



## Case study: Differentiating rewards to improve business performance

### Situation

Over the last several years, a company sought to transform itself – first with an acquisition, but more recently with geographic expansion and workforce restructurings – and it was indeed changing. In its push to become a global growth business, the company was showing signs of success. For several consecutive quarters, the total return to shareholders continued to climb, but now leadership was concerned about sustaining this level of performance.

### Challenge

In a competitive industry with continuing pressures on price and margin, management was looking beyond the post-acquisition “easy” fixes to cost structures and service integration for a broader understanding of what would need to take place internally to support and sustain long-term growth. Did it have the right workforce to support its business strategy? Did it have the right rewards to motivate and reinforce the right behaviors? In previous years, Mercer had conducted extensive global market-competitive pay and benefits benchmarking studies. Now management needed all of this critical information and more to help shape its global workforce and its global rewards strategy. It turned to Mercer to develop an overarching total rewards strategy – encompassing workforce segmentation and tailored, targeted rewards – that would support this organization’s continued growth well into the next decade.

### Action

One of the keys to success was building a robust database of facts that would support the understanding of alternatives and assess the impact of our decisions. So, to develop our solution, we started with the underlying business design and used our Workforce Forecaster tool to explore what the future workforce would look like. What were the current and future business initiatives crucial to success? What types of roles would be essential to realize these initiatives? What were the external labor factors now and in the future – would key talent be available across geographies and what would it cost? Finally, in those same geographies, what kinds of traditional benefits and less conventional work arrangements would attract, retain and motivate key employee groups? At this early stage we also interviewed a broad selection of the key business leaders to get their insights. Based on this quantitative analysis and qualitative input, we identified the workforce segments that would drive performance as well as those that would enable or support that performance. The underlying distinction between the three groups was the basis for understanding how to differentiate and allocate base pay, short- and long-term incentives and other variable compensation. In place of a one-size-fits-all approach where compensation dollars had been applied without regard to their strategic alignment, the company now had the knowledge to target its compensation investments more effectively – where to invest more, where to hold and where to invest less. Interestingly, this workforce segmentation approach cut across its various businesses, and several geographies required more tailored solutions as these markets presented unique talent challenges.



## Results

Management now has a guiding strategy for making reward decisions in the coming years. In the first year, the company will begin instituting new incentive plans over the forthcoming months that focus on differentiation and rewarding people appropriately for their contributions. Similarly, with an eye toward key workforce segments, management will be able to target and allocate the merit budget for greater impact. In the end, based on our quantitative analyses, workforce segmentation methodology and market-leading knowledge of total reward best practices, this company will be able to save, reallocate, and reinvest its rewards dollars more wisely. Projected savings were a significant percentage of total current spend over the next few years. In addition to cost savings, this more targeted approach to rewards will also deliver improved business performance, given the alignment with strategic objectives and future talent requirements. Finally, with the need to monitor the execution of the new strategy, the company will review annually its positioning relative to market-competitive pay by the new segments.