

# **Taking Reward to the Next Level**

## **Key learnings from the WorldatWork Conference**

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## Outline

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- Role of Line
- Forced Ranking
- Driving Enterprise Value
- The Journey for Standard Bank
- Final Thoughts



## The Role of Line?

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- ❑ 62% of organisations have a written reward philosophy
- ❑ 37% of organisations said <50% of their employees understand it
- ❑ 68% of organisations say their communications are not effective
- ❑ Communication in most admired companies is highly scored

New Hay Group book, to be published in September 2006

*“The managers guide to total rewards”*

*“What you need to know to get the best for – and from – your employees”*



## The Role of Line?

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- ❑ Managers are acting in roles previously held by HR
- ❑ Effective managers know how to use 'rewards' in the broadest context
- ❑ Managers are not being effectively prepared and utilised
- ❑ Managers are the key to successful implementation
  - ❑ Employees trust their managers more than any one else
  - ❑ Managers have the real influence over the intangible rewards
  - ❑ Climate is measured at the individual manager level
  - ❑ Up to 30% variance in business results can be explained by work climate
  - ❑ Mainly the middle managers



## The Role of Line?

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- The reward professional's obligation
  - Recognise the criticality of managers in the implementation of reward programmes
  - Ensure their understanding of HR concepts
  - Ensure their involvement with HR initiatives
  - 'Take it to the streets'
  - School & tool the managers
  - Managers should pass competency tests?
  - Partner with marketing
- Too much weight on the reward professional
  - Managers need to take a greater share of communication responsibility



## Forced Ranking

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### What is it?

- A talent management process – a system that identifies talent
- Is independent of the performance appraisal system
- Assessment criteria different from performance appraisal system
- Relative comparison – ‘person to person’ not ‘person to standard’

### Is it necessary?

- “*Differentiation is the mothers milk of building a performance culture*” Larry Bossidy
- Managers should be pruning and weeding continuously?
- If performance appraisal system works then no need for forced ranking?
- How do we prevent inflated appraisal ratings and fight mediocrity
- Weaker managers reluctant to differentiate meaningfully “... *preferring to live in a world where we are all above average*”.



## Forced Ranking

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### Pros

- Requires* managers to identify most and least talented employees (performance & potential)
- Acknowledge that talent variations do exist
- An independent verification of performance appraisal data?
- Helps to allocate rewards, identify who should be promoted, depth of talent pool...

### Cons

- Demoralises bottom ranked
- Produces excessively competitive environment
- Can make mistakes
- Perceived pay process fairness



## Forced Ranking

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- ❑ Further issues
  - ❑ Why invest in the bottom 10%? – the nasty cycle
  - ❑ How do we deal with the poor performers
  - ❑ Do we then recognise and invest in top performers?
- ❑ Dick Grote: “*Forced Ranking*”



## Driving Enterprise Value

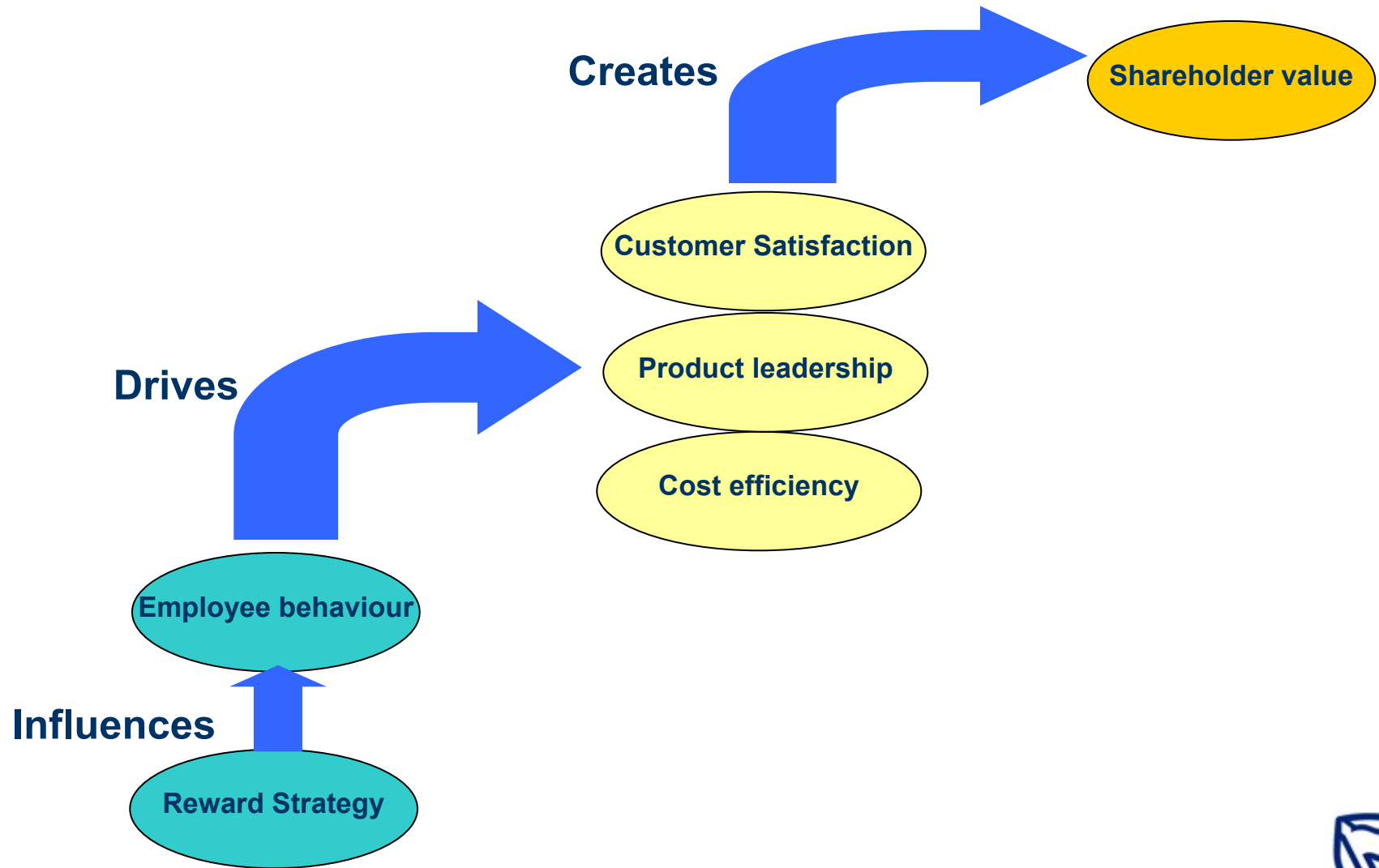
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- ❑ The basic premise: *If we look after our employees, they will look after our customers*
- ❑ Value:
  - ❑ Revenue
  - ❑ Cost efficiency
- ❑ HR practitioners need to know this stuff
- ❑ Deloitte & Touche

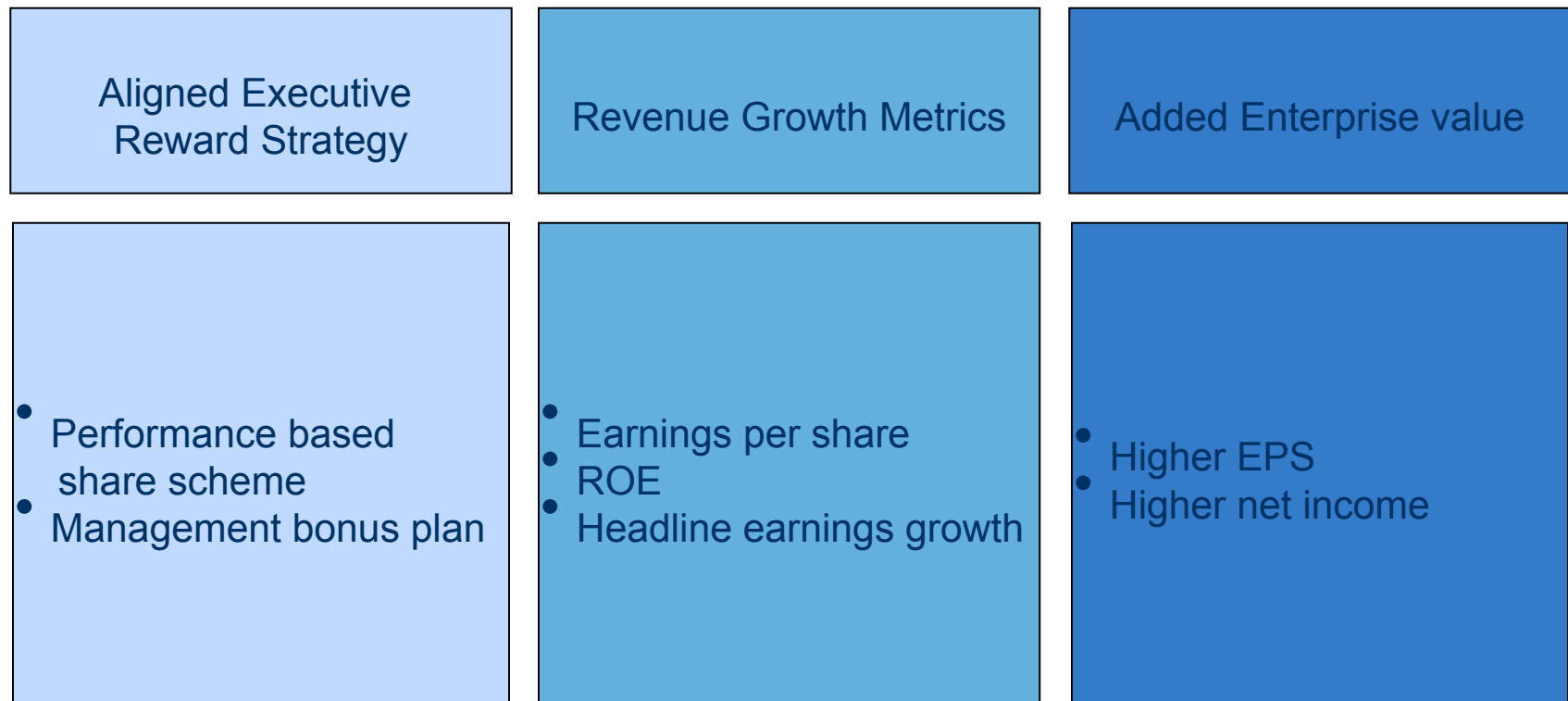


# Driving Enterprise Value: A simple model



## Driving Enterprise Value

### Illustration: Executive Pay



## Final Thoughts

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### Paradoxes\*

- Unions are growing more aggressive but their power base is weakening
- Pay for performance vs market competitiveness
- It's the little things that count
- Campaign ideas on a bar budget
- Retention is still a key issue
- People are the competitive advantage

\* a statement that seems to contradict itself or conflict with common sense but which contains a truth



## Final Thoughts, cont'd

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- ❑ Keep it simple: boil it down
- ❑ Is it a cost or an investment?
  - ❑ Reward > 60% of organisational spend
- ❑ We have to be better at the metrics
- ❑ Communication is more important than the design?
  - ❑ A benefit is only as good as the employee's perception
  - ❑ Perceived value management: understand → support → value
  - ❑ Perceptions
    - How the organisation values commitment and contribution
    - How our people value reward offering
  - ❑ Personalising reward – relate it to the individual (“*what's in it for me?*”)

