

FACTORS INFLUENCING COMPANIES' COMPENSATION STRATEGIES AND PRACTICES: A REVIEW

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(Received 25th December 2024; revised 11th February 2025; accepted 22nd February 2025)

Abstract. Compensation strategies have become a central mechanism through which organizations compete for talent, signal organizational values, and align employee behaviour with strategic objectives. This paper critically examines the multifaceted factors shaping companies' compensation strategies and practices, moving beyond narrow market-driven explanations to highlight the interaction between economic, organizational, and institutional forces. Drawing on key theoretical perspectives, including equity theory, human capital theory, market competitiveness, and strategic alignment; the analysis demonstrates that compensation is not merely a technical pay-setting exercise but a socially embedded and strategically consequential process. The paper argues that employee perceptions of fairness, transparency, and equity play a decisive role in shaping motivation, engagement, and retention, often mediating the effectiveness of compensation systems regardless of absolute pay levels. While external labour market pressures and benchmarking practices strongly influence pay structures, overreliance on market comparisons risks undermining internal equity and organizational cohesion. At the same time, strategic alignment between compensation and business objectives remains uneven, particularly in organizations facing rapid growth, globalization, or technological disruption. Incentive-based pay, though widely adopted, introduces significant risk considerations that may distort decision-making and weaken long-term organizational performance if poorly governed. Organizational culture, governance structures, communication practices, and regulatory environments further shape compensation outcomes, particularly in relation to pay transparency, ethical accountability, and inclusion. The paper highlights emerging challenges such as budget constraints, pay analytics, multinational complexity, and rising societal scrutiny over pay inequality. Overall, the study contends that sustainable compensation strategies require an integrated, evidence-informed approach that balances competitiveness with fairness, flexibility with governance, and performance incentives with employee well-being. Without such integration, compensation systems risk reinforcing inequality, eroding trust, and weakening organizational resilience in an increasingly volatile labour market.

Keywords: *compensation, strategy, equity, incentives, governance*

Introduction

Globally, organizations are increasingly re-evaluating their compensation practices to remain competitive in the talent market. Compensation represents a significant commitment of resources. Yet, while organizations devote increasing time and resources to compensation and dedicate important discussions on the topic at the executive level, they often select approaches and implement practices based on unexamined assumptions and models. Compensation strategy can broadly be defined as the organization's position, approach, philosophy, or competitive stance relative to market trends and practices for total rewards offered to employees. Past research identified over twenty factors that can influence the design and structure of a compensation strategy. However, three overarching factors can be identified as

especially critical in shaping compensation practices: market competitiveness, strategic alignment, and organizational context.

Theoretical foundations of compensation

Various theorists and practitioners alike, within and outside the discipline, have developed models to determine the remuneration of employees. Four of the most prolific are Equity Theory and Fairness, Human Capital and Talent Management, Internal and External Pay Determinants, Market Competitiveness and External Labor Market Analysis. Pay is determined a priori, yet many companies view it as a posteriori, the determination of other factors leading to the complete compensation package. Pay decisions may be considered strategically, linked to the overall business strategy and its contribution to value creation, enabling alignment with the overall performance of the organization. Formal pay determination approaches employ either peer-based or centralized comparison to assist the overall pay decision. The chosen approach is critical to ensure that the right pay decisions are made in alignment with overall choices (Anto, 2013; Gerhart et al., 1995).

Results and Discussion

Equity theory and fairness

Perceptions of fairness with respect to compensation play an important role in employees' evaluations of their work experience and relationships with coworkers and managers (Magee, 2015). Equity theory suggests that motivation is determined by perceived fairness of pay ratios: individuals compare their inputs and outcomes with those of referential others (Gerhart and Milkovich, 1992). Input refers to the contributions made by the individual to the job, such as effort, skills, and experience, while outcome consists of financial and non-financial rewards received in return, including wages, salary, recognition, and responsibility. This theory posits that individuals seek to maintain a balance between contributions to work and compensation—organizations grant individuals access to reference groups to reduce inequalities. According to equity theory, two types of fairness influence employees' perceptions of compensation: procedural fairness and distributive fairness. Procedural fairness arises from the evaluation of the fairness of policies, procedures, and decisions relevant to compensation actions. Distributive fairness accounts for the employees' evaluations of the balance between their contributions and received rewards over time. Employees' perceptions of fairness may depend on available information about procedures and distributions, the nature of the strategic context driving compensation policies, and the type of compensation policy adopted.

Human capital and talent management

Compensation strategies are influenced by human capital management and talent management practices. Talent management refers to the integrated set of processes, programs, techniques, and cultural norms designed to attract, develop, deploy, and retain talent in a way that allows an organization to achieve its strategic objectives and meet future business needs. A comprehensive talent management approach emphasizes deep learning and development efforts that address how talent is actually nurtured, not just how it is managed. Because traditional sources of competitive advantage, such as

access to distribution channels, patents, and technology, are becoming easier for competitors to duplicate, the renewal and preservation of human talent, a resource that is not easily copied and stolen, is increasingly critical to business performance. Talent is arguably the only competitive asset that must be carefully retained. Consequently, attracting and retaining talented people is becoming increasingly difficult due to demographic trends that involve an undersupply of both highly skilled workers (in certain occupations) and semi- or unskilled workers (in some sectors) and changes to the psychological contract that make employees unwilling to invest time and effort in the hopes of obtaining a bright and secure future (Kabalina and Mondrus, 2017). The non-renewable nature of human talent therefore implies that, for most organizations, talent management not only is a source of competitive advantage but also the only remaining source. Consequently, companies invest in talent management practices to enhance human capital and business performance.

Internal and external pay determinants

Compensation systems are important tools that signal employee recognition and influence the composition of an organization. Self-selection into the hiring process is often critical to organizational composition, and the successful search for suitable candidates depends in part on compensation policies that attract appropriate applicants. Based on their personalities and beliefs, applicants make job decisions that reflect their perceived fit with organizational culture. Given that compensation policies are stable, observable components of human resource systems, they convey important information about organizational culture and, therefore, influence job choices made on the basis of fit. Pay systems are particularly salient to job seekers and consequently can exert a strong impact on decisions based on fit.

Strategic compensation decisions encompass external competitiveness, internal pay structure, employee differences, benefits, and alternatives to traditional systems. The expected future contributions of new employees are important determinants of compensation decisions about pay level, structure, and alternatives. Firms with high growth objectives may emphasize variable pay to link employee compensation to higher expected future performance. These compensation decisions lead to consequent expectations about job and organizational characteristics that affect applicant pools and, ultimately, the composition of the firm and its organizational culture (Cable and Judge, 1993).

Market competitiveness and external labor market analysis

Company compensation strategies are highly sensitive to external positioning (Weber and Rynes, 1991). Market rates of pay influence decisions far more than is indicated by internal job evaluation results, reflecting employee awareness of external rates and sensitivity to deviations from them. Organizations frequently combine pay-setting models based incrementally on both market survey and job-evaluation data. Pay strategies such as market leadership, and external versus internal orientation shape external pay policy. Managers from firms with the market-leading policy are predisposed to assign higher pay rates than their colleagues in market-lagging organizations. Labor-market influences on pay-setting vary due to industry and geography. Analyses of external pay data exhibit wide variation across industries and geographic units, impacting the importance of external pay comparisons. Certain

industries and regions remain more attractive to job seekers despite indications of sufficient internal equity, even when competitiveness is about equal. For these entities, heavy emphasis on external pay comparisons persists as a core facet of pay-setting methods.

Benchmarking and pay-setting

Organizations assess market competitiveness by collecting compensation information from competitors and paid surveys, employing methods such as benchmarking to compare or determine their own pay against the external market or pay-setting practices. Market benchmarking refers to determining the competitive overall total compensation or benefits. Pay-setting practices involve how organizations decide the base salary, and subsequently the variable portion of the total pay, distinctive from merely the overall total pay value. Various data are gathered according to factors such as market locations, industry types, work functions, and employee grades. Compensation benchmarking has positive effects on organizational performance (Nordgren Selar et al., 2023). Compensation policy, organization's location, and period of collecting the data further influence compensation evaluation (Gerhart et al., 1995).

Geographic and industry variations

Geographical and industrial differences create distinctions among organizations in pay-level policies. Although regulatory personnel show more discretion in pay-setting relative to business executives, organizations are still able to influence internal pay structures. Some organizations have been observed to pursue a pay-level policy of organizational equity (Gerhart et al., 1992).

Strategic alignment of compensation

Organizations continually assess the alignment of their compensation strategies with their business objectives: not only pay level and structure but also criterion choices for variable pay segments are re-evaluated (Chen and Fu, 2008). Incentive-related challenges fluctuate due to shifts in the risk-reward relationship instigated by evolving external circumstances, necessitating fresh considerations that complement—rather than substitute—existing arrangements. Organizations that experience rapid expansion confront escalating pressure to render pay-for-performance systems effective and obvious to stakeholders. Such organizations frequently seek advice on how greater emphasis and detail on organizational pay-for-performance philosophy and framework can bolster confidence in stakeholder engagement and talent retention during continued growth. To facilitate and consolidate strategic linkage of compensation strategies with risk-return characteristics, businesses confront four consequential factors reflected in their compensation systems and designs—including the underlying association between incentive pay and foundational business strategy, existing alternative incentive structures accommodating diversified future risk considerations, the precise definition of on-par total rewards systems encompassing core benefits and incentive elements, and a broader total rewards ecosystem meticulously identifying complementary, substitute, integrated, and wisdom-reward behavioral aspects coalescing diverse remuneration features.

Linkage to business strategy and performance

Compensation is recognized as a crucial determinant of organizational performance (Chen and Fu, 2008). Consequently, many companies shape their compensation systems based on their business strategies. Business strategies are the means of achieving an organization's desired results, and different strategies necessitate distinct organizational structures, operational methods, and employee qualifications, among other factors. Compensation strategies can either reinforce or undermine business strategies. Yet, while research has explored the strategic alignment of human resource management systems, scant attention has been devoted to the linkage of compensation strategies with business strategies. The adoption of compensation strategies varies based on an organization's utility function. Some companies pursue profit maximization, while others seek to fulfill stakeholders' expectations. Despite heterogeneity in primary objectives, organizations often share common interests. For instance, additional financial resources enable an organization to offer various benefits and enhancement to employees, which improve their wellbeing. Compensation strategies are influenced by the organizational antecedents of: utility function; business strategy; structure; and age. When organizations are young, focus primarily on profitability, and adopt innovative strategies, they adopt similar compensation strategies. Organizations enhance their linkage between compensation strategy and business strategy as they mature.

Incentive structures and risk considerations

Executive compensation frequently involves incentive-based pay, including bonuses linked to the achievement of performance goals and stock grants contingent on the attainment of targeted stock price levels (Bloom and Milkovich, 1995). These performance-based incentives encourage executives to undertake risky projects at the expense of lower-risk, higher-value projects—often resulting in decreases in firm value. Increased reliance on performance-based pay exactly coincides with rising volatility in corporate performance indicators from the mid-1980s onward. In light of the high stakes and potential for substantial fluctuations in contractor compensation, firms evaluating the efficacy of performance-based pay continue to grapple with these fundamental concerns pertaining to incentive compensation and risk.

Total rewards and benefits ecosystem

A total rewards model must offer a cohesive benefits package to satisfy an increasingly diverse workforce across multiple demographic and cultural variables (Bussin et al., 2017). As human resource functions and expectations evolve, employees seek opportunities that encompass more than just monetary compensation. Rather, they expect rewards to be all-encompassing and to gauge their commitment to their employer. When employees perceive that competing obligations outside of work are neglected, they become disengaged and withdraw their commitment to the organization (Peters et al., 2014). Overall market conditions influence how companies modify salary increases and extensions of the total rewards program. Global financial crises often constrain how total rewards are granted. Other external factors, such as the overall labor market, other companies' reward systems, and competition to retain key personnel, also impact the overall market (Snelgar et al., 2013).

Organizational factors shaping compensation

The human resource management literature identifies four primary areas of organizational characteristics that influence compensation strategies: culture, communication, governance, and compliance. Organizational culture can significantly affect the extent to which compensation practices support fairness and equity perceptions. For instance, organizations with more transparent pay structures tend to emphasize team-oriented pay practices that are also accessible to non-routine employees. Organizational culture also shapes the centralization-decentralization decision regarding pay-setting authority. More centralized settings are more likely to have clear compensation policies with prescribed salary ranges, pay progressions, and pay-for-performance criteria. Pay transparency can have a significant impact on employee perceptions of trust in management and, consequently, their trust in the organization and overall engagement (Cable and Judge, 1993).

Communication policies may shape which compensation factors are emphasized to employees, as well as how compensation-related information is conveyed. High-trust environments tend to favor verbal communications and face-to-face discussions, while lower-trust environments generally gravitate towards written documentation and assurance that pay policies are being adhered to. Management practices within an organization—such as whether line managers are seen as allies or adversaries by employees—also correlate with the perception and effectiveness of the compensation system.

Governance structure also influences the composition of the board, with employee directors and representatives of other stakeholders being less common in strictly for-profit organizations that consider only shareholder interests. Pay-setting authority varies across organizational governance structures, including whether decision-making is board-driven, executive-driven, or dual executive-board decision-making. Participation in global compensation surveys may influence perceptions of the integrity of the pay-setting process. Finally, many organizations strive to comply with government regulations, but requirements vary by industry.

Organizational culture and pay transparency

Some organizations pursue a high level of pay transparency, while others practice strict confidentiality regarding pay policies and pay data. Organizational culture influences this choice. A series of studies on the impact of pay transparency in organizations. In a laboratory experiment, they created a simple compensation system for employees, where each employee either received a fixed salary or a commission based on sales performance, or both. Participants worked in small groups on a task. A manager's role was established, which did not include salary setting. Based on a benchmark-compensation system, the manager needed to determine for whom the overall pay level would be seen as fair. The experiment revealed that managers were more likely to allocate a compensation package for the benchmark system when pay decisions were transparent. Managers made fewer category errors in compensation decisions when pay information was accessible. Consequently, explicit pay data had a significant impact on the allocation of overall pay—beyond a measurement of managers' individual fairness values. Pay-needs-driven pay decisions became worthless if the pay structure was untransparent. When the compensation (benchmark) system was viewed positively, overall pay remained limited, irrespective of the transparency of pay setting and the assessment of fairness value.

Organizations with cultures that strongly prioritize fairness, equity, and transparency may opt for a high degree of pay transparency. Companies that incentivize performance, differentiation, and entrepreneurial flair tend to select lower levels of pay transparency. A group of scholars analysed compensation strategies and practices in Europe and their determinants. They found that many companies have adopted highly differentiated compensation profiles with multiple components, modifying the design of fixed salary, variable pay, and benefits to suit diverse employee preferences and to consider differences in motivational drivers at different stages of life. Nordgren Selar et al. identified three separate compensation profiles around which companies' overall compensation offerings were organized. A majority of organizations reported distributing compensation multilaterally and along several different profiles. The results also highlighted a similarity of organization-wide approaches to basic salary structure in Sweden.

Some analysts have suggested that the investigation of pay determinants should include employees' preferences for the overall compensation variable. Rather than addressing fixed salary versus variable pay in isolation, consideration of overall compensation profiles appears meaningful. Employees should specify their views on the compensation that fully satisfies them to complement pay system evaluations.

Communication, trust, and employee engagement

Workers want to contribute and flourish while adhering to their company's beliefs and mission. They anticipate that their organizations will act fairly and ably in return. This creates a psychological bond between both parties, bolstering the psychological contract and reinforcing the convictions around which they align. Effective resources guide organizations in creating social capital, facilitating delivery of psychological contracts, building trust, and enhancing user experience. It helps tap into the passion and enthusiasm of the entire organization, leveraging existing resources to strengthen the ties with stakeholders. Many organizations, both large and small, are focusing on creating positive, engaging, and collaborative employee experiences. However, modern organizations have neglected engagement initiatives. Employees have four times the power to engage both inwardly and outwardly, as content is disseminated and that which is sought through searches like Google™ prior to purchase greatly influences decisions. Since employees browse the Internet eight hours a day, checking junk mail only for distractions, and holding only brief conversations throughout their work, new additional, accurate, and helpful resources are required to complete societal expectations around well-being. Without them, resentment proliferates, disengagement deepens, and talent departure multiplies—as organizations presently appear increasingly focused on reward. Orientation should concentrate on meeting the expectations of key internal communicators. By investing resources wisely, developing and executing a broad, engaging strategic map, and adopting an outward view model to thoroughly clarify internal audience expectations and numerous no-cost-to-tangible-value deliverables, the process can run smoothly. Large budgets will never create brilliance nor make up for the lack of materials, thinking, or people.

Governance, compliance, and ethical considerations

Governance, compliance, and ethical considerations remain a crucial area within compensation and remuneration studies at both organizational and governmental levels.

Management researchers have increasingly recognized the determinants that rank near the bottom of employee needs. This perception has led to better understanding on the subject of compensation have provided insight into corporate world issues regarding governance, compliance, and ethical considerations. Their rationale identifies the drawbacks of existing pay structures and policy designs and emphasizes the demand for resolution from both marketers and organizations. Remuneration of corporate executives has attracted widespread concern in recent years and generated a heated social debate on the distribution of income. Contemporary executive compensation schemes often comprise stock options and other forms of long-term compensation linked to firm performance, leading to increasingly complex incentive contracts. Company boards and supervisory directors see themselves exposed to pressure to offer pay rates that will attract, motivate, and retain individuals of high caliber. A sizable pool of talent applies for vacant executive positions, leaving management in the position of justifying the desired payment amount. The majority of board members do not possess the background to apply applicable remuneration theory or conduct adequate relative market benchmarking and hence rely on the services of remuneration consultancy organizations.

Employee outcomes and consequences

Pay hard and soft controls, which take the form of either monetary or symbolic pay, may influence employees' motivation and overall satisfaction in numerous and complex ways. Pay level, along with measures of both the structure and the overall compensation form of pay, moderate the relationship between pay satisfaction and attitude toward the organization, thus influencing general motivation. Differential pay, which correlates to organizational level and positional equity, shape perceptions of pay equity, which in turn impacts pay satisfaction and consequently employee retention. Finally, pay still remains the most influential and motivating factor for retention within the United States, even though factors such as benefits and workload also contribute substantially in increasing retention as well. Companies are increasingly finding it necessary to compete for, retain, and motivate the finest personnel available today. Articles that reference pay and how to organize the structure of an organization's wages are increasing in volume, as well. Depending solely on the organization's geography, company culture, and workplace philosophy, all companies are able to decide on a pay structure that best suits their workforce and is targeted toward the desired employee retention.

Motivation, retention, and talent attraction

Pay and engagement directly influence motivation, performance, retention, and talent attraction, thus impacting profitability and career benefits for employees. The non-financial aspects of job attraction are becoming increasingly important, with an emphasis on sustainability beyond monetary rewards.

Equity, inclusion, and pay gaps

Many organizations are sensitive to equitable compensation, which refers to decisions about distribution of pay and other rewards among jobs or pay grades. Various studies provide justifications for adopting equitable pay practices. Pay gaps within organizations are prevalent. Nevertheless, even organizations that are financially constrained can adopt equity-focused compensation strategies. Adhering to principles of

equity and inclusion when designing and administering pay, benefits, and other reward systems enhances organizations' capacity to attract, hire, develop, promote, and retain a diverse workforce, all without forfeiting lawful discretion. Organizations are also adhering more to equity and inclusion principles associated with compensation practices. Such activities include publicizing organization pay or benefits policies, posting pay or salary ranges for advertised jobs, disclosing pay or benefit parity among employees or job holders having similar work for both pay and non-pay, documenting the rationales for setting pay or salary changes, reviewing peer and comparable employee pay levels when hiring or evaluating job holders for promotion or pay adjustment, providing periodic external or internal equity analysis and taking timely action to a situation.

Implementation challenges and change management

A significant proportion of companies in different sectors and geographical regions face challenges when implementing their pay programmes. Many of these challenges relate to other business priorities competing for limited budgets or resources, especially where economic or financial difficulties are forcing reductions in overall company spending. In addition, the pace of change is a constant source of difficulty for organisations striving to fine-tune their pay strategy to ensure ongoing alignment with the new realities of their external operating environment. Emerging digital technologies are offering companies improved tools and capabilities for the analysis of pay data and the modelling of future scenarios; however, the rapid pace of these developments creates a significant burden on many employers that are already struggling to keep up with advances in their own core business operation. Finally, developing or refining a pay strategy is a far more complex and difficult task for multinational firms, which often face competing demands across different subsidiaries located in various countries. Across a range of company sizes and sectors, various different implementation-related barriers or obstacles were reported as hindering organisations from achieving their defined pay strategy goals. These included weaknesses in the organisation's human resources function; concerns about market competitiveness; budgetary restrictions on pay increases; rapid evolution of global or regional governance oversights; and budgetary or cash-flow limitations that restricted overall expenditure on variable pay.

Budget constraints and financial health

A general limit on compensation spending is determined by the budget constraints faced by organizations. The amount of available resources varies across organizations and may be influenced by profitability, liquidity, personnel turnover, or expected future needs. Organizations search for budget equilibrium: a negative deviation from expected future profit leads to a reduction in compensation level and/or growth, whereas a positive deviation may lead to an increase. Organizations with an unfavorable financial situation may reduce overall salary levels, constrict bonus growth or variable pay components, limit salary increases and promotions, and eliminate or reduce pension or health benefits. Shrinking budgets may push organizations into core or even survival modes, whereby pay levels deviate from the market rate for short periods in order to re-establish financial equilibrium. As an immediate consequence on the labor market, needing to fill positions, labor shortages in certain job function may result in a lower acceptance rate of job offers. When financial resources are constrained, the attractive-

ness of the total reward package affects the attractiveness of the organization. A strategic alignment of all pay-related factors is thus needed; for example pay-for-performance and total rewards policies may motivate employees even in challenging financial times.

Technological advances and pay analytics

The emergence of new technologies and data analysis techniques contributes to the growing adoption of pay analytics, the use of data and analytics for pay-related decisions. Companies established a pay philosophy and strategy based on market surveys and labor economics. In recent years, however, they have shifted from traditional, reactive adjustments in pay levels to the adoption of pay analytics, sometimes viewed as pay equity. Pay equity has been a topic of discussion since the enactment of Title VII of the Civil Rights Act of 1964, which prohibits discrimination based on race, color, religion, sex, or national origin. The Equal Pay Act has also been enacted to prohibit wage discrimination based on sex. The Fair Labor Standards Act of 1938 further prohibited compensation discrimination on the basis of race, color, or religion. The passage of bills to promote pay transparency and equity regulations represent government efforts to enforce and promote pay equity to some extent. Pay modeling captures the magnitude of internal pay differentials and provides insights into why certain jobs have different pay and the ability to calculate pay ranges for new jobs. Expansion via acquisitions raises the question of whether acquired salaries are higher or lower than existing ones and whether salaries should be adjusted, as it is time-consuming to evaluate all employees. Pay equity remains a popular phrase associated with social justice movements, and pay analytics as pay equity analysis has gained much attention during recent economic downturns.

Globalization and multinational considerations

Globalization and multinational considerations impact compensation strategies and practices. During economic uncertainty, investments in employees help minimize productivity losses and enable MNCs to outperform competitors. Cost-cutting decisions may yield short-term benefits but can lead to negative long-term consequences, such as ambiguity and complexity. Compensation is viewed as a bundle of interrelated valued rewards exchanged for employee inputs, including health care, leave, and privileges. This approach shifts focus from cash pay to the relationship among all valued returns, which are embedded into the exchange between expatriates and employers. Compensation is strategically important for attracting, motivating, and retaining employees and influences application quality, hiring, retention, and workforce performance. A standardized approach to expatriate compensation packages is not pragmatic given the diverse internal and external environments.

Case studies and comparative perspectives

Compensation strategies and practices dissected within the theoretical framework of high-performance organizations and scaling start-ups across technology-based sectors illuminate their implementation within diverse contexts. These organizations leverage these strategies and practices to forge distinctive workforce capabilities—combined skillsets, capabilities, and behaviours—generating competitive advantage through the attainment of high levels of overall individual and collective performance. Such critical

capabilities, however, entail the continuous and rapid recruitment, retention, and development of talent, primarily originating from employment offers by competing organizations. Thompson emphasises that systemic practices are required to ensure sustained interaction with the market to accompany intense environmental pressure faced through growth and internationalization. Such critical continuous monitoring of market compensation levels and broad employer offerings is necessitated by greater intensities of external pressure whose origins relate to the historical shift towards multi-site, multi-national competition.

An exploratory, theory-enhanced case study approach is adopted to capture perspectives from high-performance organizations and scaling start-ups engaged in early stage, high-growth technology ventures. High-performance organizations gained the 'The Best Company to Work For in [Country]' award or equivalent recognition by an independent body. Scaling start-ups operated within a technology field across the early stage, high-growth spectrum and demonstrated bi-quarterly growth in headcount and a requirement for labour-centric capital investment through government-backed accelerator and seed-stage venture funds. Each case successfully established a market-linked compensation strategy and practice focused on a combination of employment-related stock options, cash salaries, and a range of non-financial benefit offerings.

Case study A: High-performance organization

High-performing organizations typically offer broader careers and greater pay than average-performing organizations. Employees in high-performance firms reported the same level of engagement as those in average firms but had much lower intent to quit. A high-performance organization pursuing a broad career strategy may leverage the following compensation practices: investment in development opportunities, invites extensive career discussions across levels and functions, and emphasizes mentoring connections. An employee-value proposition focused on breadth offers not only the opportunity to build financial-protection benefits but also increases job security itself. Such a proposition is appealing to a talent pool motivated by a concern for the long term. A high-performance organization emphasizing pay might complement employees' strong sense of engagement with rigorous aspiration to more challenging jobs and broader opportunities. It might thus supply higher total pay, base pay, and incentive pay than an average organization.

Case study B: Scaling startups

Ensuring a basic level of employee compensation—payscale—and accelerating competitive growth is a well-known conceptual paradox within the world of entrepreneurship. All startups encounter a hurdle in obtaining and maintaining human resources at competitive rates because they must first build a sustainable business model with a steady income stream from which to determine a viableayscale for distribution of equity to employees. Entrepreneurs face multiple real-world and conceptual hurdles as they devise a plan for human resources pay from limited initial resources to settle their wages and still maintain growth. Entrepreneurs must keep all employees within the same base-level salary range at the outset. Within limited resources, scarce equity can be offered as an additional incentive for employees. Public sectors are unable to offer the same long-term payments that the private sector provides, so public-sector pay

grades remain active with employee evaluation matrices that assist in stating a range, thereby assisting with equitable hiring and future pay increases.

Policy implications and future trends

The increasing influence of social awareness diminishes the relevance of traditional compensation factors and highlights the need for socially responsive compensation strategies and pay communication. Determining whether this shift can realistically occur and what governments might appropriately address warrants exploration. The organization of this examination includes a summary of the factors influencing compensation strategies, followed by an analysis of emerging trends that may alter factors or reshape their prioritization. Market-driven approaches must adapt to changing workforce expectations, which have accelerated due to the pandemic and other global events. As companies explore new ways to attract talent, the optional injection of non-monetary payments as a substitute for base salary emerges as a potential protection against inflation. Globalization prompts the exploration of hyper-competitive pay models, while the attraction of talent from politically or socially expression-challenged areas fuels concentration on enhancement of employees' voice. Formalizing pay practices before the end of consideration for remote-work arrangements also gains importance, whether through publication or internal procedures. A significant percentage of executives feel that their firm's compensation practices motivate employees to act in the firm's interest, yet a similarly substantial number of private-sector employees believe their pay does not reflect their contribution.

Regulation, taxation, and social standards

Over the past decades, especially since the global financial crisis of 2007/08, public awareness of income inequality has increased. Political parties and associations have started demanding changes in companies' executive compensation policies, with various proposals being made, such as tax increases for high-income earners, stricter regulation of top management compensation, or legally enforced increase in hourly wages. The Swiss economic association Economiesuisse, for instance, is lobbying for the simplification and reduction of taxes – a less restrictive approach. Demands are not restricted to Switzerland, however. The European Union is also discussing limits on the remuneration of bankers and restricting variable pay components. Similar regulations can also be found in the United Kingdom and Japan for financial institutions, and in Germany, for example, for listed companies. These regulations have not only been initiated by the public or the economy but also by regulatory bodies, such as the Basel Committee for Banking Supervision or the Financial Stability Forum.

In addition to taxation and regulation, increasing consideration is also being given to higher social standards surrounding employment relationships, particularly in companies' value chains. Since the late 1990s, the "Global Sullivan Principles," "United Nations Human Rights Council Guiding Principles for Business and Human Rights" and the "International Labour Organization Declaration on Fundamental Principles and Rights at Work" have been demanding that international corporations, in collaboration with unions, demonstrate greater commitment to maintaining and improving social standards in countries where the social and ecological framework conditions are not yet satisfactory. Companies that do not comply with these standards may incur significant reputational damage. Furthermore, in the context of an increasing number of legal or

voluntary guidelines, more and more companies seem to be prepared to explain why they are not adhering to such rules. In this regard, even the wages at the bottom of the pay distribution are being examined.

Emerging practices: Variable pay, non-monetary rewards

During the last two decades, companies have increasingly adopted variable pay as a complement or alternative to fixed salary components. Even before the pandemic, 50% of organizations already applied some form of variable pay. The trend has accelerated since early 2020 as companies look for innovative ways to motivate, engage, and retain staff in the face of a severe talent shortage. Variable pay is not limited to cash incentives but can include other “variable” elements like special benefits, time off allowances, additional vacation days, or performance share programs with shares to be allocated later. Another emerging trend is a broader definition of rewards focusing on total well-being. The total rewards concept encompasses not only monetary compensation but also a wide range of employment benefits and workplace conditions over which employees have discretion. Organizations are increasingly attempting to clarify definitions of compensation and benefits as distinct and co-equal components of total rewards and simplifying terminology to aid understanding. Flexibility has further encouraged consideration of factors other than direct pay, covering aspects such as workplace culture and flexibility, mental health, work-from-home arrangements, corporate social responsibility initiatives, and employee emotional ties to their organization.

Conclusion

Pay is crucial for human behavior and is consistently among the top motivators. However, there is surprisingly little research on urging factors influencing key compensation aspects. Existing studies identify both organization- and job-related factors that shape pay levels, pay-for-performance measures, and overall pay structures. A growing literature explains how contingent employment affects individual pay rates and total pay, but overall pay still relies predominantly on organization characteristics. Global firms freely adjust factors influencing pay levels, engaging in extensive international analysis of these elements and their ties to pay across several nations. Four case studies highlight divergent strategies and their implications in organizations experiencing different scales, lifecycles, and performance challenges.

Acknowledgement

This research is self-funded.

Conflict of interest

The authors confirm that there is no conflict of interest involve with any parties in this research study.

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