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SPECIAL REPORTS
IMAGINE THERE'S NO BOX TO THINK INSIDE OR OUTSIDE OF? PLUS, WHY SOME BUSINESSES HAVE THE EDGE OVER COMPETITORS

DAVID BLACKBURN, CHIEF PEOPLE OFFICER - FINANCIAL SERVICES COMPENSATION SCHEME (FSCS)

{ KARMA POLICE }

"WE'RE FIRMLY SET IN THE FINANCIAL SERVICES ECOSYSTEM... THERE'S A VERY COMPELLING REASON FOR OUR EXISTENCE"

ALSO FEATURED IN THIS ISSUE

ORGANISATIONAL DEVELOPMENT Taking advantage of changing conditions relies on nurturing innovation and entrepreneurialism

EQUALITY, DIVERSITY & INCLUSION Diversity has no hierarchy - no one characteristic is more important - some are just easier to measure

REWARD & RECOGNITION Firms are already adding their "bots" to the headcount. How long before they are on the payroll too?

WHISTLEBLOWING Rather than NDAs to enforce codes of silence, organisations should take a steadfast approach to prevention

REWARD & RECOGNITION

THE SMOKE RISES, THE MIRRORS ARE SHATTERED

Who would have thought that Philip Morris International - the 170-year old cigarette business - would have recently declared that its new operating model is to create a 'smoke-free future', phasing out products people burn, in exchange for innovative, non-smoke producing ones? In short, the business is morphing from a manufacturer to a science and technology company. This typifies a reality where business models aren't just adapting; they're positively in flux.

ARTICLE BY RUTH THOMAS, SENIOR CONSULTANT - CURO COMPENSATION

Established firms are literally abandoning long-held heritages, simply to survive. With this type of change occurring within various companies, traditional talent strategies - and by default traditional reward strategies - need rewriting in order to re-skill and engage the people they need to see these changes through. Right now, there are four big trends or challenges driving the way reward will need to adapt that we simply cannot afford to ignore. Addressing these issues, can help build a cohesive, democratic and agile reward strategy that will meet future demands and expectations. Wind the clock back three years and the debate on pay and engagement was focused on how "meaning" was the new money and employees, particularly younger employees, were not motivated by pay. The #metoo era has changed that and brought back into focus how important the link between perceptions of fairness and pay are. Today, increasing global pay equity legislation, growing C-suite awareness and workforce expectations of greater pay transparency, have catapulted pay equity to the top of every organisation's agenda. It really is time for employers to deliver on this, and yet, results from the second year of mandatory Gender Pay Gap reporting in the UK shows that little has changed in a year and, for many firms, it's still just a tick box exercise.

Across both years of reporting, the number of employers submitting their results close to the deadline was high so, despite having twelve months to produce the mandatory metrics, many left it to the last four weeks. As a result, they also left themselves no time to diagnose the outcomes or consider what actions to put in place. There is most definitely a need to stop over-analysing the figures, and rather focus on what the numbers represent - how actions to address pay gaps are not necessarily related to pay, but rather a broader set of diversity initiatives that address systemic bias and tackle unseen barriers that occur at different stages of the talent lifecycle. As a result, multi-national companies are also starting to consider pay equity audits on a global basis, in order to act local, but think global on initiatives targeting the talent blockages that cause pay gaps.

With the growing diversity in our workforce consisting of; full-time employees, interims, freelancers, gig workers, micro taskers and even "bots", there's a need to broaden approaches to reward to engage and attract these different talent categories. Some organisations are already asking to put their bots on headcount… how long before they ask them to be on payroll too? Whilst that may seem a bit far-fetched, the reality is that most organisations have multiple talent models evolving, and reward professionals will need to create new segmentation-based reward plans. These plans will need to account for what motivates each segment in the first place. For some, where long-term career options still exist, a pay framework that rewards expertise and progression through a career path will be appropriate. Whereas, for those employers buying in skills available in the external labour market, but are unable to offer long term career opportunities, a single rate of pay aligned with external market forces will be more applicable. This differentiation is likely not to be a fad. Businesses already use price segmentation strategies for selling to their end consumers - where different price points are created based on a customer's known willingness to pay - so it's entirely logical the same will be applied internally to employees.

Another hot topic in R&R is that increasing personalisation of reward will become a differentiator in the war for talent. The strength of segmentation lies in the fact that while people are all different, groups of people tend to exhibit common characteristics. But it follows that, as different segments are identified, so the need for more personalisation in reward will come to the forefront. Crucially, increasing personalisation in reward will be less about actual reward professionals deciding which packages best suit different groups, but employees themselves designing their own packages - similar to that which already exists in flexible benefits solutions. The growth in companies giving their staff a benefits 'pot', that they can control, is already well-proven so it's only logical that benefits pots could be extended to 'reward pots', where instead of perks that are personalised by staff, it's pay. For example; the proportion of their total reward they take as salary, versus performance-related pay, versus bonuses, versus profit shares, versus individual or team bonuses, versus referral awards etc.

Allowing employees to balance their lifestyle requirements and appetite for risk when selecting their preferences, is a key consideration. In essence, as the employment relationship continues to shift to be more employee-centric, employees are likely to want more flexibility and options in the creation of their reward packages, introducing more intrinsic reward to the total reward or compensation package. What is likely to happen is that employees will effectively be able to design their own personalised compensation scheme - one that's unique to them. It will be similar to having their very own 'reward fingerprint'. Ultimately employees will gravitate to those organisations that offer this choice. Reward needs to adapt to a more agile and holacratic way of working, so we can allocate awards when effort is either in line with project, team and/or skills-based approaches to working, or we see extraordinary effort taking place. We have to revaluate talent management strategies that have traditionally run on an annual cycle. Indeed, how relevant is 'annual' in an agile world? Some HR processes have already moved this way, with engagement surveys now real-time, supported by new technologies. Using apps and devices to capture emotions, so that engagement levels can be continuously assessed in real-time provide critical data on your workforce. Succession planning has also evolved to a process of continuous insight in the quality of leadership and the leadership bench so organisations can respond to movement in key positions fast. But it is the challenge to traditional models of performance management with employers moving to on-going approaches to talent assessment that is leading us to question whether it's time to move to real time reward.

Non-annual pay changes are nothing new but the trend has been to move to more quarterly, bi-annual or yearly reviews. This was really more to deal with the challenges of cost management and governance with too many one-time adjustments going under the radar. Also the enforcement of compensation principles was difficult to track when pay changes were made out of full peer context. Interestingly, none of these reasons were employee centric. We didn't stop doing them because employees didn't value them. In fact, as a reinforcement mechanism we know that the once-a-year pay adjustment is probably too infrequent, considering the diminutive pay changes most experience. So, if compensation works best as a motivator when it comes as soon as possible after the desired behaviour should we consider instant reward? This is more likely to be in line with new project, team of skill-based ways of working. Fourth industrial revolution technological innovation is changing how we work, where we work and who does work. The challenges this brings to reward are significant but, of course, that same technology will also help us to manage these challenges and help build a cohesive, democratic and agile reward strategy that will meet future demands and expectations. ●

THERE'S A NEED TO BROADEN APPROACHES TO REWARD TO ENGAGE AND ATTRACT THESE DIFFERENT TALENT CATEGORIES. SOME ORGANISATIONS ARE ALREADY ASKING TO PUT THEIR BOTS ON HEADCOUNT... HOW LONG BEFORE THEY ASK THEM TO BE ON PAYROLL TOO?

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Do you believe that the reward and recognition in your firm is inclusive?

40% Yes

60% No

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