

Case Study: Reviewing Compensation for a Global Logistics Company in China

Impacted by COVID-19, a leading global logistics company seeks guidance to upgrade its talent strategy and review the compensation of over 100,000 employees in just seven days.

In the face of economic uncertainty, it's even more important for companies to keep up with constantly changing demands and remain competitive for talent. The key way to do this is by revisiting longstanding rewards policies and practices to ensure they are aligned with the current market.

Our recent partnership with leading global logistics company reflects this growing business need, especially for industries that were hit the hardest by COVID-19. Based in China, the client is an integrated, customer-centered logistics company, providing a wide range of solutions, including transportation, delivery services and warehousing management.

Our Human Capital Solutions team helped with the client's evaluation of job value, turnover rate, external competitiveness, internal distribution and the ROI on any pay adjustments made. This work resulted in the creation of an official compensation adjustment plan that went into effect for relevant roles within the required timeframe. Our team was successful in completing the compensation performance review in just seven days and the entire project in 15. This allowed the firm to announce their salary increases prior to November 11 – an online shopping festival in China and peak season for the region's logistics industry. This date was important to meet to keep the merit cycle on track and incentivize employees for a busy and important selling season.

Below, we discuss the process in more detail and share key learnings for other organizations to consider when reevaluating your compensation programs to remain competitive in the future.

Client Situation

The logistics industry was seriously impacted by the COVID-19 pandemic. Greatly affected by the downstream effects of COVID-19, the company faced many business difficulties in 2020. To help get back on its feet, the firm decided to upgrade its talent strategy, with its main task being to evaluate the competitiveness of its compensation package for over 100,000 full-time employees. The company's request to Aon was wide-ranging and required a limited timeline of only 15 days total.

The scope of the project included the evaluation of the job value, turnover rate of the employees, external competitiveness and the internal balance of the compensation distribution, as well as the ROI of the

compensation adjustment. The evaluation was expected to cover all perspectives of the compensation package. After the review, Aon was asked to suggest the adjustment policy and related costs. Other specific requirements included multiple proposals with an ROI target to be provided to the company's chairman.

Our Approach

To meet the aggressive timeline and comprehensive review, we leveraged our analytics tool PayInsight. The online platform for compensation competitive analysis covers external compensation data, internal compa-ratio distribution, pay mix and compensation difference and provides customized analysis for C&B managers. Using the tool, we were able to achieve the following objectives:

- Assess the compensation of over 100,000 full-time employees, ranging across 13 dimensions including job level, function, gender, working experience, service period and educational background
- Conclude the project in the allotted timeframe of seven days for the compensation review and 15 days to complete the entire project
- Provide an analysis that is flexible and easy to leverage so the client can understand and effectively evaluate its compensation packages from different angles

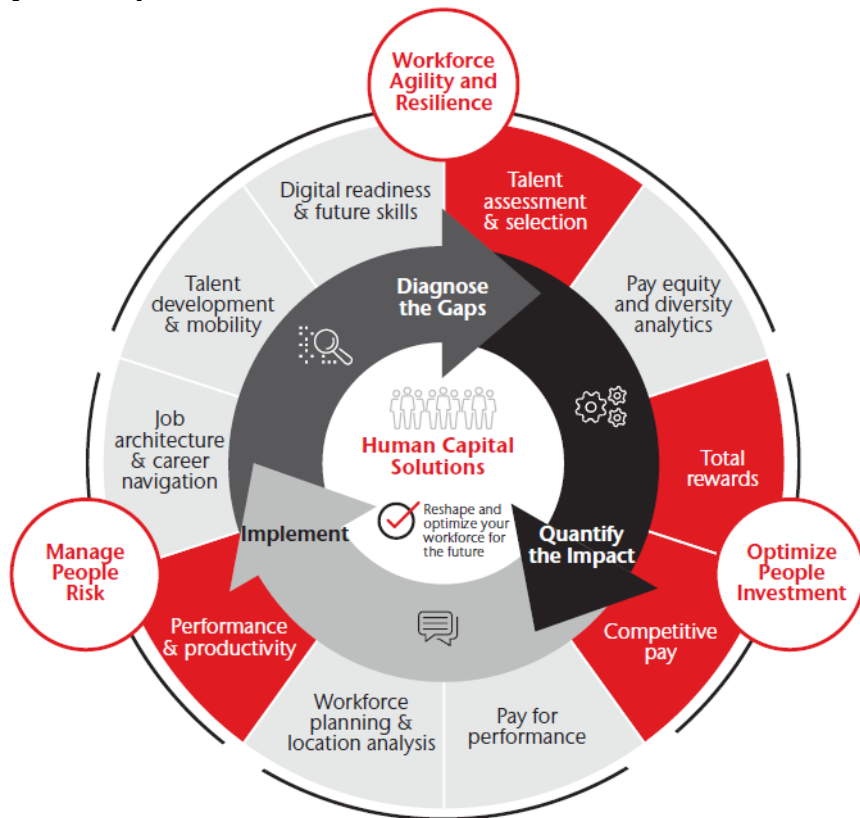
Our team began this process by gathering information from key leaders across the business, gaining insights on current pay practices and approaches, expectations, constraints and challenges. Initial research found that the previous compensation package for junior positions, like admin clerks and delivery men, was paying lower than market standard.

Committed to addressing such discrepancies and delivering on these objectives in the given timeframe, Aon partnered with the firm to create competitive compensation packages, as well as talent attraction and performance management methods.

“At first, the endeavor sounded like a ‘mission impossible,’ with such a heavy workload and an extremely tight timeline. But thanks to the team’s wisdom and hard work, as well as our digital tools, we made it. Overall, it was a remarkable experience,” said David Cao, project director of Aon.

Figure 1 illustrates the scope of this project, which was centered around reshaping and optimizing the firm's workforce for the future. The key areas that support this project are highlighted in red.

Figure 1
Project Scope and Main Focus Areas



Source: Aon Human Capital Solutions Capability Wheel

Impact and Results

Utilizing the PayInsight platform, our team was able to complete a large-scale project in an extremely short amount of time. The company plans to use its existing data together with targeted peers to gain a deeper understanding of its compensation structure and how to adjust accordingly to meet evolving market trends. The team is now fully prepared to help move the business forward and make the right compensation decisions to attract, retain and motivate the best candidates in the industry.

The logistics industry is often considered the blood vessel for China's economy, especially when e-commerce has been thriving for years. This project has established a benchmark for the industry, demonstrating what business players can do to improve efficiency and maintain competitive power when faced with challenges. A recent survey shows that the turnover rate, especially for admin clerks, has decreased significantly. Also, the average education level of new hires has gone up, meaning that candidates with higher educational levels and skills are now interested in the firm after completing this project.

Next Steps

The logistics sector, like many other industries, is undergoing tremendous change due to the impact of COVID-19. To compete in this new business environment, where consumer demands are constantly shifting, companies need to ensure they have a strong foundation for rewarding their employees. Having a dedicated and engaged workforce that is prepared for the future means having a strong business.

Through our partnership, this leading global logistics company gained a deeper understanding of its current compensation structure and what improvements and adjustments needed to be made now and down the road. With this newly acquired information, our client is one step closer to implementing a go-forward model to competitively reward its future workforce.

To learn more about Aon's PayInsight platform or how we can help review and revise your compensation plans, please write to rewards-solutions@aon.com.

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About Human Capital Solutions

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