

FEATURE
HR

The Art & Science

OF AVNET'S GLOBAL
COMPENSATION STRATEGY



According to Avnet's global employee survey, compensation is a key consideration when it comes to what is important to employees in their careers at Avnet. Compensation has many elements, and how it is structured depends on the role, level and geographic location, as well as the experience and performance of the person in the role. At Avnet, setting individual pay is the result of a structured process designed to provide market competitive compensation to employees. This article provides an overview of the approach Avnet uses to set pay levels that support the company's ability to attract, engage, develop and reward a diverse, industry-leading global workforce.

During the past two decades, Avnet has grown substantially. In 1990, it was a \$1.8 billion U.S.-based company with 7,500 employees. Today, Avnet is a \$25.5 billion global technology distributor with more than 17,000 employees serving customers and suppliers in 80 countries around the world. As a services company, it is people who make the difference for Avnet. Every day employees come to work, they apply their unique skills, knowledge and expertise to accelerate success for customers and suppliers. How Avnet recognizes and rewards each employee in return for their contributions starts with a common global compensation strategy.

ELEMENTS OF AVNET'S COMPENSATION STRATEGY

- + Ensure Avnet's ability to attract, engage, develop and reward the best employees and promote retention of critical talent by monitoring pay levels and rewards mix, and establishing competitive practices within global, regional and local markets
- + Drive company and individual performance by encouraging and rewarding achievements aligned with Avnet's strategic goals and performance priorities, providing comparable rewards for employees producing comparable results and highly differentiated rewards for employees producing superior results
- + Improve global talent management by adopting a consistent compensation framework, aligning talent management strategies with global business strategies and facilitating talent movement and resource sharing in a manner that delivers the greatest possible business outcomes

BENEFITS

COMPENSATION

PERFORMANCE

RESULTS

GOALS

AVNET'S COMPENSATION METHODOLOGY

Avnet uses a three-step process to determine an individual's pay:

1 DEFINE THE JOB

Gain a clear understanding of the job, its responsibilities and required skills.

2 VALUE THE JOB

Evaluate general and industry-specific market surveys to define competitive pay ranges for comparable positions in the external market. The strategic significance of the role to Avnet, how the role compares to other internal roles, and the availability of resources in the marketplace are also used to define a competitive pay range.

3 CONSIDER EMPLOYEE CONTRIBUTIONS

The experience, skills, competencies and resulting performance delivered by the employee are final considerations in determining a fair and equitable compensation level.

"Setting compensation levels in a company with Avnet's geographic footprint and service offering is a complex undertaking," says MaryAnn Miller, chief human resources officer and corporate communications. "It's important to have a strategy that applies consistently to our employees around the world, but one that also takes into account local market compensation practices because we compete for talent at the local level."

THE ART AND SCIENCE OF ESTABLISHING EMPLOYEE PAY

There is both an art and a science to an effective compensation strategy. According to Terry Bassett, vice president of global HR solutions, Avnet's starting point for compensation begins with an evaluation of the individual job.

"With an understanding of the work that needs to be done, we can assess the skills and experience required to perform the work," explains Terry. "Once we are clear on the job requirements and positioning within the organization, we look for comparable roles in the marketplace using well-established market surveys, and ultimately determine the salary range for the job."

Avnet uses the Towers Reward[®] system to manage market data globally. It purchases more than 50 industry-specific and general market surveys from around the world to ensure it has validated data from several credible third-party sources. "Employees will often refer to compensation information available to the public on the Internet," comments Frank Zwecker, vice president of global compensation and benefits. "This information can be misleading as it is compiled from informal reference points without any real validation of the information provided."

In some instances, Avnet might not be able to find an exact match for a position to the survey information. This is where

the art comes into play. Looking internally and externally at positions of comparable complexity and skill requirements allows Avnet to set a pay range that is both fair and equitable.

The final step in deciding what to pay an individual employee involves assessing the experience and skill level of the person being considered for the position. For employees already in the job, their current and past individual performance is also an important factor.

MORE TO THE STORY

Employees sometimes think if they have the same title as coworkers, they should be paid at the same rate. While each position has a specific market value, individual employee pay varies within a range. When an employee starts a new job, they go through a learning process to acquire the knowledge and skills necessary to effectively meet all of the position requirements. Over time, employees have the opportunity to grow their skills, performance ratings, and earning potential as they become more proficient in their roles.

“We target employee pay at the midpoint of the range for individuals fully meeting expectations,” says Frank. “Those with less experience will be paid closer to the minimum, and those with more experience can be paid up to the maximum of the range over time.”

Regardless of experience and performance, there is a maximum pay rate for each job to ensure Avnet’s compensation is positioned competitively with other companies.



“Employees who are paid at or near the range maximum will see more limited financial rewards—likely as bonuses rather than base salary increases,” Terry further explains. “It may be desirable for employees in this situation to consider exploring other internal job opportunities if they would like to see ongoing compensation growth.”

MaryAnn notes that compensation is just one part of the total value Avnet offers employees. “There’s no question financial well-being is very important, but our global employee survey feedback tells us that compensation is just one of many reasons why employees find value working at Avnet. That’s why we’re also making investments in programs that promote personal and career development, work/life harmony, collegial work environment, volunteerism and employee wellbeing,” says MaryAnn. ■