EXPLORING THE IMPLICATION OF REWARD STRATEGIES ON TALENT ATTRACTION AND RETENTION IN STARTUP FIRMS: THE CASE OF PANMEDICS

by
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Last but not the least, I place a deep sense of gratitude to my family members, especially my husband and four angels, and my friends who have been a constant source of inspiration during the preparation of this project work.
The purpose of this paper is to explore the implications of rewards strategies on talent attraction and retention within the context of startup firms in Lebanon. This project looks at PanMedics, a pharmaceutical startup company privately-owned, founded in 2013 in Lebanon, with operations across the Middle East. Given the challenges and constraints that PanMedics and other startup companies in the region face, this paper reveals the most salient factors shaping the design of a reward strategy in startup firms. In addition, it discusses the implications of reward strategies on talent attraction and retention, and in light of the research findings, proposes a roadmap to guide startup companies in designing their reward strategy in order to address the contemporary issue and predominant challenge of attracting and retaining the top talent needed for their successful business inception.
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To

My Beloved Family
CHAPTER I

INTRODUCTION

As the world economy evolves and grows moving forward, so does the reliance on human capital for ensuring growth. There is a direct relationship between global economy advancement and the importance of human capital (Dooney, 2006). Organizations all over the world are becoming highly dependent on human capital to remain competitive in the global economic arena because of the unique set of skills, talents, and knowledge inherent in human capital (Afiouni, 2013; Dooney, 2006).

A study conducted by Bersin & Associates, a Human Resources research and consulting firm indicates that organizations have spent around 124 million dollars in 2011 on recruitment programs (McGrory, 2011); however those organizations are still failing in attracting the best talents, rewarding their top performers, and retaining their employees.

Through time, companies have realized that high performing people work for more than just the pay. Accordingly, new reward solutions need to be developed to provide growth opportunities, positive work environment, and recognition, along with base pay, incentives and benefits. A win-win situation should be established between the employees and the organizations, which would send a clear message: High performance is rewarded (Zingheim & Schuster, 2007).

Traditionally, organizations tended to pay all of its employees the same irrespective of their performance. So when this approach failed in differentiating between high and low performance, they resorted to a different perspective (Zingheim & Schuster, 2007). Thus Total Rewards’ concept was born, a holistic approach that
includes all types of rewards—direct and indirect, intrinsic and extrinsic. The Total Rewards strategy allocates reward resources in a manner that directs the business to the successful execution of its objectives (Manas, Todd, Graham & Dennis, 2002). Therefore, aligning HRM policies, which includes rewards with business strategies, enables businesses to adjust to the changing competitive environment (Barrett & Mayson, 2007).

“Startups are an engine of economic renewal and change around the world” (Cusumano, 2013). Startup firms are a complex entity that can be affected by many factors (Kotey & Slade, 2005). They tend to have informal HRM practices, and their ability to attract, motivate and retain employees depends mainly on the firm’s performance and growth which allows them to offer competitive salaries and the proper suitable rewards for employees. They foster employee commitment, by resorting to the flexibility in providing additional time off, offsite training, and promotions (Barrett & Mayson, 2007). On the other hand, it was evident in a study made by Kotey & Slade (2005) that although having formal processes may hinder the startup productivity by limiting its flexibility in adapting to the firm’s strategy, owners of such firms need to be aware that a certain balance in practicing HRM processes need to be maintained to ensure a sufficient command.

Reward strategies play a major role in defining the company’s capability to attract qualified candidates, to retain talented employees, and therefore to accomplish greater levels of performance (Fay & Thompson, 2001). The literature recommends that there is a strong need for startup firms to more carefully recruit and retain employees if the firm evolution is to be sustained (Barett & Mayson, 2007). Reward strategies in startup firms are in constant evolution following the firm’s growth. The pay mix, a major component of a reward strategy, has shown to vary systematically as
an organization moves from the growth stage to the mature stage of the corporate life cycle (Balkin & Gomez-Mejia, 1984).

A key question for any startup company when it comes to making compensation decisions, is determining what kind of reward strategy will attract and retain key talent needed for the launching and the success of the startup without jeopardizing the limited financial budgets (Tibbetts & Donovan, 1989). Startups are, by necessity, required to carefully evaluate their reward strategy by considering how it affects their cash flow. At the very beginning of a business, efforts are usually made to keep cash compensation at the very minimum. In addition, compensation decisions determine the organization’s position on the labor market by directly impacting its competitiveness, reputation, and image.

The central bank, Banque du Liban, published in 2013 what is known by Circular 331, a plan that consists of 400 million dollars dedicated to enhance the Lebanese economy, which encouraged banks to fund these startups and support them in their early stages (Executive Editors, 2014). This has been granted mainly because Lebanon has the human resources but lacks the means to support startups, thus these funds were behind the initiation of many startups (Anderson, 2014). A World Economic Forum report in collaboration with Booz & Company, classified Lebanon to be “Entrepreneur Haven” having 27 startup initiatives in 2011. This is because Lebanon is considered to be an open country that interacts widely with the rest of the world especially the West, thus exchanging and developing ideas which in turn created “an entrepreneurial supportive ecosystem” (2011).

According to the World Bank Group (2013), Lebanon has a rank of 111 out of the 189 countries found around the world and has a rank of 10 out of 20 with respect to the Middle East when it comes to the ease of doing a business. When it comes to
starting a business, Lebanon ranks 120 out of 189 with respect to the world and 12 out of 20 with respect to the Middle East.

**Research Aim**

Given the importance of startup firms in Lebanon and their potential role in the country’s economy, this project aims to investigate the impact total reward strategies have on talent attraction and retention in startup firms in Lebanon.

When it comes to the topic of total rewards, or startup companies, much research has been conducted exploring these fields mostly independently. This paper combines the two fields, looking at total rewards strategies of startup companies particularly in Lebanon. This topic hasn’t been tackled from this angle knowing that such research will guide and direct startup companies in shaping their total reward strategies. Given the broad spectrum that total reward strategies in startup firms could cover, the aim of this project is to explore the implication of reward strategies on talent attraction and retention within the context of startup firms in Lebanon.

Rewards have been remodeled over the past 90 years in order to support innovation, excellent performance, flexibility, and maintain priority for companies’ business needs (Sandelans, 1994). This suggests the importance of rewards in driving results for the business, a key factor in the survival of startup firms. Exploring the topic further focusing on Lebanon, being part of the Middle East which is considered to be an understudied geographic region (Sidani & Al-Ariss, 2014), would certainly be of added value to the survival of Lebanese startup firms.

**Research Objective**

Drawing on a thorough literature review and a qualitative study, this paper will
tackle the following questions in the objective of meeting our research aim:

- What are the most salient factors shaping the design of a reward strategy in startup firms?
- What are the implications of reward strategies on talent attraction and retention?
- In light of what was aforementioned, what would be the optimal reward strategy for a startup firm?

More specifically, this project looks at PanMedics, a pharmaceutical startup company privately-owned, founded in 2013 in Lebanon, with operations across the Middle East. The researcher has disguised the company’s name and other identifying information for confidentiality reasons. Ease of access to the leaders of this company, due to the fact that the researcher is one of its employees, in addition to the business model whereby several businesses are managed under one group, were reasons for selecting PanMedics for this paper.

PanMedics is characterized by its young, dynamic, and experienced workforce, and by its fast growing business. Given the recent establishment of PanMedics, a full-fledged reward strategy has not yet been enacted; however, PanMedics is at a stage of setting the foundation for a solid HR department. While this might appear to be a luxury today given the low headcount, a highly functioning HR organization will be vital for the rapid growth and the anticipated business size. Given the challenges that PanMedics faces in terms of environmental and economic factors in the region and the constraints of limited cash flow, this paper will focus on how PanMedics and startup companies, in general, should design their reward strategy in order to address the contemporary issue and predominant challenge of attracting and retaining the top talent needed for their successful business inception.
CHAPTER II

LITERATURE REVIEW

Total Rewards

A total reward is not considered to be a new concept (Petruniak, Wyatt & Saulnier, 2003). Throughout history, employers have been challenged by attracting, motivating and retaining employees from the simplest barter systems of centuries to the current complex incentive formulas of today. Organizations have identified, during the 1970s and 1980s, that planning and designing well-defined and strategic compensation and benefit programs could give them an advantage over others especially in a rapid changing environment. During the 1990s, organizations experienced remarkable and unique challenges that have urged business leaders to find ways to improve not only effectiveness, but also efficiency and marketplace feasibility. This is when the concept of total rewards first appeared. It has challenged some of the traditional thinking behind compensation and benefits especially that it was believed to be based on the approach of a one-size fits all according to the WorldatWork Association (Sullivan, 2009). It has also challenged HR professionals, who are specialized in compensation and benefits, to restrain costs and obtain better business results by designing and executing improved formulated changes shaping the new generation of compensation and benefits (http://www.awlp.org/awlp/about/html/aboutus-whatis.html).

One cannot deny the fact that the majority of companies, today, are aware of the importance of total rewards. This is evident in the 2005 Strategic Rewards study conducted by Watson and Wyatt and WorldatWork, where 70% of employers already have a well-placed total reward strategy and 17% are in the process of developing one.
Sullivan (2009) also stated that organizations gave credibility and importance to this issue when they witnessed that having well designed and versatile programs gave them a competitive edge over others. That’s why it is now considered to be a strong tool in attracting, motivating, and retaining employees which improves in achieving their business performance.

**Definition**

The concept of total rewards has been established in the 1990s by the WorldatWork, previously known as the American Compensation Association (Armstrong & Cummins, 2011). They produced their first model in 2000 and was amended in 2006 (Christopherson & King, 2006). Only flexible and startup companies were able to swiftly adopt these concepts. However, other firms faced a lot of resistance especially when it came to its organizational structures and cultures, which played a role in slowing them down and prohibited them from proceeding forward (http://www.awlp.org/awlp/about/html/aboutus-whatis.html).

Total rewards is acknowledged to be an approach to reward management that focuses on the importance of considering all forms of valuable work experience given to employees combining both the financial and non-financial facets into a holistic issue (Armstrong & Cummins, 2011). Reward Programs communicate in their design and application the values and expectations of an organization (Fay & Thompson, 2001). Different total rewards models have been proclaimed during the past decade. Each of which had its own distinct approach, yet all models identified the importance of obtaining improved business results by utilizing different programs and practices to satisfy the organizations’ employees (http://www.awlp.org/awlp/about/html/aboutus-whatis.html).
In addition, in the past, rewards were generally associated with pay, benefits and training only, yet, in the present, rewards include: pay (base pay, short and long term incentives, cash profit sharing), benefits (retirement, health, work life programs), careers (skills enhancement training/development, career advancement/promotion, employment stability) (Gross & Nalbantian, 2002).

WorldatWork (2000) has defined the concept of total rewards to be “All of the employer’s available tools that may be used to attract, retain, motivate and satisfy employees. This encompasses every single investment that an organisation makes in its people, and everything its employees value in the employment relationship.” Vicky Wright, CIPD vice-president, reward, and Ernst & Young partner, has defined total reward at the CIPD National Conference 2001, as “an approach to providing a ‘package’ of reward to employees in ways that optimise employee satisfaction with reward from their work, and which does this in such a fashion that the employees’ contribution to the employer is optimised at an acceptable cost.” Whereas, Aon Hewitt 2012 Total Rewards Survey defines total rewards as “everything an employee gets from the employer that they find rewarding” (i.e., compensation, benefits, learning, development, etc.). Armstrong and Murlis (1988) state that reward strategies are established in order to help employees in reaching business objectives through applying reward practices and policies.

Finally & Hiles (2009) defines total reward strategy to be “a focused game plan that allocates resources and tailors activities to achieve a target performance level within a prescribed timetable.” He adds that reward strategy plays the role of defining the following steps that an organization needs to use to have a specific guide in helping it in future decision making (Hiles, 2009).
Components

Rewards can be evaluated using a framework of five key elements: direct financial, indirect financial, affiliation, career, and work content (Mulvey, Ledford & LeBlanc, 2000). A reward can be intrinsic or extrinsic. The intrinsic variables include achievement, recognition, the work itself, responsibility, advancement, and growth. The extrinsic variables include company policies, company culture, management styles, salary, work conditions and security (Bassett-Jones & Lloyed, 2005).

The financial part of extrinsic rewards is divided in direct and indirect financial elements earned by employees in return for labor rendered for the company. Direct financial element or the monetary components can include but are not limited to base pay, adjustment and merit pay, cost of living, incentive, and a variety of cash allowances. Indirect financial elements include among other benefits leaves, retirement plans, and educational compensation (Renard, 2008).

There is not a single set of total rewards components, these vary from one model to the other. Hay Group’s model concentrates mainly on the organization’s values and its ability to motivate its employees through: the provided opportunities to grow, quality of work being performed, work life balance, tangible rewards, while Towers Perrin’s model consists of pay, benefits, learning and development, and the working environment (Sullivan, 2009).

According to Lyons & Ben-Ora (2002), total reward strategy include base salary, variable pay (short and long term incentives), other compensation, prerequisites, benefits, performance management. They added that it can also include other employee-related politics such as career development, training, and coaching (Lyons & Ben-Ora, 2002). As for Stoskopf (2004), total reward strategy includes: compensation (base pay along with short and long term incentives), benefits (health, welfare, and retirement
benefits), career opportunities (career ladder programs and training), culture (leadership style found in the organization and level of employee involvement), and work environment (physical environment, schedule flexibility, and work life balance programs). Others, such as Zingheim & Schuster (2000), stated that total reward components can be classified into four categories which are: convincing future, encouraging workplace, individual growth and “total pay”.

**Theories behind Total Rewards**

In past times, cash rewards were paid most attention. However, nowadays, survey has shown that it is no longer the case. According to a survey performed by Nelson Motivation, Inc., San Diego, California in 2002, the employees’ motivators’ ranks in descending order are as follows: a learning activity, flexible working hours, verbal praise, increased authority, autonomy, time with their manager, time off from work, public praise, choice of assignment and written praise. What is remarkable is the fact that cash rewards’ rank was 15th in importance (Reynolds, 2005).

Several theories have been developed over the years. One of these theories is that of Maslow’s. In 1943, Maslow has proposed a theory named “Maslow’s Hierarchy of Needs”. He suggested that motivation is a function of five basic needs which are: physiological, safety, social needs, self-esteem, and self-actualization. He portrayed it in the shape of a pyramid where physiological needs are located at the bottom of the pyramid and self-actualization is located at the top. One cannot go from one level to the other unless the previous is satisfied. So, the physiological needs must be satisfied first then safety needs until self-actualization is reached (Kreitner & Kinicki, 2007).

Another theory was that of an American psychologist named Alderfer. He came up with his own theory based on Maslow’s Hierarchy of Needs theory. It was called Alderfer’s ERG theory which states that people have three types of needs which
are: existence (physiological and safety needs with respect to Maslow), relatedness (social needs with respect to Maslow) and growth (self-esteem and self-actualization with respect to Maslow). However, the difference between Maslow and Alderfer is the fact that one can satisfy a higher level need without having satisfied a lower level need (George & Jones, 2002).

Herzberg established Hygiene Theory of Motivation or The Two Factor Theory. He stated that there are two factors at the workplace that will lead to the satisfaction and motivation of employees. These factors are: Hygiene factors and Motivators. Hygiene factors are considered to be the dissatisfiers whose absence will lead to dissatisfaction while its presence won’t lead to motivation. They are extrinsic needs (example: wages and salaries). While motivators are considered to be the satisfiers found at the workplace. They are intrinsic needs (example: recognition and achievement).

Expectancy Theory, which is designed by Vroom, consists of three main dimensions which are: expectancy, instrumentality and valence. It states that employees need to believe that their effort will lead to performance. Their performance will eventually lead to obtaining reward. This reward should be of value to the organization’s employees.

It’s vital for employees to have their needs satisfied, but that is not enough. They like their organization to treat them all justly. Adam’s Equity Theory focuses mainly on the organization’s fairness established at the workplace. Knowing that employees tend to compare the inputs they are dedicating to the work they are performing with the outputs they are obtaining from their organization, a balance should exist between the inputs and outputs of employees as compared to others (Drafke & Kossen, 2002). Thus, employees should be aware of the total reward strategy, which is
incorporated in the organization, to be the one providing justice. Whenever there is an imbalance, employees get dissatisfied and unmotivated. That’s why, equity between the ratio of output and input with respect to the same person of the same qualification in the organization itself and outside the organization should exist.

It has been evident that organizations have established different models for total rewards in order to create an enhanced “employer brand” (Armstrong & Murlis, 1988). For instance, Giancola (2009) have presented the simplest model consisting of 5 components: compensation, benefits, work-life balance, performance and recognition, development and career opportunity. While IRS (2004) model consists of three components: fixed reward, performance related rewards, and environment related rewards.

Managers and scholars are using total reward strategy more and more as a modern reward management method. For it to work completely and adequately, it needs to be implemented and evaluated throughout time. In case it was properly integrated, organizations will gain significant profits. This will be because the performance of staff is improved through better decision making process that are solving existing or even expected compensation problems (Zhou et al., 2009).

**Why Do Companies Need a Total Reward Strategy?**

The purpose of reward strategy is to develop policies and practices which will attract, retain and motivate high quality people (Armstrong, 2003). Money is a major factor, which allows employees to assess the value the organization places on them in comparison to others. In this context, organizations have an obligation to develop viable and comprehensive compensation strategies which will be attractive to potential employees (Nwokocha & Iheriohanma, 2012).

Organizations frame a set of organizational characteristics such as reward
programs, business outlook, culture, and values as a strategy to attract top talent in the market (Rynes & Barber, 1990). An organization's reward structure is a pillar in the description and differentiation of one organization to another in the eyes of the applicants (Bretz Ash & Dreher, 1989). Having its total reward programs superior or comparable to competition is acceptable for an organization provided that the reward strategy is unique to the organization. Focusing on this uniqueness and its benefit to the organization and workforce will result in a strong, competitive advantage (Hiles, 2009).

Brown (2005) agrees that reward strategy is a way of thinking that can be used with all sorts of reward problems in order to get valuable results. Reward strategies are designed differently because each organization is distinct from the other. The same applies to employees for they determine rewards depending on their race, ethnicity and culture (Giancola, 2008). Consequently, total rewards strategies should be aligned with the business strategy and should be well communicated to all employees of the organization (Lyons & Bin-Ora, 2002).

According to Gross & Freigman (2004), total reward strategy plays a main role in helping organizations adopting an effective reward package that takes into account the total costs, thus proposing appealing investment of reward dollars. So when an organization is in the situation where it has to make compensation decisions, strategic process becomes really helpful (Jiang, Xiao, Qi & Xiao, 2009). Hence, total reward strategy is accountable for compensation decision making as well as employees’ performance. They also found out that in order to sustain an effective total reward strategy, it is essential to have reliable info and analysis to improve compensation decision making and enhance decisions’ impact (Gross & Friedman, 2004).

Silverman & Reilley (2003) discovered in their study that the better the fit between total rewards and corporate strategy, the more likely to have successful reward
schemes. Acquiring an effective communication system assists employees in understanding the reward structure. It also helps them in understanding their own contribution to the organization and the rewarding process that comes along. So, even if the organization established a perfect reward structure, it is subject to failure if it is not communicated well to employees (Lyons & Ben-Ora, 2002).

Organizations nowadays usually use different digital media (such as interactive PDF files, speedy links, etc...) to avoid poor communication (Rowley, 2009). But there are still organizations that do not have access to the internet, so they tend to use print media (such as posters, pay slip information, etc...) or use the technique of individual briefing as Lyons & Ben-Ora (2002) stated. They insisted that management must find and use the best communication tool that best suits the organization itself.

Zingheim & Schuster (2004) declared as well that senior management should be aware of the importance of communicating and educating their employees about all the conversions that are made when it comes to rewards. Employees’ engagement in this whole process is basically a must. This will simply ensure success.

Rapid growth can be a disruptive force to the management of human resources in an organization. A rapidly growing startup business will face many challenges, and to surpass these challenges the HR strategy should be flexible enough to address them. Important decisions have to be taken fast as the job demands will be in constant expansion, bearing in mind the scarcity of financial resources. Accordingly, all of the above should be accounted for when designing the reward strategy of the startup in order to support the organization’s growth goals (Balkin, 1988). Well-designed reward programs offer employees a long-term perspective on the business, which contributes to retaining employees and giving them a common goal for which to strive (Welbourne & Andrews, 1996). Finally, these programs designed at the early stage of a startup
positively affect short term success, and long-term survival of the firm (Collins & Porras, 1994). Research has shown that an organization’s performance is partly dictated by the point to which compensation practices underpin and support corporate strategies (Gomez-Mejia, 1992; Miles & Snow, 1984; Youndt, Snell, Dean & Lepak, 1996). The quality of the human capital is predominantly vital in the setting of entrepreneurial firms and startup businesses because it determines the firm’s success (Ireland, Hitt & Sirmon, 2003; Shrader & Siegel, 2007; Snell & Dean, 1992).

Conclusively, it can be understood that each employee, being a human being, has his/her own needs which organizations should comprehend if they want to succeed in their short and long term objectives. Money is not the only motivator for employees to be motivated, work harder, and achieve goals. There has been a shift through time and organizations have been able to differentiate between what was called compensation systems, the classical and traditional systems, versus what is now called total rewards, a more holistic concept that serves organizations well, not only in attracting employees but also in motivating and retaining them.

**Startup Companies**

**Definition**

Startup companies have been given several definitions by different sources. Natalie Roehmehd, from Forbes Magazine, has gathered some of these definitions from different resources. For example, Neil Blumenthal, cofounder and co-CEO of Warby Parker defines a startup to be “a company working to solve a problem where the solution is not obvious and success is not guaranteed.” While Ayah Bider, founder of littleBits, defines it to be “something new -- a process, a product, a category, a business model, an ecosystem. No matter what it is, it has to have not existed before.” According
to Adora Cheung, cofounder and CEO of Homejoy, she states: “It’s when people join your company and are still making the explicit decision to forgo stability in exchange for the promise of tremendous growth and the excitement of making immediate impact.” As for The American Heritage Dictionary propose that it is “a business or undertaking that has recently begun operation” (Robehmed, 2013).

Business dictionary defines startup to be the “Early stage in the life cycle of an enterprise where the entrepreneur moves from the idea stage to securing financing, laying down the basis structure of the business, and initiating operations or trading.” It is an evolving process whereby securing financial resources, attracting talents and developing the business are carried out simultaneously that gives its own identity (Brush, Kolvereid, & Widding, 2010).

Startups go through several stages. The first stage is the nascent phase that is the one preceding having sales and revenues. The second phase is the newness phase where the firm is trying to survive by gaining sales and facing challenges to be able to achieve performance later on. The third phase is the growth phase where the organization is looking for further opportunities in the market and expanding its resources (Gartner & Brush, 2006).

**Challenges**

According to modern entrepreneurship research, business creation has shown to have various barriers especially when related to securing the needed capital and ongoing finances (Grünhagen, 2008). Welbourne & Andrews (1996) observed that HR decisions taken early in the life cycle of a company affected the firm’s survival after five years. According to Founders’ initial model of HR practices, compensation has a far-reaching effect and influence on the firms’ survival (Baron, Hannan & Burton, 1999). Startups are, by necessity, required to carefully evaluate their compensation
strategy - taking into consideration what would be its effect on their finances and on its ability to attract and retain talent. At the very beginning of a business, efforts are usually made to keep cash compensation at the very minimum.

In order for businesses to grow and flourish, they have to face certain challenges. According to the RBC Royal Bank survey in 2005, startup businesses usually face several main challenges such as the ability to find qualified employees to do the job, the ability to work long hours, and the ability to maintain a balanced workload. However, one of the most important of the above mentioned challenges is attracting and retaining talented employees. That’s why startup businesses should pay attention to the following issues: Startup companies need to look for talent everywhere without restricting themselves to a certain region or center. They need to find this talent and encourage new talent to participate in a team effort. This can be done by making the level of work challenging and interesting enough and by treating newcomers as late founders through presenting a decent equity (Devaney & Stein 2011).

**Talent Attraction**

Talent attraction, or what was known as ‘the battle of talents’, is not a new phenomenon. However, a huge shift has occurred in the last decades. In the past, tangible assets were reported to form 80% of the average company revenue. Whereas nowadays, the staff itself forms the same corresponding value. There has been a gradual imperceptive shift, but when these small changes are compiled, it clearly shows that significant social transformations need to be dealt with, which is why talent attraction is becoming more of a global phenomenon as well as a strategic element for all businesses fostering growth (Sporre, 2013).

Talented people tend to seek the organizations which will best provide them with the experience they are looking for along with the most advantages. An
organization with an impressive reputation, for example, can attract talent at any level especially if it has the ability to provide an outstanding career paths, competitive financial rewards, etc. However, because the image and the reality are not interchangeable, these large reputable companies have a high turnover rate (Glen, 2007).

According to Deloitte and Human Capital Leadership Institute (2012), people from different environments and backgrounds, can be viewed as a valuable asset, but present somewhat of a challenge to employers when offering a homogenous reward system. Bolander (2010) suggests that in order to attract talent, organizations need to present a competitive image. This can be achieved by offering challenging work, competitive salaries and benefits, talented management as well as a talented workforce, and a flexible work environment.

Unfortunately, many organizations face challenges regarding these conditions. Some fail to make the work interesting and exciting. Others face the strain of keeping up with competitive salaries and benefits offered in the industry, all of which enable employees to perform the work expected from them, and not just meet their basic needs. Attracting talented management is also a challenge especially when it plays a main role in making an employee’s life easier. Moreover, talented people tend to like working with similar talent. In practice, that is not always easy to do. In addition, offering a flexible work environment may not be possible in all industries which can in turn deter employees, especially those who are talented (Bolander, 2010).

Therefore, we can deduce from all of this that these attractive initiatives and benefits have been developed over the past decades. It is no longer about moving to a more attractive job, it is rather about moving to a job where other factors come into play, such as family security, child-care, work-life balance, which provide a certain
quality of life for employees (Sporre, 2013).

In this case, startup companies can benefit from what is stated above. According to The Wall Street Journal, startup businesses need to realize the advantages they have over large reputable companies. They usually have less bureaucracy, more job diversity, more opportunities to develop close relationships between employers and employees (who are more likely to be treated like a family). They also offer more opportunities to grow, and increased flexibility (http://guides.wsj.com/small-business/hiring-and-managing-employees/how-to-hire-your-first-employee/).

For instance, Jason Freedman, co-founder of 42Floors, states that aspiring ‘superstar’ companies should avoid using the regular hiring process that includes applications and interviews. In addition, Jason Baptiste, CEO of Onswipe - a platform that helps publishers in formatting their content on tablets, indicates that startup companies need to highlight the challenges they will be working on and sell this as their mission. Startup companies have a better opportunity with recent graduates because they tend to care more about problem than earning big money, unlike those who are working in larger companies that would have established a certain competitive salary (Devaney & Stein, 2011).

On the other hand, Naval Ravikant, founder of startup advice site Venture Hacks, states that startup companies need to offer a considerable equity to attract talented people especially if they are liable to look at other job offers. They need to treat them as late founders by offering valuable equity. Robert Greene, founder of GreeneSearch, agrees with Ravikant that startup companies need to offer a substantial equity along with good salaries to be able to attract talented people. In addition, he says that people are not working below their market value when choosing to work in a startup company. Moreover, a startup can evaluate a potential employee and offer a job
more quickly than large companies, such as Google and Facebook, where hiring takes a longer time (Devaney & Stein, 2011).

Talent Retention

Attracting talent for startup companies is an important aspect. But what is much more important is retaining these talents. In order to retain employees, organizations need to provide them with a long term commitment by giving them good reasons to stay. By having open communication between management and workforce, treating all talents in the same manner, being reasonable, and able to look at employees’ needs beyond the company, and being open to suggestions, organizations are better equipped to retain their employees (Bolander, 2010).

According to William & Scott (2012) in the Harvard Business Review, “5Rs” defines employee relationships with their employers: Responsibility, respect, revenue-sharing, reward, and relaxation time. Organizations have an obligation towards their employees if they want to sustain a high level of performance: monetary and non-monetary rewards need to be offered to employees to build a positive culture, whereby the employee is trusted, respected, appreciated, and adequate responsibilities need to be assigned to them enabling the acquisition of new skills and fostering career advancement in order to establish a strong stable culture. They also mention that part of the employees’ wages should be attached to the company’s performance, thus strengthening retention (Williams & Scott, 2012).

Elena Bajic, a contributor in Forbes Magazine, a leading source for reliable business news and financial information, defines 6 steps to retain employees being: communication, coaching, setting clear key performance indicators, leveraging performance reviews to gain insights into employee’s goals and aspirations, creating growth opportunities, and finally underscoring positive feedback with something
tangible. Following this model, organizations need to communicate with their employees through verbal and nonverbal communication, give them authority needed to perform their jobs properly, and establish a well-defined matrix that employees can identify with and understand so that they know on what basis they are being evaluated and rewarded. In addition, employers need to consider employees’ career goals and progression by promoting from within whenever this is possible and provide outstanding performers with tangible rewards other than monetary ones (bonus, salary, equity) (Bajic, 2013).

Taplin, Winterton & Winterton (2003) conducted a study which confirmed that rewards have positive relationship with employee retention. Furthermore, in another study conducted by Fay and Thompson, it was apparent that rewards succeeded in reducing turnover provided there were noticeable payouts, and the employees perceived the program as fair and equitable (Fay & Thompson, 2001). Turnover is an important factor for organizations because it is highly costly. Researchers have argued that a high turnover rate affects the firm’s profitability (Hogan, 1992; Wasmuth & Davis, 1993).

However, many organizations face challenges in retaining their talent. Most are, for instance, not able to have open communication or are unable to make their employees feel that they are part of the team. This is a huge issue for talented people whose good ideas need to be recognized and whose disagreements should be respected. Another challenge is when managers don’t treat employees fairly. Knowing that employees are human beings with concerns other than work, and not allowing them to deal with these issues is an additional concern. The above will only drive talented employees away (Bolander, 2010). When it comes to talent retention in startup companies, Crom (2008) states that giving an effective employee orientation tends to reduce costs as well as increase employee retention rates. The employee orientation
The PanMedics’ Case

should include five components: introduction, logistics, company basics, procedures, and inspiration. Startup companies need to give new employees information about the company, its organizational chart, its communication guidelines (emails, phone numbers, extensions etc.), a brief of the different departments that exist, its HR policies (holidays, sick leave, attendance etc.), and advertising videos to be able to familiarize themselves with the company (Crom, 2008).

The Middle East Context

This project focuses on reward strategies in the context of startup firms in Lebanon. These firms have an obligation to recruit the best talent, bearing in mind the insufficient financial resources to pay employees competitively because of the immediate need for funding the operational requirements of the business, which must supersede employee compensation (Tibbetts & Donovan, 1989). When focusing on studies concerning Lebanon, very little literature is conducted in the field of rewards in HRM. However, most literature that is found on talent management in the Middle East is basically related to GCC countries such as Saudi Arabia, Kuwait, Oman, etc. (Mellahi, Demirbag & Riddle, 2011; Mellahi & Budwar, 2007; Sidani & Al-Ariss, 2013). Furthermore, the special issue of the Journal of World Business (Volume 46) issued in 2011 focusing on talent management in the Middle East, included the article “Gaining legitimacy through hiring local workforce at a premium: The case of MNEs in the United Arab Emirates” by Ingo Forstenlecher & Kamel Mellahi. This article reviews the level of adopting local talent legitimately and the challenges this poses to multinational firms in the UAE. These MNEs need to be aware of the fact that in order for them to develop and grow, they have to be more involved socially and politically in the host country. Considering the high unemployment rate in the UAE which is 12.6%
companies that employ nationals increase their chances of being favored by the government and are more likely to achieve legitimacy than those that don’t. The UAE government has played more of an encouraging role for MNEs to employ local workers rather than forcing them. So by doing so, they would be gaining a competitive advantage over other companies, armoring themselves against vulnerability, and giving themselves the opportunity to acquire valuable resources that play an important role in its survival.

Another article in this issue on Human Resources is “The Razor's Edge: Managing MNC affiliates in Iran” by Ebrahim Soltania & Adrian Wilkinson, focused on international assignments with a closer look at multinational enterprises (MNEs) in Iran. These multinational companies tend to employ emigrants to fill key management positions for the development of the organization. These managers do face challenges especially when they have certain stereotypes about the Iranian culture. Even if they do exhibit good technical and managerial skills, that doesn’t mean that they are able to succeed in achieving organizational objectives. This is evident especially that there is a huge difference between the headquarters of the company and the host country Iran, which is realized to have a high context culture, i.e. they mainly depend on multiple cross-cutting ties and on informal communication that creates a long term relationships with different groups found in private and public sectors.

In addition, the more recent special issue of the Journal of World Business (Volume 49) issued in 2014 and focusing on Talent Management, included an article by Sidani & Al-Ariss entitled “Institutional and Corporate Drivers of Global Talent Management: Evidence from the Arab Gulf region” is relevant to this paper as it reviews the talent management from an attraction, retention and development perspective, presented in a totally different and very special context - the one of the
Arab Gulf countries. It states that the discovery of the oil in these countries has led to the flood of foreign workers from nearby countries. Through time, the number of foreign labor has increased tremendously from 9 million in 1990 to around 21-22 million in 2013. They constitute 73% of the working force causing a huge problem in the Middle East countries such as UAE and Qatar. Although governments are trying their best to invest in the education sector, yet it is evident that these countries will still be dependent on foreign labor knowing that the locals are unable to fit the rising demand for talents. This has made some countries implement certain policies that oblige companies to hire a certain percentage of local labor, thus creating a major challenge. Companies are spending so much effort to attract and retain talents, but the return on investment is not really worth it.

From the above review of these articles, we noticed that much is said about talent management and MNEs in the Middle East but none of the aforementioned articles tackle issues concerning startups in Lebanon.

The Middle East has been going through a lot of turbulence in the last couple of years, which has affected it not only politically, but also economically. Having such an existing troubling situation in this region makes it more challenging for startup companies to be established. Such companies aiming to be established in this current turmoil need to have an effective total reward system in order to attract, retain and motivate talent. These talents are mainly recognized based not only on their skills but also on their education that helps enrich companies through providing innovative ideas, for example, supported with the required knowledge that helps in their implementation.

In the Middle East, there is a great value placed on education and lately, people are giving education immense attention. Hence, the number of educated people has been increasing tremendously throughout the years. Governments of certain countries such as
Kuwait and Kingdom of Saudi Arabia are even paying their people money as an incentive for education. The latter total government expenditure on education amounted to 27.6% between 2002 and 2005, and the combined gross enrollment ratio for primary, secondary and tertiary education was 76%. As for Kuwait, the combined gross enrollment ratio for primary, secondary and tertiary education in 2005 was 74.9%. 12.7% of total government expenditure was on education between 2002 and 2005 out of which 31% on pre-primary and primary education, 38% on the secondary and post-secondary and 30% on tertiary education. In the United Arab Emirates, the combined gross enrollment ratio for primary, secondary and tertiary education in 2005 was 59.9% and 27.4% of total government expenditure was spent on education between 2002 and 2005 (AHDR, 2009).

Education, which is defined as “the building block of human capital” (Dirani, 2006) is a sector that people highly invest in. Many work and study at the same time, and since education is given priority, it is not surprising that the literacy rate in Lebanon is 87% (Banque du Liban, Ministry of Finance, Lebanese Customs, Ministry of Tourism, IDAL, UN agencies, Chamber of Commerce & Association of Engineers and Architects, 2012). According to the Arab Human Development Report (2009), the combined gross enrollment ratio for primary, secondary and tertiary education in 2005 was 84.6%. 11% of total government expenditure was spent on education between 2002 and 2005 out of which 33% on pre-primary and primary education, 30% on the secondary and post-secondary and 31% on tertiary education. There is a negligible difference when it comes to gender enrollment ratio of the primary, secondary and tertiary education level. Lebanon had 83% educated males and 86% educated females in 2005 (AHDR, 2009). When comparing Lebanon to the above mentioned Arab countries, it can be concluded that although Lebanon has the lowest government
expenditure allotted to education, it has the highest gross enrollment ratio for primary, secondary and tertiary education.

Nabih Berri, the Lebanese parliamentary speaker, stated that Lebanon’s biggest problem is the lack of job opportunities for fresh graduates. As a result, they tend to go abroad to avoid remaining unemployed (The Daily Star, 2010). This has been always the case in Lebanon where highly educated people migrate especially to the Gulf region to get employed (Ohrstrom, 2007). Unfortunately, Lebanon is losing an estimate of 20,000 of highly skilled employees per year due to the absence of job opportunities. This is why it is of great importance to take drastic effective measures to reduce this phenomenon until we close the gap between higher education and employment (The Daily Star, 2010).

Professional experts with high level of specific expertise are rare to find, and if identified, would be living outside Lebanon, working in more stable countries, as in most cases, Lebanese startup companies cannot afford to pay them the competitive salaries they seek. Lately, Lebanese talents tend to be attracted to the Gulf countries which are currently booming, making the retention of talent in Lebanon a more challenging task. These talent-migration tendencies are called “exogenous drivers” of global talent management challenges (Sidani & Ariss, 2014). So providing appropriate and well-studied total reward strategies, those not only including competitive salaries, but all other components of total rewards, would help in attracting and retaining talents.

With all these above mentioned issues taking place in the Middle East, startup companies that tend to invest in such a region have lots of challenges when it comes to attracting talents and retaining them.
Introduction of PanMedics Business (Pharmaceutical Startup)

PanMedics is specialized in a wide range of pharmaceutical and diagnostic solutions, such as manufacturing of generic products as well as the sales marketing and distribution of medical equipment and pharmaceutical products. The company is operating as well in the diagnostics and personalized medicine sector, in addition to designing and selling intelligent software solutions to other pharmaceutical companies. The company formed partnerships with respected international firms to bring exceptional integrated solutions to the Lebanese community, and it is managed by a team of qualified experts. PanMedics represents many entities in one, four solid divisions supporting an integrated whole. Each entity has a different focus, and yet they all seamlessly complement and support one another.

Vision and Mission

For any company to exist, it has to have a vision and a mission. A vision is considered to be a global concept. It simply sets a certain picture that demonstrates the direction and future of the social enterprise. It communicates an inspiring philosophy that motivates stakeholders of the social enterprise to face challenges in order to achieve its goals successfully (Alter, 2000). According to Foursight Consulting Group Inc., vision statements need to be “clear, concise, catchy, and memorable”. The vision of PanMedics aims at having an impact on the community by extending the access to global health solutions.

On the other hand, the mission statement is considered to be the “description of an organization’s overall purpose” (Foursight Consulting Group Inc., 2006). It is what sets the guidelines of the employees’ actions and communicates what strategies to follow to attain the goals and objectives of the enterprise (Alter, 2000). The mission statement of PanMedics is to act as leaders of innovative solutions and market access in
the pharmaceutical and diagnostic products field.

PanMedics is shaped by the following values: Innovation, proximity, ambition, and know-how.

**Current Reward Strategy at PanMedics**

When it comes to recruitment, PanMedics’ strategy is attracting highly qualified professionals with substantial experience in the fields of diagnostics and pharmaceuticals and insight in Lebanon. They seek talented individuals who are driven by the cause of improving people's lives through accessible healthcare solutions.

PanMedics’ is not yet at a stage to have a reward strategy implemented due to the little human resources forming its structure within the human resources department and at other departments as well. The management has all the intention to build a competitive reward strategy for PanMedics that would differentiate it from all similar businesses in the pharmaceutical domain. For this to be possible, the management is aware that adequate resources and sufficient time should be allowed in order to design and put in place PanMedics’ reward strategy as well as ensure its successful implementation.

As of today, PanMedics adopts a classical compensation plan comprised of fixed elements: basic salary, transportation/car allowance, schooling allowance, and meal and parking allowances for field force employees only. There is also a part of the package dedicated to variable elements which is the bonus for support functions, and the incentive schemes for field force employees, however, the details of the schemes are not yet developed.

Only technical and strictly job related trainings have been extended to certain employees, given in-house by the specialists such as medical and marketing managers. Budgets will be allocated for hard and soft skills training and development initiatives,
but this will come when the turnover of the company allows for it.

The environment is very friendly and team oriented, yet we can sense the challenge and the pressure of the startup success governing every business initiative or discussion. The team is highly committed and ready to dedicate their utmost for the achievements of the business objectives, while believing in the leadership of the executive team in place which was a major attraction for many of the recruits.
CHAPTER III
METHODOLOGY

Research Design

Qualitative research is mostly used to clarify and interpret issues. It helps in having a better understanding of the nature of variables by giving meaning to the world and making it visible (Denzin & Lincoln, 2000: 3). One of its characteristics is learning more about research participants’ social situation and their past experiences. Another aspect is having a small sample that is selected intentionally on the basis of a specific criterion. In this manner, data collection methods create a close relationship between the researcher and the participants, where interaction is involved, leading to the exploration of rising issues. Along with that goes the fact that data is very detailed and considerable making the analysis rich and well developed (Ritchie & Lewis, 2003).

Though a combination of quantitative and qualitative research can be used to conduct social research, there are times where qualitative research is the only approach to answer a research question. This depends on the complexity of the subject matter which requires having specialists or experts that are more likely to give distinctive perspective to the issue being discussed. Qualitative research also depends on the intangibility that certain subjects have knowing that they can be hidden, and on its sensitiveness leading to the use of well-designed questions that help people in expressing their thoughts (Ritchie & Lewis, 2003).

All of the mentioned above applies to this research project being subjected to different concepts (such as talent attraction, talent retention, and total rewards) that need to be addressed to find the relationship that exists between them. That’s why experts in
this field have been interviewed in order to take a holistic perspective on this issue.

More specifically, this study relies on a single case methodology (Yin, 1994) which is mainly used to explore new aspects of behavior that are not well understood thus answering how and why certain events occur. It gives an overall view of the process being discussed and more meaning to unclear situations. The fact that it uses theories and concepts helps in directing the research being done and analysis being conducted from the data (Meyer, 2001).

Within the case method, we resorted to triangulation approach especially that it uses different techniques when dealing with a certain phenomenon (Flick, 2014). It also acts as a guide when using qualitative input, thus helping in establishing a practical and realistic metric program where data is collected from several sources and in multiple aspects (Klubeck, 2011). As defined by Denzin in his textbook on qualitative methods, there are four sorts of triangulation: ‘data triangulation’, ‘investigator triangulation’, ‘theoretical triangulation’, and ‘methodological triangulation’. Data triangulation refers to the use of different resources when studying the same aspect. Investigation triangulation corresponds to the use of different investigators when studying the same characteristic. As for theoretical triangulation, it stands for the use of distinct theoretical models in the same research. Moreover, methodological triangulation is using numerous methods when studying the same issue (Bloor & Wood, 2006).

In this project, methodological triangulation was adopted, as we reviewed various data types to collect information and have a deeper understanding of the subjects being studied. This was done mainly by collecting data via interviews in addition to secondary data analysis where the objective was to maintain consistency as well as having flexibility to collect additional observations (Forstenlecher & Mellahi, 2010).
Interviews are the best approach to be used knowing that we have a small group to interrogate. So it is more feasible to ask the management team knowing that more accurate results can be achieved.

The semi-structured interview is a suitable data collection technique for the purpose of this project for several reasons. Semi-structured interviews are commonly used when conducting qualitative research to comprehend the motives that lead people to act in particular ways and to generate ideas in order to improve or change a practice (Harvey-Jordan & Long, 2001). Qualitative interviewing is a flexible and powerful tool to record the opinion and the ways people give experiences meaning (Rabionet, 2011). Choosing the semi-structured form allowed us to expand and explore ideas to be considered in the design of PanMedics reward strategy.

Secondary data, which is data that has been already gathered, studied, interpreted and made available from other resources, has also been conducted (White, 2010). This data is of valuable information for this project was public industry specific compensation and benefits results from industry recognized surveys and reports. This was a cornerstone in reviewing what are the practices and the components of reward strategies being offered on the market. They were reviewed and analyzed to identify top market trends specifically the pharmaceuticals in the Middle East.

- **Sample**

For the purpose of completing a systematic analysis of the literature covering the importance of reward strategies in driving business results for startup companies with practical exposure linked to PanMedics, eleven semi-structured interviews were conducted with the management team of PanMedics, and one interview with a compensation and benefits expert from the Middle East to collect relevant data. Hence, in addition to the literature review, and the examination of best practices, information
was collected from the executive team of PanMedics regarding the importance of rewards and its relevance to their respective divisions or departments. The interviewees were initially introduced to the project by an e-mail asking their time to interview on this topic. The e-mail indicated the topic of this project, the amount of time commitment required for the interview, and the reasons why it was felt that their input would be of value to the project. Prior to interviewing, it was explained that no responses were to be attributed to the corresponding interviewee, and that any reference to their past and current employers will remain confidential. This was done to encourage participants to freely discuss possible sensitive business issues without compromising the confidentiality of the data and information being shared.

The eleven interviewees for this study were management committee members of PanMedics who come from a variety of background with experience in Management, Marketing and Sales in the Pharmaceutical sector. They were not solicited to provide any data or information that is specific to people within their teams. Rather, and to avoid any ethical conflicts or issues, the focus was on getting their input vis-à-vis best reward and compensation practices in general.

An additional interview was conducted with an expert in the compensation and benefits field from one of the largest global human resource and related financial services consulting firm, operating internationally in more than 40 countries. The interviewed participant has extensive experience in the Middle East. The below table provides a snapshot of the sample’s demographics.

In addition to the interviews, PanMedics’ business plans and 5-year budgeting plans were reviewed, as well as Towers Watson compensation and benefits 2013 survey results for the pharmaceutical industry sector in Lebanon.
The PanMedics’ Case

Table 1.

Sample Characteristics

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<th>Yrs. of experience</th>
<th>Area of Specialty</th>
<th>Gender</th>
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Data Collection Instruments

Research Site

All the interviews were conducted inside the interviewees’ offices at PanMedics premises. The interview of the consultant was conducted by telephone.

Invitation Process

All the interviewees were informed by email messages sent to their professional addresses. The email explained the objective of this study. They were asked to sign an Informed Consent Form for their participation in the study that included: the purpose of the study, disclosure of risks if any, benefits of this research, privacy/confidentiality, who will access the data, who has access to the identity of the participants, their rights to withdraw at any point, and the consequences of withdrawal. All participants were not identified in the study but instead were coded.
Interview Questions

Following are the questions which were used in the feedback collection:

- What is your vision for PanMedics? (Probe: to what extent talent is key to the achievement of your vision?)
- What are the company’s anticipated challenges over the next five years (probe about talent attraction and retention if not mentioned among the challenges)?
- To what extent is compensation/reward strategy important for attracting talent in a startup company (probe: to what extent have you been successful in doing so in your company)?
- To what extent is compensation/reward strategy important for retaining talent in a startup company (probe: to what extent have you been successful in doing so in your company)?
- What is a top priority for you right now: attracting and retaining talent or cutting down labor cost (probe how about in the future and why)?
- What are the most salient factors that you take into consideration when designing a compensation/reward strategy?
- Given the company’s vision and objectives, do you think it would be a good idea to lead the market, match the market or lag the market in terms of compensation policy?
- Given the company’s vision and objectives, what would be a best compensation approach: merit pay or performance pay?
- In your opinion, what constitutes the optimal compensation architecture for a startup company (probe: base pay, short-term incentive pay, long-term incentive, merit pay, etc…)?
Data Analysis Process

After completing the data collection from the publicly available sources on the market and through semi-structured interviews, it was transcribed verbatim and then analyzed using a thematic analysis on Microsoft Excel. Uwe Flick in his book “An Introduction to Qualitative Research” defines thematic analysis to be a process used to recognize, examine, and document themes within the data collected providing us with a wide range of interpretation of the topic being researched (Flick, 2014). It is a way to highlight the significant and frequent themes found in the data in a clear manner thus consolidating the research findings in the form of headings (Dixon-Woods, Agarwal, Jones, Young & Sutton, 2005).

In order to meet the research aim and answer the research questions, a thematic analysis has been conducted where the data collected from the interview was coded and analyzed to find specific patterns that have occurred providing a path for identifying themes (Gavin, 2008). The identified themes were then categorized in the objective of condensing it into simple clusters to facilitate the analysis. We began the analysis by examining each question on its own and clustering the interviews’ data into broad themes. Next, we took each theme and grouped the similar information into main categories. A further step was applied to the statements within each category assigning similar statements to sub-categories. Once completed, we looked at the thematically analyzed data from a holistic perspective by taking each theme across all the interviews’ questions. This led to the identification of a number of similar subcategories that were grouped together under one subcategory giving the data more meaning and value (see Table 2).
CHAPTER IV

RESULTS

Table 2 and Table 3 denote the thematic template obtained as a result of the analysis highlighting the main themes, categories and subcategories identified through the content analysis of the eleven interviewees from PanMedics and from the consultant’s interview respectively. Table 2 also includes the number of sources that mentioned this theme as well as the number of occurrences a particular theme was stated and by which participants.

Table 2.

Thematic Table

<table>
<thead>
<tr>
<th>Themes</th>
<th>Categories</th>
<th>Sub-categories</th>
<th>Sou.</th>
<th>Ref.</th>
<th>PIDs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Role of Talent in Business Vision</td>
<td>Challenges</td>
<td>Cutting down labor cost is not a priority for a startup</td>
<td>11</td>
<td>19</td>
<td>1,2,3,4,5,6,7,8, 9,10,11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cash flow is a major challenge</td>
<td>5</td>
<td>5</td>
<td>1,2,4,6,8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Generating new business to survive</td>
<td>4</td>
<td>7</td>
<td>1,7,8,9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Positioning the business as a major player in the market</td>
<td>4</td>
<td>6</td>
<td>3,4,9,11</td>
</tr>
<tr>
<td>2. Reward Strategies</td>
<td>Design</td>
<td>Adopt pay for performance strategy</td>
<td>9</td>
<td>9</td>
<td>1,2,3,6,7,8,9, 10,11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Being aligned with market practices</td>
<td>8</td>
<td>13</td>
<td>1,2,3,4,5,6,7,11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Flexibility and creativity in the design are critical to attract and retain talent</td>
<td>4</td>
<td>12</td>
<td>4,5,6,9</td>
</tr>
<tr>
<td></td>
<td>Financial Compensation</td>
<td>The package should include short and long term incentive</td>
<td>11</td>
<td>11</td>
<td>1,2,3,4,5,6,7,8, 9,10,11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Profit sharing gives employees a partnership feeling</td>
<td>4</td>
<td>7</td>
<td>1,2,5,11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Base pay is a priority</td>
<td>3</td>
<td>4</td>
<td>1,4,10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Introduce deferred sign-in bonus</td>
<td>2</td>
<td>2</td>
<td>1,4</td>
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</table>
Table 2.

“Continued”

<table>
<thead>
<tr>
<th>Themes</th>
<th>Categories</th>
<th>Sub-categories</th>
<th>Sou.</th>
<th>Ref.</th>
<th>PIDs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Career Development</td>
<td>Development, learning, and career advancement opportunities attract and retain talent</td>
<td>7</td>
<td>18</td>
<td>1,2,4,5,6,9,10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employees stay if they have room to act as Entrepreneurs</td>
<td>3</td>
<td>3</td>
<td>2,5,11</td>
</tr>
<tr>
<td></td>
<td>Challenges</td>
<td>Employees might leave due to the difficulties a startup could face</td>
<td>4</td>
<td>4</td>
<td>3,5,10,11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Coping with the heavy workload and constant changing environment make people leave</td>
<td>4</td>
<td>4</td>
<td>1,5,6,10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A solid reputation facilitates attracting talent</td>
<td>3</td>
<td>3</td>
<td>4,6,11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ambiguity of the future could make people leave</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Impact of Rewards</td>
<td>Money is important but it is not the sole attraction and retention tool in a startup</td>
<td>5</td>
<td>7</td>
<td>1,2,3,4,5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Clearly communicated rewards strategies are important in talent attraction</td>
<td>4</td>
<td>6</td>
<td>6,8,9,11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Offering the possibility of partnership drives attraction</td>
<td>2</td>
<td>2</td>
<td>4,6</td>
</tr>
<tr>
<td></td>
<td>Profiles of Candidates</td>
<td>Average employees have difficulties succeeding in startups</td>
<td>7</td>
<td>8</td>
<td>1,2,5,6,8,9,11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Flexible profiles are needed to adapt to the constant change</td>
<td>4</td>
<td>6</td>
<td>1,2,4,6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Attracting candidates with the right profiles speeds up results</td>
<td>3</td>
<td>3</td>
<td>7,9,10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>High sense of urgency and hard work are needed in recruited candidates</td>
<td>2</td>
<td>3</td>
<td>3,10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>People with operational mindset strategic vision and entrepreneurship are key</td>
<td>1</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Company Culture</td>
<td>People join a startup and stay if they believe in its leadership team</td>
<td>5</td>
<td>8</td>
<td>2,3,5,6,9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A culture of flexibility helps in retaining employees</td>
<td>2</td>
<td>2</td>
<td>2,4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Engagement drives retention</td>
<td>2</td>
<td>2</td>
<td>4,6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Delivering on commitments at recruitment makes employees stay</td>
<td>2</td>
<td>3</td>
<td>4,6</td>
</tr>
</tbody>
</table>
Table 3.

Expert Thematic Table

<table>
<thead>
<tr>
<th>Themes</th>
<th>Categories</th>
<th>Sub-categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Role of talent in the Business Vision</td>
<td>Challenges</td>
<td>High salaries drain startup budget</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Attracting and retaining talent is more important than cutting down labor cost for the growth of the company</td>
</tr>
<tr>
<td></td>
<td>Design</td>
<td>Employees are taking a risk to join so the payoff should be high</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Market position in terms of pay should be leader or at market but never behind</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Payoff should be tied to success of the company</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Startups should opt for performance pay</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Design the total mix not just basic salary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Consider total reward approach</td>
</tr>
<tr>
<td></td>
<td>Financial</td>
<td>Short term and long term incentives are highly needed</td>
</tr>
<tr>
<td></td>
<td>Compensation</td>
<td>Benchmarking against peer companies is necessary</td>
</tr>
<tr>
<td>2. Reward Strategies</td>
<td>Career</td>
<td>Learning, development and growth opportunities should be part of the package</td>
</tr>
<tr>
<td></td>
<td>Development</td>
<td>High incentives are needed to attract</td>
</tr>
<tr>
<td></td>
<td>Impact of</td>
<td>Difficult to attract talent due to absence of market place recognition, growth history and market share</td>
</tr>
<tr>
<td></td>
<td>Rewards</td>
<td>Key factor due to the lack of the brand recognition as a good employer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Key factor to compensate the limited career development opportunities in the early stage</td>
</tr>
</tbody>
</table>

Out of this analysis exercise, three themes emerged which are: Role of talent, reward strategies, talent attraction and attraction. In the following sections, we will summarize each theme alluding to the respective categories and subcategories.

**Theme 1: Role of Talent**

The participants described the vision of PanMedics each in his or her own way. The answers revolved mainly around PanMedics being the distributor of choice through
its diversified business model, creating value in the market where it operates, and establishing affinity with patients and communities using its products by offering innovative and accessible healthcare solutions. During the interviews, talent was identified as having a major role in achieving the business vision. All the participants emphasized the importance of talent when it comes to meeting business results. This was evident from the key terms they used when responding to this question:

- The vision of PanMedics is leading a new model for Regional Health Solution Providers. In order to accomplish such issue, talent, in this case, is key for operational positions. (PID 3)
- Talent is the secret ingredient. (PID 10)
- The expert shared the same opinion as the management of PanMedics confirming that talent is the vehicle by which startup companies achieve their plans and grow:
  - Talent is very important. It should work towards achieving the strategic objectives of the startup which are derived from the vision of the organization. (PID12)

**Theme 2: Reward Strategies**

For the second theme, rewards strategies were discussed in depth with the objective to uncover the factors that affect them especially in a startup setting. The following three categories were apparent: Challenges, design of reward strategies, and financial aspects of reward strategies.

**Challenges**

When asked about challenges facing startup firms, five main subcategories emerged: Cutting down the labour cost is not a priority for a startup; cash flow is a major challenge, generating new business to survive, and positioning the business as a major player in the market.
Cutting down the labor cost is not a priority for a startup

All the participants mentioned that cutting down cost is not a priority in the startup phase: According to most interviewees, this is a strategy that would come at a later stage when the business begins to mature, because at the beginning the startup is still at the investment phase and spending on talent attraction and retention is considered to be an activity with high return on investment. This was mentioned twenty times during the interviews:

Attracting and retaining is our top priority because we are not yet in the era of cutting cost. In the future, probably, I will optimize the cost but not at the expense of the talent. (PID 1)

We are still in the investment phase; we are losing money in order to make money later. We are not yet in a P&L phase. We would worry about labour cost when we end the investment phase. When we reach breakeven point, or start making profit then we would consider. (PID 5)

Cash flow is a major challenge

Half of the interviewees (Six participants out of the twelve) mentioned that cash flow represents a major challenge when it comes to reward strategies in startup firms. This is the challenge of every startup as it has limited financial capacity and is not yet at an income generation stage. According to some participants, this will remain as a challenge for at least the first two to five years:

The challenge in the first five years is to manage the working capital that we have versus the available business opportunities. (PID 2)

So, we need to create the balance between the financial challenges and limited resources. (PID 4)

Generating new business to survive

Four participants have stated the challenge of generating new business to survive seven times, this being necessary to ensure the survival of the business. It is a contributor to the existence of the startup in the markets where it operates and competes
The PanMedics’ Case

with prior more established businesses:

- Deliver multiple types and sizes of business intelligence projects up to our customer’s satisfaction. (PID7)

- Be able to partner with well-established agents/distributors in different countries. (PID9)

**Positioning the business as a major player in the market**

Four of the interviewees have indicated the challenge of positioning the business as a major player in the market, and this was repeated six times. To differentiate itself from other companies, the startup needs a well-studied positioning approach which will contribute to building its image and reputation and as a result would have a direct implication on its performance:

- Our main challenges, because we are a startup company, will be to position ourselves as major player in the market. (PID 4)

- Establish PanMedics as company with multinational approach in its different legal entities. (PID 11)

**Design of Reward Strategies**

When we tapped in the design of reward strategies of startup firms, three main subcategories emerged: adopting pay for performance strategy, being aligned with market practices, flexibility and creativity in the design are critical to attract and retain talent.

*Adopting a pay for performance strategy*

Another salient factor that was identified is adopting a pay for performance strategy which was declared by nine of the participants. It is of great importance because it pushes employees to work harder with the objectives in mind, since achievement means higher rewards to them. Pay for performance would as well secure the progress of the startup by ensuring enough funds that would allow the rewards to be granted:
Performance pay in startup companies would be a suitable compensation approach as it will push employees to perform at a higher pace and this would in turn ensure achievement of the company vision and objectives. (PID 9)

Performance pay should be chosen by startup firms. So whenever the company succeeds, payoff is there. (PID 12)

*Being aligned with market practices*

Nine of the interviewees have noted that the reward strategies should be aligned with the market practices; they could as well lead, but definitely never lag the market. Many have differentiated between the fixed elements of rewards and the variable elements, stating that a startup should lead in terms of variable elements, to compensate the gap in the fixed elements:

- We should match the market on the fixed elements and lead on the variable elements. (PID1)
- Match the market in terms of compensation and lead it in terms of rewards. (PID 7)
- It is essential to benchmark against other peer companies. We should either match the market or lead it but should never be behind. (PID 12)

*Flexibility and creativity in the design are critical to attract and retain talent*

Four participants have mentioned, at least three times each, that flexibility and creativity in the design is a key to attract and retain talent. Startup firms need to design reward strategies that are simple, flexible, and unique to the organization. Given the constantly changing environment of the startup, adopting flexibility in the design would be valued in the future and would facilitate the adaptation of the reward strategies to the newly introduced changes:

- We were successful; mainly due to the created differentiation from the market due to our flexibility and mind-set (we have the standards of the multinational, but maintaining the flexibility of our local operation). We shouldn’t have a standard fixed and rigid approach, we should be creative by nature of job, all depending on the case at
hand maintaining fairness at all times. (PID 4)

Flexibility in the design of the reward strategy is very important. (PID 6)

**Financial aspects of Reward Strategies**

When inquired about the most salient elements that should be included in startups reward strategies two main subcategories emerged: The package should include short and long term incentives, profit sharing gives employees a partnership feeling.

_The package should include short and long term incentives_

It was remarked by all the participants, with no exception, that the package should include short and long term incentive. Financial compensation cannot include base pay only, though it is considered to be of high importance. It should be accompanied with short and long term incentives such as offering profit sharing and introducing deferred sign in bonus to be able to create a complete and attractive package.

Compensation should consist of: short and long term incentive pay. (PID2)

Compensation should have: short term incentive for the new comers, stock option for best performers... (PID11)

A mix of short term and long term incentives should be considered and be part of the package. (PID12)

_Profit sharing gives the employees a partnership feeling_

Four of the interviewees tackled the issue of profit sharing as a part of the financial compensation because it gives employees a great motive to work towards the success of the company in which they have a direct stake in. The fact that the employee has a share in the profit creates a sense of belonging and ownership:

We need to give people the feeling that they will take direct benefit from the company’s success. (PID5)
Theme 3: Talent Attraction and Retention

Talent attraction and retention are affected by many aspects which were highlighted in the thematic table through the following sub categories: Career development, Leadership team, Talent attraction and retention challenges, Impact of rewards, Profiles of candidates, and Company culture.

Career Development

*Development, learning, and career advancement opportunities attract and retain talent*

Seven interviewees have discussed the issue of providing development, learning, and career advancement opportunities in order to attract and retain talent and have mentioned it eighteen times. It was commonly noticed that people usually join startup firms mainly for the opportunity of advancement and for the exposure to new learning experiences in this challenging setting. This as well makes talent stay knowing that growth opportunities await them in this fast paced environment:

Why would people come to us, it is not for better pay, it is for growth and success. (PID4)

PanMedics has definitely succeeded in designing the right compensation/Reward strategy as it is not limited to financial reward but rather coupled with a vision for career growth and development in different fields/departments. (PID9)

Growth opportunities along with learning environment should be part of the package provided. Make sure to provide talents with career development opportunities, so that they have a reason to stay. (PID12)

*Employees stay if they have room to act as Entrepreneurs*

Three interviewees have highlighted the issue of giving employees room to act as entrepreneurs would increase their retention. Allowing the freedom to act as business owners and exercise their strategy and creativity to the benefit of the business will give employees the sense of belonging to this startup they helped in building:
Make people grow with the company which is not so easy. Make people build their own jobs, and give them support. (PID5)

They should feel they are building career in PanMedics. (PID11)

**Talent Attraction and Retention Challenges**

_Employees might leave due to the difficulties a startup could face_

There was a noticeable agreement among participants that the difficulties faced in startup companies have a direct impact on employees’ turnover. Many difficulties were listed including the financial and business related ones, and covering as well the ambiguity the business could face before having a defined and secure path of success. Five participants have declared five times that employees leave a startup due to these difficulties:

- Talent retention might be a challenge, due to the difficulty people face in a startup. (PID3)

- They might leave due to disappointment because the company is not going as expected. (PID5)

_Coping with the heavy workload and constant changing environment make people leave_

Another identified reason behind staff turnover was the workload. There was discussions about the amount of work required, from the first employees, being double that of an established firm. In addition, it was mentioned that employees take on more than one role during the early days, whether they are seniors or juniors, there is one objective of getting the job done. The pressure that results from this heavy workload added to the multitasking, which is usually required during the times of scarce human resources, contributes to increase the departure of talent. Four interviewees, as well, have considered coping with a heavy workload and constant changing environment make people leave to be a challenge in retaining them:
The amount of work load required in a startup is tremendous with respect to other established companies. (PID 6)

The energy given by the people on board needs to be double the energy any other candidate gives in any other company. (PID10)

A solid reputation facilitates attracting talent

Three interviewees stressed on the fact that having a solid reputation boosts attracting talents. And when asked about what they meant by “reputation”, knowing that the firm is new and has no history to have built a reputation, they explained that they were referring the first echoes the company produced when it entered the market.

In order to attract people, we have to be positioned as a major player and solid reputation. (PID 4)

Good reputation helps in recruitment. (PID 6)

Impact of Rewards

Money is important but it is not the sole attraction and retention tool in a startup

Five participants have stated that money is indeed important for retaining talents, yet it is not the only retention tool in a startup. They explained that there are other tools that would help startup companies in attracting and retaining talent and these are not necessarily financial tools:

We cannot keep people with money only. (PID1)

Money is needed but it is not the focal point. (PID 2)

I am not very convinced that in a startup company compensation/reward is the main retention tool. (PID4)

Clearly communicated rewards strategies are important in talent attraction

When it came to impact of rewards on talent attraction, it was obvious that reward strategies need to be present and be well communicated. Issues concerning the startup firm need to be made clear and transparent to be able to attract talents. Five
participants have tackled the issue of clearly communicating reward strategies to be of high importance in talent attraction. This was recorded seven times:

Reward strategy should be well communicated to all employees in a clear manner. (PID6)

It is always important to explain to applicants the different aspects of reward and to be able to identify the applicants’ understanding of reward concept. (PID9)

Profiles of Candidates

Average employees have difficulties succeeding in startups

Seven interviewees focused on the profiles of the selected candidates to be an important factor in the success of the recruitment process and in securing higher retention levels. They have pointed out that average employees will have difficulties succeeding in startups; in their opinion, only specific profiles can sustain the challenges of this nature of business. It was also highlighted that the challenge is not finding the profiles; it is rather identifying which profiles you should target to ensure that they cope with your business requirements:

They have to be above average profiles; regular employees cannot do it and handle these challenges. (PID2)

Generalists along with operational people are needed in the beginning, but after one year we need strategists. These strategists are the ones who have the vision and strategy, though they have difficulty putting their hands in the operations. This is because after one year these people are in a position lacking the skills to cope with the growing challenges. That’s why to be able to build an organization that would last, you need to change profiles with time. Thus requesting untypical profiles, i.e. the ones who are risk takers and are entrepreneurs, will help the company structure and growth avoiding it from the possibility of vanishing. (PID 5)

We need highly qualified expert team. (PID8)

Flexible profiles are needed to adapt to the constant change

Flexibility was the trait that was mentioned the most when describing the
profiles needed which is the ability to adapt to the changing environment, the aptitude to sustain the pressure, and the insecurity resulting from this change. Four participants have reported that candidate profiles need to be flexible so that they are able to adapt to the constant changing environment:

Flexible profiles are a key success in the business, adapting to the need of your market. We are covering a region not one country, this is why it is challenging. The people to join the team should be very flexible and adapt to the constant change. (PID4)

Employees should also have the ability to adapt to the frequent change in the environment that we are in. (PID6)

Attracting candidates with the right profiles speeds up results

Three participants have underlined one time each that attracting candidates with the right profiles speeds up results. A startup doesn’t have the luxury to afford staff turnover knowing that it resources are limited, and it needs to be operational at full capacity. A wrong recruitment is very costly at this stage of the business:

Attract, train, and retain key talents in the business intelligence and business analytics domains. (PID 7)

Attract talents and experienced staff and be able to retain them in order to ensure high productivity and achieve forecasted objectives. (PID 9)

Company Culture

People join a startup and stay if they believe in its leadership team

Five participants have highlighted this issue and stated eight times that one of the reasons people join a startup firm is the fact that they trust the management team leading it. Moreover, they tend to follow these leaders especially if they believe in their vision. A solid leadership team inspires trust in the future even in a new company with no history and track record of performance:

People are joining because of the belief in the existing leadership, with this leadership and learning they will reach somewhere. (PID2)
Management team were of more value in attracting talent. (PID3)

Employees should be subjected to a learning environment and well supported by management. (PID6)

It is worth mentioning that the expert thematic template results showed same themes and categories and has also highlighted similar subcategories. For instance, the expert did state that talent plays a major role in achieving the business vision same as the eleven other participants. When it came to reward strategy challenges, the expert mentioned that it is very important to attract and retain talent rather than thinking of cutting down labor cost especially for start-up firms so that they would be able to grow. As for designing the reward strategy, the expert indicated that the start-ups need to be leaders in the market and should never fall behind, that’s why it is crucial to adopt a pay for performance. The expert added that short and long term incentives, being part of the reward strategy, have a huge impact and are highly needed in the package of financial compensation. Moreover, providing talents with opportunities to grow and develop is vital for attracting and retaining these talents rather than losing them to competitors. All these outcomes from the expert thematic template turned out to be aligned with that of the eleven participants.
CHAPTER V

DISCUSSION AND RECOMMENDATIONS

This paper has studied how total rewards strategies impact Lebanese startup firms’ ability to attract and retain the talent they need to meet their objectives, succeed and prosper. The results of the study shed the light on several factors, which if applied, would result in a better attraction and retention. In fact, the points raised by the sample interviewed echoed these specific factors. Drawing on our research findings and thematic analysis, the impact of reward strategies on talent attraction and retention in startup firms becomes obvious. The discussion will focus on answering the three research objectives.

What are the Most Salient Factors Shaping the Design of a Reward Strategy in Startup Firms?

We have seen from the literature review and from the thematic tables’ analysis that reward strategies in startup firms are shaped by many factors due to the specific nature of the startup business and the context that surrounds it. Developing a total reward strategy doesn’t happen in a vacuum, it should be integrated in the heart of the business. One should fully understand both the external and the internal contexts in order to come up with an effective total reward strategy that addresses the need of the firm.

The following factors have been identified as the most salient in influencing the design of the reward strategy in a startup firm:

Business Vision and Strategy

It was evident in the thematic template, under the theme “Role of Talent in the
Business Vision,” that all participants, with no exceptions, emphasized the significance of having talents to be able to achieve business vision, as stated by the interviewees below:

Talent is the key for the achievement of this vision. (PID 1)

Talent is very important element because these projects are new and we need talent that can implement these projects. (PID 2)

Talent is crucial. (PID4)

Business vision is an important pillar around which a startup comes to life. This is the starting point of it all. From the business vision, the mission, the values and the business strategy are derived, dictating how the company will be successful and what are the specific people’s capabilities and behaviors required to achieve this success. A startup that values innovation, for example, should have specific program as part of its total rewards strategy rewarding new ideas and innovative initiatives.

A major salient factor which drives the design of reward strategies is the business strategy. This should be very clear and well understood at all levels of the organization, especially by the people that will contribute to the design of the reward strategy. The reward strategy delivers a prevailing way of implementing an organization's competitive strategy, and when carefully crafted and implemented, it can be a strong driver of business success (Gross & Friedman, 2004; Armstrong & Murlis, 2007).

Based on the firm’s business strategy and business context, a comprehensive human resource strategy is developed in a unique manner and specific to the organization. Hence, the reward strategy of the firm is designed closely to support this human resource strategy. Startup companies cannot simply copy the reward practices of other organizations as it might not be answering their needs nor supporting their
business strategy, so they must understand what works best for them (Gross & Friedman, 2004).

As apparent in our research findings, the startup we studied is in bad need to produce results and produce them fast to have quick wins that will secure its survival, this is why they opt for pay for performance in terms of rewards. A pay for performance reward strategy drives results, since employees work harder to increase productivity when they believe their efforts will result in greater reward. As a result, firms in nearly every industry use monetary incentive plans to attract, retain, motivate, and reward their employees (Gkorezis & Petridou, 2008).

Having a clear strategy that rewards talents for their performance has a huge impact on the organization. Employees, knowing the basis of their work evaluation, have a better understanding of what they are going to be rewarded on. So their main concern would be increasing their performance in order to gain a reward of value to them. This will in turn provide the organization with an enormous profit and will help in decreasing turnover. Therefore, when employees draw a link between pay and performance, a confidence and trustful atmosphere is created among them which reflects positively on their performance especially that they are aware of what is asked from them in order to succeed and accordingly they will be judged (Stiffler, 2006).

In addition, when designing the reward strategy a thorough review and grasp of the HR strategy should be acquired in order to put in place reward programs which communicate and speak the same language in the objective of reinforcing the existing HR strategy (Armstrong & Murlis, 2007).

Within the HR strategy, emphasis should be placed on understanding the core competencies, the job design, as well as the profiles the startup needs to attract and retain in order to perform well. It was apparent in the research finding that having the
right profiles of candidates will make or break the startup.

**Changing Business Model**

The results of our study point out that flexibility and creativity in the design of the reward strategy are key for the startup to attract and retain talent in order to meet its business objectives. This was clearly stated by four interviewees who have mentioned this matter twelve times altogether making it an important issue to look at. Here are some quotes:

We were successful; mainly due to the created differentiation from the market due to our flexibility and mind-set (we have the standards of the multinational, but maintaining the flexibility of our local operation). We shouldn’t have a standard fixed and rigid approach, we should be creative by nature of job, all depending on the case at hand maintaining fairness at all times. (PID 4)

There should be flexibility in designing the reward system to meet the expectation of the employees. (PID9)

Startup firms need to be creative when designing their reward strategies in a way to differentiate themselves from other players in the market, and design a strategy that answers today’s as well as future’s business needs. Uniqueness of offerings will mark the competitive advantage of the organization increasing the likelihood of being an employer of choice. The design of rewards strategies need to be flexible enough to suit the talent the company aims to attract. More specifically, by being flexible, startup firms can grant their employees the possibility to be partners through several programs such as profit sharing, thus treating them as late founders of the firm.

The reward strategy is a major element which should constantly be remodeled to back-up the business needs of the company. Therefore, the design of the reward strategy of startup firms should allow the possibility of frequent adjustments as the business model evolves in order to maintain a competitive positioning to attain its objectives (Wilkinson, 1993).
External Environment

It is important to consider the external environment when designing the rewards strategy as this will be a strong contributor to the competitive advantage we are aiming to build.

It is also essential, as highlighted in our research findings, to be aware of peer companies and market rewards practices and trends for the specific industry we are operating in. This was obvious noting that eight of the participants mentioned that reward strategies should be aligned with market practices i.e. lead at least at the beginning and match at a later stage. Examples of the mentioned are as follows:

- Match the market in the financials; you have to lead the market in our flexibility and differentiation in terms of reward programs. (PID4)

- Match the market and compensate the risk given in well established companies with more fun. (PID5)

This can be achieved by reviewing credible public compensation and benefits surveys available in the market, and by collecting informal data mainly from the organizations you are recruiting from or losing talent to. When looking at market survey, it is important to note that the key for having accurate data, besides the reliability of the data itself, is conducting a proper job benchmarking exercise to ensure that we are doing the right comparison.

In order to gain a competitive advantage over other competing firms, ones that are usually more established and stable, they need to be, at least at the beginning, leaders in market when it comes to rewards but should never pay below the market. If they do pay below the market rate, they would be risking loosing employees who are valuable to the company (Medhani, 2011). At a later stage, they can match the market, after they become well established firms. Others suggested that startups can match the market when it comes to compensations and lead it when it comes to reward systems.
The reward strategy should reflect through its design the most important aspects of the firm. The extent to which employees understand the business strategy is very important, but what is more important is when each employee knows what is his/her role in contributing to the success of this strategy. This is a pillar that would facilitate the understanding of the rewards strategy among employees. In this manner, they will be able to attract and retain talent in a more effective way.

A thorough understanding of the country culture as well, where the startup is operating, can give us indication on how the talent we will attract will perceive our rewards; it will, as well, hint us about what is of greater value to these candidates versus others from other countries. Here a good insight tool about the country's culture would be Hofstede’s cultural tools.

Additionally, the economic, social, and political environment of the country of operation should be examined, as it has a great effect on talent and the decisions they take in light of the environment they are living in. For example, in a country where its social benefits are scarce, benefits such as pension plan and medical cover will be well appreciated, whereas countries with developed social systems, these basic benefits are granted by the government and offering them will not have a very high return on investment.

In addition to the above factors affecting the design of a reward strategy in startup firms, one should also look at the organization structure being flat or vertical and the number of existing layers in the hierarchy. Moreover, the size of the business, even in the case of a startup, has a great impact on the systems and processes needed to implement certain rewards. If the firm has many layers, then the simplicity of the processes should be studied, if on the other hand there were few layers, then diversity could be encouraged. The time needed to get the approvals and get the reward rolling
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has a great impact on its value.

**What are the Implications of Reward Strategies on Talent Attraction and Retention?**

The difficulties that seem to be common among startup companies were a focal point in our research analysis. Participants were aware of the high likelihood for startups to face different challenges and difficulties such as shortage in cash flow, missed business opportunities, attacks from competitors, and this directly affects talent attraction and retention based on our findings. Therefore, startup firms need to be very transparent when recruiting new employees by sharing accurate and realistic facts and outlooks about the business. Ongoing communication and regular updates need to be disseminated keeping employees informed at all times in an effort to eliminate any possibilities for rumors and ambiguity. This was well stated in the literature review by Elena Bajic, in Forbes Magazine (2013). It was also mentioned by the following interviewees:

- Reward strategy should be well communicated to all employees in a clear manner. (PID6)

- It is always important to explain to applicants the different aspects of reward and to be able to identify the applicants’ understanding of reward concept. (PID9)

- Lack of clarity in the vision and absence of sharing the business progress allow the flow of speculations among the employees which is a common yet harmful aspect in startups. Moreover, delivering the commitments made while recruiting would build a strong credibility to the firm which will foster a trust relationship between the employee and the firm; thus increasing retention. Transparency and authenticity during the startup phase has a direct effect on organizational insights both internally and externally (Altinay & Wang, 2011)
In addition to the constant changing environment of startups, the results showed that heavy work load demands a tremendous effort from employees to cope with the pressure and deliver the desired outcomes on time. Therefore, it was highlighted that only specific profiles, which can adapt to this setting, can succeed without losing focus. Accordingly, the ultimate candidate profiles are the ones with high sense of urgency, ability to be flexible, and having the adaptability to change. These candidates are hard workers, combine an operational mindset accompanied with strategic thinking, and have entrepreneurship skills. This was clearly mentioned in the thematic template:

- These specific profiles that are capable of adapting to the constant changing model and business. (PID1)
- Hardworking profile with practical and high sense of urgency is key for support functions. (PID3)
- The energy given by the people on board a startup needs to be double the energy any other candidate gives in any other company. (PID10)

Based on our findings, one of the implications of reward strategies on talent attraction and retention is career development whereby employees tend to be attracted to a learning environment allowing them the opportunity to advance in their careers and grow with the firm. This is evident in Harvard Business Review that states that employees need to be assigned responsibilities that would allow them to acquire new skills and in turn help them grow (Williams & Scott, 2012). Thus startup firms that provide employees with different sorts of development programs equip the employees to get promoted and increase the chances of them staying longer with the organization (Barrett & Mayson, 2007). This was shown in the thematic table as well, whereby seven participants tackled this issue:

Attraction is the development; people are joining because of the belief in the existing leadership, with this leadership and learning they will
reach somewhere. (PID2)

Promotions and the possibility to grow in a company help in attracting talents. (PID 6)

This is made possible by the management team leading the startup having a direct impact on talent attraction and retention, which was clearly highlighted in the results of the research whereby the participants stated the below:

People are joining because of the belief in the existing leadership, with this leadership and learning they will reach somewhere. (PID2)

Management teams were of more value in attracting talent. (PID3)

Management team is key factor, when trusted increases attraction. (PID6)

The more this leadership team has expertise and established successful track record in the market, the higher the probability for talent to join and stay. In that case, the motive would be the process of learning, guidance, and support the employees will receive from being around these leaders. In the absence of the firm’s solid reputation and history, a strong and reputed leadership team would induce a positive outlook of the firm’s future. It is based on the founding team’s vision of the firm and the extent of their influence on others that people buy into this dream and quit their jobs and join (Baum, Locke & Kirkpatrick, 1998).

The trust in this leadership on which the candidates base their decision to join the company compensates the instability of the startup. In fact, this is consistent with Hambrick & Mason's (1984) theory of upper echelons, which suggests that companies can be perceived as a reflection of their top management (Ensley, Hmieleski & Pearce, 2006). Moreover, in a meta-analysis by Dirks & Ferrin (2002), it was identified that trust in leadership is associated with a variety of significant organizational outcomes, such as commitment and intention to stay (Avolio, Gardner, Walumbwa, Luthans &
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May, 2004).

The positive effects of more money are often short lived. Retention cannot be accomplished through pure money. It was evident in the thematic table that although we cannot ignore the importance of money, it is not the sole factor that would secure attraction and retention. There are other vital factors that people search for and go after. This was noted by five participants who stated this matter seven times combined together:

We cannot keep people with money only. (PID1)

I am not very convinced that in a start-up company compensation/reward is the main retention tool. (PID4)

Therefore, startup companies should weigh their reward packages properly to design complete holistic offerings. Studies have shown that pay doesn’t have a strong effect in attracting and retaining employees (Hiltrop, 1999). Other researchers have implied that pay is of high importance and acts as a vital motivator, yet it is not the only factor for attracting and retaining employees. It cannot always be considered to be the most important motivator in all circumstances. This depends mainly on the individual’s personality and performance. Reports have also shown that pay is more important to those who are extroverts, high academic and performance achievers, along with employees with high needs of achievement (Rynes, Gerhart & Minette, 2004). Transparency and authenticity during the startup phase has a direct effect on organizational insights both internally and externally (Altinay & Wang, 2011).

In Light of What Was Aforementioned, What Would Be The Optimal Reward Strategy For A Startup Firm?

In a simplified description, a reward strategy is a tool for organizations to clearly state what they value in terms of behaviors, performance, and outcomes, and
describe what types of rewards are granted in return.

To answer the major objective of this project, about the comprehensive and optimal reward strategy that would equip startup firms in addressing their common concerns regarding attracting and retaining talented employees needed for their success and survival, we present below salient elements that should be integral parts of a startup’s rewards strategy.

It is not about the number of rewards to be given as these could be numerous; the bigger challenge lies in the strategy and structure of these rewards to incarnate the business strategy. According to Armstrong & Murlis (2004), many leading organizations design their own and unique models of total reward, which is a means for them to have a differentiated and appealing promise. So startup companies, needing every push to build a trusted sustainable reputation, have a stake in opting for a total reward strategy. Zingheim & Schuster (2000) describe total rewards as the means to convey the future promises, capitalizing on the inspiring workplace that fosters individual development, in addition to implementing a well-studied compensation. Accordingly, the optimal architecture for a startup company comprises a mixture of financial and non-financial rewards, designed in a creative and unique way to the startup itself, with the objective in mind to make employees feel that they will benefit when the organization succeeds.

This section describes a seven-stage protocol that was developed based on the research findings and the reviews conducted. If implemented well, this protocol could result in the design of the optimal reward strategy specific to startup firms:

**Develop a Total Rewards Strategy Musts (TRSM)**

Assess the reward strategy requirements from the firm’s specific context, by going through a TRSM exercise to identify the key factors, both internal and external,
that have a direct impact on talent decisions. We based our model on a proposed SWOT analysis done by Armstrong and Murlis in their book “Reward Management: A Handbook of Remuneration Strategy and Practice” and adapted it to our project (Armstrong & Murlis, 2004). Drawing from our research findings and the thematic tables that resulted from the interviews, we have developed a prototype of a TRSM using the SWOT analysis technique, and came up with a TRSM for PanMedics. This could serve as a basic model, but should surely be tailored on a case by case basis; depending on the specific industry and the business strategy the startup is adopting (Figure 1).

**Define the Total Reward Strategy Objective(s)**

With the TRSM context in mind, define the objectives that the total rewards strategy should serve. On top of the primary and universal objectives of the total reward strategies of attracting, retaining, and motivating in startup firms, reward strategies have pivotal objectives far reaching even to the business survival.

Based on our thematic table and the information revealed when we conducted the TRSM, the following objectives could be set for our target reward strategy:

- Attract, develop, and retain targeted talent the startup needs now and in the future to establish organizational success

**Originate the Startup Total Rewards Model**

A major differentiating factor in designing reward strategies for startups from doing so for established firms is the opportunity to be creative in the design without the challenges and threats of the change consequences. Being a startup, we are building a reward strategy from scratch, and our benchmark is the future and the objectives we have identified in stage two of the protocol, rather than a transformation from the past which entails a totally different approach.
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Figure 1

*Total Reward Strategy Musts (TRSM)*

<table>
<thead>
<tr>
<th>Total Reward Strategy Musts (TRSM)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strengths</strong></td>
</tr>
<tr>
<td>• Employees have the opportunity to build their jobs/departments from scratch</td>
</tr>
<tr>
<td>• Flexible culture and business environment will attract employees</td>
</tr>
<tr>
<td>• Employees feel they are late founders of the business</td>
</tr>
<tr>
<td>• Employees are exposed to challenging work experience</td>
</tr>
<tr>
<td>• Engaging employees in decision making</td>
</tr>
<tr>
<td><strong>Weaknesses</strong></td>
</tr>
<tr>
<td>• Penetrating a market and establishing a strong company image and reputation takes time, money and effort which affects our talent attraction ability</td>
</tr>
<tr>
<td>• No business history and ambiguity of the future makes attraction difficult</td>
</tr>
<tr>
<td>• Absence of security and stability make candidates hesitant to join</td>
</tr>
<tr>
<td>• Having limited human resources (being vulnerable to having key employees getting sick or leaving)</td>
</tr>
<tr>
<td>• Having limited financial capacity with respect to other leading firms in the field or industry</td>
</tr>
<tr>
<td>• A start-up demands a tremendous workload from employees</td>
</tr>
</tbody>
</table>

| **Positive Opportunities**        |
| • Career development opportunities will be numerous as the business grows |
| • Entering an untapped market and bringing innovation and attracts ambitious talent |
| • Creating rounded profiles by exposing them to the full business cycle |
| • Profit sharing and partnership opportunities as an attraction tool (difficult in established businesses) |

| **Negative Threats**              |
| • Not having the right people on board |
| • Not being able to create a competitive advantage |
| • Shortage of cash flow or working capital could affect employee rewards |
| • Not achieving the business vision and strategy could scare talent and make it leave |
| • Targeted headhunting from competition could affect retention |

Drawing from the objectives identified, the total rewards architecture in Figure 2 embraces this objective in a simple way, clearly highlighting the categories and major elements of the total rewards model we developed, and displaying the evolution of the model accompanying the business as it moves from one stage to the other.
The idea of having different stages as part of this model, starting with the foundation stage to growth and reaching maturity stage, came from the fact that most participants when answering the interview questions gave their answers accounting for today and tomorrow. Many answers included the following terms: “at the beginning, we need…” and “at a later stage, we need/ we will…” For example, one of the participants
stated: “Generalists along with operational people are needed in the beginning, but after one year we need strategists.” Accordingly this model was devised taking into consideration the business stages a startup goes through and applying them to the design of the rewards strategy.

As for the categories used (fixed pay, variable pay, benefits, culture, career and physical environment), they are not new concepts; they have been found in different models mentioned in the literature review (Armstrong & Murray, 2004). The fixed pay and benefits are aspects that are usually mandatory by law, that’s why they were part of this model. As for the variable pay and career development, they were major issues that interviewees emphasized on, giving us enough ground to include them in the model.

**Design the Reward Elements**

After having devised the rewards strategy model and selecting the optimal mix of reward elements that are most in line with the startup company, we move to the next step of designing the total rewards components in this model. Each component can encompass various programs addressing different job families and job levels. A salient factor in the design of the various elements is the consideration of the resources ready to be spent on the program, in terms of launching it and sustaining it in the future.

An important part of the offering to an employee is what falls under the financial category of rewards. In addition to the traditional and basic components, such as base pay, basic allowances, pay directly linked to performance and results is highly advisable in a startup setting. A combination of individual and team rewards tied to the company’s achievement, will certainly drive better results which will contribute to the survival of the firm (Howard & Dougherty, 2004). We mention here the short-term incentives like sales incentives or individual variable remuneration, which are sometimes a factor of the base pay or a lump sum paid upon achievement of a set of
objectives. As their name suggests, these are short term tools incentivizing performance, usually not spanning beyond one year. They should certainly be part of the reward components to secure a rolling achievement as per the phasing of the company’s budget achievement, yet they do not solely achieve the desired level of retention needed for a startup company to move from the little or no revenue generation phase to a more matured phase, a period which may last several years (Solomon, 2010).

To complement these short lived rewards, long term incentives and profit sharing schemes are recommended for startups, provided that they are realistically and creatively designed to attract and retain the employees. It was apparent, from our conducted thematic analysis, that these compensation tools have a direct impact on attraction and positively affect the sense of belonging in a startup firm. Moreover, this is evident in the article of Kozłowski (2013), which states that companies which offer financial participation to their employees are more attractive to potential candidates in the market. Surely, the design of the proposed program is of critical importance, as well as the possible linking of participation schemes with employees’ participation in the decision making process. It is clear that financial participation schemes must be linked to updated, regular, and clear communication about the company’s performance, in order to attain its objectives (Kozłowski, 2013). Particularly, the implementation of profit sharing programs is attractive for candidates, because it reflects the firms’ intentions to share the returns from their business success with their employees, and this engenders higher retention rates among employees. According to the study conducted by Bellmann & Möllerq (2010) on profit sharing and employment stability, the number of employees benefiting from profit-sharing schemes has a statistically significant positive weight on the firms’ attraction and retention (Bellmann & Möllerq, 2010).

Our total reward model is divided into six correlated categories with elements
in each category that could change and evolve as the startup business moves from one stage to the other to eventually reach maturity (refer to Figure 2). Most importantly, all the elements are interconnected and they collectively serve the purpose of achieving the total reward strategy objective. It is not the objective of this paper to go into the design of each element; however, below we briefly describe each category and its respective elements:

*Fixed Pay*

- **Base Pay** – at the foundation of the business, the startup should match the market in terms of basic salary. As the business moves to the growth phase, differentiation is introduced by paying top performers above market salaries, in order to ensure retention.

- **Fixed Allowances** – basic fixed cash allowance granted either depending on the job nature or job status. Some examples include:
  - Transportation
  - Parking
  - Gasoline
  - Meal

- **Schooling Allowance for dependents** – this is a fixed payment granted to employees per child dependent. The policy could vary from company to the other in terms of maximum coverage and number of children, and could be different within the same company according to the employee grade/level. In our model, schooling allowance is introduced when the startup business reaches the growth phase, and could improve in terms of coverage at maturity.

- **Month 13** – this is guaranteed bonus month usually paid at the end of the year. We are proposing this only at the growth phase not before.
• Housing allowance – this is a fixed allowance granted usually to management employees and only at matured companies, or before in the case of expatriates.

**Variable Pay**

Short term incentive – contingent pay granted in cash when fixed business targets are achieved in a certain period of time usually not extending beyond one year. It is tied to results by carefully connecting individual, team and company performance and setting smart objectives and rewarding achievements. For quick wins, the payout can be done on quarterly basis to push rapid business growth. Some examples:

- Commission
- Annual Bonus
- Incentive Scheme – uncapped at the beginning, a cap could be introduced when maturity phase is reached

• Long term incentive – contingent pay granted when fixed business targets or objectives are met in a certain period of time, and the pay is not immediate, but has a high future value. Some examples:

- Stock options (LTI) - at the foundation phase it is a wide open program, it gets narrower to be restricted to top talent in growth phase
- Special Incentive of recurrence consecutive performance (usually over 3 years)
- Top performers clubs (to be a member, the employee has to sustain achievements at a defined level for a long term period, accordingly he/she is granted with special benefits and additional privileges)

• Profit Sharing – a program that grants the employee a share of the achieved profit at the end of the performance year. At the foundation phase, it is a wide open
program, it gets narrower to be restricted to top executives in growth phase and beyond.

- Limited time partnership opportunity – the possibility of buy shares at the very early beginning of the startup at a preferred rate. This is valid only in the foundation stage, and vanishes later as the business matures.

Benefits

- Insurance – Coverage granted at the foundation stage to ensure the basic well-being of employees. The coverage policy starts at the basic level and as the business flourishes, additional coverage could be added to make the policy more complete. Most common are the following:
  - Medical insurance
  - Life insurance
  - Disability

- Paid leave
  - Annual
  - Sick
  - Maternity
  - Paternity
  - Bereavement

- Unpaid Leave – this is granted at the growth phase and beyond when the organization is better staffed and the organization structure begins to take shape.
  - Short term unpaid leave (growth phase)
  - Sabbatical leave (maturity phase)
  - Community work leave (maturity phase)

- Corporate Gifts
  - Wedding gift
– Birth gift
– Special holidays gifts
  – Service Awards – starting with maturity phase, these rewards could be introduced to recognize the employees who have serviced the organization for specific durations according to the program in place.
  – Staff Advances – Money granted in advance to employees to be reimbursed or deducted from the coming payroll (growth phase).
  – Staff Loans – Money granted in the form of a loan to employees to be reimbursed in monthly installment through payroll deductions (maturity phase).
  – Pension / Retirement Plan
  – Incentive Trips – company organized and sponsored trip usually fully covered, where at the growth stage, only top performers get to participate and as the business matures this becomes a company-wide activity upon the company’s achievement of its annual targets. This is very much related to the industry the startup is operating in.

Culture

The culture is an essential part of the total rewards strategy and model especially for startup companies. As we have seen, either from the literature or from the thematic table, people join a startup for the below mentioned reasons. Therefore, the reward model stresses on these elements to include well crafted programs to drive a corporate culture which fosters them:

  – Values – the values of the company are an integral part of the rewards strategy and should be encrusted in the reward elements, and special programs should be in place to encourage employees to live these values.
  – Work life balance – Flexibility in the culture is greatly valued, and easily
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granted in startups because the structure is small at the beginning and all employees are driven by results. Specific programs could be developed, informally at the foundation stage, and they gradually become formalized as the company grows and matures. There are many initiatives that could be introduced; this really is dependent on the type of the business and industry.

- Leadership and Support – The leadership is a focal point around which the image of the company is built. Because the startup has no history or track record to speak for it, the successes of its leadership teams becomes the central point. Therefore, leadership skills and support should be extended to employees.

- Recognition – non cash recognition initiatives such as thank you cards, a CEO note, a mention in the town hall meeting, etc., are great tools to use in the absence of enough financial means to reward good performance.

- Corporate events (starting at the growth stage)
  - Annual picnic
  - Annual dinner
  - Family day

- Social responsibility (starting at the maturity stage)
- Corporate Sports Teams (starting at the maturity stage)
- Corporate Music Band (starting at the maturity stage)

Career

Career management is a significant element in the non-financial part of a total rewards strategy. The opportunity of career progression is the third most frequent reason (of 27 reasons) that employees say they joined their organization for, and along the same line, absence of concrete career advancement is the second most frequently cited choice driving them to leave, as shown in Towers Watson’s 2012 Global
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Workforce Study. This was evident in our research findings, as all the participants stressed on the fact that startups is the place of opportunities, and employees join on the basis to grow with the growing firm. Therefore, as part of their total reward strategy, startup firms need to carefully design and underline the elements of their career management programs. Precise career planning, including vertical and lateral career paths should be crafted and sold to candidates and employees as a major competitive advantage of the startup firm. Our model includes several elements in this category:

- Career advancement opportunities – internal promotions should be the first resort especially at a startup, and the internal talent who joined for this promise should see it come through. Implementing this will give the firm high credibility.

- Special projects – The possibilities to take on special projects and added responsibilities at a startup are numerous due to the lack of human resources.

- Performance Management System – at the beginning, instead of having a formal performance management system, which most of the time is lengthy if fully implemented, we are recommending a simplified and flexible system which we are calling workplans (refer to Appendix I). The purpose of workplans is to help employees and managers set out work priorities for the year ahead, and monitor regularly the progress, thus staying on track throughout the year. This process is the basis for year-end evaluations, short and long term incentive calculations and development plans. In completing the workplans, employees and managers should have a thorough understanding of the company wide objectives, their department’s priorities, in order to translate these into individual priorities where each objective they set is directly related to employee’s role and contribution in delivering the business strategy. Due to unforeseen circumstances and possible development that can occur in a startup environment, the Work Plan is treated as a live document throughout the year, and
should be regularly updated. As the business matures, a full-fledged performance management system should be developed.

- Training & Development – with the scarcity of the budget available to invest on training and development initiatives, at the beginning, most of the learning occurs on the job. As the business grows and matures, other initiatives could be introduced of which we list a few:
  - Learning (on the job)
  - Classroom
  - Workshops
  - Conferences
  - Certifications
  - Job enrichment
  - Academies
- Future Leaders
- Functional Nucleus
  - Horizontal moves
  - Employee tuition assistance
- Talent Management/Succession Planning – starting with the growth phase, a thorough talent management exercise should be conducted to ensure that the key people have enough reasons and future outlooks to stay. It is also recommended to start determining the successors and investing on them in terms of training and development to have them ready to assume the responsibilities when the time comes.

Physical Environment

The physical environment is the first thing the new employee gets in touch with upon starting his work journey. These are programs that facilitate the job of
employees, and in some cases relieve them from external stressing factors allowing them to focus on their jobs, following are some examples:

- Technology
- Policies & Procedures
- Processes
- Travel Class
- Health & Safety: Ergonomically designed work space
- Nursery facility
- Gym facility

**Communicate the Plan**

Before any implementation, a thorough communication platform needs to be put in place, including formal and informal communication with the objectives of explaining the process as well as the result which is the reward strategy of the firm. It is a vital stage to the success of the rewards strategy which will directly affect the success of the deployment phase, and it will make way for the plan to achieve its objectives.

**Deploy the Plan**

A startup doesn’t have the luxury of established firms in terms of human resources leading big deployment projects. A focal point of success in the deployment is having in place a realistic plan, taking in consideration the availability of resources to be able to deploy on time. It is not realistic to think that a startup can implement a full-fledged reward strategy from its first year. Because the startup is in need of quick-wins to generate results, the rewards to be implemented first are the ones that push people to perform and deliver to meet the company’s specific objectives.

Due to the nature of the startup and the lack of historical track record, not meeting committed plans has drastic and very negative implications on talent.
Therefore, even if the deployment plan stretches over a long period, as long as it is well communicated and deployed according to the communicated plan, it will harvest fruitful results.

**Assess and Adapt**

Adaptation is needed as never before when it comes to startup companies. Having the most creative and well-designed rewards strategy could be a startup’s hidden obstacle in achieving the needed attraction and retention of targeted talent, if it is not regularly assessed and constantly adapted according to the evolving business strategy and model.
CHAPTER VI

CONCLUSION

This research study was carried on in order to examine the impact of reward strategies on the attraction and retention of employees in startup firms.

It was found that human capital plays an essential part in the development of the global economy. It ensures growth in this fast changing environment knowing that this human capital provides a unique set of skills, talents and knowledge. That’s why companies are spending lots of money on recruiting programs in order to attract and retain these talented employees. So when companies were rewarding employees regardless of their performance, they failed in retaining these talents. In addition, firms started realizing that employees are no longer solely interested in the financial aspect of the job. This was behind the development of the total rewards concept that includes all types of rewards whether it was direct or indirect, intrinsic or extrinsic. Different theories throughout history discussed this issue such as Maslow’s hierarchy of needs, Expentancy Theory, etc...

A specific startup firm based in Lebanon, being part of the Middle East, was chosen: PanMedics, a pharmaceutical company that was founded in 2013. In order to explore new aspects about this research and have a better understanding of this subject matter, semi structured interviews were conducted with the management team of PanMedics; in addition to an expert in the field along with secondary data that has been already been gathered, analyzed and made available from other resources.

The result shows that total rewards have significant positive impact on employee attraction and retention which led to the development of the Startup Total
Rewards Model presented. In order to do so, each start-up should go through seven stages which are as follows: develop a Total Rewards Strategy Musts (TRSM), define the total reward strategy objectives, originate the start-up total rewards model, design the reward elements, then communicate, deploy, assess and adapt the plan. This model accounts for the stages the start-up goes through from the foundation phase until it reaches maturity by being flexible enough to be amended in this changing environment.

**Limitations**

Any selected research methodology has its limitations. While qualitative methods are short on the precision offered by quantitative approach, yet eventually qualitative research provides more depth and details to topics being discussed. The data also represents information that might be bound by the nature of the interview interaction or in some way impacted by factors beyond the control of the participant. Although measures are taken to reduce disturbance to the study process and environment, possibility to negatively impact the overall study and the data generated by it is always present.

Study findings may differ as the composition of the sample changes. The sample for this study was not sufficiently varied in order to provide a wider and broader array of experiences from which to draw conclusions. The twelve study participants represented an undiversified sample, eleven of which belonged to the same startup. Moreover, having the accessibility to interview more than one expert would also enrich the findings with different perspectives.

A major limitation was the unavailability of statistics on startup firms in Lebanon, as well as the scarcity of literature covering startups in this region.
Suggested Future Research

Repeating the study with a more diverse sample might provide different findings that are particular to the new selected group. For instance, a sample of participants from startup companies which had experienced tough or terrible situations, or a sample representing a diverse pool of entrepreneurs from different startup companies, for example, may result in findings different from those reported here. Evidently, any change in sample, may result in findings different from those in the diverse sample.

Conducting the same study two years later, examining the effect of the reward strategy which was adopted by PanMedics on the company’s attraction and retention would be of great added value. This would be possible as the company would have historical data about new recruits and what attracted them to join, and on the other hand, about leavers and what made them take the decision to leave. An employee survey at PanMedics would be useful to gather feedback about what attracted the employees to join, and a thorough review of the exit interviews records would highlight the reasons behind the employee turnover.

Another interesting future research would be to study two types of startup firms, ones that have succeeded and made it beyond their first five years, and ones that did not make it, preferably from the same industry and of comparable size. In this study we would compare the rewards strategies adopted and analyze the effect these had on the firm’s success or failure.

Future research would be needed integrating theoretical and empirical data to verify the practicability of Startup Reward Strategy Model presented in this paper.
APPENDIX I

WORKPLAN 2014

The process

The purpose of this process is to help you set out your work priorities for the year, and monitor regularly with your manager the progress. Below are the steps to guide you throughout this process:

**Preparation**

1. Set about 4 – 5 SMART* priorities aligned with the company’s strategy and with your department’s strategy and priorities
2. Fill out the workplan form which is designed to be used electronically
3. Save it with Save As using the following naming convention:
   - W, appraisee’s lastname, firstname, year. (e.g. a work plan submission for an appraisee whose name is Rola Hajjar that was done in 2014 would be: Wroalahajjar2014.docx)
4. Schedule an appointment with your manager to discuss your proposal.
5. Pass your proposal to your manager 3 days before your scheduled meeting.

**The Meeting**

1. Meet with your manager to discuss your priorities’ proposal.
2. Reach agreement on a final version to focus on for the year.
3. Manager emails the final approved version of the employee’s workplan to the HR department copying the employee.

**Execution**

4. As you are the owner of your Work Plan, it is your responsibility while implementing your work plan to monitor and adjust these activities with your manager as needed throughout the year and to keep your HR department updated.
5. At the end of year you will be assessed on WHAT you achieved and HOW you achieved it.

*SMART priorities are: Specific (single key result with an action verb) Measurable (observable actions linked to rates, frequency, numbers, percentages, time, etc.) Achievable (realistic but stretching with the resources that are available) Relevant (aligned to the job, department, manager’s goals & those of the organisation) Time-based (has a date by when the goal is expected to be completed)
# Work Plan 2014

<table>
<thead>
<tr>
<th>Post holder Name</th>
<th>Job Title</th>
<th>Department</th>
<th>Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Amendments tracker (if needed)</td>
</tr>
</tbody>
</table>

**What will be your major accomplishments this year?**

<table>
<thead>
<tr>
<th>Your work Priorities</th>
<th>Key Activities</th>
<th>Measurements</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Achieve attendance of at least 150 invited guests at XYZ conference</td>
<td>* sending a promotional email to all relevant target audience within Lebanon by 30 April 2014  * Perform one to one visit to all 30 KOLs promoting the event by 15 September 2014  * Etc.</td>
<td>* Attendance level met</td>
<td>30 Nov. 2014</td>
</tr>
<tr>
<td>2.</td>
<td></td>
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<tr>
<td>3.</td>
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<td>4.</td>
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<tr>
<td>5.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Agreed by post holder**

**Type your name here**

**Agreed by Manager**

**Type your manager’s name here**

**Date**

**enter the date**

**Date**

**enter the date**
REFERENCES


Banque du Liban, Ministry of Finance, Lebanese Customs, Ministry of Tourism, IDAL,UN agencies, Chamber of Commerce and Association of Engineers and Architects. (2012). “Benchmark of Lebanon”.


The PanMedics’ Case


