

## **Remuneration, Reward and Recognition**

One of the biggest costs to small and medium sized businesses is employee wages and salaries. For business owners there is a need to limit expenditure on staff, yet there's also a need to attract the right people with the necessary skills and retain them. To achieve this, remuneration decisions should reflect the strategic aims of the business.

When business owners determine salaries, the figure is often based on legal pay expectations, market comparisons and knowing what it's necessary to pay in order to keep an employee motivated and committed to the objectives of the business.

Employees clearly want as much money as possible based on their skills and experience, their past performance and their time with your business. They want additional rewards for exceptional performance, a package that enables them to live a decent lifestyle and a salary or wage that's comparable to that of their colleagues.

There are many factors that business owners need to take into account when devising remuneration strategies. Get it right and your business will pay a fair rate to achieve your business outcomes. You'll also have motivated employees who'll feel they're being appropriately rewarded for their contribution to the business goals.

### **The Dilemma**

Giving new employees salaries that they command because they know you are desperate to fill a gap or giving existing employees pay increases because they say they are leaving are not the most strategic of approaches to manage wage and salaries within your business. If you don't take a considered approach you may find that your salary outgoings each month are not aligned with the prices of the products and services you offer – meaning that either you have to up your prices or lose staff to cover costs, neither of which may seem enticing outcomes.

### **The Key Benefit**

By establishing a pay structure that is aligned with your business objectives and which addresses the needs of the employees within your business, you will gain control of your salary commitments whilst keeping your employees happy.

### **Negotiating the Remuneration Package**

Employees want more, there is no doubt about it, but having a higher salary than your competitors does not necessarily mean you will always attract the best employees.

Employees want flexible working options, increased training opportunities, a positive working environment and equity – they want to know that they are getting rewarded for their input and know that how their performance is measured is fair.

### **Variable Pay Programmes**

Variable pay programmes base a proportion of an employee's pay on their individual performance and/or the performance of the business. High achieving employees tend to

like this option as they can enjoy attaining rewards for their high performance. Of course, it is not so popular with the poor performers who may not receive the same rewards. When pay is tied to performance, employees recognise it as a contribution rather than an entitlement. Variable pay programmes include merit based pay, bonuses and profit sharing plans.

### **Flexible Benefits**

This option is about developing a benefits package based on the individual situations of each employee. A major plus of personalised programmes is that they show you care about each employee's needs and it helps to retain the employees due to the benefits provided. For example:

James is 22 years, very sporty and he wants to take over the world and be paid extremely well compared to his friends – for James 'flexible benefits' appropriate to him may be ongoing training and gym membership. A useful tip for Gen-Y's – tell them the total cost of their remuneration package i.e. salary = \$45,000; annual gym membership \$1050; annual training \$3000 – total: \$4,9050. Gen-Y's seem to love focusing on the higher figure and feel more valued.

Malcolm is married, has three children and his wife is at home full time. Priorities for him in terms of 'flexible benefits' may be life and medical insurance.

Many companies use modular approaches, combining core benefits and flexible options, which help to keep the process manageable.

### **Intrinsic Rewards**

Over and over again, studies have demonstrated that employees want to be recognised for their successes and great performance, be this via a private thank you note or even publically at the weekly team meeting. Even better, praise is a free way to make your employees feel good and want to maintain high performance.

Think about what you can do to reward and recognise your employees. Is your remuneration as good as it could be? What methods could you introduce to help you better manage and monitor the wages and salaries and retain your best performers?