The Journey towards seamless reward and talent management

2014
Our context

We simply **cannot** ignore our context anymore
Global Reward Trends 2012

Painful choices for the euro zone
China’s Libyan dilemma
The ups and downs of digital publishing
Why emerging-market firms love Britain
A cancer-research scandal

The Quest for Jobs

America, Europe and a lost generation
Generation jobless

The global rise of youth unemployment
NO JOBS
NO HOPE
NO FUTURE

This is the unacceptable face of unemployment in South Africa in 2011 — 6 to 8 million are without jobs. A special report by Amukelani Chauke
McKinsey research

90 Million people will lose their jobs by the year 2020

Who ate my job?
The Greatest Mismatch of All Time

- In our new world of work, unemployment is high yet skilled and talented people are in short supply

- A big driver of Reward management in the future is Economics – Supply and Demand

![Graph showing youth unemployment rates from 2007 and 2010 for various countries.](image)
Top issues and trends
Top Remuneration Issues

1. The “wage gap” / Gini-coefficient / Fair pay and equal pay
2. Performance Related Pay
3. LTI design
4. Selecting appropriate comparators
5. Pay restraint, Governance and Compliance
6. Best value for money spend/cost control
7. Remuneration committee performance
8. Board performance and measures
Top Reward Trends

1. Employee Engagement – creating the best workplace on earth
2. Total Reward Approach – it is not just about money
3. Retention Trends
4. Linking Pay to Performance
5. New Long Term Incentives
7. Non-Financial Rewards
8. Globalisation
9. Governance
10. Equal pay for work of equal value
11. More Flexibility and Reward preferences
12. Setting Non-Executive Director (NED) Pay
13. Responsible and sustainable remuneration
14. Intense Media Scrutiny
15. HR, Reward and the Bottom line
16. Branding and EVP
EVP and Employee Engagement

Finding the right people is hard enough; keeping them motivated and engaged once on board is even harder.
What are the **touch points** between Reward and Talent management?
Evolution of Rewards

1970s Remuneration
- Base

1980s Total Cash Remuneration
- Base
- Annual Incentive

1990s Total Direct Rem
- Base
- Annual Incentive
- Long Term Incentive

2000s Total Rewards
- Compensation
- Benefits / Perquisites
- Performance & Recognition
- Development & Career Opportunities
- Work-Life

2010s Employee Value Proposition
- Rewards
- Opportunity
- Organisation
- Work
- People
EVP Framework

EVP
The set of attributes that the labour market and employees perceive as the value they gain through employment in the organisation

Rewards
- Remuneration
- Health benefits
- Retirement benefits
- Vacation

Opportunity
- Development opportunity
- Future career development
- Growth rate
- Meritocracy
- Stability

Organisation
- Customer prestige
- Empowerment
- Environmental responsibility
- Ethics-integrity
- Formality
- “Great employer” recognition
- Inclusion/diversity
- Respect

People
- Camaraderie
- Collegial work environment
- Co-worker quality
- Manager quality
- People management
- Senior leadership reputation

Work
- Business travel
- Innovative work
- Job-interest alignment
- Level of impact
- Location
- Recognition
- Work-life balance

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Total Reward Approach

- TOTAL REWARDS STRATEGY
  - Remuneration
  - Benefits
  - Work-Life
  - Performance & Recognition
  - Development & Career Opportunities

- Organisational Culture
- Business Strategy
- Human Resource Strategy

Attract - Motivate - Retain

Employee Satisfaction & Engagement

Business Performance & Results

REF: W@W 2008
What would make an employee change jobs?

- More talented colleagues: 27.6%
- Higher level of social responsibility: 28.9%
- A higher quality product/service: 30.0%
- Highly skilled direct management: 32.6%
- Greater respect from others: 34.6%
- Friendlier work environment: 36.0%
- More rapid advancement: 37.9%
- More engaging day to day work: 38.2%
- More senior position: 38.4%
- More valuable development opportunity: 39.6%
- More comprehensive benefits: 42.2%
- Better work-life balance: 43.4%
- 15% increase in compensation package: 52.2%
Linking Pay to Performance

- Disentangle skill from luck

- The best way to avoid a “NO” vote at AGM

- Targets are both quantitative and qualitative

- Not just what was paid – how did you earn it?

- The single best way to alleviate entitlement – clear, robust scheme rules
The highest paid CEOs of USA

1. David Simon, Simon Property Group, $137.2 million, up 458 percent
2. Leslie Moonves, CBS, $68.4 million, up 20 percent
3. David M. Zaslav, Discovery Communications, $52.4 million, up 23 percent
4. Sanjay K. Jha, Motorola Mobility, $47.2 million, up 262 percent
5. Philippe P. Dauman, Viacom, $43.1 million, down 49 percent
6. David M. Cote, Honeywell International, $35.7 million, up 135 percent
7. Robert A. Iger, Walt Disney, $31.4 million, up 12 percent
8. Clarence P. Cazalot Jr., Marathon Oil, $29.9 million, up 239 percent
9. John P. Daane, Altera, $29.6 million, up 278 percent
10. Alan Mulally, Ford Motor, $29.5 million, up 11 percent
11. Gregory Q. Brown, Motorola Solutions, $29.3 million, up 113 percent
12. Richard C. Adkerson, Freeport-McMoRan, $28.4 million, down 19 percent
13. Ian M. Cumming, Leucadia National, $28.2 million, up 531 percent
14. Brian L. Roberts, Comcast, $26.9 million, down 13 percent
15. Jeffrey L. Bewkes, Time Warner, $25.7 million, down 2 percent
Rogues gallery – exhibit 1

The Gorilla of Wall Street, as Dick Fuld was known, steered Lehman deep into the business of subprime mortgages, bankrolling lenders across the country that were making convoluted loans to questionable borrowers. Lehman even made its own subprime loans. The firm took all those loans, whipped them into bonds and passed on to investors billions of dollars of what is now toxic debt. For all this wealth destruction, Fuld raked in nearly $500 million in compensation (pay for performance?) during his tenure as CEO, which ended when Lehman did.
Who decided banks had to be all things to all customers? **Sandy Weill** did. Starting with a low-end lender in Baltimore, he cobbled together the first great financial supermarket, **Citigroup**. Along the way, Weill's acquisitions (Smith Barney, Travelers, etc.) and persistent lobbying shattered Glass-Steagall, the law that limited the investing risks banks could take. Rivals followed Citi. The swollen banks are now one of the country's major economic problems. Every major financial firm seems too big to fail, leading the government to spend hundreds of billions of dollars to keep them afloat **(taxpayers money!)**. The biggest problem bank is Weill's Citigroup. The government has already spent $45 billion trying to fix it.
I am often asked these questions...

How do we identify talent?

How should we reward talent?

There are many very sophisticated methods – Matrices, Pipelines, HPO models – have we forgotten how to use good judgment?
Maria Sharapova - tennis

$27.9 million
Adrien Peterson - football

$21.5m
Gabrielle Union - actress

$18 million
Channing Tatum - actor

Salary is $15,000,000
$19 million a year
Lexington Steele

- Porn star

Net worth $12 million
Sunny Leone

- Porn star

$9m per annum
What makes the sports folk and actors’ pay different?

We don’t have to reinvent the wheel – we know the answers…
Make the link to PRP visible – what did the person do to earn it!

Reward and talent management are close cousins
BUT, when the rules are not clear, it creates entitlement
Equal pay for work of equal value

The SA Wage Gap

WHAT IS IT EXACTLY?
"work of equal value" includes work that is the same, **substantially the same** or of the same value as other work, as contemplated in regulation 4 of these Regulations.
More Flexibility and Reward Preferences

1. 78% of employees surveyed would rather have more flexibility than a pay increase

2. Flexibility required in regulation – more jobs vs. decent pay

3. Reward preferences by Life Cycle, MBTI
Generations, now **life cycle** and Reward

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**Legends:**
- **Veterans** (born before 1940)
- **Baby Boomers** (1940-1960)
- **Generation X** (1960-1980)
- **Generation Y** (1980-2000)
Personality type and reward preference

Nienaber & Bussin, 2009
The generation group differences and the level of importance for total reward categories to retain them (SA)

<table>
<thead>
<tr>
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<th>Generation Y (&lt;31)</th>
<th>Generation X (32-47)</th>
<th>Baby Boomers and Veterans (47+)</th>
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<td>Respect</td>
<td>Meritocracy</td>
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How do we create the best work place on planet earth?

You need to find out because that is what employees want!
Creating the **best Workplace on Planet Earth**

1. Let people be themselves
2. Unleash the flow of information
3. Magnify people’s strengths
4. Stand for more than shareholder value
5. Show how the daily work makes sense
6. Have rules people can believe in

HBR 2013
“Dream Company” Diagnostics

How close is your organisation to the ideal?

1. Let me be myself
2. Tell me what’s really going on
3. Discover and magnify my strengths
4. Make me proud I work here
5. Make my work meaningful
6. Don’t hinder me with stupid rules
Is there a remuneration discount when you work here?
How much?
What is Africa’s opportunity?
Growing!
At around 8%...
The True Size of Africa

A small contribution in the fight against rampant Inaccurancy, by Kai Krause

Graphic layout for visualization only (some countries are cut and rotated)
But the conclusions are very accurate: refer to table below for exact data

<table>
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In addition to the well known social issues of illiteracy and unconscienceness, there also should be such a concept as "inaccurancy", meaning insufficient geographical knowledge.

A survey with random American schoolkids let them guess the population and land area of their country. Not entirely unexpected, but still rather unsettling, the majority chose "1-2 billion" and "largest in the world", respectively.

Even with Asian and European college students, geographical estimates were often off by factors of 2-3. This is partly due to the highly distorted nature of the predominantly used mapping projections (such as Mercator).

A particularly extreme example is the worldwide misjudgement of the true size of Africa. This single image tries to embody the massive scale, which is larger than the USA, China, India, Japan and all of Europe.... combined!
We need to act now!
We only have till 2045 to get it all right. Then computers will take over everything we do…
Yes, that’s right.

Everything 😊...
THANK YOU
for this opportunity
to be with you