



Zereon Associates

ADVISORY | DIGITAL | INVESTMENTS

INTERNATIONAL COMP & BEN STRATEGY, PLANNING AND EXECUTION

**GLOBAL MOBILE EMPLOYEES: MAKING THE MOST DURING CHALLENGING TIMES
(WEBINAR)**

**(BASED ON THE PRESENTATION 2 OF 4 BY ZEREON ASSOCIATES AT THE WORLDWIDE
BROKER NETWORK / GENERALI EMPLOYEE BENEFITS WEBINAR OF JUNE 2020)**



(DISCLAIMERS)

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SPEAKER



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Global senior corporate practitioner and advisor with 24+ y. of experience in matrixed international organizations, with Rewards, HR and management consultant background.

Managing Partner of Zereon Associates, Switzerland-based global boutique-type management consultancy Firm, and Big-4 Compensation contractor and part-time “of-counsel”.

Previously, he held executive-level positions in Global and Regional HR, Compensation and Benefits, Org Design and Mobility at Indra, SR Technics, Ball Corp, Ecolab, Altadis-Imperial Tobacco, Mercer and Arthur Andersen (EMEA, Americas and APAC).

With 2 international EMBA's (ESADE-Babson and ESCP-Paris) and Digital Transformation & Venture Capital diplomas (MIT and Berkeley), MA Business (ICADE) and GRP-certified, he teaches several WorldatWork GRP modules (recently: Shell, Nestle). He is a frequent speaker, author and member of different HR, Reward and MBA alumni associations.





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 - Context relevant for Remuneration (in general + two forces)
 - Linkage
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 - Create the Strategic Segmentation
 - Create the Strategic Configuration of the Packages
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- IV. Deployment and Execution Notes
 - Centralization vs. Decentralization
 - Annual / Long Term Cycles and Digital Admin Tools

I. INTERNATIONAL BUSINESS STRATEGY AND REWARD STRATEGIES – CONTEXT RELEVANT FOR REMUNERATION (IN GENERAL)



US-China Presidents' decision-making, Brexit, geopolitical challenges

Demographic evolution, "baby boomer" retirement, GenX, Millennial and Gen Z interests

Globalization vs. localization cultural forces & communication

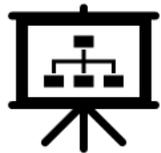


Corporate Governance, importance of Board affairs & Stakeholder protection

Investor, Shareholder and Proxy Advisors' Activism

Emerging country investor groups, Private equity transactions, M&As

Regulatory complexity in general (international, local, industry-specific)



Questioning the classic forms of Performance Management

War for Talent in International Markets, specially for key professions

Disruption of industries, new competitors and entrants from anywhere in the world



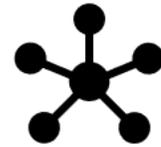
New organizational and leadership models, flatter / more 'liquid' structures

Changes in all labour markets, new social values and ways to work, agile teams

Restructurings / reorganizations, concern about labor costs

Tax and legal sophistication of Remuneration across jurisdictions

I. INTERNATIONAL BUSINESS STRATEGY AND REWARD STRATEGIES – CONTEXT RELEVANT FOR REMUNERATION (TWO FORCES)

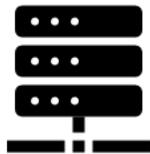


Post-Covid 19 world

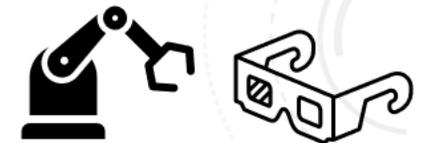


- IMMEDIATE WORK IMPLICATIONS: employee safety; workplace & telecom infrastructure redesign; virtual teams' organization, operation and leadership; return to work itself
- CUSTOMERS: deep change in “shopping baskets” worldwide; massive events forbidden; much more online buying
- SUPPLY CHAINS: disrupted overall; long haul transportation affected; decentralization of factories & logistics; local sourcing
- SHORT AND MID-TERM: most industries seriously affected; 2020 financial and business objectives changed / not achievable; Reward packages changed or reduced; asymmetric recovery expected for 2021; business reconstruction plans ongoing

+



**BUSINESS WORLD DIGITIZATION / AUTOMATION
(and related work and people management transformations)**



1010
1010

I. INTERNATIONAL BUSINESS STRATEGY AND REWARD STRATEGIES – LINKAGE



INTERNATIONAL BUSINESS STRATEGY

What does the Company really want to do (or stop doing) internationally ?

With what scope, financing, resources, technologies and milestones ?

- ✓ **“Front Office”**: Customers and Clients, Segments, Markets, Channels, Marketing, Sales Force, Brands, Prices, Regions and Countries of choice...
- ✓ **“Back Office”**: Operations, Products, Value and Supply Chains, Sourcing, Support, Processes and Internal Organization, Types of professionals, Countries of choice...

KPIs of international success

(AS AN EXAMPLE :)

- Amount and % of Revenue from external operations.
- Amount and % of Profits from products and services abroad.
- % of assets in each country over total asset value.
- % of time / % of FTEs used in working globally / regionally /locally.
- .. Etc.

PEOPLE STRATEGY:

- ✓ What are the needed capabilities and expected behaviors and results to achieve these KPIs ?
- ✓ How many professionals and of what kind do we need?. How do we get them ?
- ✓ What Talent and HR Programs ? With what degree of centralization / decentralization ?

REMUNERATION / REWARD STRATEGY:

- ✓ How many and what Programs ? Why ?
- ✓ How do they contribute to the KPIs ?
- ✓ How is the Global and Local Reward Value Proposition perceived ?
- ✓ What elements of the Remuneration Packages do we choose to Attract, Retain, Engage, Recognize and Reward the different world collectives ?
- ✓ How do we separate standard Reward from special Global Mobility Reward ?
- ✓ How are we going to administer those elements ?



I. INTERNATIONAL BUSINESS STRATEGY AND REWARD STRATEGIES – REWARD PACKAGES REQUIREMENTS'

Usually, the following requirements will be necessary to set up adequate International Remuneration / Reward Packages



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Optimized in tax and legal terms across the different jurisdictions.
Culturally aligned and well communicated regionally and locally.
Organizationally consistent and systemic.
With well designed and integrated components.
Statistically and quantitatively verified.
Managed with adequate resources.

To...



(Support the international operations)

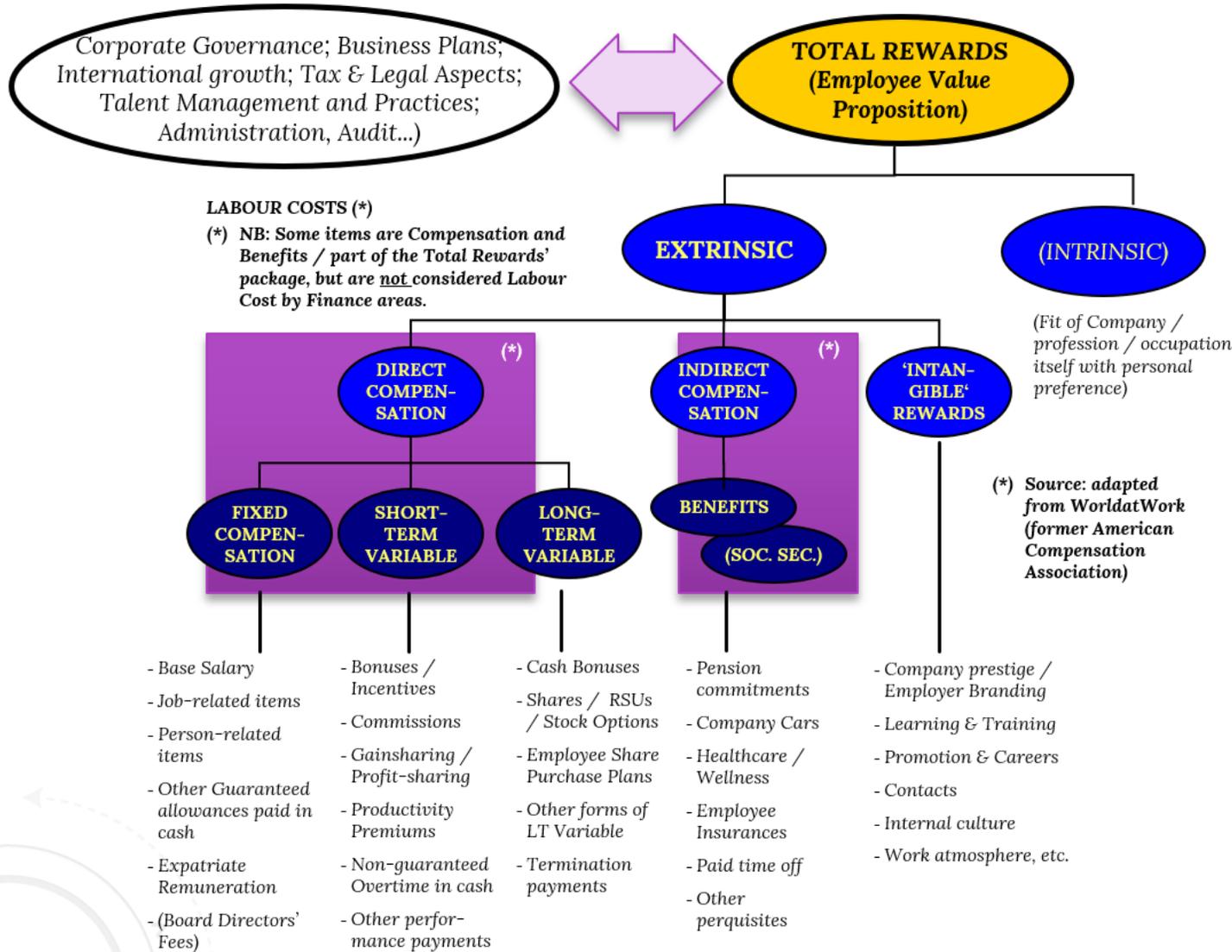
Achieve the (new) Business Objectives

+

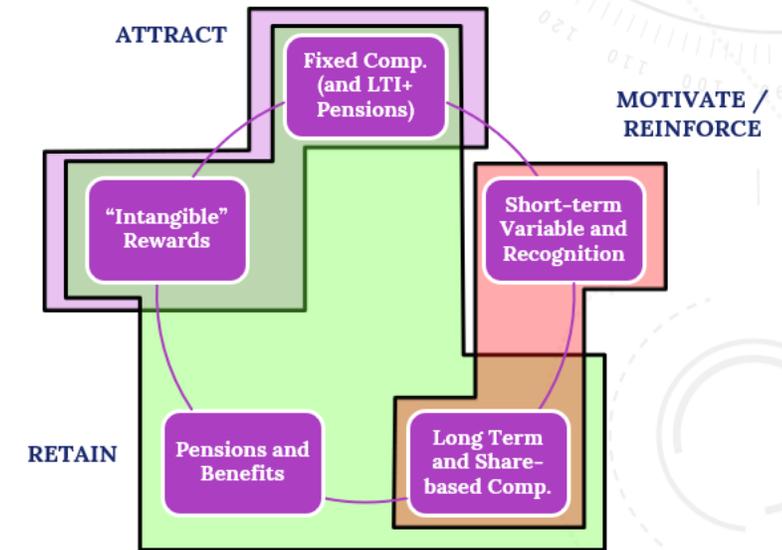
- Attract
- Retain
- Engage
- Recognize and Reward...



I. INTERNATIONAL BUSINESS STRATEGY AND REWARD STRATEGIES – THE TOTAL REWARDS MODEL



- ✓ The Rewards (Direct or Indirect Compensation, or “Intangible”) cannot be conceived as a mere set of isolated or disjointed elements – **conscious design of the respective International Pay Mixes is essential.**
- ✓ At the same time, each element of has a **differentiated impact** on Attraction / Retention / Motivation (ie together, on Engagement):



- ✓ Still, **empirical checks of the different Value Propositions** are needed, globally and locally, by 1) internal perception of Executives / Managers / Employees, and 2) external markets' comparison.



II. THE INTERNATIONAL REWARD STRATEGY

– WHAT IT IS, WHAT IT IS NOT (1)

We can define the International Remuneration Strategy (InRwSt) as...

HOW WE ARE GOING TO:

- a) Identify our current and future worldwide collectives, and
- b) Evaluate and classify those collectives' 1) responsibilities and 2) expected performance, and
- c) Choose and analyze relevant Remuneration markets for those collectives, and
- d) Configure, position, implement and manage the elements of each collective's Remuneration Package vs. those markets and internally,

With

- 1) A set of Strategic Guidelines / Principles,
- 2) A Strategic Segmentation, and
- 3) A Strategic Configuration

To...

Evince how the Rewards contribute to the achievement of the international financial, business and talent management objectives, AND

Obtain a powerful and efficient value proposition for employees and markets of interest across our divisions and countries of operation

II. THE INTERNATIONAL REWARD STRATEGY

– WHAT IT IS, WHAT IT IS NOT (2)



What the InRwSt is NOT:

- **Remuneration “Policies”** – used interchangeably, even in legal texts.



The Policies are (or should rather be) the recurring practices within the agreed Strategy, but in themselves different from it, which must be routinely applied whenever a given Remuneration situation is required / present. For example:

- “The Wage review process will begin on November 1st”.
- “No target bonus will be more than 60% of Fixed Remuneration”.
- “Subscriptions to the Pension Plan shall be made in writing and with the company XYZ internal forms”, etc.



- **Remuneration Cycles / “Planning”** – the processes by which the InRwSt is realized over time,



- ≤ 1 year - generally, with respect to Annual Salary and Bonus reviews
- > 1 year - LT Incentives, Pensions, etc.
- Ad-hoc - hires, fires, promotions, special situations, M&As, etc.

II. THE INTERNATIONAL REWARD STRATEGY

– 1) CREATE THE STRATEGIC GUIDELINES OR PRINCIPLES



8-12 *explicit*
statements



Consequence of a conscious and structured decision-making
Input AND Signed off by the investors / Board / CEO / C-suite
They have serious implications - things that we will and will NOT allow to happen

(Examples)



“Through Rewards, we stimulate a high-demand, high personal commitment culture, where both individual and team performance and dedication are appreciated, measured and valued”

“We pay our executives, managers and employees fairly and very competitively at Target Total Rewards”

“We measure the organizational value of our employees’ responsibilities with market-recognized job grading tools; such value will be an important element to determine individual Fixed Salaries”

“Our Rewards are self-funded and subject to the Company’s financial performance. In this regard, financial performance-related Short- and Long-Term Variable Remuneration are key components of the Remuneration Packages and will be zero under unsatisfactory financial results”

“Reward systems will have transparent written principles AND rules, communicated and applied to everybody, reviewed biennially”

“We offer over-the-market Total Rewards to those who sustainably generate excellent results, pay “at market” at satisfactory performance, and pay below-market with below-expectation performance”

“Remuneration will consider the different businesses and geographies, allowing adequate legal, tax and cultural local adaptation and management. In any case, Senior Executives and key employees will be centrally managed”

“We offer attractive Employee Occupational Pensions / Health Insurance / etc. as part of our Reward offering”

“We do balance sheet calculations and offer tax equalization, COLAs, relocation and housing allowances at prudent levels to our long-term assignees abroad / expatriates. We do not pay schooling allowances or other forms of extra reward”



II. THE INTERNATIONAL REWARD STRATEGY

– 2) CREATE THE STRATEGIC SEGMENTATION

Hypothetical example – a mid-sized, divisionalized, international, Swiss Power Generation company:

Organizational Level	Geographical Area (Countries)	Company Divisions			
		Nacelles and Windmill Blades Production Division	Solar Panels Production Division	Commercial Division	Global / Regional Support Areas
Board and Executives	All	Reward System "0" (RS 0)			
Middle Management Qualified Individual Contributors / Technicians	Switzerland (Global HQ)	RS 1			
	Italy	RS 2		RS 3	(n/a)
	Germany and Austria	RS 4	(n/a)	RS 5	(n/a)
	Czech Republic (East Europe HQ) and Poland	RS 6	(n/a)	RS 6	
	Russia	(n/a)		RS 7	(n/a)
Peru (Latam HQ), Bolivia, Ecuador	(n/a)	RS 8			
Rest of Employees	(Large countries)	Collective Bargaining (if existing), or else local Reward system at Market Median (Centile 75 for local Top Management)			
	(Small countries)	Collective Bargaining (if existing), or else local Market conditions at Market Median			

- ❖ **How many and which Reward systems?**
(in this example, 8+1)
- ❖ **Why this set-up ?**
(ie commercial and production synergies, local business positioning, nature of operations, local reward markets, tax/legal/cultural constraints, historical reasons...).
- ❖ **Are other Reward systems necessary ?**
Eg: Expats, Engineers, special collectives, Boomers / Gen X/ Millennials, emergent countries...
- ❖ **Is this what we need ?
What should we change ?**

II. THE INTERNATIONAL REWARD STRATEGY

– 3) CREATE THE STRATEGIC CONFIGURATION OF THE PACKAGES



Hypothetical example (cont.) – Current and new configuration for Eastern Europe (RS 6 – 3 Divisions)

	Fixed Remuneration	Short Term Variable	Benefits	Long-Term Variable	
Today	<ul style="list-style-type: none"> - Partially based on an outdated local Job Grading and informal Reward benchmarks. - Very competitive vs. both General and Sectorial Markets. - Not clearly aligned to actual levels of responsibility, performance, or employee experience levels; inequalities. - Manually managed / with Excel. 	<ul style="list-style-type: none"> - Mostly discretionary, with target % not tied to organizational level. - Eligibility/participation depends on the person and/or "historical" factors. - Generally market-aligned amounts; above market for management but with large dispersion among individuals. 	<ul style="list-style-type: none"> - Heterogeneous elements (Health / Life / Accident; sporadic Pension Plans). - Not aligned with market. - Inconsistent eligibility. 	<ul style="list-style-type: none"> - Generic corporate plan of 'Stock Options' – not well understood locally, not linked to the organizational level of the person and the financial performance of the countries. 	<ul style="list-style-type: none"> ✓ Quantify ✓ Define in detail (Salary ranges, Variable Target %, LTI structure and amounts, etc.) ✓ Validate statistically ✓ Define schemes' Governance ✓ Create plan steps to implement, manage change, and treat misaligned cases ✓ Get approval
In two years	<ul style="list-style-type: none"> - Internally fair and with a modern, pan-European grading. - Very competitive against local Sectorial Market for key positions (Q3); at market for others (Q2); use of two recognized Market Surveys. - Well-balanced Salary ranges linked to the real value of the jobs. - Salary range position linked to experience and performance. - Salary admin will be automated for management positions. 	<ul style="list-style-type: none"> - Incentive linked to 1) planned and measurable divisional, team and individual results and 2) compliance with company values. - Target % defined by the level of the position, to be applied to all employees outside Collective Bargaining agreements. - High upsides / downsides for excellent / poor performers. - Position Q3 for local key positions, Q2 for the rest. 	<ul style="list-style-type: none"> - "At Market" Elements – Business Car if applicable, Health Insurance / Life / Accident and Pension Plan. - Granted according to the relative value of the position – except in countries where it is not common. 	<ul style="list-style-type: none"> - Eastern Europe-specific 3-year cash incentive, linked to selected strategic plan objectives. - Granted to a restricted collective, key to the Business. 	

III. PLANNING AND IMPLEMENTATION (1)

– TWO CONSIDERATIONS



FACTOR	Comment
<p data-bbox="186 562 422 708">The Degree of Local adaptation</p> <p data-bbox="563 505 876 686"><i>The Reward offerings must be relevant to attract, retain and motivate where it matters.</i></p> <p data-bbox="550 733 889 762">Does it make sense to...</p>	<ul style="list-style-type: none">➤ Establish aggressive individual Short-Term Variable plans in South East Asian countries where such practices can in fact publicly embarrass people, or “defy” societal hierarchy conventions?.➤ Create large Share-based Reward Programs when the employees’ financial culture is limited, it is not going to be properly communicated, or there is no widespread local market practice?.➤ Launch a Work-life balance program, Remote working, Yoga classes, etc. simply because Global / Regional HR thinks it is best for the country or personally like it?.➤ Offer certain old-style perquisites in a country to a young/millennial workforce that is still paying college loans or mortgages for their homes and who would rather have more choices to learn and grow?.➤ Grant Company Cars in countries with poor street and road infrastructure?
<p data-bbox="211 1029 422 1276">The Flexibility required (ie coordination !)</p> <p data-bbox="563 1005 901 1300"><i>The offer must be agile to adapt to local organizational and business changes, but not so much to make Reward schemes disconnected or inefficient.</i></p>	<ul style="list-style-type: none">➤ The schemes must be designed and implemented as a direct function of the International Reward Strategy, and within its boundaries – not solely for pure local market / tax / legal / cultural / ‘historical’ convenience, no matter what some people or providers may think.➤ Some elements must be kept centralized at least to a certain extent, pursuing efficiencies or a unified approach for certain collectives and reward elements.➤ In any event, flexibility will always require clear Governance lines to be effective.

III. PLANNING AND IMPLEMENTATION (2)

– TWO DECISIONS TO JUMP INTO ACTION



The International Reward Strategy Implementation Plan:

Who is going to get what Reward changes done, by when, with what resources, under which constraints or conditions, and with what success indicators, to implement the Reward Strategy.

The Reward Planning itself (Remuneration Cycles):

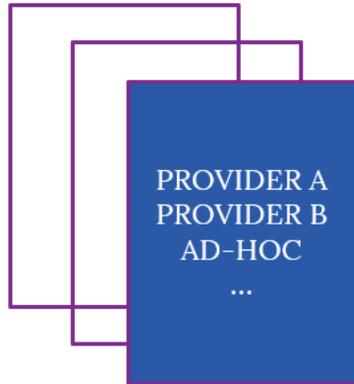
Under the agreed global, regional and local responsibility allocation (Governance), what actions will be taken, and by whom, to decide on, administer and execute payout of the Reward packages' elements on an ongoing basis (annually, more than annually, and ad-hoc), with what resources and constraints, and with what success indicators.

III. PLANNING AND IMPLEMENTATION (3)

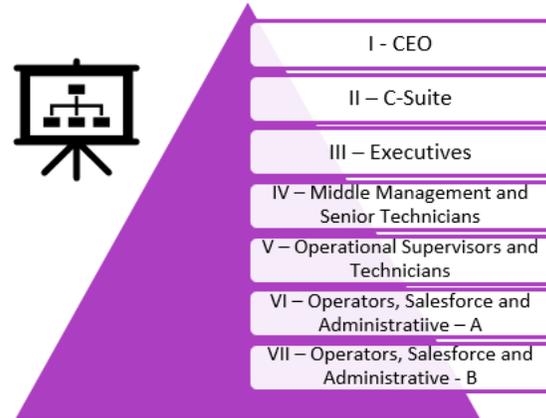
– CONTENT: WHAT TO MODIFY / SET-UP (EXAMPLES)



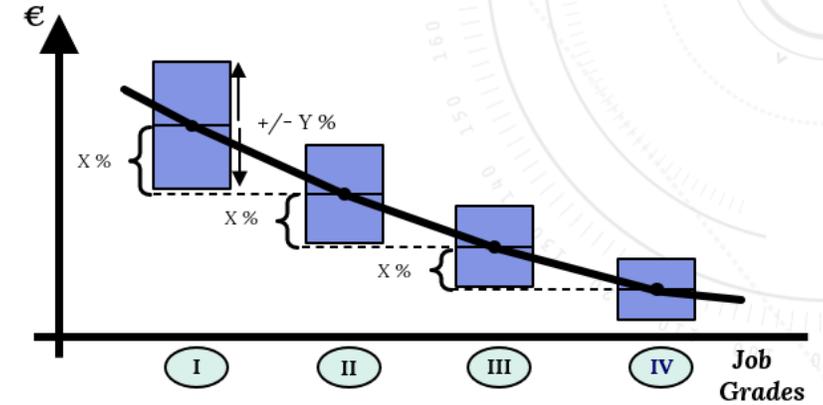
Market Data sources



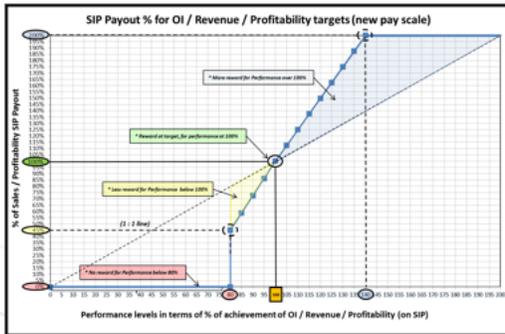
Job Grades / Org Design



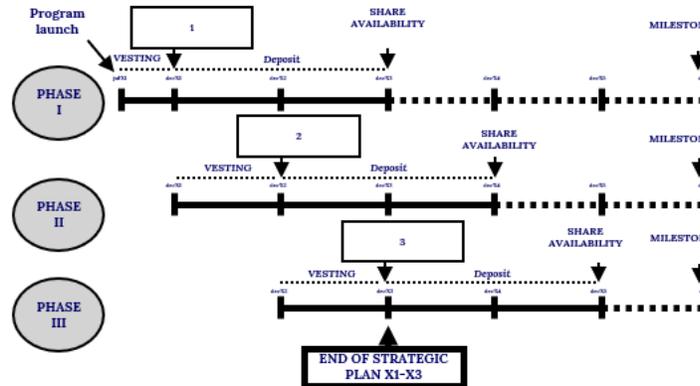
Salary Structures & Reviews



Performance Management systems and/or Short-term Incentive design



Long-term Incentive design



Pensions, Benefits, Mobility & Special collectives' Rewards



*** In addition: Board Remuneration and Board affairs/Committees; Executive Remuneration disclosure / governance; Rewards' regulatory, legal and tax optimization; valuations, financials & accountancy; internal and external audits; procedural & documentary changes; IT tools implementation / analytics**

IV. DEPLOYMENT AND EXECUTION NOTES (1)



- CENTRALIZATION VS. DECENTRALIZATION (*)

Reward responsibilities at the Global Level

- Remuneration of Board, CEO and Senior Global Executives, Remuneration Governance and global reporting.
- International Remuneration Strategy and General Employee Value Proposition; advisory to Senior Global Executives.
- Management of Global / corporate programs and projects, of the global HQ rewards themselves, and inter-regional Mobility rewards.
- Agreements with global suppliers (job grading and market surveys, equity-based Reward, global mobility, benefits, tax & legal advisory, IT systems, etc.).

Reward responsibilities at the Regional Level

- Reward Strategy adaptation in the Region, Regional Employee Value Proposition, identification of local specificities, regional reporting.
- Support / advice as regards the application of global programs and projects in the Region – Senior Global Executives' reward, Equity-based pay, global Benefits, IT systems, etc.
- Application /deployment of regional job gradings and surveys, and build-up of regional Salary and Bonus Structures, Short Term Variable and Benefit schemes.
- Regional Senior Executive / Managers and Mobile professionals and HQ Reward management, and country Reward supervision (management when there is no local structure); reward advisory to Regional Senior Managers and Executives.
- Agreements with regional suppliers and providers.

Reward responsibilities at the Local Level (country or even below)

- Identification of local opportunities and/or limitations in legal / tax / accounting / cultural terms, etc.
- Local Rewards design and implementation under the Global and Regional parameters.
- Administration of local rewards and proposal / reception of people under international Mobility.
- Proposal for specific individual Remunerations (Fixed, Variable and Benefits), local salary increases and bonus awards, etc.
- Registration and preparation of local documents and letters, verification of legal / statutory / cultural requirements.
- Local Reward analysis and reporting, agreements with permitted local suppliers and providers.

** Applicable to the entire Group, or to each Division individually - but in this case, the decisions to be made would have to be compared with the other Divisions'.*

IV. DEPLOYMENT AND EXECUTION NOTES (2)



- ANNUAL/LONG TERM CYCLES AND DIGITAL ADMIN TOOLS



Reward processes optimization / compliance / tax & legal / audits

One of the great discussions today: digitizing administration to better integrate the global, regional and local levels → take advantage of available IT tools in the market:

Transactional level (basic HR Admin / Payroll)

- Cloud/in-house SAP, Oracle HCM (old Peoplesoft), Microsoft Dynamics, Meta4.
- Outsourcing companies (ADP, NGA, IBM, Accenture, Big 4...).
- Regional and Local HR Admin / Payroll SW providers and outsourcers.

Advanced level

- Full HR suites - Workday, SAP-Success Factors, Oracle HCM (old Taleo+Fusion+HCM), IBM-Kenexa, Meta4, other.
- SW from Reward consulting companies, mostly oriented to exploitation of own Grading systems and Surveys.
- Specific needs: Equity/stock-based pay trackers (global Banks, Big-4), Sales Incentive management SW, benefits' "cafeteria plan" SW, etc.
- New: diverse cloud-based and mobile apps, connected via APIs to other IT systems / apps; AI capabilities as applied to Reward.

A digital management of the Remuneration sends an integration message.

It is very difficult to generate the information that the CEO/Top Management needs, or coordinate Rewards internationally, without a certain IT sophistication.

Good Reward analytics contribute to the international success of the organization.



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THANK YOU !



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