



**PRESENTATION FOR CIPD THAMES VALLEY OXFORD GROUP**

**Getting the Right Reward Strategy**

**by**

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**Reward First ® People Consulting**

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# TONIGHT'S AGENDA

1. **Why have a reward strategy?**
2. **Why do reward strategies not deliver?**
3. **Developing your reward strategy – what's involved?**
4. **Integrating your reward strategy and summary**

# INTRODUCTION TO ME

- **Run independent reward consultancy since 2004 and set up reward partnership in 2011 with 3 trusted colleagues**
- **Established one-to-one reward mentoring programme in 2010 to support HR leaders navigating reward challenges**
- **Non executive director role for RICS; CIPD tutor on base & variable pay & governor of Abingdon & Witney College**
- **At home: two 'tween'age boys; husband; cat and a project**

# LET'S START WITH A STRAW POLL...

**What are your top 2 reward priorities this year?**

- Align pay with individual employee and business performance
- Alignment with business strategy
- Ensure reward is market competitive
- Cost minimisation
- Ensure reward is internally fair

# REALITY IS WE'VE ALL GOT OUR REWARD STRATEGIES

## According to the CIPD 2011 Reward Management survey:

- Alignment with business strategy was **top priority** @ 58.5%
- Ensure reward is market competitive was **2<sup>nd</sup> priority** @ 41%
- Align pay with individual & org. performance - **3<sup>rd</sup> priority** at 40%
- Approx. third of UK organisations have reward strategy in place\*

\*CIPD Reward management survey

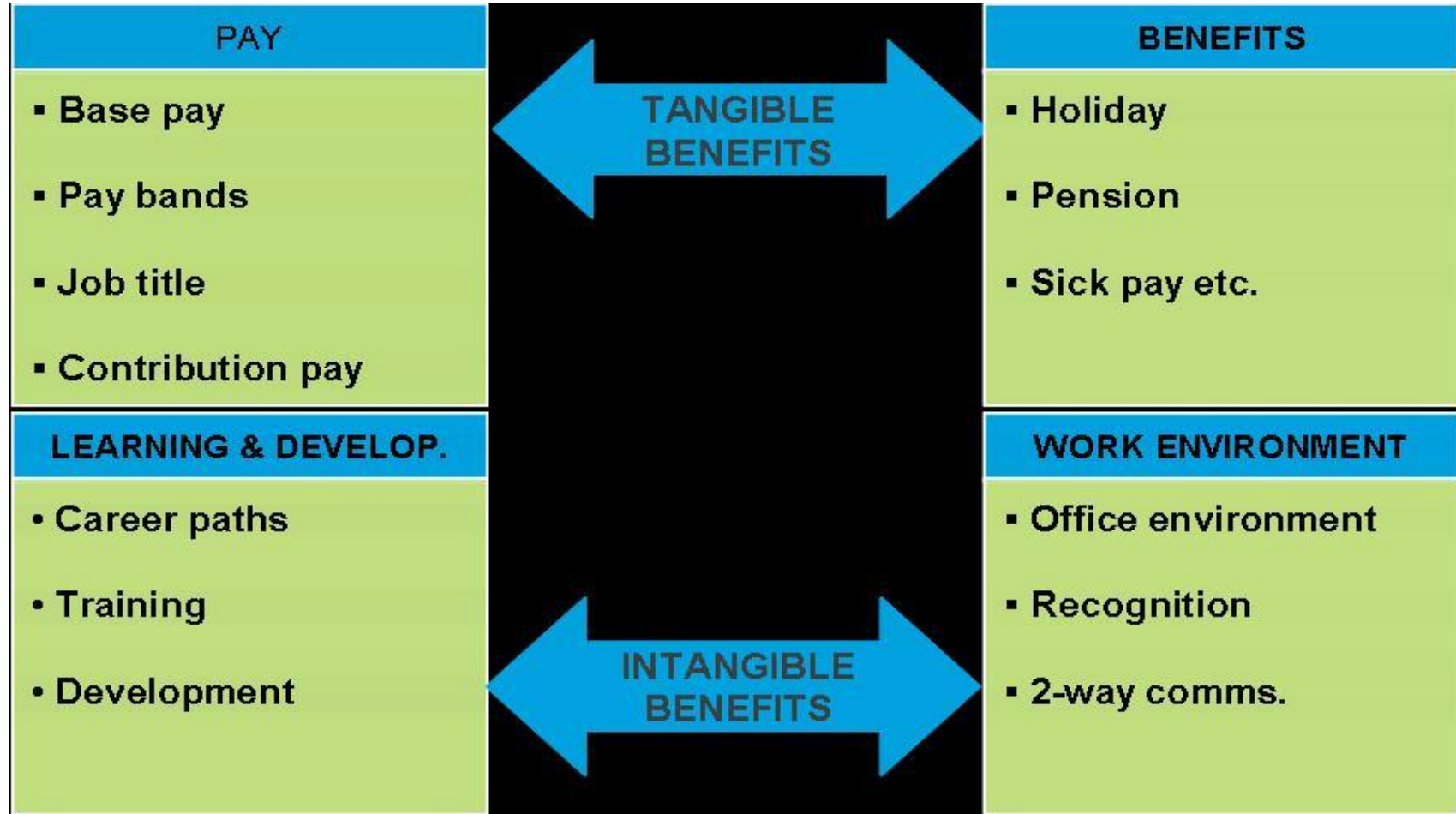
## SO WHY HAVE A REWARD STRATEGY?

- Can play central role in shaping reward policies & practices when aligned to the organisation culture, values and goals
- Most importantly it can:
  - › Communicate and reinforce what the organisation **wants to reward** & what it **does not want to reward**
  - › **Drive change on pay, benefits and wider reward** so that it's aligned

## BUT LET'S NOT FORGET ABOUT TOTAL REWARD

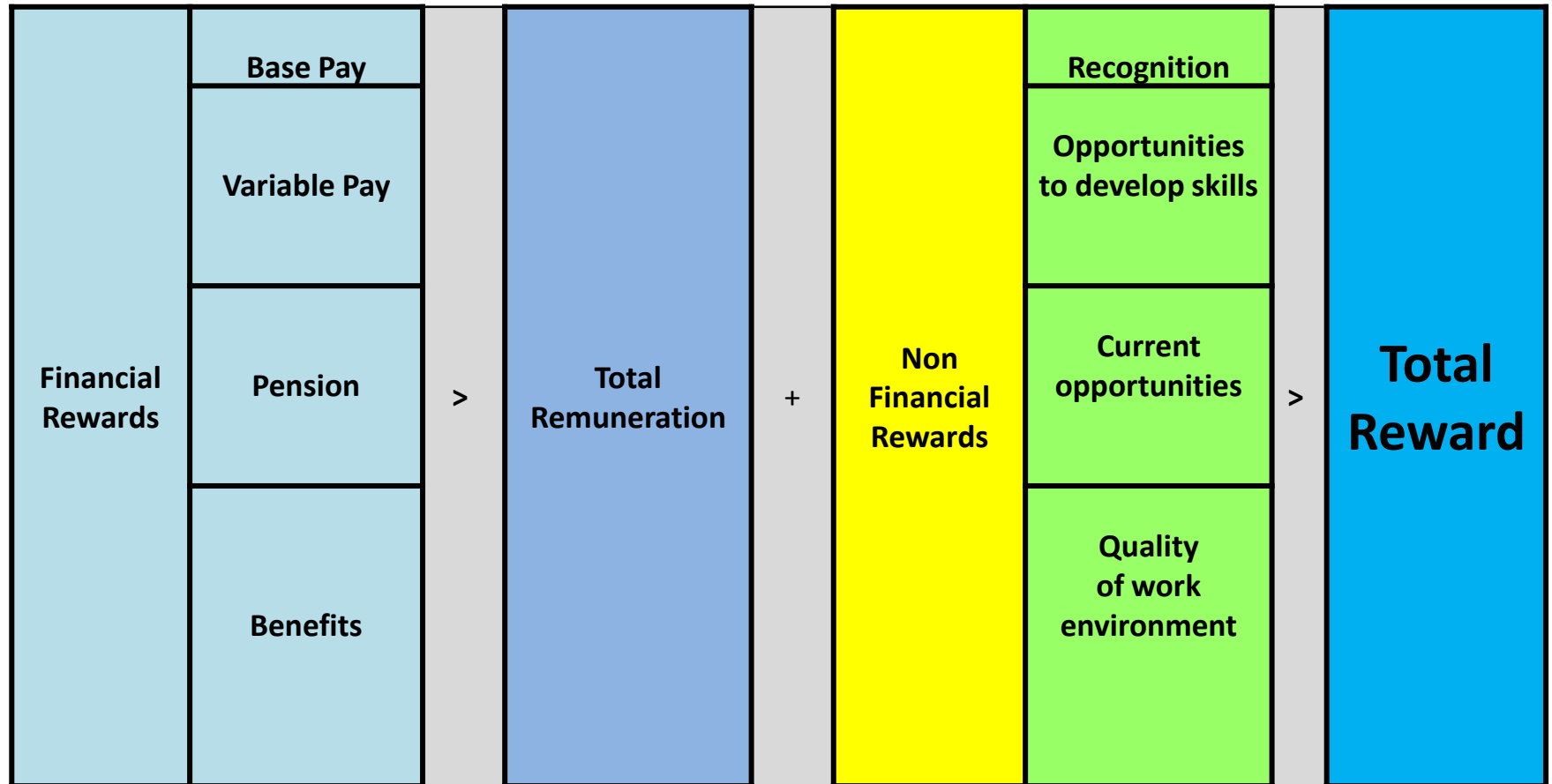
- Total reward *can* cover all aspects of reward incl. career development and environment as well as pay and benefits
- Total reward represents a strategic reward approach that can attract, retain and engage employees in line with the organisational culture, values and business goals

# EXAMPLE OF TOTAL REWARD APPROACH





# EXAMPLE OF TOTAL REWARD APPROACH (Armstrong & Brown model)



# WHY DO SO MANY REWARD STRATEGIES NOT DELIVER?

- Focus on the holy grail of ‘best practice’
- Focus on design at expense of stakeholders and implementation
- Focus on ‘what’ outcomes can drive unwanted behaviours
- Changes not aligned to the organisation’s culture & values
- No clear means of measuring or evaluating success

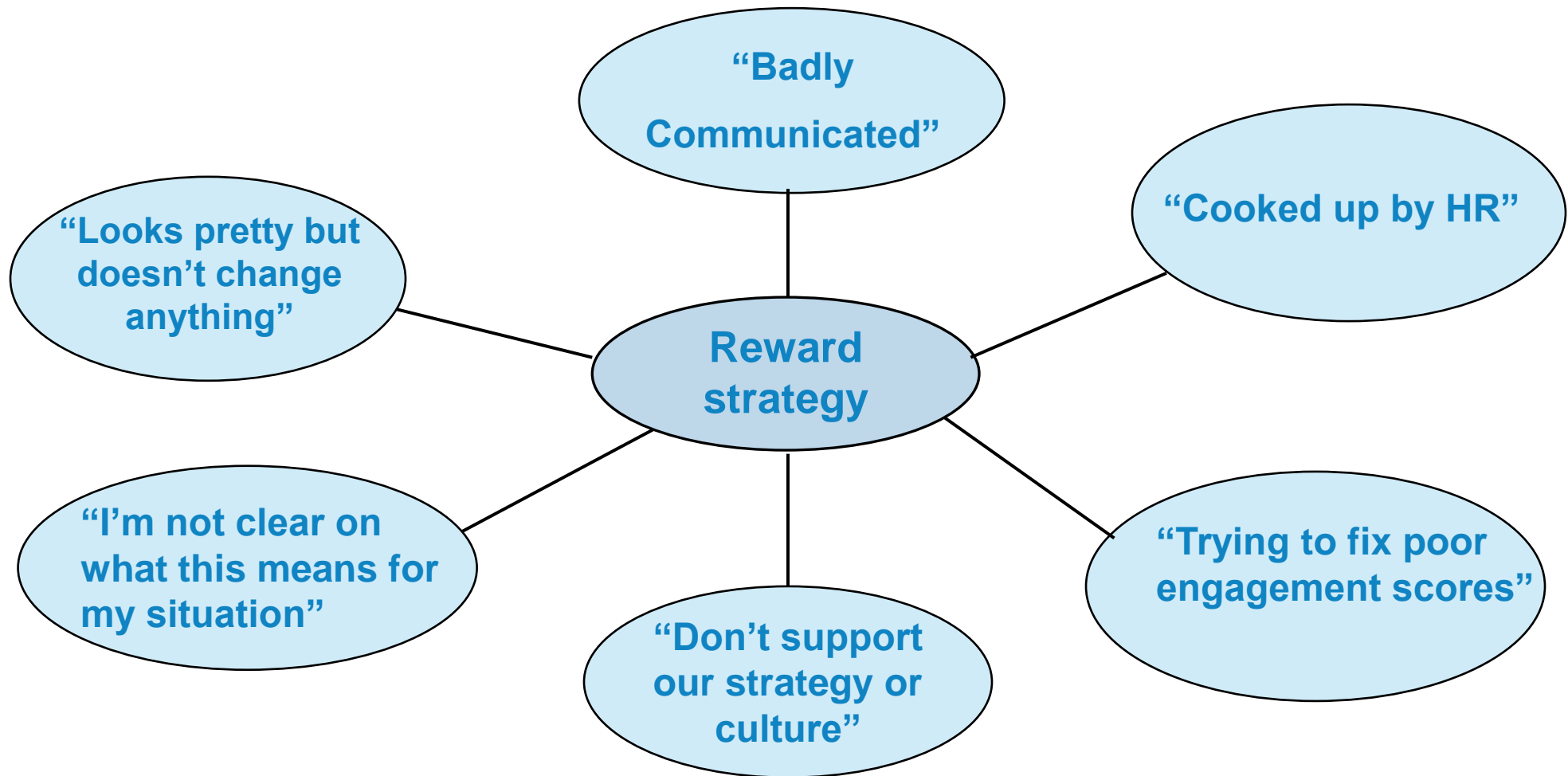
# WHY DO SO MANY REWARD STRATEGIES NOT DELIVER?

## CONT'D – DRILL DOWN

- “Skills and abilities of line managers” in implementing\* (\* CIPD source)
- Perceived as HR initiative and not driven by top leadership
- Insufficient 2-way communications
- Attitudes of employees, line managers and top team
- Etc. Etc.

\* CIPD Reward Management surveys

# QUOTES FROM MANAGEMENT AND STAFF ON WHY REWARD STRATEGIES DON'T DELIVER



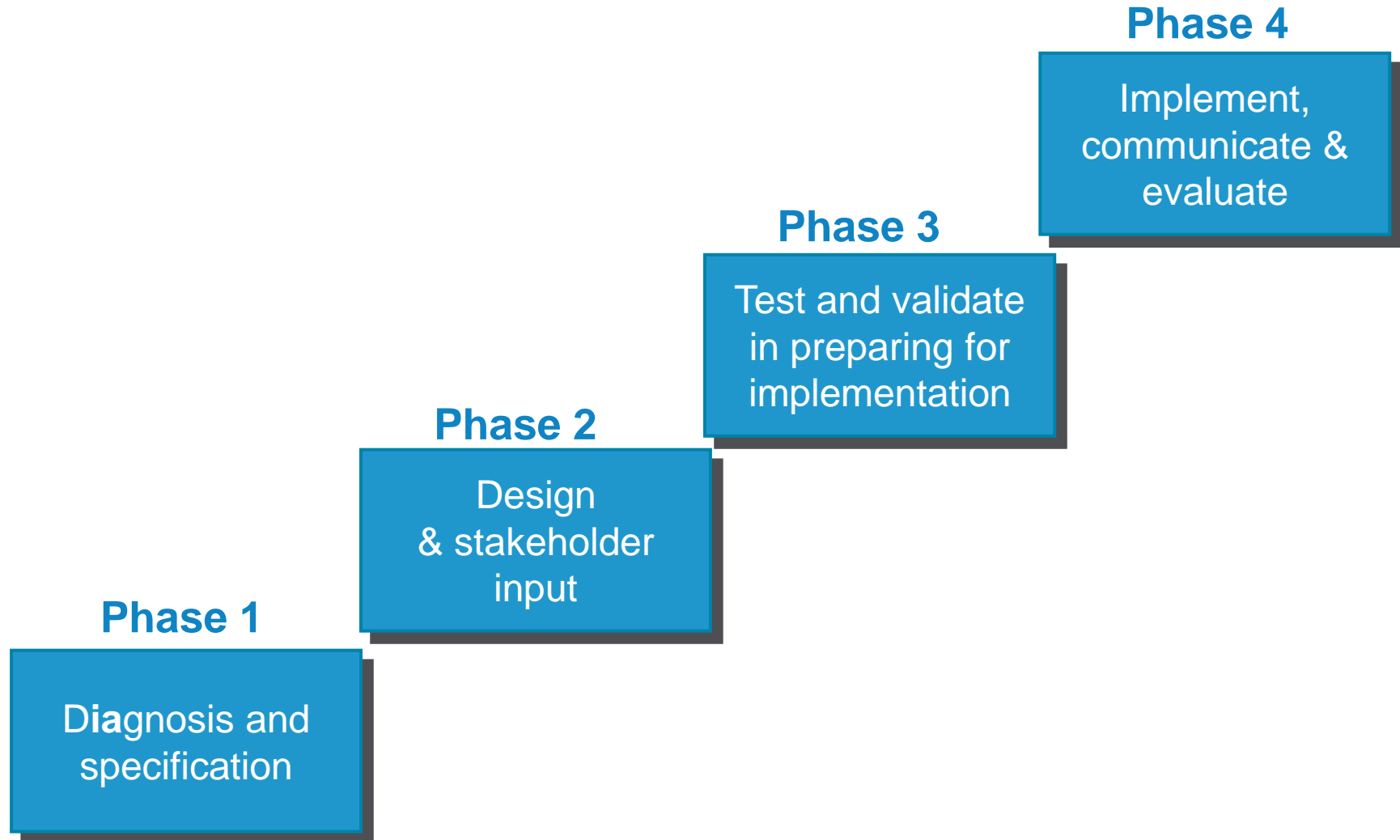
# THE IMPLICATIONS OF GETTING IT WRONG?



# DEVELOPING YOUR REWARD STRATEGY: WHAT IS INVOLVED?



# DEVELOPING YOUR REWARD STRATEGY: THE PHASES



# DEVELOPING YOUR REWARD STRATEGY: PHASE 1: DIAGNOSIS AND SPECIFICATION

- Firstly ensuring top management endorsement from the outset is pre-requisite
- Clarify key organisational issues that impact reward policies and practices
- Establish rationale – how it will benefit your organisation and employees?

How does it fit with HR and business strategies and your existing reward?

- Review existing reward practices – part of reward audit and gap analysis
- What are future goals and priorities to reinforce goals and role of employees
- Identify critical success factors and use these to inform design principles



# DEVELOPING YOUR REWARD STRATEGY:

## PHASE 2: DESIGN AND STAKEHOLDER INPUT

- Gain input of employees & other stakeholders. Ensure input is representative across organisational levels as well as demographics and geography
- Set reward goals derived from inputs (gap analysis etc.) which articulates role of reward strategy to fit organisational culture, business and people goals
- Design phase needs to take account of:
  - › Role of reward strategy in delivering reward goals to support wider people and business goals
  - › What will the changes mean to people; jobs; pay; benefits etc.
  - › Initial costing which may include simple cost vs. benefit analysis
  - › Input of stakeholder, especially line managers and integration of feedback
  - › Reality checking

**Note:** these are indicative rather than exhaustive steps

**REMEMBER TO**

**FOCUS ON BEST FIT**

**VS. “BEST PRACTICE”**

# DEVELOPING YOUR REWARD STRATEGY: PHASE 3: TESTING AND VALIDATION


- Assess organisational fit
- Detailed testing and validation needs to take account of:
  - › Is reward strategy and supporting policies fit for purpose – devil's in the detail!
  - › Once again - what will the changes mean to people; jobs; pay; benefits etc.
  - › Cost vs. benefit analysis in preparation for approval
  - › Who will manage changes to schemes; when will changes be made etc.
- Involve line managers - provide training and support
- Establish communications plan and timelines prior to approval

**Note:** these are indicative rather than exhaustive steps

# ROLE OF STRATEGIC REWARD IN SUPPORTING THE ORGANISATION'S STRATEGY AND GOALS

## Reward Strategy

- Determines tools and mechanisms which can be honed and focused to:



## Incentivise, influence, motivate and drive desired behaviours

- Business culture and values



## Producing desired outcomes

- Business and People Objectives

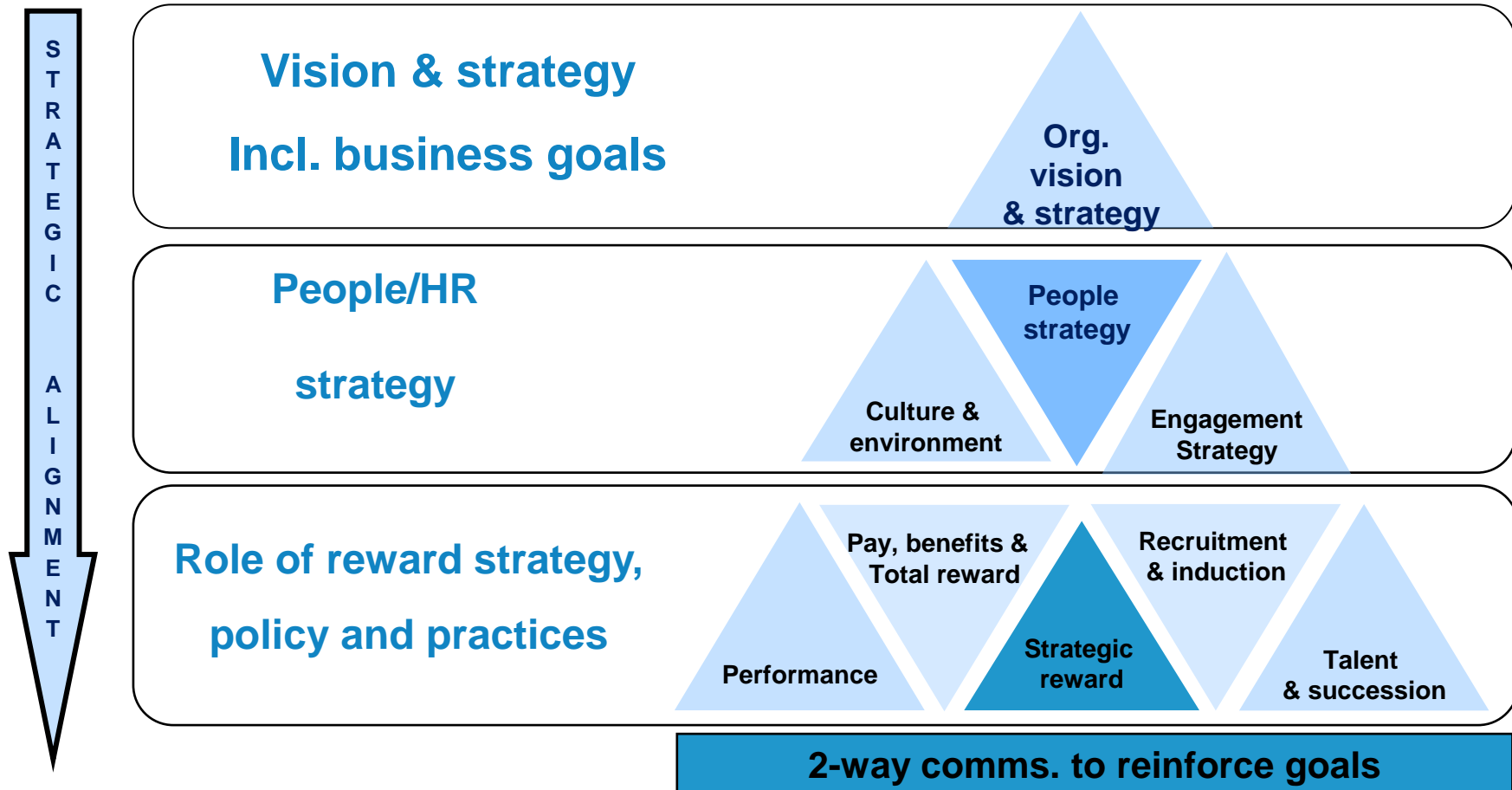
# DEVELOPING YOUR REWARD STRATEGY:

## PHASE 4:IMPLEMENT; COMMUNICATE AND EVALUATE

- Comms to incl. what will and will not be rewarded going forward
- Timing – does implementation need to be phased by location?
- Integrate learnings' as part of iterative process but not major revisions
- Evaluate successes and learnings' as part of continuous cycle

**Note:** these are indicative rather than exhaustive steps

# WHERE DOES STRATEGIC REWARD FIT IN TO THE OVERALL ORGANISATION?



## **IN SUMMARY:**

- 1. Apply systematic evidence based approach to strategic reward**
- 2. Involve key stakeholders from the start**
- 3. Focus on ‘best fit’**
- 4. Review, evaluate and integrate learnings’**

# **Questions and Thank you**

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# CONTACT DETAILS

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