



KORN FERRY

# Solving the Productivity Puzzle Through Reward

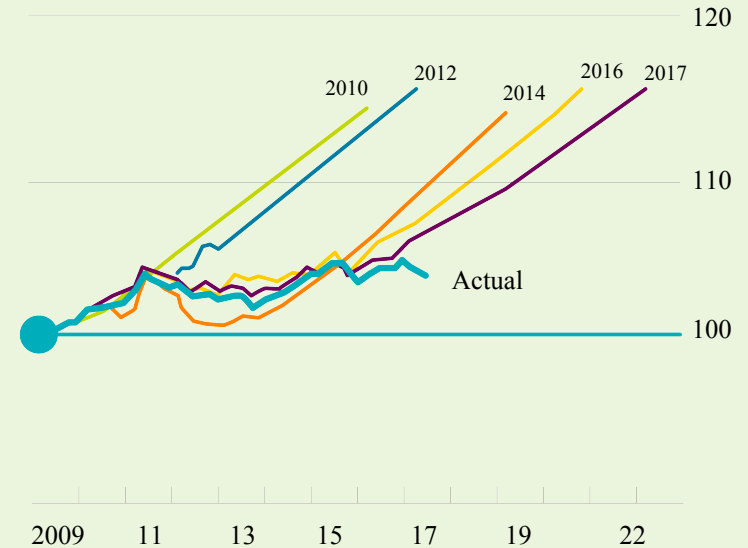
Mark Thompson  
Head of Reward Consulting UK & Ireland

Martin Palimeris  
Managing Consultant Global Products

“Poor productivity leaves Britain’s public finances looking shaky”

“Productivity has not been this stagnant since the end of the Napoleonic wars, 200 years ago, when economic activity was disrupted by an influx of men returning from fighting.”

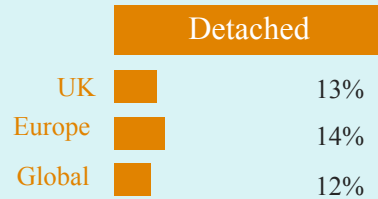
Britain, output-per-hour forecasts each March Q1 2009 = 100



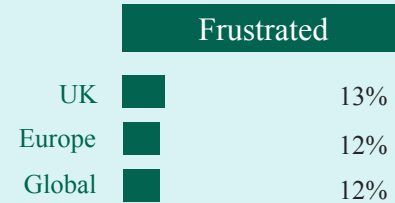
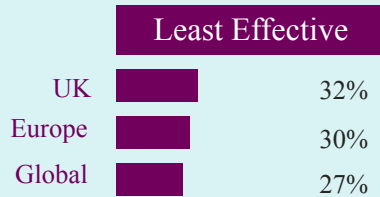
Source (Chart and Quotes): The Economist

# What this means in terms of having an effective UK workforce...

↑  
High Enablement



↓  
Low Enablement



← Low Engagement

High Engagement →

# Enablement is...



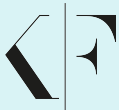
... making something possible



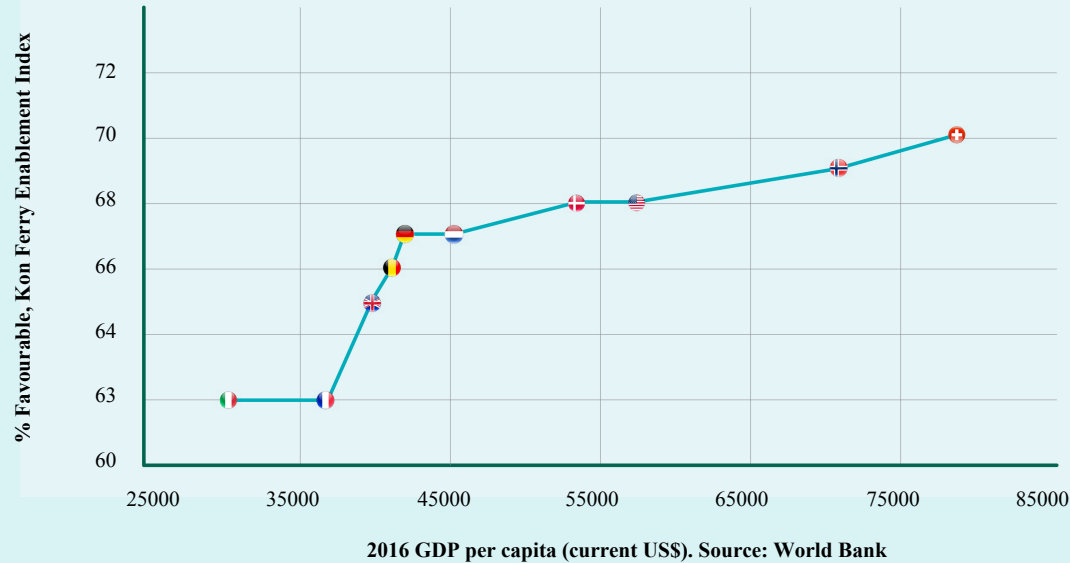
... giving authority



... about taking away obstacles



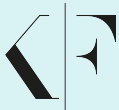
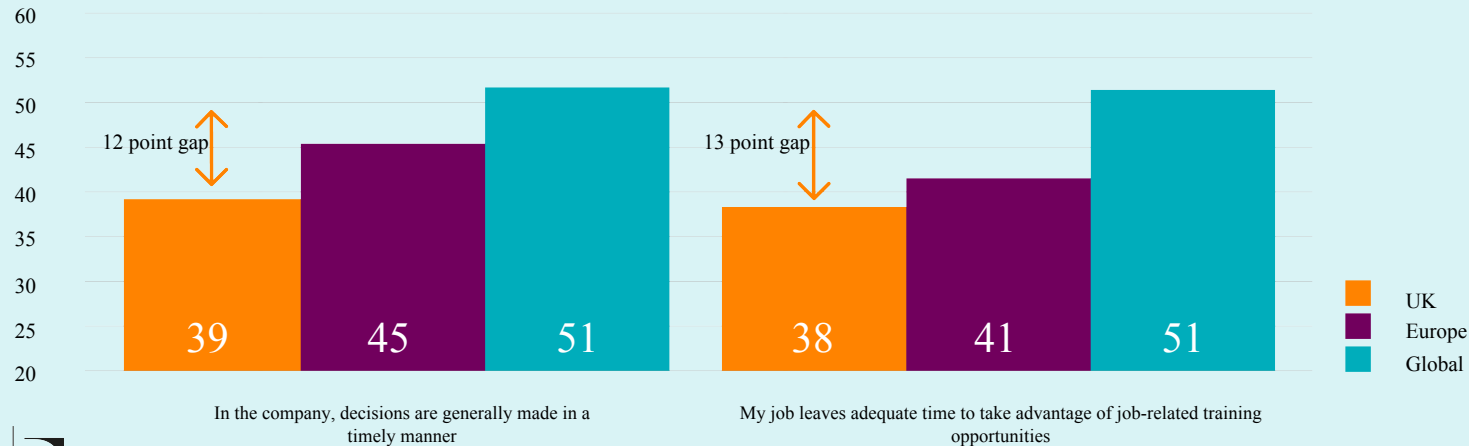
# Employee enablement at work vs. GDP capita



2016 GDP per capita (current US\$). Source: World Bank

# What might be causing the relative lag in enablement for the UK?

Timeliness of decision making and taking advantage of job-related training



# Case Study 1

## What companies are doing to successfully drive up enablement

### Company Profile

45,000 employees worldwide

Manufacturing and technology

70%

White collar

30%

Blue collar



### Specific role of Executive leaders

Started at the top of the house. Leaders led sessions with own top teams to identify root causes and blockers at senior level.

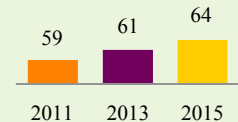
Identified and led 3 workstreams:  
1) Communicate strategy better, 2) Upskill people managers, 3) “We all impact our customers” a programme which helped identify barriers.

### What it has done to drive enablement

De-centralised action planning to Regional Executive Teams. Integrated enablement targets into Short Term Incentive Plans: 10 - 20% of variable

Focused equally on barriers/workflow as well as role optimisation through job re-design. Reconfigured Sales vs Service interfaces.

### Recent enablement scores



# Case Study 2

What companies are doing to successfully drive up enablement:

## Company Profile

35,000 employees worldwide

Financial services

90%

White collar

10%

Blue collar



## Specific role of Executive leaders

Individually sponsored and drove work-streams

Provided sustained narrative: made clear links to how enablement supports business goals: town halls, regularly communication, inclusion in business planning.

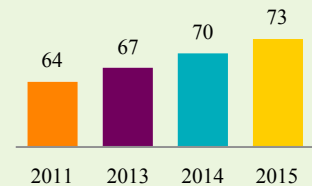
## What it has done to drive enablement

Laser focus on its enablement drivers

“Customer License Program” : non-customer facing employees meet consumers. Helped identify enablement “pain points”

The company also targeted “role optimisation” through improved, career pathing.

## Recent enablement scores





# Employee expectations and needs differ by generation

| Engagement Driver        | Millennials | Gen X | Baby Boomers | Veterans |
|--------------------------|-------------|-------|--------------|----------|
| Respect & Recognition    | 1st         | 2nd   |              |          |
| Professional Development | 2nd         | 1st   |              |          |
| Purpose & Strategy       |             |       | 2nd          |          |
| Pay & Benefits           |             |       | 1st          | 2nd      |
| Performance Management   |             |       |              | 1st      |

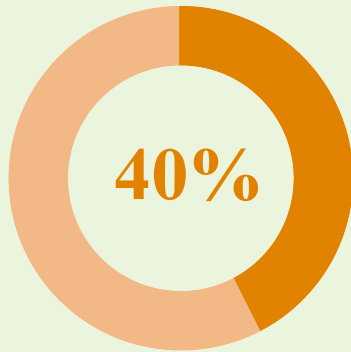


Source: Korn Ferry Hay Group Engagement & Culture normative database

# Hospitality Sector Case Study

Pay remains a key driver of retention for more routine job roles:

If I was paid some more money for doing the same job in another company, I would leave this job



**Would  
leave**

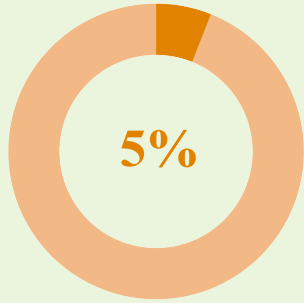
Of those staff that would leave for more money, for the majority it would be over £1 that would buy their loyalty

Significant number of 'mercenary' staff that would move for an estimated £90 PCM or less

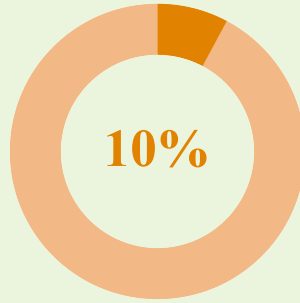


# Hospitality Sector Case Study

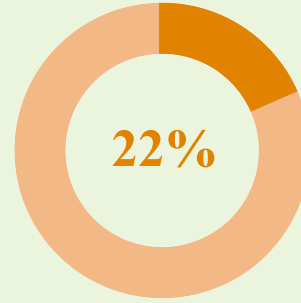
How much more money  
would it take for you to leave ?



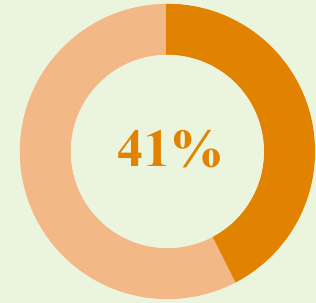
An increase in hourly  
pay of 10-30 pence



An increase in  
hourly pay of 31-  
50 pence



An increase in hourly  
pay of 51 pence to 1  
pound

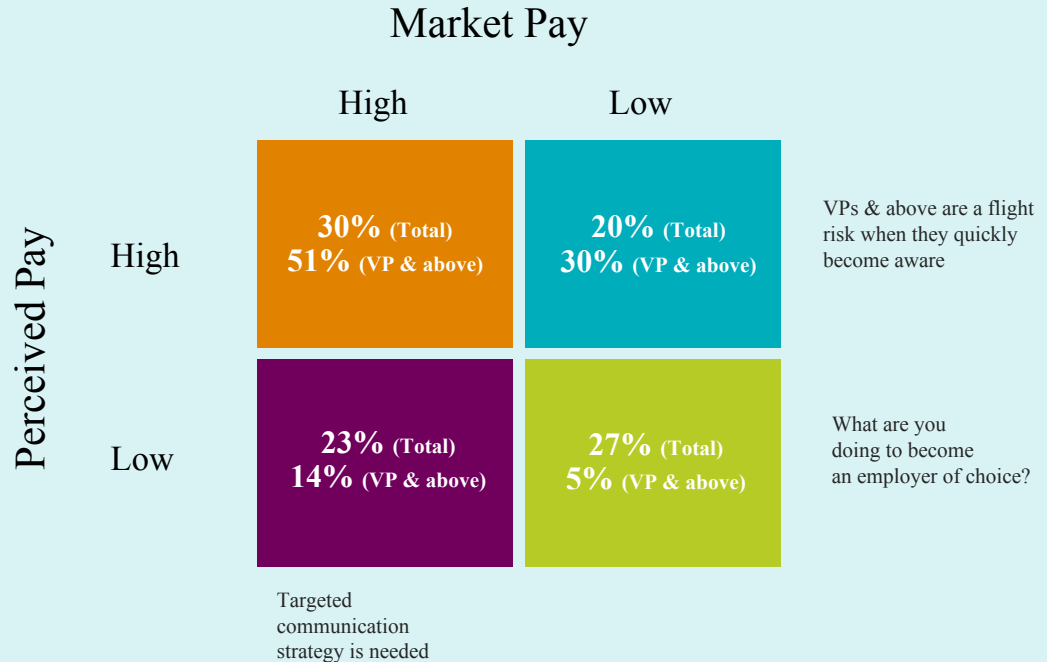


An increase in  
hourly pay of over  
1 pound



# Aligning actual pay with perceived pay

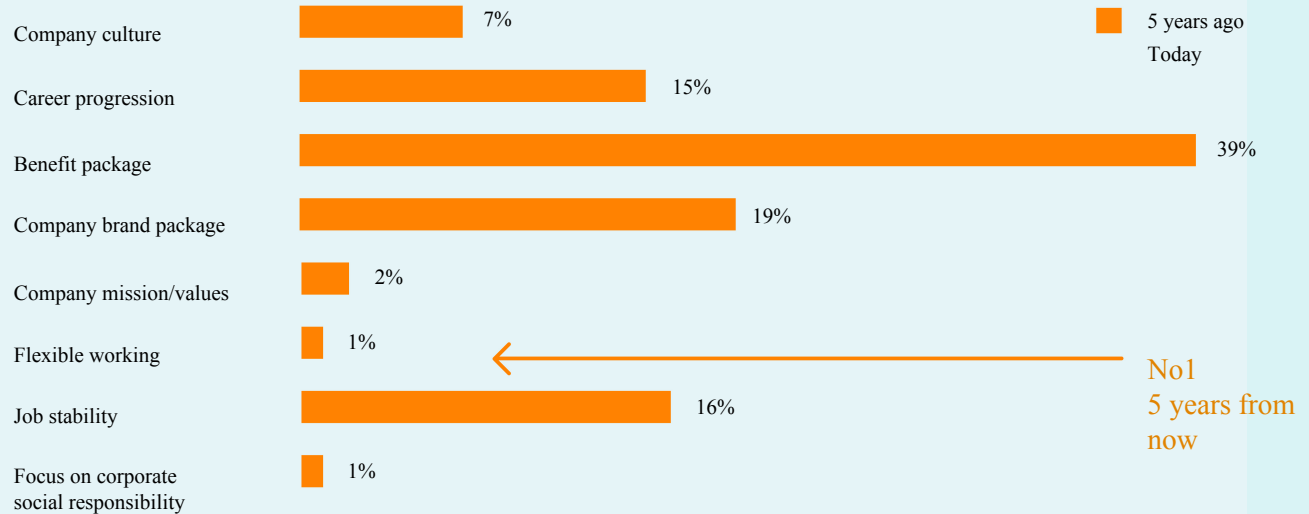
Pay competitiveness  
reality is often not equal  
to pay competitiveness  
perception. Most  
companies don't measure  
both.



Base: over 4,000 US employees; 9 companies

# Shifting candidate priorities when choosing an organization

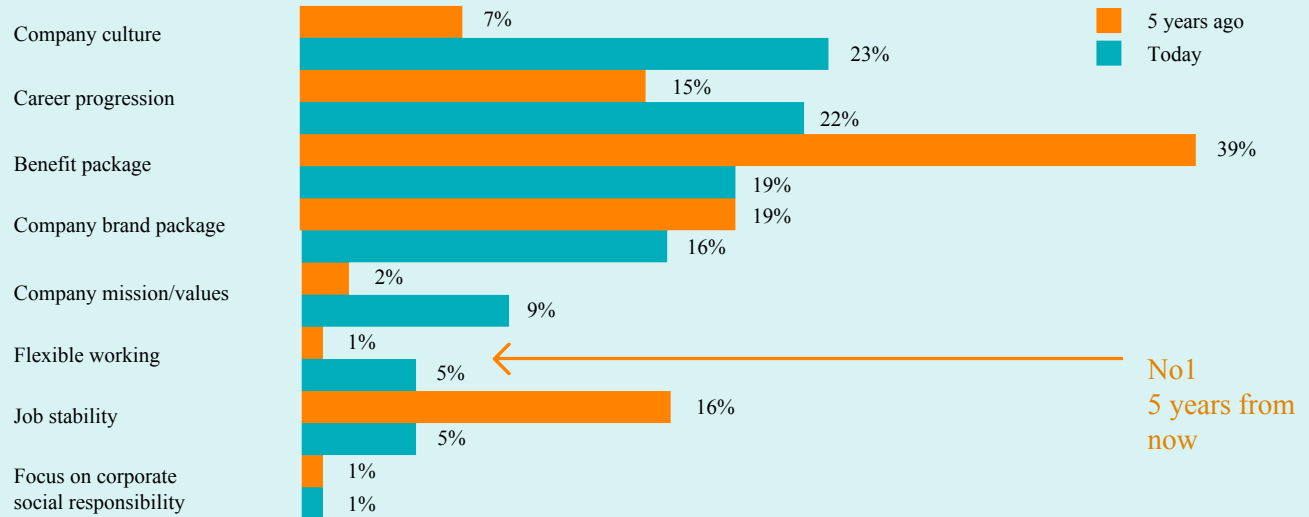
What is the main reason candidates are choosing organizations...



Source: The Talent Forecast, Futurestep's survey of more than 1100 hiring professionals, Jan. 18, 2017

# Shifting candidate priorities when choosing an organization

What is the main reason candidates are choosing organizations...



Source: The Talent Forecast, Futurestep's survey of more than 1100 hiring professionals, Jan. 18, 2017

# So what does this mean for the reward function?

If you spend your life benchmarking and market pricing,  
your days are numbered (there will soon be robot out  
there who could do a better job than you can.)

**There are three areas to focus on**

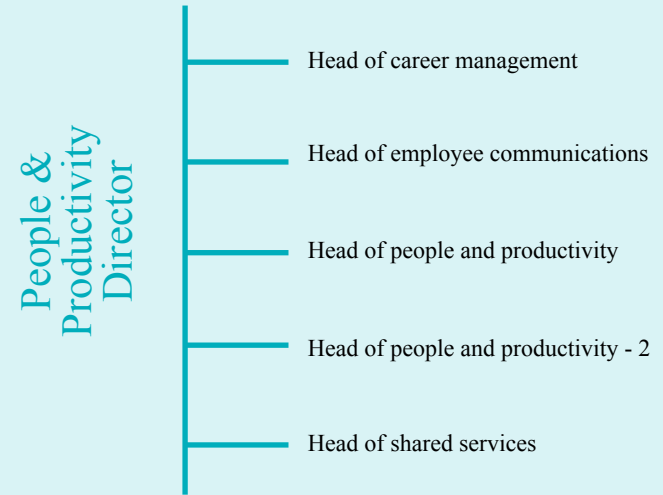
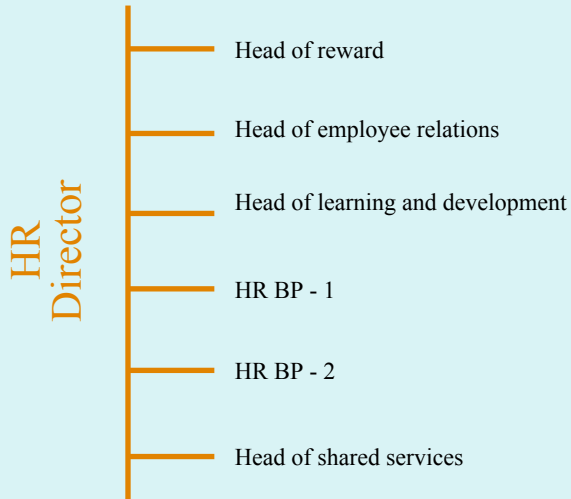
1. Influencing  
behaviour at  
the top

2. Reward's  
role in the  
HR function

3. Tackling  
pay at the  
bottom



# Evolution of the people and talent management function





# The future of work

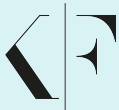
## are our reward strategies fit for purpose?

There is an accelerating trend towards:

- More agile working
- Team-based organization forms
- Flexible work-force
- The development of career/experience pathways that typically involve cross lateral as well as hierarchical career progression

Most reward structures are not aligned to these approaches to work and career design

- They are job-based and work on the premise that the job is fixed and relatively timeless
- They are hierarchical – there's little incentive to develop a portfolio of skills when the quickest way to increase pay is a promotion to the boss's job



# Reinventing reward at a retail bank

## Objectives of the new reward strategy 1-3

Encourage mobility but break the entitlement culture of more money for every move

(cash awards for moving encourage bidding wars for internal talent and if we have to bribe people to move around the business then we have failed in communicating the message that building a portfolio career is the best way to develop a career whether within the Bank or outside it.)

Focus on skills that are needed to drive the Bank's success.

Skills are much more important than job accountabilities as a driver of reward because jobs are constantly changing whilst skills are transferable.

Measure performance  
Break the link with organisation hierarchy

The current system acts as a block to mobility because the best prizes are gained through vertical progression 'through the ranks.' Mobility in all its forms - horizontal and lateral and both up and down needs to be seen as a critical contributor of career and personal development.



# Reinventing reward at a retail bank 2

## Objectives of the new reward strategy 4-6

### Redefine loyalty

Away from tenure and towards 'brand advocacy'. Whether people have applied for a job at the Bank and been rejected, currently work at the Bank on a permanent or contract basis, have left to pursue their career elsewhere or are pensioners, they are all in the Bank club and there should be benefits for being so. Their advocacy will provide a significant boost to the reputation of the Bank brand.

### Stop locking people in with reward systems

If the highest-paid people are also those who have been in post for the longest, they are likely to be blocking career paths for others and paid more than equivalent roles in other organisations.

### Measure performance based on achievement

Great performance will include the bravery to make mistakes and this should be recognised.



# Policy v Practice

We should be upper quartile payers!

We can pay the best bonus!

We can have unparalleled benefits!

We are an employer of choice!



Keep a  
grip on  
reality!



# Behaviour at the top

## “I thought I was superman”



- Here's one of our most successful CEOs.
- In 2009/10 he suffered a bout of nervous exhaustion
- For most CEOs, this would be the end of their career (we have a strange intolerance of mental illness ...)
- Lloyds Banking Group supported him throughout and this has led to some important changes to the organisation's policies.



# Impact

A ban on email traffic  
from 7.30pm to 7.30 am

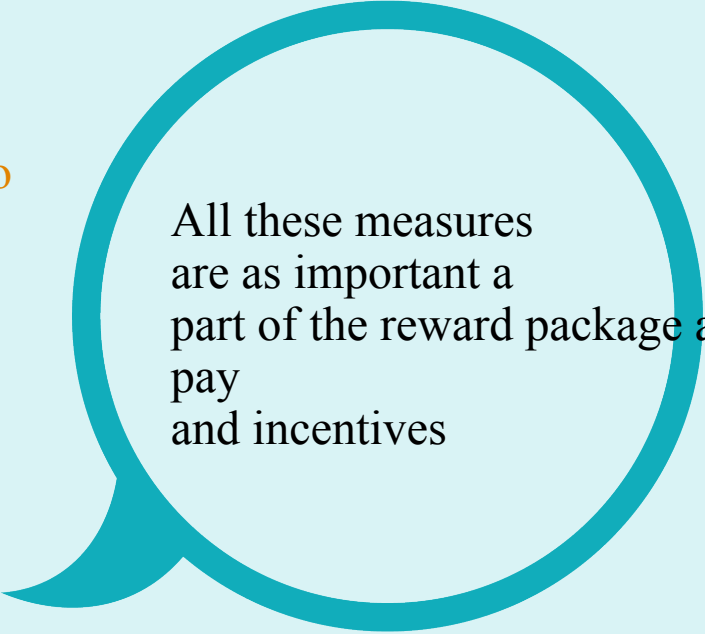
Nutritional advice and support provided to  
executives

Limits set on spans of  
control for senior managers

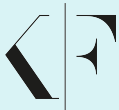
Mental illness treated in the  
same way as physical illness

Provision of a coach

Time for exercise



All these measures  
are as important a  
part of the reward package as  
pay  
and incentives



# Mental health – not just a problem at the top

The Stevenson-Farmer report into mental health, released  
on 26 October 2017:

%

About 15 per cent of working people have symptoms of a mental health condition.

300,000

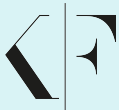
Each year, about 300,000 with long-term mental health conditions lose their jobs, a much higher rate than those with physical illness.

£

The economic cost of poor mental health in lost productivity, is estimated at between £74 billion and £99 billion a year



Better job security, work-life balance and other conditions are needed to improve mental health and senior managers must be judged according to how well they protected it.





Reward management is all about stimulating motivation and engagement for the mutual benefit of employer and employee.



The report suggests a £4.20 average return on each pound invested in improving mental health at work.



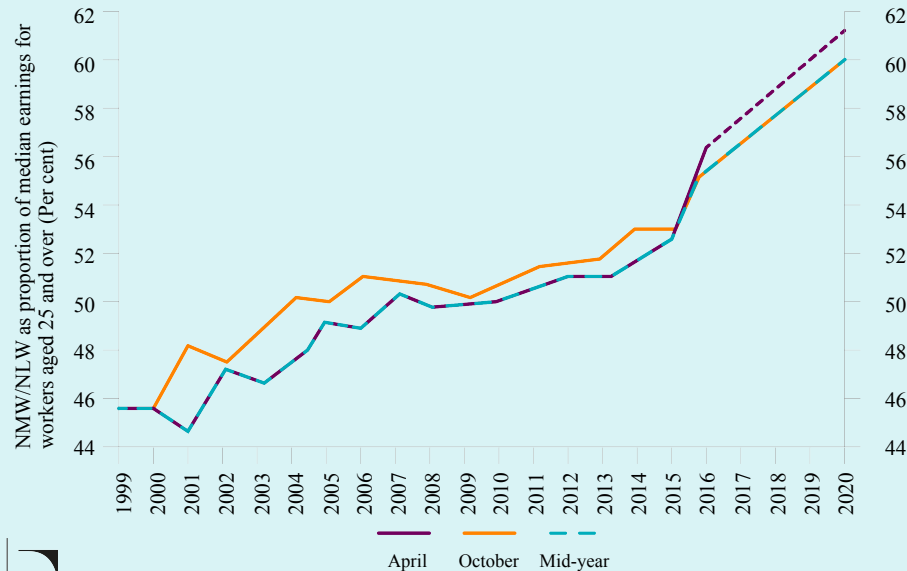
Among other things, we should make mental well-being a core objective of our total reward strategies.





# Pay at the bottom

Increase in bite of the national minimum wage/national living wage for workers aged 25 and over, UK, 1999-2015



Source: Low Pay Commission Report of March 2016

We have near full employment

The supply of labour from the EU is likely to fall significantly

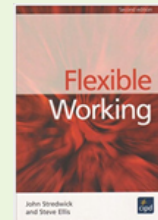
The national minimum wage, based on 60% of median UK earnings is likely to be c.£9.00 by 2020\*

This is compressing pay structures at the bottom and adding to overall costs of employment

Trading conditions remain fragile and so increasing prices is not a good option

# The way forward?

- Paying £9.00 an hour for ancillary work is not good value for money
- The nature of work has to change
- We must get more value out of the investment in our front-line people
- This means:
  - More flexible roles
  - Skills-based, rather than job-based pay
  - Elimination of traditional job-based hierarchies



# Impact of pay structures at the bottom

Pay structures at the lower levels of organisations are in flux, changing in response to automation, higher minimum wages and changes to organisation and job design.

| HRL | Benelux retail bank | Consumer products | Retailer | Multinational bank |
|-----|---------------------|-------------------|----------|--------------------|
| 6   |                     |                   |          | 1                  |
| 7   | 1                   | 1                 | 1        |                    |
| 8   | 2                   |                   |          | 2                  |
| 9   | 3                   | 2                 | 2        | 3                  |
| 10  | 4                   |                   |          |                    |
| 11  | 5                   | 3                 |          | 4                  |
| 12  | 6                   |                   | 3        |                    |
| 13  | 7                   | 4                 |          |                    |
| 14  |                     |                   |          |                    |
| 15  |                     |                   |          |                    |



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| 8   | 2                   | 2                 | 2        | 2                  |
| 9   | 3                   | 3                 | 3        | 3                  |
| 10  | 4                   | 4                 | 4        | 4                  |
| 11  | 5                   |                   |          |                    |
| 12  | 6                   |                   |          |                    |
| 13  | 7                   |                   |          |                    |
| 14  |                     |                   |          |                    |
| 15  |                     |                   |          |                    |

This is a traditional job-based reward structure. Best if you want tight control of pay linked to the market



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| 10  | 4                   | 4                 | 4        | 4                  |
| 11  | 5                   |                   |          |                    |
| 12  | 6                   |                   |          |                    |
| 13  | 7                   |                   |          |                    |
| 14  |                     |                   |          |                    |
| 15  |                     |                   |          |                    |

This is a flexible structure which can link pay to the individual, but its not so good for controlling the pay bill



Final thought...

Reward

It's more  
important  
than ever!



# Thank you!

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