Winning Staff: How to Develop a Robust Reward Strategy

Introduction: rewarding people

The rocky economic climate of the past few years has made it essential for companies to employ the best quality staff to ensure the business’s viability. Although the employment market may offer a greater number of candidates seeking vacancies, businesses need to make certain they are hiring – and retaining – the very best candidates. Perhaps nowhere is staffing more important than in customer-facing industries like hospitality, leisure and tourism. A robust reward or remuneration management strategy can help hospitality employers ensure that valuable ‘talent’ doesn’t walk out of the door.

Many employers’ reward management programmes have developed over time. The result is a largely disjointed reward ‘solution’ where compromises may be necessary to make different elements such as compensation (i.e. pay) and benefits work together. Reward management policies need to be kept current and must consider both the investment an employer makes in its employees and the things those employees value in their work.

By managing employee rewards in an integrated way, the employer can successfully align employee behaviours and rewards with the organisation’s business objectives resulting in greater benefits for both employer and employee.

The creation or update of a reward management programme can be easier than it sounds by using the following guidance about reward management strategy.

Time for change?

In the early days of a business’s development many of the HR, pay and benefit processes are developed on an ad-hoc basis and are modified over time. As the organisation grows, this approach can result in inconsistencies between the rewards packages for people, departments or sites. These inconsistencies can, in turn, cause problems if employees perceive inequities in bonuses or pay. Reward management strategies need to be regularly reviewed and updated to ensure they meet the business’s current and future needs.

Back to basics: the four elements of reward programmes

There are different ways to create a comprehensive reward programme. One method is to create a grouping using four closely-related elements to determine the appropriate levels of employee reward. The four elements are listed in the chart below and detailed explanations about how to use them follow.

The four elements in detail: how does your organisation fare?

Internal Element: role definition, organisational structure, reporting lines and areas of responsibility.

Remember… reward management processes within this dimension must reflect and support the organisation’s human resources function (i.e. job descriptions, job roles, employee assessments).
Ask yourself...
Do you have up-to-date job descriptions for all the roles within the organisation?
Have you completed detailed job analyses for the roles and identified:
• Key responsibilities?
• Skills and experience necessary?
• Key performance requirements?
Have you clearly established internal relationships between roles within the organisation?
Has this been done informally or by using a formal job evaluation process?

External Element: understand the external hospitality market from which employees may be recruited or to which current employees may be lost.

Remember...many organisations select an external market for reward or remuneration comparison purposes and use that market segment as a source of information in setting pay levels for all roles e.g. the broad hospitality sector or a more restricted hotel, leisure or catering group or competitor.

Although general hospitality salary data may be applicable to many core roles, where specific industry experience is required (e.g. a pastry chef) or recruitment is for roles not restricted to the hospitality market (e.g. facilities manager or Health & Safety roles) the general hospitality data may not be adequate. Selecting broad hospitality salary or reward data is not always suitable and could ultimately compromise the ability to recruit the best staff.

The External element of a remuneration strategy addresses this complexity by allowing for the use of multiple hospitality market segments and the 'market stance' when building the foundation for rewards structures.

Ask yourself...
Against which hospitality market(s) are pay rates set?
• All organisations' (national) rates?
• Hospitality sector (or a specific sub-sector within that e.g. catering, leisure or hotels)?
• By location?
• The scale of the operation e.g. by annual turnover or staff numbers?
What market stance (position in the selected market) should be used?
• Median (middle of the market)?
• Lower quartile (the point at which 25% of employees are paid a lower rate)?
• Upper quartile (the point at which 25% of employees are paid a higher rate)?

The decision about market segment and market stance is interrelated: the stance that is adopted is dependent on the market selected. For example, adopting a Lower Quartile stance in an 'all organisations' market (comprising both large and small organisations) may produce similar remuneration levels to adopting a Median stance in a market comprising only smaller organisations. The latter is likely to be more acceptable to staff because it appears the employer is not offering remuneration at the lower end of the market.

Structural Element: bring together the results of decisions made in the Internal and External Elements to create a formal rewards structure (or, if necessary, several structures) and balance the internal value of roles with the external market value of comparable roles.

Remember...the aim of this process is to create a pay structure (or structures) providing packages to meet the expectations of the current or future employees. The packages need to reflect both performance and contribution while ensuring that the total package lies within the organisation's structural and budgetary constraints.

Ask yourself...
Are separate pay structures needed for different groups?
How many pay bands or pay ranges are needed to include all roles within the organisation?
What degree of progression should be available within bands?
• + / - 10%?
• + / - 15%?
• Stepped progression?
How much overlap is needed between pay bands?
How will the remuneration be delivered?
• Cash?
• Cash and Benefits (superannuation or medical insurances, for example)?
• Cash and Benefits and Incentive payment?

Management Element: set the vision and provide a management framework to ensure that the rewards programmes continue to meet the organisation's needs over time.

Remember...a review mechanism needs to be built into the rewards framework to keep the policy current and make certain it continues to meet the needs of the organisation.
Ask yourself...

How will you maintain your link with the external factors going forward?

- With your selected market segment(s)?
- As changes take place in the market value of job roles or groups of roles? (E.g., if chefs become scarce and salaries subsequently go up.)

How will new or modified job roles be assessed so that their rewards packages remain correctly placed within the rewards structure?

What processes are in place to monitor and assess the performance and contribution of work groups and individuals, including:

- Formal performance management procedures?
- Progression within the remuneration or pay structures?
- Bonus and incentive programmes?

On what basis is progression within a band or range provided?

Is progression available between bands - or does this require appointment to a new role?

What training and development programmes have been established to address any shortfalls in performance and contribution?

How will employees’ successful completion of required training programmes be monitored and documented for company records?

**Key points**

In summary, the essential aspects of a reward management strategy include:

- using the four elements to determine the most suitable reward levels and management policy;
- regular updates to the policy when changes in the organisation’s structure or job roles require it;
- the fair and equitable application of the new policy in compliance with applicable employment legislation;
- the effective implementation of the policy so the primary objectives - to recruit, retain and engage the staff needed to meet the business's objectives - are not compromised; and
- ensuring the reward management strategy supports the business's overall strategy.

**Further resources**

ACAS - provides information on UK pay systems and incentive schemes including free advisory booklets on pay schemes, recruitment and performance management.
www.acas.org.uk

BusinessHR - a members-only resource covering all matters regarding the management of employees.
www.instituteofhospitality.org/info_services/BusinessHRServices

Chartered Institute of Personnel and Development (CIPD) - world's largest Chartered HR and development professional body. Provides information on reward management and performance related pay.
www.cipd.co.uk

Institute of Hospitality ebooks held in eResources Collection and the Online Catalogue:


MHR Global - remuneration and reward specialists with expertise in the hospitality industry (UK)
www.mhr-global.co.uk (Global) http://www.mhr-global.com

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