



# Chapter 4

## Designing a Compensation Strategy Aligning Pay With Business Goals, Job Evaluation Methods, Internal and External Equity Considerations


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## **ABSTRACT**

*Compensation strategy is a critical element in the management of an organization's human resources. It defines the approach and structure that a company adopts in rewarding its employees for their contributions and performance. Compensation goes beyond just salary; it encompasses a wide array of monetary and non-monetary rewards, such as bonuses, incentives, benefits, stock options, and recognition programs. A well-crafted compensation strategy aligns with an organization's business goals, supports its values and culture, and ensures that the organization remains competitive in attracting, retaining, and motivating top talent. At its core, compensation strategy serves several key purposes. First, it acts as a mechanism to attract skilled professionals to an organization. In competitive labor markets, especially in industries where talent is scarce, a strong compensation package can be the difference between securing a high-performing candidate and losing them to a competitor. Second, compensation plays a crucial role in employee retention.*

## **INTRODUCTION TO COMPENSATION STRATEGY**

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