

Making global compensation a reality at Walmart

by Kim Fox (Hay Group) and Lisa Riley (Walmart)

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VP Global Compensation
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As the world’s largest private employer, Walmart faces compensation challenges that should not be underestimated. Since its entry into the international marketplace 20 years ago, Walmart has grown to operate in 27 countries, with more than 69 different businesses, \$135 billion in international sales, and 800,000 associates in countries outside of the US. The company has transformed from an international company with operations outside of the US to a truly global organization while adhering to its corporate mission of saving people money so they can live better.

As Walmart expanded, company leaders found it daunting to manage total remuneration in a globally consistent manner. Thirteen years ago, Walmart began working with the Hay Group on solutions. This article will share lessons learned through that collaboration.

The first issue requiring attention was the need for a global total remuneration or reward strategy. The team found several factors to consider:

Business objectives: What is Walmart’s business strategy and how does it translate into a reward philosophy? As a business striving for growth, “pay for performance” was incorporated into the reward philosophy to help drive that growth. When considering pay for performance, it was important to think about how to define that performance. Individual, team, country and corporate performance were factors to consider. Walmart considered the intent of the reward program and the purpose of each reward element (i.e. base salary, STI, LTI, benefits) to enable a strategic design that would help the company achieve its goals.

Attracting and retaining the right talent: If certain countries are having trouble recruiting and retaining talent, corporate officials need to understand why. How should the Walmart reward philosophy help correct that? To whom do these countries lose talent? Where do they recruit from? An understanding of these factors influences the reward design.

Career path and consistency: Walmart leaders asked themselves: Do we have a global way of measuring jobs and ensuring consistency in our reward packages? Is there a global approach to career pathing? Are there particular jobs that are valued differently and approached differently from a career path perspective?

Local country reward practices: Market practices around reward programs vary greatly around the world. It was and is critical for Walmart corporate to gain an understanding of prevalent practices and the underlying reasons behind those practices for each country. Local issues such as taxation, labor markets, inflation

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and talent pools impacted the success of the reward program design. This information continues to be invaluable to successfully implementing a global strategy that drives the business forward and retains flexibility with the local marketplace.

Walmart’s global compensation strategy consists of several guiding principles; the first and most important is **local relevance**. This requires that the global compensation strategy be flexible enough to adjust to circumstances of local practices while adhering to overall company objectives. Key to this principle is an understanding of each country’s reward framework and the underlying factors that influence that framework.

The other guiding principles in Walmart’s global compensation strategy include:

- **Competitive pay**
- **Pay for performance** with **design guidelines** that are simple, easily understood, tax-efficient and achievable
- **Aligning the metrics** of the reward package to key business indicators and basing a portion of compensation on pre-established goals
- Ensuring that each associate’s pay is based on measures he or she has the **ability to impact**
- Designing reward packages for leadership roles with a higher level of pay at risk for business results to ensure **accountability**
- **Aligning with shareholder value** by awarding equity to bring parallel the interests of shareholders and Walmart associates, if possible in the local marketplace.

With a well-formed strategy in hand, the next challenge was measurement against that strategy. For Walmart to transform to a truly global company, it was imperative to partner with local HR associates and global business leaders. The strategy needed their support to ensure consistent application. This required ongoing collaboration between Walmart in each local country and Hay Group consultants on the ground in each country. Walmart looked internally at comparable jobs throughout its organization to understand how they were measured globally.

Using Hay Group’s work measurement tools, a globally consistent job evaluation process was implemented to understand the size of jobs globally. This allowed Walmart to collect pay and benefits data for all jobs and pay structures. Hay Group’s total remuneration benefit valuation methodology provided the ability to measure the benefits packages delivered to associates per job level, based on current pay. This created a common framework for comparing reward packages.

To benchmark this information, the next step was to consider applicable external organizations for comparison in each country. By asking questions such as,

- “How do we attract the right talent?”
- “Who do we lose talent to?” and
- “Where do we attract talent from?”

Hay Group and Walmart have built a peer group philosophy. The guidelines are built around broad definitions of industry, revenue size, and number of employees as it relates to each Walmart business in each country. This helps create consistency in the types of peer group organizations to enhance year-over-year stability in market data.

In the past, the selection of peer groups was very narrow, chosen on the basis of company name. As companies were added or dropped, wide variances in year-over-year market data emerged. This proved difficult to design against. By forming a philosophy based on broad parameters with specificity where warranted, large market data differences were mitigated.

As always, the conclusions gleaned from the analysis will only be as good as the inputs; therefore, information management comes into play. This may sound simple and mundane, but internationally, it is a task that is anything but. In the collection of market data and Walmart data, local relevancy is again an important consideration. For example, base salary is defined very simply in the U.S., but there are large variances to this definition around the world. Some countries consider base salary to be 13, 13.33, 14, or 14.5 months of pay. It may include variables like a holiday bonus or a fixed allowance amount. In countries like New Zealand and Australia, base salary is equivalent to a fixed guaranteed amount that includes various benefits and allowances. It is important to ensure these definitions are determined up front to ensure accurate comparisons.

Lastly, it is critical to present the benchmark results in a globally consistent format that is easily understood by the executive team. The tools Walmart and Hay Group have built display the competitive position of individual and structure pay against the targeted Walmart philosophy. These tools enable executives to have a snapshot summary of the competitive positioning and the pay mix comparisons for each country.

Because focusing on the numbers will only provide part of the picture, it is important to consider the local relevance, or the story behind them. Through teamwork in each country, Hay Group and Walmart have worked hard to gain an understanding of these local nuances, such as whether the market in each country is emerging, growth or mature. The type of reward may be very different with each answer. For example, Peru is considered an emerging market where equity (as a reward tool) is not valued. However, Walmart maintains a guiding principle to align to shareholder value. In this case, the global reward strategy may need to be flexible enough to award more in base, incentives, or benefits to attract the right talent in that country.

Additionally, the local tax system may factor into reward decisions. Consider Brazil, where the tax law encourages the reward of short-term incentives. Understanding how to stretch the Walmart reward dollars to be more impactful in that local market enables the company to make smart decisions and adjust the reward philosophy accordingly. The importance of the knowledge of the individuals on the ground in each country both from Hay Group and Walmart helps tremendously with understanding the markets and their impacts on reward systems.

Each year, top Walmart executives review the market positioning and mix of the associate pay and structure pay in each country to ensure alignment to the global reward philosophy. When individual countries present requests for modifications to their reward packages, the executive team now has a globally consistent process in place with which to make informed decisions on reward packages both now and in the future.

Although this task as a whole can be very daunting and complex, the result is very beneficial. Working in partnership, Walmart and Hay Group have built a framework to manage and strategically design global compensation, which is aligned with the company's goals. As a global firm, Walmart leaders have the tools to truly understand the company's people investment and shape its future.