some essential building blocks for an organisation to create a compelling rewards strategy.

1. **Understand what "strategy" is and how tough it is to create an effective one.** Personally, I have found Michael Porter's strategy descriptions to be the most instructive and practical. Michael's description of strategy includes, "Strategy is about making choices and trade-offs; it's about deliberately choosing to be different. The essence of strategy is choosing what not to do. Strategy is about setting yourself apart from the competition. It's not a matter of being better at what you do; it's a matter of being different at what you do. Strategy 101 is about choices: You can't be all things to all people. A strategy must have continuity. It can't be constantly reinvented." The key takeaways from Michael's descriptions for rewards practitioners are:

You must choose or prioritise the elements of your reward proposition that comprise your reward strategy. You need to choose the reward elements you are going to excel at.

- Your reward proposition must differentiate you in the market. Yes, understanding what your market is doing in terms of rewards practices is important, but it is only of strategic importance if you use the data to differentiate your organisation's reward proposition and
- You must have the resilience to persuade your stakeholders that the proposed rewards strategy is the right one for the business and organisation culture.

2. Ensure your reward strategy is effectively integrated and aligned. This is easier said than done, and heavy lifting will inevitably be required to ensure effective alignment. In the first instance, the rewards strategy needs to be aligned with business objectives and the organisations business model. Both business objectives and reward objectives should be prioritised to ensure you avoid trying to be all things to all people. The rewards framework developed needs to be affordable for the business model over the medium to long term. In addition, the rewards strategy needs to be aligned with the organisation culture. Generally, I believe organisation culture is about behaviour and organisations get the behaviour they reward. This is a key linkage to get right. If managers and employees lived experience in the organisation is that rewards are not aligned with the behaviour and values of the organisation they will just ignore the propaganda about organisation culture. Finally, the rewards strategy needs to be aligned or integrated with the overall HR strategy to ensure all

the factors that influence employee attraction, engagement, and retention are fully integrated.

3. Avoid or at least manage the potential pitfalls enroute to the development and agreement of your rewards strategy. In the first instance, make sure your proposed strategy differentiates you from the competition. As reward practitioners, we are genetically disposed to having a good handle on what the marketplace is doing and sometimes feel we are missing a trick if we are not doing everything other organisations are doing. This is a trap. We need to have the courage of our convictions to provide reward programmes that differentiate us from the market. Inevitably, we cannot do everything we want to do due to cost constraints, so you should prioritise reward programmes that will have the greatest impact on your business objectives and your desired organisation culture. Another potential pitfall to avoid is getting off track as you work through stakeholder engagement in your organisation. Stakeholders will invariably have strong views on rewards and often believe they know more about rewards than anyone else! Do not take this personally. This thinking is a function of the relative importance of rewards within your organisation. You will need discipline and resilience in equal measure to work through the myriad of stakeholder's meetings to agree on the implementation of a compelling rewards strategy. Another potential pitfall is chasing the "latest thinking," "new craze," and "best practice" and believing you will find the solution to the development of your rewards strategy externally. My experience is that the organisations that have the best reward strategies are the ones that prioritise aligning their reward proposition to both their business objectives and organisation culture.

4. Communicate, communicate, and communicate. You will not have a compelling rewards strategy unless, in the first instance, all people managers understand it. This requires more than a few PowerPoint slides and a frequently asked questions document. People managers need to understand how the rewards strategy is integrated and aligned with the business strategy and organisation culture. They also need to understand the trades-offs and prioritisation made along the way to develop the strategy. This necessitates dialogue with managers. Assuming you get all people managers (or at least most of them) on board with your rewards strategy, you are 90% plus of the way to having all employees (or at least most of them) bought into the organisation rewards strategy. If an organisation is not prepared to make the investment in the communication of its rewards strategy, the rewards strategy will fail.

5. What gets measured gets done. Measuring the success of a rewards strategy goes beyond simple employee attraction and retention rates. Organisations must delve into metrics that reflect employee engagement, performance management, the organisation's financial performance, and overall employee satisfaction. A well-designed rewards strategy should

have regular assessments to ensure its continued effectiveness.

In conclusion, the question of whether organisations truly understand what a rewards strategy is remains a critical inquiry in the realm of human resources. Beyond surface-level reward programmes, a genuine rewards strategy is a nuanced and dynamic approach that aligns with business objectives, communicates transparently, adapts to changing workforce preferences, and embraces technology. As businesses navigate the complexities of the modern workplace, a deeper understanding and implementation of rewards strategies will be instrumental in securing not only top talent but also fostering an organisation culture of sustained business success and employee engagement.