



# HRINZ Presentation

Making a connection between  
Reward and Results



# Current and short term future state

- Global Financial Crisis still hanging around
- Mergers and Acquisitions
- Cost reductions
- Global talent shortage



# What does this means for New Zealand?

- We can't afford to compete globally for all of our talent needs
- Our talent will move around - internal and external
- Who/what is our competition
  - Talent sharing pools
  - Public sector shared services??



# A common H.R. Theme

## What we say.....

- Striving for “Best Employer” status
- “Our people are our best asset”
- We pay competitive remuneration for the right skills
- We reward for performance
- We strive for a high performing workplace



# What our company does.....

- Cut our people assets as a “first step” when the going gets tough
- We pay competitively when we can afford it
- We also reward other things, not just performance
- We have trouble investing in productivity improvements unless its immediate



# What we do (have done).....

- We “audit” performance after the event
- We identify talent but keep it secret
- Use succession planning as a “backstop”
- Spread our salary budgets too thinly
- Allow the market, or the union to dictate our remuneration decisions



# Policies or process with high probability of failure

- Upper quartile market position
- “No bonuses” policy
- Formularised incentive plans based on tenuous measures
- “Pay for performance” salary process with a CPI budget
- Increasing salary under threat of resignation



# Incentives that fail to deliver increased results

- “Company” bonus - something for everyone
- Incentive plans with “up to” targets
- Reward of effort or time, not results





# The impact

- We attempt to pay market rates but the market data lacks credibility and budgets are fixed
- Performance measurement becomes subjective and lacks credibility
- Talent retention is tenuous or reactive
- Our people costs increase as our productivity is not improved and turnover increasing



# Another view

- Become the “Product Owner” of your people asset - know the numbers
- “Someone will always find out” - manage policy on this basis
- Be a coach rather than the auditor in the performance process
- Focus your energy on the High Payoff activities

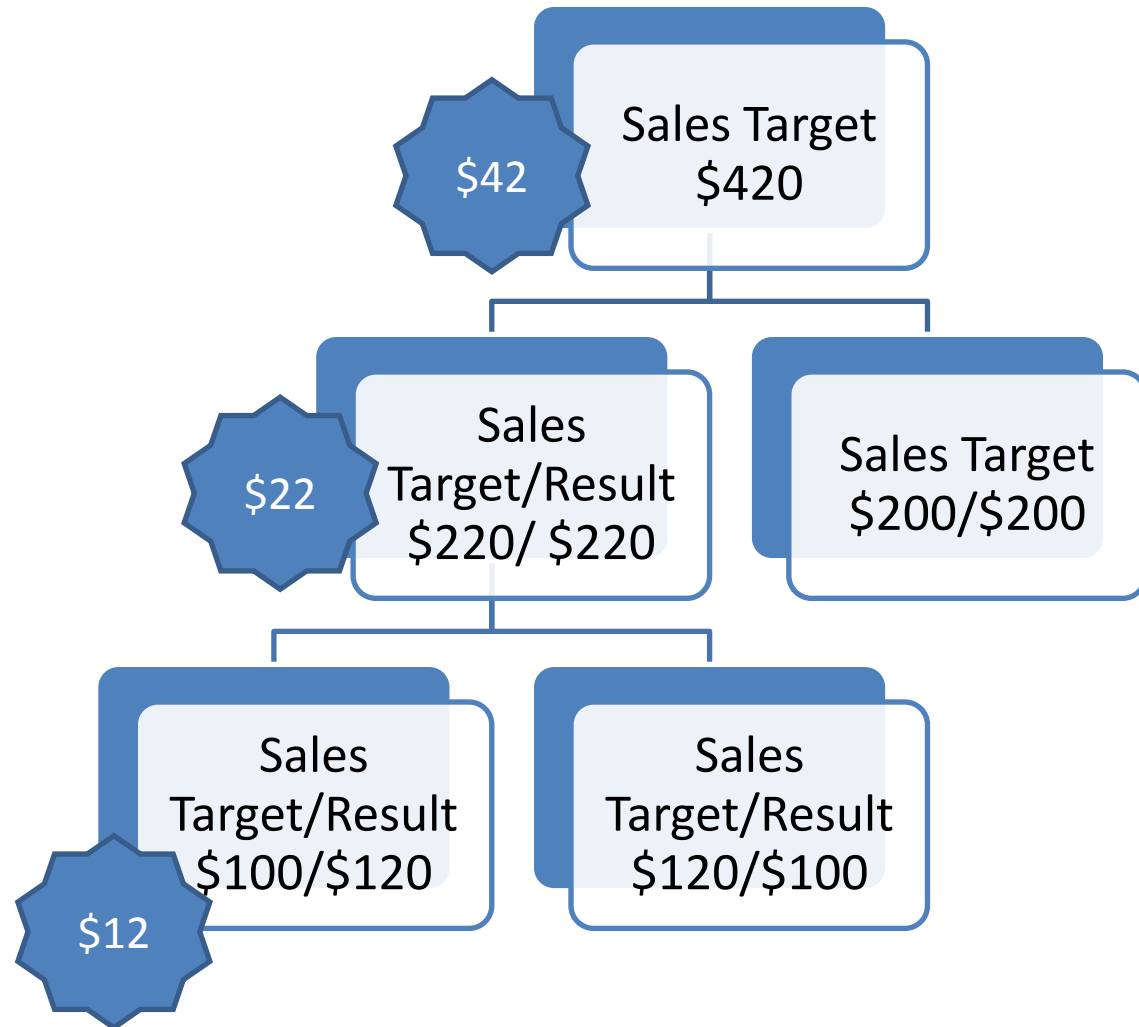


# High Payoffs

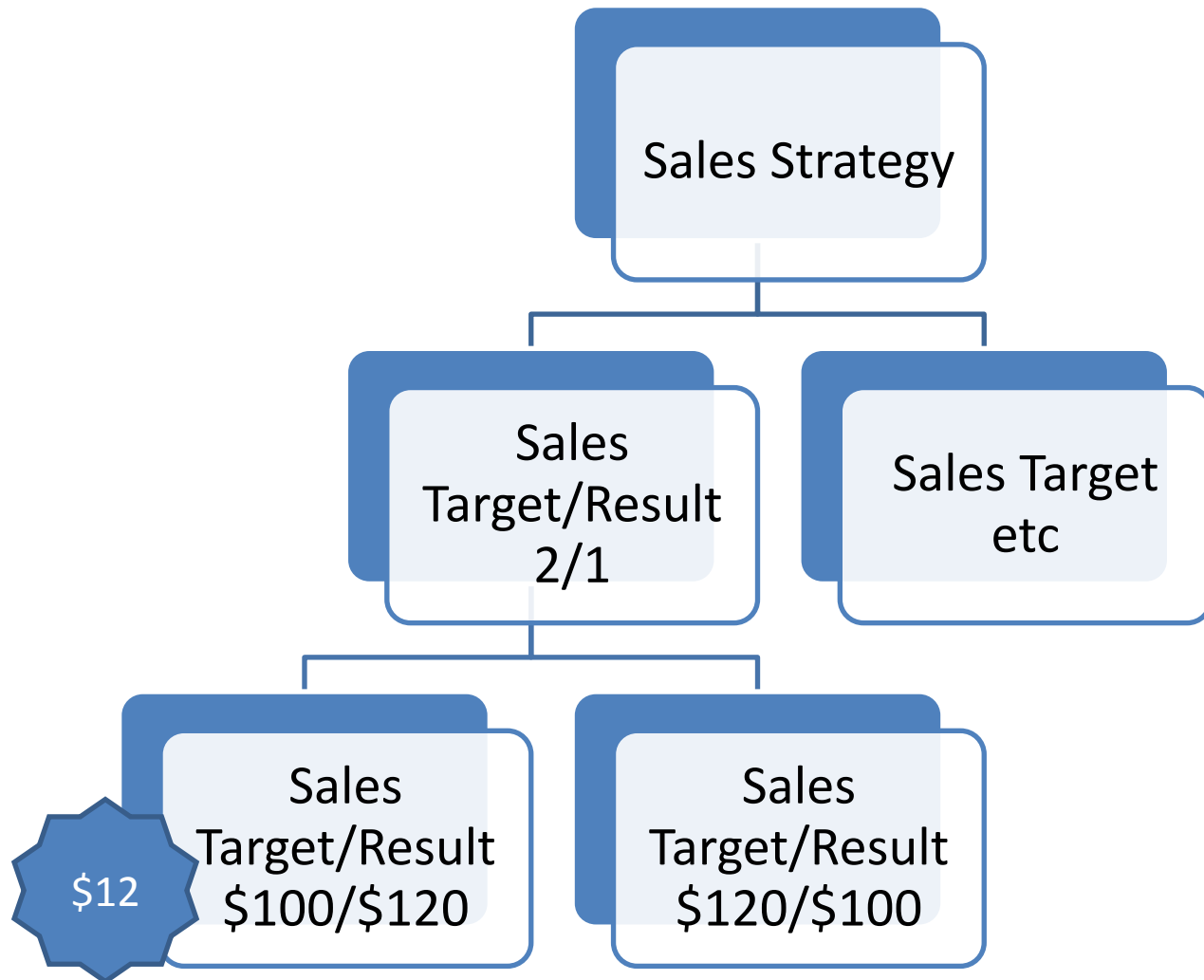
- Reward true high performance by:
  - Dealing with poor performance
  - ***Always budget to move*** salaries of top performers/talent unless you are confident of market competitiveness
- Connect employee activity to organisational goals - relentlessly coach on goal setting, but know what yields results
- Don't reward the ***same*** activity twice - identify unique value add - measure and reward



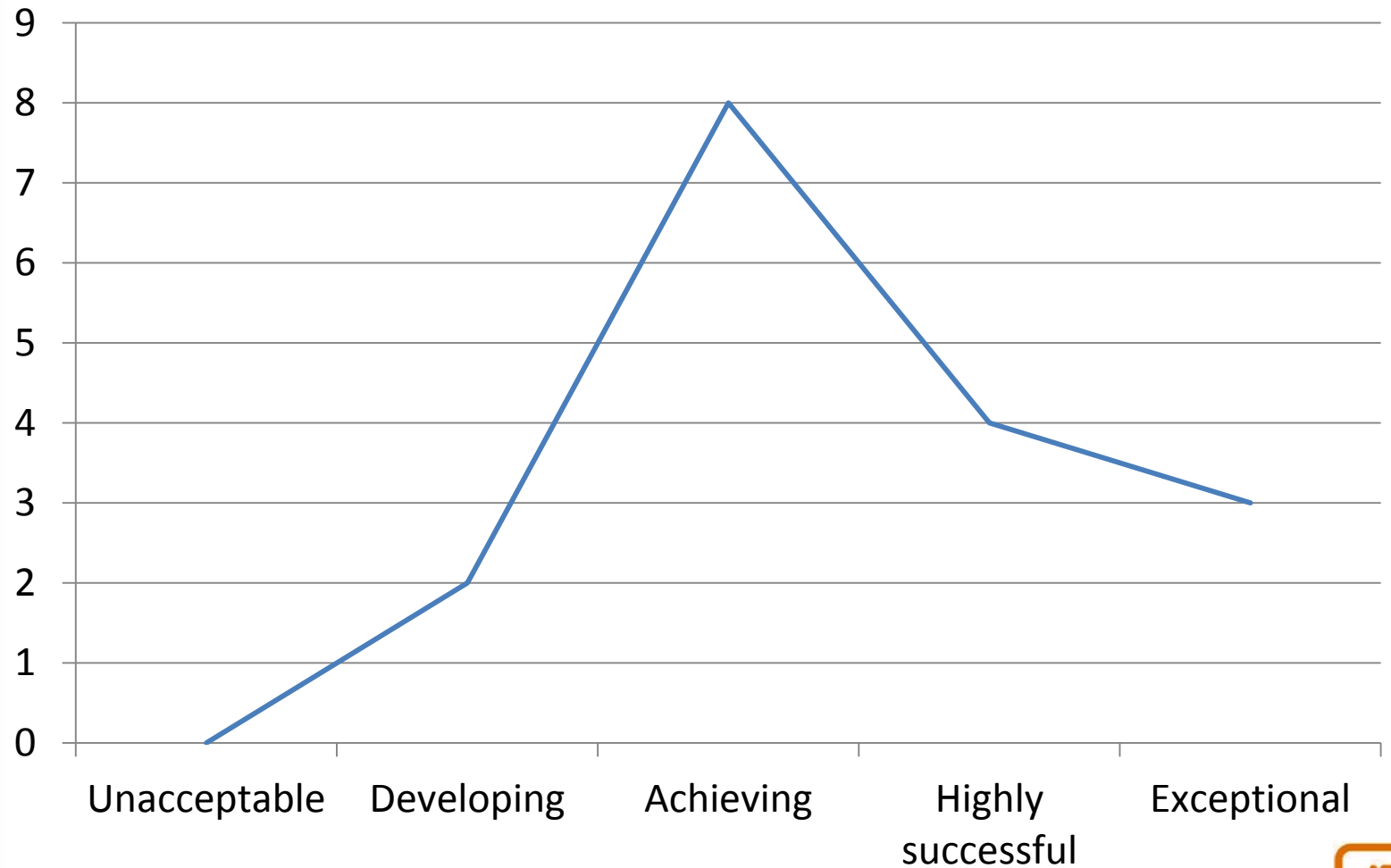
# Typical sales incentive plan



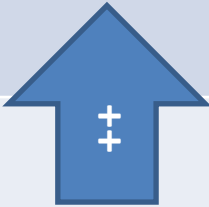
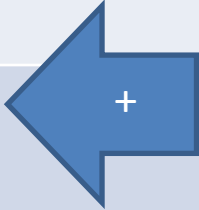
# A better idea?



# Let performance fall where it falls



# Budget LCI as a minimum and scale back spread of reward

	Low against market position	Desired market position	High against market position
Exceptional			
Highly successful			
Achieving		LCI	
Developing			
Unacceptable			

# Not all jobs/people are equal

## Compensation

- Unsociable hours
- Unfavourable conditions
- High risk
- The base pay for base input

## Remuneration

- Performance pay
- Results
- Unique value





# Market position isn't just about competition for skills/talent

Supply of Talent	Abundant	Adequate	Limited	Scarce
Performance Expectations	Low	Average	Stretch	Exceptionally High
Productivity vs. Market	Low	Average	Above Average	Very High
Employee Mobility	Low	Modest	Some Hiring Away	Frequent Hiring Away
Staffing Model	Excessive	Adequate	Light	Extremely Lean
Market Instability	Little or None	Nominal	Moderate	Significant
Company Reputation	High	Respectable	Unknown	Unfavorable
	40th Percentile	50th Percentile	60th Percentile	75th Percentile

# Key “Enduring” Strategies

- Keep your promise to true high performers in all circumstances
- The smaller the budget, the narrower the distribution
- Avoid moderating your performance curve at the end of the year
- Under no circumstances pay for under-performance
- Replace retention payments with talent rewards - personalised programmes of reward
- An organisational reaction to “I’m leaving” - only these people, negotiate something in return



# How can we make a difference?

- Sell our H.R. Policies as Business policies
  - Prove that measuring and rewarding workforce performance works
  - Prove that salary investment in the right people works
- Sell the risks of “anti-policy” actions and seek to eradicate
- Use market data cautiously -focus on employee productivity v’s organisational performance
- Be true to your marketing pitch



Become a sales person

