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COMPENSATION STRATEGY



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Short Profile

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ABSTRACT:

The compensation strategy is extremely important as the right compensation strategy helps to build the effective and competitive organization and the wrong setting of the compensation strategy, which does not fit with the needs of the organization and with the HR and Business Strategies, can destroy the organization within several years and the organization suffers from decreased performance and not utilizing the full potential of employees.

KEYWORDS

Compensation, Right, Strategy, Helps, Competitive, Organization



INTRODUCTION:

The compensation strategy is derived from the HR Strategy and it defines the position of the organization on the job market, the level of the total cash, the main bonus principles in the organization and rules for the base salary setting.

The compensation strategy sets a clear guidance for the key remuneration principles in the company. The strategy defines key strategic behaviors and values, which are remunerated. It defines the values and behavior, which are valued and rewarded. The compensation strategy makes the difference between the focused strategic compensation and a bunch of different non connected compensation components.

The compensation strategy is the strategy, which is approved by the Board of the organization as the owner of the compensation strategy is always the top executive management of the organization. The compensation strategy has a huge impact on the costs of the organization and that is the main reason for the top management approval. The rest of managers are the users of the compensation strategy.

The compensation strategy defines the pay market, the organization follows, the desired position on the pay market and the way, how the desired level and position on the pay market will be achieved. The compensation strategy defines the basic compensation components used in the organization and the standard rules applied to each compensation component.

The compensation strategy has to be in line with the business and HR Strategies as the compensation of employees is aligned with the expectation of the top management from them. The compensation strategy does not change often as the compensation principles cannot be changed within few days.

COMPENSATION STRATEGY AND HR STRATEGY

The compensation strategy is one of the main supporting documents for the HR Strategy. The compensation strategy is closely monitored by the management of the organization and they ask for the progress of the implementation of compensation strategy on the regular basis.

The HR Strategy has to be always designed and developed with having the respect to the situation in the compensation area in the organization. The HR Strategy cannot set the ambition, which is not suitable for the company.

The HR Strategy always defines the basic principles for the compensation scheme in the organization and the compensation strategy defines the details for the components and when and how they will be introduced or redesigned.

The compensation strategy should be updated, when Human Resources make significant changes to the HR Strategy or the organization changes its business strategy. The compensation strategy has always support the business and its selling capabilities.

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