Pay for Performance

Different things for different people

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Agenda

• Pay for Performance – BBC Case Study
  (A Public Service Enterprise)

• Pay for Performance – Nokia Case Study
  (A Global Company in a Competitive Marketplace)

• Pay for Performance – Peer Group Selection for Executive Pay
  (Center on Executive Compensation – ExecComp.org)
Pay for Performance

BBC Case Study

(A Public Service Enterprise)
Case Study

- Formed in 1922 by Royal Charter
- Funded by a license fee paid by everyone in the UK with a television (£145.50/yr for colour TV [$US220])

**Something for Everyone**

- Online, Radio and Television services
- Recognised news brand, reaching an audience of 100s of millions in 28 languages
- “Inform, educate & entertain”

**The People**

- C.20,000 people in the main broadcasting organisation
- Have 500+ roles; Orchestras, Programme makers, Monitoring, 3rd Sector staff, actors, journalists etc.

**Public Purpose within Charter**

- Sustaining citizenship and civil society
- Promoting education and learning
- Stimulating creativity and cultural excellence
- Representing the UK, its nation, regions and communities
- Bringing the UK to the world & the world to the UK
- Delivering to the public the benefit of emerging communications technologies and services
The Challenges

Operating Environment
- Providing “value for money” to license fee payer
- Need to evolve and modernise
- Reduce costs - 20% off operating budgets
- Intense public scrutiny

Landscape
- Failed attempts to reform pay structures, originally designed in 1990s
- Not fit for purpose with complex allowances
- Expansive union presence
- Public sector structure with private sector competitors

Understanding
- The perception of the “right pay”
- Competency pay aligned to service
- Complex systems different definition of pay
- Lack of market intelligence
- Talent issues

Career Progression Linkage
- Specialism often rewarded
- Vertical progression is the focus
- Limited visibility across division; silloed approach
- Local approaches
- Low turnover
## Case Study

### The challenge of maximising creativity

<table>
<thead>
<tr>
<th>Question</th>
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<tbody>
<tr>
<td>How do you recognise individuals who value industry accolades and recognition?</td>
</tr>
<tr>
<td>How do you put value on roles that deliver a public service?</td>
</tr>
<tr>
<td>How do you encourage cross-skilling in an environment where specialisms are valued?</td>
</tr>
<tr>
<td>How do you find comparative value for unique roles within your industry/who do you benchmark against?</td>
</tr>
<tr>
<td>How do you appropriately compare different roles that both critical to delivering the final output? Should you?</td>
</tr>
</tbody>
</table>
Case Study

The starting point – what is pay?

Part of the BBC’s unique employment offering

Enables the BBC to recruit, retain & motivate brilliant people

Recognises individual contribution & skill growth

Reflects & adapts to the diverse markets in which we operate

Aligns to our public service remit

Transparent & easily understood

My Pay at the BBC

Standard Bank
Case Study

The starting point – linking pay and career
Case Study

Continuum of solutions

Harmonised Job Levels
- Organise jobs
- Identify levels
- Create criteria

Developing the Hierarchy
- Develop governance
- Consolidate or build out jobs
- Level jobs
- Develop career progressions
- Map employees

Creating the Language
- Develop approach
- Create documentation
- Assess compliance
- Identify other HR linkages

Harmonised Titles
- Harmonised Job Levels
- Harmonised Titles
- Pay Banding

Harmonised Levels, Grades, Titles and Documentation
- Define total reward philosophy
- Conduct “compensation boot camp”
- Value / benchmark jobs
- Design structures
- Cost solution(s)
- Update systems

Harmonised Documentation

Job Architecture

Pay Banding
The BBC began with a business case

**Framing the Story**
We began with a look at some of the usual suspects that are a side effect of outdated job and pay structures

**Mining for Information**
- Data were gathered from a combination of job, compensation and finance systems.
- Applied creativity to the lenses under which we viewed the data

**Search for the Hidden Costs**
- Pay spread in grades
- Movement within and between grades
- Off-cycle pay increases
- Number of job titles vs. Number of employees
- Inconsistent use of titles

**Defining the Future**
- Using leading practices as a starting point, conducted first workshop with a combination of HR and business leaders to begin formulating the future state

Deliverables included framing the problem, data analysis, proposed solutions, resource needs and a high level project plan

**Case Study**
Collaborated on community development

This is creative because .......

Simplified

Workshop approach

Job groupings balance need for flexibility & identity

Content Making
- Commissioning
- Technical Production
- Editorial Production

Journalism
- Journalism

Content Management
- Information & Management
- Staff & Production Scheduling
- Production Management
- Programme Scheduling

Technology
- Strategy & Delivery
- Development
- Research & Development
- Systems & Operations
- User Experience & Design

Business Operations
- Finance
- Administration
- Procurement
- Strategy & Business Management
- Training
- Business Development
- Project Management
- Comms, Marketing & Audiences
- HR
- Estates, Safety & Security
- Legal, Rights & Business Affairs
Case Study

Creativity comes with a price

Creative talent garner higher compensation and market power as their value and career options expand.

Compensation gaps continue to widen between “creatives” and the rest of the workforce.

This “critical workforce segment” produces a greater % of overall value and where they must spend the majority of the economic pie.

Total Compensation Breakdown

Case Study

Reward is only one part of the recognition answer

Developing new idea for programmes
Total Ideas v. Approved v. Produced

Audience numbers v. expectation / competition

Track idea origination between new hires v. seasoned staff

Comments left on social media.
Rank comments as positive, negative or neutral

Creativity Index

Idea Creation

Audiences

Social Media

Idea Origination

Pay for Performance

NOKIA Case Study

(A Global Company in a Competitive Marketplace)
Who is Nokia?

- 1.3 Billion Nokia users
- 10 Nokia phones sold every second
- 850,000 Points of sale
Case Study

Who is Nokia?

People in

113 Different nationalities within Nokia

73 Different countries

We are Finnish not Japanese!
Case Study

What about Dan Pink?

Dan Pink says that there are three elements of “true motivation”:

**AUTONOMY, PURPOSE & MASTERY**

“The deeply human need to direct our own lives, to learn and create new things, and to do better by ourselves and our world”

(Dan Pink)

AT NOKIA, WE READ THIS AS:

- It’s the culture where your work
- It’s the passion for your work
- It’s being given opportunities to learn and grow

We also believe it’s possible to reward people for doing good things
## Case Study

Where was Nokia and where did we want to be?

<table>
<thead>
<tr>
<th>Where we were</th>
<th>Where we wanted to be</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Process mindset</td>
<td>• Performance-based mindset</td>
</tr>
<tr>
<td>• Little link between individual</td>
<td>• Strong link between achievement and reward</td>
</tr>
<tr>
<td>achievement and reward</td>
<td>• Differentiation</td>
</tr>
<tr>
<td>• No real differentiation</td>
<td>• Simple incentive plan</td>
</tr>
<tr>
<td>• Complex multiple incentive plans</td>
<td>• Incentive plan reinforcing behaviour</td>
</tr>
<tr>
<td>• Standalone incentive process</td>
<td>• driven by performance management</td>
</tr>
<tr>
<td>driving behaviour</td>
<td>• People cycle aligned with business calendar</td>
</tr>
<tr>
<td>• People cycle not aligned to</td>
<td>• Working within our own organisation culture</td>
</tr>
<tr>
<td>business calendar</td>
<td></td>
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</table>
Case Study

We took a four step approach:

1. Research market
2. Ask employees what they think
3. Get approvals
4. Plan the launch
Case Study

Ask employees what they think

• We had ideas but we wanted to test them

• **Focus groups with managers and employees in 9 countries**
  - Brazil (Sao Paolo)
  - China (Beijing, Dongguan)
  - Columbia (Bogota)
  - Finland (Espoo, Oulu, Salo, Tampere)
  - Germany (Berlin)
  - India (Chennai, Gurgaon)
  - Singapore
  - UK (Bristol, London, Farnborough)
  - USA (Boston, Irving)
Case Study

Fresh approach to performance management

• **Timeline aligned with the business cycle**
  - Annual people cycle with a check-in each quarter
  - One formal review a year

• **Renewed focus**
  - Focus on goal planning and feedback
  - Introduction of calibration sessions and new performance scale

• **New incentive plan**
  - One simple annual plan
  - Hard link to performance rating
  - Kill Nokia Funding Factor
Case Study

Achievements
2012 Performance distribution

- Differentiation on performance
- Incentive payments differentiated by individual performance
- Building a performance based culture
- Feedback for further improvements
- Innovation thrives
Pay for Performance

Peer Group Selection for Executive Pay

(ExecComp.org)
Peer Group Selection for Executive Pay

Purpose of Peer Groups

- Peer groups provide market-based approach for assessing the competitiveness of executive compensation
  - CEO and Named Executive Officers
  - Other executive officers (Section 16)
  - Other executives

- Peer groups also provide perspective on company performance relative to market competitors
  - Targets on financial metrics
  - Stock price performance / TSR
Peer Group Selection for Executive Pay

Different approaches to determining peers

• **Size**
  - Revenues / Assets (for example, range of .5x-2x)
  - Market Capitalisation (for example, range of .2x-5x)

• **Industry / Sector**
  - S&P SuperComposite 1500 Index, Materials Sector
  - Philadelphia Utility Index

• **Market Index**
  - S&P 500 (and related S&P indices)
  - Dow 30
Two World Class Cities

Johannesburg

Philadelphia
**Abraham Lincoln** is a bronze statue by Randolph Rogers. It is located in Fairmont Park, Kelly Drive at Sedgely Drive, Philadelphia.

In 1866, $22,000 was raised for a statue, and Randolph Rogers was commissioned. The work was dedicated on September 22, 1871. In 2001, the monument was relocated from a traffic island to east of the road.

The inscription reads:

(On plaque, front of base:)

TO
ABRAHAM LINCOLN
FROM A GRATEFUL PEOPLE

(On plaque, left side of base:)

I DO ORDER AND DECLARE
THAT ALL PERSONS HELD
AS SLAVES WITHIN THE STATES
IN REBELLION ARE AND HENCE-FORTH SHALL BE FREED

(On plaque, on back of base:)

LET US HERE HIGHLY RESOLVE
THAT THE GOVERNMENT OF THE PEOPLE
BY THE PEOPLE
AND FOR THE PEOPLE
SHALL NOT PERISH FROM THE EARTH

(On plaque, on right side of base:)

WITH MALICE TOWARD NONE
WITH CHARITY TOWARD ALL
WITH FIRMNESS IN THE RIGHT
AS GOD GIVES US TO SEE THE RIGHT.
LET US FINISH THE WORK WE ARE IN

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**Statue of Abraham Lincoln in Philadelphia**
The Liberty Bell is an iconic symbol of American independence, located in Philadelphia, Pennsylvania.

Formerly placed in the steeple of the Pennsylvania State House (now renamed Independence Hall), the bell was commissioned from the London firm of Lester and Pack (today the Whitechapel Bell Foundry) in 1752, and was cast with the lettering (part of Leviticus 25:10) "Proclaim LIBERTY throughout all the land unto all the inhabitants thereof."

It originally cracked when first rung after arrival in Philadelphia, and was twice recast by local workmen John Pass and John Stow, whose last names appear on the bell.

In its early years, the Liberty Bell was used to summon lawmakers to legislative sessions and to alert citizens to public meetings and proclamations.
The cheesesteak was developed in the early 20th century "by combining frizzled beef, onions, and cheese in a small loaf of bread," according to a 1987 exhibition catalog published by the Library Company of Philadelphia and the Historical Society of Pennsylvania.

Philadelphians Pat and Harry Olivieri are often credited with inventing the sandwich by serving chopped steak on hoagie rolls in the early 1930s. They began selling this variation of steak sandwiches at their hot dog stand near south Philadelphia's Italian Market. They became so popular that Pat opened up his own restaurant which still operates today as Pat's King of Steaks. The sandwich was originally prepared without cheese; Olivieri claims provolone cheese was first added by Joe "Cocky Joe" Lorenza, a manager at the Ridge Avenue location."

Cheesesteaks have become popular in restaurants, cafeterias and food carts throughout the city with many locations being independently owned, family-run businesses.[5][6] Variations of cheesesteaks are now common in several fast food chains.[7] Versions of the sandwich can also be found in locations ranging from bars to high-end restaurants.[8]