

## Remuneration in 4-D™

### The four dimensions of Remuneration Management

#### What is Total Reward?

Total rewards embraces the investments you make in your people and the things your employees value in their work. By managing rewards in an integrated, holistic way, you can successfully align employee behaviours and rewards with an organisation's business objectives, for the ultimate benefit of employer and employee alike.

Ultimately this approach achieves two fundamental objectives:

- manage and optimise your investments in people
- engage the workforce in delivering superior levels of performance.

#### Business Drivers for Total Reward Strategy

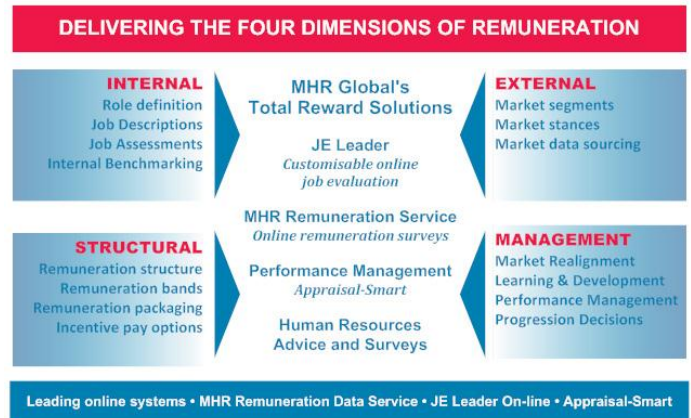
- Ensure value for money is obtained from the organisation's reward spend;
- Contribute to winning full engagement of employees;
- Respond to cost constraints on pay, bonuses and pensions;
- Enhance the employment deal for current and future employees;
- Ensure employees fully understand and appreciate the rewards available to them;
- Provide more flexibility to and choice to meet individual needs;
- Better alignment of HR and reward strategy;
- Facilitate and support mergers and acquisitions;
- Strengthen the employment brand
  - i.e. influence cultural change.

#### Remuneration in 4D™:

##### A framework for development

The different elements of a comprehensive remuneration programme can be grouped in different ways, to provide a framework for review and development.

One simple way to consider the various elements is to group them into four areas – or dimensions – in which closely related processes and decisions can be identified, as illustrated here:



Even the most ad-hoc of remuneration 'programmes' is likely to include processes which fall into each of these dimensions, even though these may well have been developed independently, or even grown 'organically' to meet specific needs.

The reality however is that such piecemeal approaches will inevitably cause problems if the component parts do not work in tandem with each other, addressing the common needs of the organisation.

A more disciplined approach is required to ensure that all four dimensions of rewards strategy are addressed, along with each of their contributing elements.

#### The Dimensions in Detail

##### The Internal Dimension

This dimension is concerned with the definition of roles within the organisation, the structure (formal and informal) within which those roles are placed, and the reporting lines and responsibilities of individual roles.

The remuneration management processes which are present in this dimension need to reflect and support the organisational structure and objectives, not drive that structure.

Those processes include:

- Job descriptions
- Job analysis
- Job evaluation and internal relativities

## The External Dimension

This dimension is concerned with the external market from which potential appointees may be attracted, or to which current employees may be potentially lost.

Many organisations regard it as important to select an external market definition which reflects the business, and use that market segment as a source of information in setting remuneration for all roles.

In practice this is rarely effective: while it may be necessary to identify with an industry specific market for many core roles, where industry experience is required (for example, in some Policy development roles), for many roles recruitment is not restricted to that market alone, and focus on such a restrictive market may compromise the opportunity to recruit capable staff.

The External dimension of a remuneration strategy addresses this, by allowing for the use of multiple markets, and multiple market stances, in building the foundation for remuneration structures.

## The Structural Dimension

The processes within this dimension bring together the results of decisions made in the Internal and External dimensions, to create a remuneration structure (or, where necessary, several structures), which balance the internal value of roles with the external market value of comparable roles.

This dimension is also concerned with matters such as remuneration benefits and remuneration packaging.

The aim of these processes is to create a remuneration structure or structures which allow the organisation to provide remuneration packages which meet the expectations of the employees appointed, while enabling them to carry out the roles to which they have been assigned.

The processes adopted must also ensure that the total package lies within the organisation's structural and budgetary constraints.

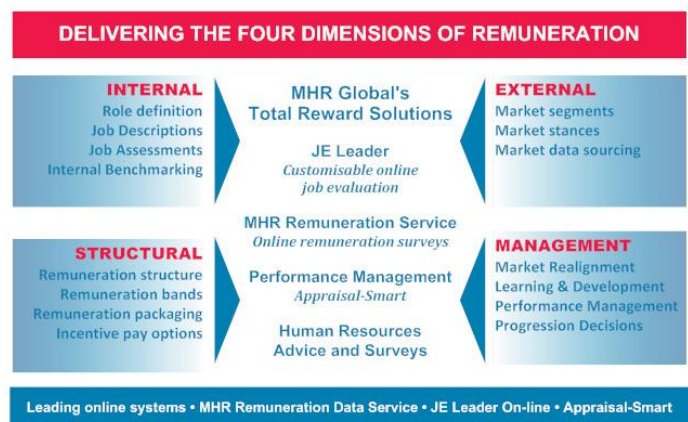
## The Management Dimension

The final dimension is concerned with managing the processes which ensure that the remuneration programmes continue to meet the organisation's needs over time, by monitoring and managing:

- Alignment with the external market, to maintain market relativity
- The assessment of new or modified roles, to ensure they remain correctly placed within the structures
- The correct placement of new appointees at the right level, within the correct range, for the role offered
- The monitoring and assessment of performance and contribution:
  - Formal Performance Management processes
  - Progression within the remuneration structures
  - Bonus and Incentive programmes
  - Training and development programmes, to address any shortfalls in performance and contribution

## How does MHR Global facilitate 4D outcomes?

As illustrated below our *Remuneration in 4D* model identifies the key elements of rewards strategy and provides highly flexible solutions for each of these.



Contact your nearest MHR Global office to discuss how the services and products identified above can be implemented to meet the objectives of your Total Reward programme.

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