



# CASE STUDY

Performance Linked Pay Plan





### BACKGROUND

- ❑ Our Client is a leading seed producer India. The company started its operation in as a single product company engaged in the production and marketing of Rice Seeds.
- ❑ It grew from a single product to a multi product company including - vegetable seeds, oil seeds etc. However, the focus on rice seeds is still very high given their customer base.





# SCOPE & OUR APPROACH



## Performance Linked Pay Plan

**As the company grew and became a significant competitor to international players, built a large distribution network and expanded their offerings, they realized the need to among others review their performance linked pay plan w.r.t the changing practices to ascertain its competitiveness. With detailed evaluations and market understanding, it was agreed that the key areas for improvement in the scheme needed to be around the choice of parameters/ criterion, weights, transparency in how reward is linked to the outcome, ease of administration and making the system more effective in achieving the organizational goals.**

**The performance linked pay plan has been designed and is applicable to all confirmed employees of the company in the level of Officers to Functional Heads.**





# SCOPE & OUR APPROACH

## »» Our Way Forward

Situational analysis w.r.t objective, eligibility, parameters, weights, linkages & calculations were studied for the client organization - to understand the background & define the building blocks for the proposed plan.

Market analysis covering benchmark companies from similar industry (mix of multinationals and owner driven companies) was undertaken. Based on the benchmark data and our expertise, a scheme was proposed for the client which was linked to the achievement of Performance Goals.

Key parameters/ criterion with clear definitions and weightages were defined along-with the payouts based on the performance target achievement for defined levels. Guidelines for making it more transparent, clear and simple were also defined so that an individual employee could easily calculate her/ his performance payouts.

### Key Challenges

- The biggest challenges for these assignments is to get the buy-in from the management/ owner and the functional heads.
- This was achieved through constant/ phase-wise communication and approval/ agreement with the management.
- Further, we worked with the client to implement the system by developing the template, guidelines and the illustrations along-with the policy document which will ease the performance tracking, calculation of payouts, administration and implementation process.





- The misinterpretation with regard to the Role of Performance Appraisal Vs Role of Performance Pay Plan was considered
- A comprehensive performance linked pay plan was proposed to –
  - help contain fixed expenses
  - recognize superior employee performance, and
  - truly align overall goal accomplishments with compensation rewards
- The new performance linked pay plan, also helped in defining the transparent performance appraisal or goal document for the employees.
- By driving a performance culture, the company was not only able to achieve the key objective of managing the business performance, but it also defined transparent performance goals and included stringent performance parameters



## GET IN TOUCH



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