

# TOTAL REWARDS AT NESTLÉ: MORE THAN JUST A POLICY

Operating in more than 190 countries and with over 300,000 employees, Nestlé is one of the biggest multinational corporations in the world. Group sales for 2012 were in excess of US\$100 billion.

For policies to succeed at Nestlé, they need to be simple, leveraged, and connected. This article examines how Nestlé looks to its compensation and benefits (C&B) operations to bring its total rewards (TR) policy front and centre. It also explains how TR links to the broader corporate picture.

## TOTAL REWARDS AS A COMPETITIVE ADVANTAGE

At Nestlé, TR is used to secure a competitive advantage and is part of a clearly aligned road map that cascades fluidly from group to HR level, and then to C&B.

Creating shared value is important: Nestlé is in business not just for itself but for the customers and communities it serves. This ethos links into the TR philosophy in many ways — for example, not only does the company seek to run community-based programmes, but in many cases even its most senior managers have a “shared value” component in their bonus structure.

## NESTLÉ'S C&B OPERATIONS: MISSION AND STRUCTURE

The creation of Nestlé's C&B operations has played a crucial role in making TR a success. As TR costs are an important part of a company's marketing and other general expenses (MOGE), Nestlé felt it could do a better job in providing adequate support to ensure success. So in order to better support and coordinate the implementation of group C&B initiatives and execute associated processes consistently and in line with policy, a new structure was created. Managers were put in place for both geographic zones and business lines, resulting in a system that is not only decentralised, but allows for a top-down/bottom-up communication channel to better understand and effectively calibrate and implement strategies. Tension is welcomed in this structure, as it proves to be productive, leading to robust yet ultimately fruitful conversations between these executives. This allows Nestlé to constantly adapt to a fast-changing environment at global and local levels.

All elements of the company’s TR policy, including salary structure, are managed within the context of “Nestlé in the Market” (NiM), a framework that ensures that rewards are applied consistently across all businesses and markets. For example, even if a global business such as Nespresso wants to launch an initiative in a particular market, the proposal is effectively discussed with the relevant market manager and then approved, depending on degree of impact, by both the head of Nespresso and the head of the appropriate group. This allows for both effective alignment and differentiation, if required, in a transparent and acceptable manner.

The company places a very high value on its TR professionals. When the new C&B operational division was planned, Nestlé mapped out every position that would exist within it in “job success profiles” that clearly identified the responsibilities and level of expertise required for each role, as well as key outputs.

Because TR involves multiple HR disciplines, TR managers need to be competent in numerous fields, including change management, communication, cost management, and IT. TR managers, therefore, need to act as “conductors” to ensure the whole orchestra of specialties plays together and creates a “symphony of rewards and recognition” that sounds great and is perceived well. Moving towards this type of talent management is giving Nestlé the bench strength it needs to drive the policy successfully.



Additionally from a C&B organisation perspective, and to ensure C&B are managed effectively, maturity profiles are produced for each Nestlé market and include nine key functional activities, including annual salary review, short-term bonus, operational support, long-term incentives, market analysis, and benchmarking. Each activity is assigned a descriptor level from one (lowest) to five (best). Markets make a self-assessment with line managers and report biennially on these scores and create action plans to help them improve if appropriate.

## CREATION OF TOTAL REWARDS POLICY CREATION AND UNDERSTANDING

A project team, comprising representatives of both key markets and globally managed businesses, helped to shape the initial TR policy. Those proposals then went through a rigorous review process — inputs were sought from HR and other functional areas — before finally being approved by executive board members. The result was a policy that was welcomed and widely accepted.

Successful buy-in to the policy has also involved ensuring that all markets were dedicated to a communication plan that eventually ensured the full understanding of appropriate employee segments. This point is stressed in Nestlé’s definition of project

scope, as is the company's powerful commitment to helping every employee grow, evolve, and contribute.

Markets also understand the need to fully grasp the nuances of the TR framework in order to create and communicate programmes that meet their business requirements.

## GLOBAL AND LOCAL REALITIES

All companies are facing new employment realities: not only must they keep pace with fast-changing global trends, but they also need to stay in tune with constant developments in local segmentation. Creating the right recruitment deal for this type of environment builds on drivers for attraction and retention (such as job security and base pay) as well as drivers for sustainable engagement (such as the need for guidance and/or leadership).

However, there is a vast difference in how different nationalities view these attraction drivers. In a recent global workforce study<sup>1</sup> of 32,000 employees, for example, job security ranked first in Australia but fifth in Japan. In certain areas of rewards, a one-size-fits-all approach may not work for Nestlé, while other areas, such as a company culture and the drivers to support that culture (behaviours, recognition), can be leveraged by a global framework that can act as a unifying driver. Companies that do not design and communicate their policies within both local and global contexts may be spending with limited benefit.

## SYSTEMIC CAPABILITIES

In order to address these new global employment realities, Nestlé leverages the systemic capabilities of design (deep understanding, wise investment, and masterful communication), IT systems, effective cost management/understanding, and a connection/commitment to the heart.

### DESIGN

Nestlé's growth engine to recruit and retain top talent is built on three simple design steps. First, C&B managers need to have a deep understanding of both rewards and costs, and also know what employees genuinely value. Second, they must invest wisely and, in order to do so, they must have access to all TR-related costs at country, group, and even employee level. Third, it is essential that they communicate with mastery — all too often, employees are unaware of what C&B staff do for them and remain unengaged.

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<sup>1</sup> Towers Watson. 2012 Global Workforce Study.

## DELIVERING KEY COMPENSATION AND BENEFITS MESSAGES

Clear and transparent communication lies at the heart of TR and should also be the hallmark of any company's efforts to engage with its staff. Large organisations run wonderful brand campaigns outlining their products' benefits, yet regularly cannot connect with the people who actually get those products onto the shelves, and they produce messages that are boring, bland, or just insufficient.

At the recent EMEA Compensation and Benefits Conference in Lisbon, Mercer's Jim Christopher discussed useful hints and tips for embarking on internal communications programmes.

### GET THE BASICS RIGHT

Being clear about whom you are talking to and why will help you craft clear and compelling messages. As a first step, think about your primary audience and its composition. Is your message aimed at senior managers or production line staff, for example? If both, tailoring your communications to different recipients will help you get your message home. Segmentation is also important for multinational organisations that need to take cultural issues into account and adjust their wording or approach as necessary.

Next, be clear about why you are talking to your staff and about your key message: are you simply passing on information (for example, new working hours) or do they need to take action (such as signing up for a new health programme)? The answer to that question will help you work out the best delivery mechanism: making use of social media may be helpful in some cases, but in others, actually handing out the information to employees in person will give HR managers the opportunity to personally connect with the workforce and also handle any immediate questions. The key issue here is global message, local delivery.

Timing and frequency are also important: if you are trying to raise awareness of a new initiative, it may be useful to talk to staff as part of an ongoing campaign that reinforces awareness rather than rely on a one-off email, flyer, or tweet.

### ILLUSTRATE YOUR POINT

Even when you know to whom you are talking and why, your material needs to be both engaging and instructive in order to really resonate with your audience. For example, the brain processes images much more quickly than it does text, so if you need to explain key facts and figures, present that information visually — try swapping text for an infographic.

Mercer has found that successful internal communications get branding right and then wrap the content around that look and feel. In keeping with the "global message, local delivery" maxim, HR teams can be supplied with a branded template into which they can insert a message targeted at local workers. If you need stakeholder support from senior managers, using a template also means that a CEO could supply a general introduction (for example) that is then followed by segmented, tailored text.

Finally, be ready to act on feedback. Not only do employees feel valued if their responses are acted on, but you can also refine your message and enhance the effectiveness of future campaigns.

## IT

To move Nestlé towards a TR solution that represents a genuine competitive advantage, different components of an operational master plan — from cost management to recognition, capabilities, and data accuracy — are needed to complement each other and work together. Companies sometimes tend to view each issue in isolation, but connectivity and leveraging are crucial, and putting a new IT system in place to help support this is expected to be a strong contributing factor to success. Implementing a new system, however, represents a considerable investment of time and money. But once up and running, many benefits are expected for line managers, employees, and corporate functions. The system is expected to facilitate transparency, be user-friendly and efficient, improve compliance, and reduce waste. Wrestling with Excel sheets should be a thing of the past.

## COST MANAGEMENT

Before policies or rewards can be designed properly, costs have to be fully understood. Nestlé is currently working to further leverage its SAP system across the organisation to facilitate better alignment and gain the required understanding in real time. The next milestone in the company's TR journey is to create planning tools.

## COMMITMENT TO THE HEART

All employees appreciate recognition and are keen to know that what they do at work adds value to the wider world; the best employers will find ways for them to do that. Nestlé is working on a global strategic recognition framework that is expected to achieve such a result.

The company also has an essential component within its TR approach of continuing to develop its volunteer programmes in a way that meaningfully connects these programmes to the company values of nutrition, health, and wellness across the Nestlé group. This will allow the company, in a highly engaging way, to further live out its principles of creating shared value by connecting the business with the local community in a meaningful and rewarding manner.

## CONCLUSION

All businesses want to create the best possible products or services. Some, like Nestlé, also want to create value — for shareholders, for employees, and for the customers they serve. They know that the more closely they can connect employees to the value-add activities of the business, the better the results and value for all.

## ABOUT THE AUTHORS

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