

HaRe Group newsletter: 15 August 2005

Subject: Rewarding talent ... and something about "shuttle" science

In an early HaRe Group newsletter, I wrote “designing and executing reward strategies is not rocket science – however, there are many threads that need to be woven together to create an effective remuneration (reward) framework.” More recently, I have written about the importance of retaining talented employees. Last week, we saw the safe return of the space shuttle, Discovery, after a mid-orbit patch up.

So what’s the link between rewarding talent and “shuttle” science? Well, not much more than a dubious analogy. Discovery is the creation of millions of hours of scientific effort and billions of dollars of technology – yet, some “glue” protruding between some heat-resistant tiles could have brought the shuttle mission unstuck. My musing on this event somehow lead me to consider how an employer’s best laid plans to retain talented people can go awry because one aspect of the workplace strategy (like remuneration) lacks priority. Faulty reward programs (or no reward framework at all) can be as damaging as any bad management practice.

So what does an effective reward framework look like? Above all, it must be “strategically aligned” to business objectives. Benchmarking your business strategy drivers to market leaders’ strategies will help define desired organisation behaviour, key employee groups and your approach to:

1. the base remuneration package – compensation for responsibilities performed and capabilities proved;
2. recognition – awards for employees’ tangible contributions to success;
3. short-term incentives & bonuses – rewards for achieving SMART individual, team and corporate objectives;
4. long-term incentives – usually equity-based rewards for contributing to longer term company success.

Most market leaders know that they need to engage their talented people for the longest possible term. This requires:

- a clearly defined purpose for each of the above reward components;
- pay program designs that directly support unique business strategy and competitive advantage;
- performance measures that focus all employees on key business objectives;
- recognition programs that promote desired behaviour;
- market pay alignment policies for setting base pay and incentive levels;
- constant & effective communication, communication, communication,.....

My experience also tells that the people most affected by any reward program will have strong opinions about its final shape. These opinions need to be incorporated if you are to retain talented employees and achieve business value creation through people.

In summary, to design and implement an effective reward framework, all remuneration & recognition programs must have a strategic foundation. Talent retention can be fully realised only when employee stakeholders make a significant contribution.

Simon Hare

HaRe Group