



Modern Reward & Recognition Policies

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Introduction

- ❖ There is no one size fits all solution,
- ❖ Business, organizational & individual objectives can differ within the company and over time
- ❖ Therefore the policy should be flexible
- ❖ Staff (and their representatives) should understand and support the policies
- ❖ Staff members more and more seek instant feedback

Introduction

- ❖ Fixed,
- ❖ versus Variable income
- ❖ Monetary,
- ❖ versus non-monetary rewards

R & R versus C & B

- ❖ C&B

- ❖ income and benefits are a compensation for a sacrifice of time and effort

- ❖ R&R

- ❖ income is the Reward for a delivered result and should Recognize excellence
- ❖ C&B is about distribution of company income, R&R seeks an increase of company income

Starting Points

- ❖ Reward & Recognition,
 - ❖ can and should be in support of Business Goals, and motivate staff in the right direction.
- ❖ But,
 - ❖ it is easier to demotivate than to motivate and there is always the danger of provoking undesired behavior and results.

Fixed Income

- ❖ Periodic (monthly) salary
- ❖ Differences based on longer term value of jobs / roles
 - ❖ often through Job Grading,
- ❖ and within jobs / grades
 - ❖ experience (yearly increase)
 - ❖ performance
 - ❖ potential ? (should we pay for potential or for proven behavior and result only?)

Performance & Health *

- Performance & Organizational Health go hand in hand
 - Performance is what an enterprise delivers to its stakeholders in financial and operational terms.
 - *It translates into Result oriented targets/objectives*
 - Organizational Health is the ability of our organization to align, execute and renew itself faster than the competition so we can sustain exceptional performance over time.
 - *It translates into Behavioral oriented targets/objectives*

*Beyond Performance, Scott Keller & Colin Price, 2011

Fixed Income

❖ Salary Scales

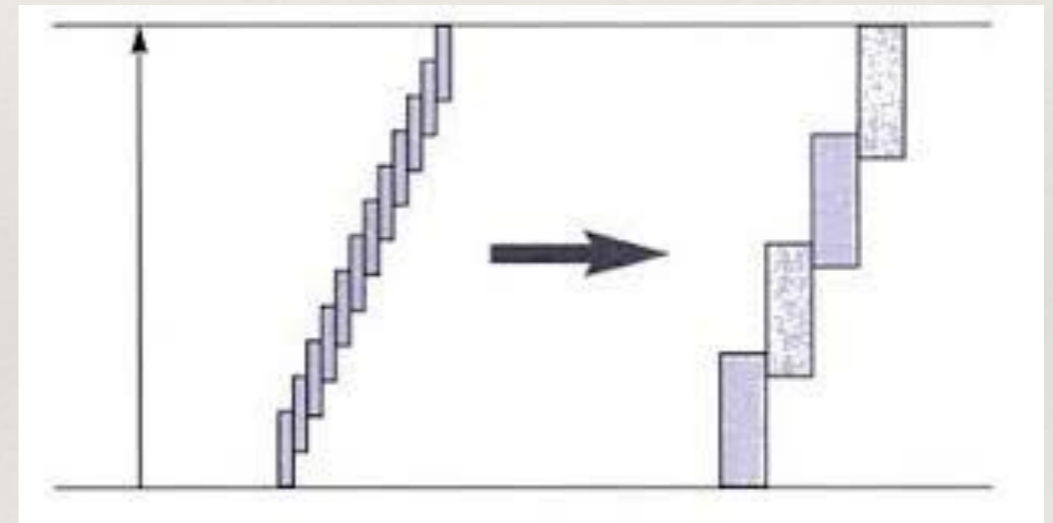
Maandsalarissen per 1 juli 2015 (in €)

Functie-niveau	Aanloop-stap 5	Aanloop-stap 4	Aanloop-stap 3	Aanloop-stap 2	Aanloop-stap 1	Aanvangs-salaris	Standaard-verhoging*	Eindsalaris
A	949,11	1.075,67	1.202,21	1.328,75	1.455,32	1.582,07	4,1%	1.820,18
B	996,72	1.118,29	1.245,86	1.373,43	1.501,00	1.628,58	4,1%	1.905,00
C		1.174,18	1.315,75	1.457,32	1.598,89	1.736,47	5,4%	2.038,51
D		1.231,27	1.375,82	1.520,37	1.664,92	1.810,47	5,4%	2.172,24
E		1.295,78	1.446,31	1.597,80	1.749,29	1.901,78	6,1%	2.279,78
F		1.374,89	1.536,69	1.698,09	1.859,49	2.021,99	6,1%	2.358,18
G			1.627,11	1.788,59	1.949,99	2.111,42	7,2%	2.289,97
H			1.729,61	1.894,83	2.060,05	2.219,27	8,6%	3.102,29
I			1.846,42	2.018,13	2.213,87	2.321,59	9,8%	3.508,81
J				2.154,74	2.376,07	2.582,79	11,4%	4.047,48
K				2.060,00	2.313,41	3.100,70	19,1%	4.732,01

* De laatste standaardverhoging waarmee het eindsalaris wordt bereikt kan hiervan licht afwijken.

❖ versus (Broad) Banding

MIN	-----	MID POINT	-----	MAX
		reference point		
80%		100%		120%
		and		
MIN	-----		-----	MAX
			reference point	
67%			100%	



Variable Income

- ❖ Does variable income work?
 - ❖ Controversy in literature
 - ❖ risk is demotivated staff and / or wrong behavior.
- ❖ expectation of staff (there might be a difference between current and potential staff and / or different categories of staff (e.g Sales versus R&D))
- ❖ Market practices
- ❖ legislation (e.g. max 20% of fixed income in Banking)

Objectives linked to Variable Income

- ❖ What kind of behavior do we want to stimulate to obtain certain results?
- ❖ Can we influence the results as individuals / teams by our actions / behavior?
 - ❖ Total company versus small teams versus individuals
 - ❖ Long term versus short term
 - ❖ Behavior or Result?
- ❖ How to avoid that emphasis on one (set of) targets is detrimental for other important objectives. How to find the right balance?

Company Targets / Objectives

Who can influence?

	board	Sen. Mnt	Staff
Shareholder Value	Yes	Maybe	Hardly
Profit	Yes	Yes	Maybe
Cost	Yes	Yes	Maybe
Turnover	Yes	Yes	Maybe
Percentage new products	Yes	Yes	Maybe
Customer Satisfaction	Yes	Yes	Yes

Team or Individual Targets/Objectives

- ❖ Team targets often linked to projects and result oriented
- ❖ Also in case of individual targets it can be helpful or even necessary when targets are shared
- ❖ Individual targets can/ should be both result and behavior oriented.
- ❖ Individual targets often change over time and within an appraisal cycle, therefore be flexible
- ❖ Emphasis on company and team targets provokes a different kind of attitude than emphasis on individual targets

Long or Short term Targets/Objectives

- ❖ Individual and team targets are often short term and linked to projects or other results within a limited timespan. Since the relative importance can change over time, be prepared to be flexible
- ❖ Company targets (which are often the individual targets of top management/board) are often longer term (more than one year). Making them short term can even jeopardize the longer term sustainability of the company

Behavioral versus Result oriented

- ❖ Higher up in the organization it is more likely to use / emphasize result oriented targets.
- ❖ lower in the organization, with staff having limited influence on the output of their work it is more likely to use behavioral targets

Seeking the right Balance

- ❖ Higher up in the organization the emphasis should often be focused on *longer* term, *result* oriented objectives.
- ❖ So make bonus payments dependent on results over a longer (e.g. three year) period
- ❖ The higher the bonus the bigger the risk of the short term taking over from the longer term. (less of a risk in the banking sector with the 20% cap)

Seeking the right balance

- ❖ To much emphasis on *result* might be at cost of *behavior* which could be detrimental for longer term sustainability (e.g. management by terror leading to an out-flux of necessary talent)
- ❖ But also one set of *result* oriented targets can be detrimental for other. (e.g. Turn-over versus Profit, Customer Satisfaction versus Profit, Costs versus Customer Satisfaction etc)

Seeking the Right Balance

- ❖ Most used solution is assigning a set of targets e.g.:
 - ❖ Company profit-increase
 - ❖ Customer Satisfaction
 - ❖ project X
 - ❖ project Y
 - ❖ outcome of employee survey within department
 - ❖ etc, etc
- ❖ Danger is that too many targets are defined which could dilute their relative importance

Balance between Result & Behavior

- ❖ Make the Pay-out based on *result* oriented dependent on *Behavioral* target.
- ❖ 20% payout when Profit and Turnover targets are achieved, under the condition that behavior was satisfactory; if not bonus will be lower

Balance between two Result Targets

Use an accelerator when two targets could lead to opposite outcomes. (e.g. Turnover and Profit)

profit \ turnover	5%	10%	15%
3 billion	0%	2%	3%
3.2 billion	2%	6%	8%
3.5 billion	3%	8%	20%

Instant Feedback & Rewards

- ❖ Most R&R policies use schedules which are fixed in time and often annual, leading to bureaucratic perceived processes
- ❖ In particular individual targets which seemed very important at the start of the period proved to be less important or even undesirable
- ❖ *Employees more and more demand instant feedback*

Giving Feedback

- ❖ Company targets are often very well communicated and almost by definition annual. Their purpose is in particular to focus the staff on the strategic objectives of the enterprise.
- ❖ Individual result oriented targets often refer to projects with a limited duration and can often be split into short term fase-gates. They seldom follow the annual business cycle
- ❖ Behavior should be appraised over a longer period , but giving feedback can and should be done at any appropriate moment.

Rewarding

- ❖ Rewards on company targets cannot be disconnected from the annual business cycle, but,
- ❖ Team and individual targets can always be rewarded instantly
- ❖ Both annual company targets and individual targets can be rewarded depending on behavioral assessments.

Monetary & non-Monetary

- ❖ Instant rewards can have the form of a monetary bonus, but sometimes a “pat on the shoulder” is enough. Be creative in awarding good results / behavior:
 - ❖ team awards, where their achievement is mentioned by the CEO in a business update
 - ❖ team-event
 - ❖ diner for two in case of individual achievement
 - ❖ participation in a seminar
 - ❖ etc, etc