

INSIGHTS

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Designing Compensation that Drives Performance



In today's rapidly changing business environment, designing a compensation package that drives performance has become a critical challenge for organizations. This refers to the tangible reward given to employees in recognition of their time, hard work, and impact on the company. A thoughtfully crafted compensation system is vital to attract and retain top performers. It not only incentivizes and motivates employees but also aligns their actions with the company's objectives, resulting in improved organizational performance. To stay competitive and attract and retain top talent, companies must also consider the latest trends in compensation and benefits.

Fundamental factors to be considered while designing compensation are:

- **Market Competitiveness:** The initial aspect to consider when building a compensation system is market competitiveness. The compensation provided should match the industry standards for similar roles in the same region. This will ensure that the company can attract and maintain top talent. It's crucial

to frequently evaluate market rates and adjust accordingly to stay competitive.

- **Alignment with Evolving Organizational Goals:** A compensation plan should be created to motivate behaviours that align with the company's aims and targets. The compensation plan must be adaptable to changes in the organization's goals and objectives as they evolve over time. Other methods of aligning compensation with organizational objectives include providing bonuses for meeting specific targets, such as sales targets, or tying compensation to customer satisfaction metrics. This helps to ensure that all employees are inspired to work towards common goals and objectives.
- **Individual Performance & Incentives:** The compensation plan should also acknowledge individual performance and contributions. Variable pay plans, such as bonuses and incentives, are becoming increasingly popular, as they allow organizations to reward high performers and provide motivation to others. By tying a portion of an employee's compensation to specific performance metrics or goals,

ABOUT THE AUTHOR

Michele Sereno is a seasoned human resources professional who is currently leading the India HR function at Chargeback Gurus, a fast-growing fintech firm. She has over 17 years of experience in HR, she brings a unique blend of expertise in aligning business objectives and employee growth. Her adaptive and flexible mindset, honed by experience in both large corporations and young organizations, allows her to effectively navigate the HR landscape.



organizations can encourage employees to focus on the areas that are most critical to business success. Incentives can take the form of monetary bonuses or non-monetary rewards, such as acknowledgment or additional time off.

Breakthrough Trends Impacting the Design of Compensation and Benefits:

- **Flexibility & Personalization of Compensation:** One of the biggest trends impacting compensation design is the increasing demand for personalized compensation packages. Rather than offering one-size-fits-all salary and benefits packages, employers are exploring more individualized approaches that consider an employee's unique skills, experience, and contributions. By offering flexible benefits, employees can choose the benefits that are most relevant to them such as health coverage, retirement savings plans, or adjustable time off. Furthermore, other flexible compensation options such as telecommuting, part-time employment, childcare benefits can aid in meeting the demands of employees and enhance their work-life equilibrium.

- **Physical & Mental Wellbeing:** The COVID-19 pandemic has shone a spotlight on the importance of employee well-being, and many organizations are responding by incorporating wellness and mental health benefits into their compensation packages. These benefits may include access to counselling services, mental health days, stress management programs, and Employee Assistance Programs (EAPs). By prioritizing employee well-being, employers can create a healthier and more engaged workforce. A study by the World Economic Forum found that every \$1 invested in mental health results in a \$4 return in improved health and productivity.
- **Financial Wellness:** Financial wellness is a growing trend in the world of compensation and benefits, as employees become more concerned about their financial security. According to a 2022 PwC Financial Wellness Study, around 25% say that they worry about their finances while at work, thereby having a severe or major impact on their productivity. Companies are responding by offering financial wellness programs that include financial education, retirement planning, and debt management resources.
- **Transparency:** Another trend impacting compensation design is the increasing demand for transparency and

accountability. The compensation system should promote transparency by clearly communicating to employees the method in which their compensation is calculated and what they can do to earn more. When employees understand how their compensation is tied to their performance, it can also increase their involvement in their own development. Organizations can provide information on how salaries are calculated, the criteria for bonuses, and the process for promotions and salary increases. This clarity helps in building trust among employees.

At Chargeback Gurus, we have a well-designed Flexi Benefit Plan coupled with an Employee Assistance and Corporate Wellness Program that allows employees more of a choice in the benefits they want or need from a package offered. This helps Chargeback Gurus to be better equipped to cater to the requirements of a diverse workforce and can modify as per the changes in the business scenario.

In conclusion, designing a compensation package that drives performance requires a thoughtful and data-driven approach. By considering the latest trends in compensation and benefits, as well as the unique needs and preferences of employees, organizations can create a compensation package that supports their strategic objectives, motivates employees, and drives business success.



