

## Performance Reward Manager

### Managing Pay Increases and Bonus Payments efficiently

#### Introduction

Performance Reward Manager (PRM) has been developed by MHR Global to assist employers in managing two key aspects of remuneration programmes:

- The development and management of a transparent Incentive Programme
- The distribution of remuneration increases within an agreed budget.

The system contains two modules, which can be used either independently or together to assist employers in recognising performance and contribution through the remuneration programmes.

Both modules have been designed to work alongside the *Appraisal-Smart* Performance Management system also available from MHR, but can also be used with other Performance rating systems.

#### System Structure

Performance Reward Manager offers two complementary modules:

#### Incentive Manager:

The Incentive Manager module provides an easy to use and transparent framework for the development and management of incentive programmes.

These programmes provide for:

- The establishment of a pool of funds from which incentive payments are made
- The distribution of this funding to recognise Organisation, Team and Individual performance and contribution, or a mixture of these
- The application of different ratios of Organisation, Team and Individual performance recognition elements for different teams or work units

The module calculates individual payments based on all three elements, and provides an individual schedule detailing these payments for each employee.

#### Progression Manager:

The Progression Manager module assists employers in optimising the distribution of increases to qualifying employees, based on their current remuneration within a range, and the performance rating from a Performance Assessment programme.

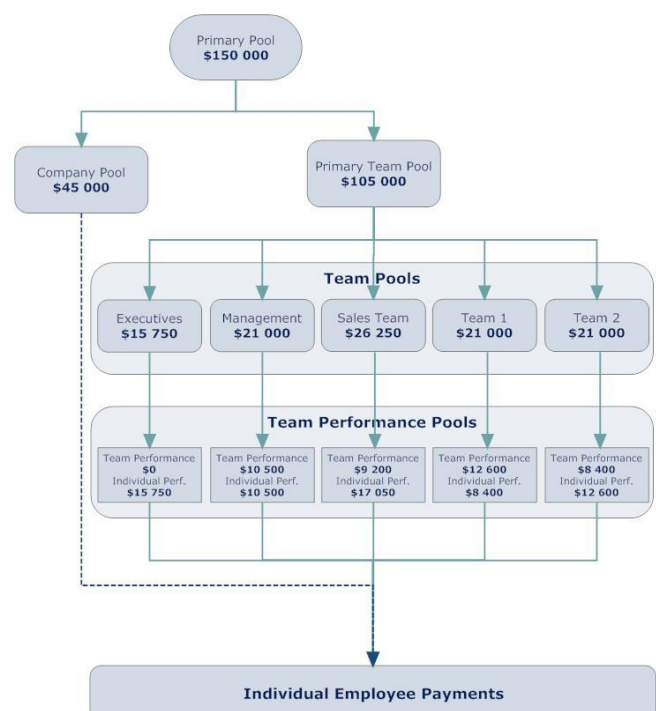
The module dynamically calculates the individual cells in a 'Progression matrix' to optimise the distribution of increases, to meet an agreed target average increase.

The impact of these increases is calculated for each employee.

#### Incentive Manager

In developing any incentive program it is important to separate the mechanism used for funding incentive payments, and the basis on which Incentive Payments are distributed.

This separation is best achieved by viewing the incentive program as a series of individual pools and sub-pools, as illustrated:



The *Incentive Manager* module within PRM supports this structure, enabling users to:

- Establish the level of funding for the Primary Pool
- Allocate this funding to the secondary pools:
  - Company Pool
  - Primary Team Pools
- Allocate the funding from the Primary Team Pool across each of the teams participating in a particular Scheme
- Maintain individual remuneration and performance records for all employees participating in a particular scheme
- Dynamically calculate the level of incentive payment for each employee, in each of three areas:
  - Company performance
  - Team performance
  - Individual Performance
- Produce a range of reports detailing the level of payments made to individuals within each team.

## Progression Manager

The *Progression Manager* module assists employers in optimising the distribution of increases to qualifying employees, based on their current remuneration within a range, and the performance rating for a Performance Assessment programme.

The Increase Distribution Model enables:

- The modelling of different levels of increase to achieve a targeted average
- Inclusion of:
  - Market adjustments to recognise movements in the market
  - Performance/contribution adjustments
- Allocation of increases based on the combined influence of:
  - Position in the Remuneration structure
  - Performance Rating from the your appraisal system

- Control of the spread of increases from highest to lowest
- Ready import of data from payroll/HR systems and Appraisal-Smart
- The model can be applied differently for different groups

The primary output is a dynamically calculated *Increase Matrix*:

**Sample Performance Matrix**  
Based on an Average 4.0 percent increase

	Performance Rating				
	1	2	3	4	5
Salary Quartile	Poor	Below Expectations	Fully Competent	Above Expectations	Outstanding
Q. 4	0.0	0.0	4.0	4.5	5.2
Q. 3	0.0	0.0	4.6	5.2	5.9
Q. 2	0.0	3.0	4.6	5.2	5.9
Q. 1	0.0	3.0	5.2	5.9	6.6

This *Increase Manager* also calculates the individual increases for each employee, based on the matrix. These calculations are automatically updated with any change to the parameters on which the matrix is based.

The system also produces:

- a schedule of proposed increases, for discussion and approval
- an individual summary for each employee.

## Comment

Managing remuneration programmes is a stern enough challenge already, without the added burden of creating effective systems for the management of incentive payments and salary increases.

The MHR Global *Performance Reward Manager* eases that burden by providing a cost effective and easy to use means of managing the distribution of both incentive payments and salary increases, based on performance ratings.

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