

recognition, value and reward



Major companies have been linking reward to performance for many years now and the annual debates on “fat cat” salaries have been well documented and continue to rumble on.

The UK press had a field day on the level of some director's salaries – in many cases, directors of top performing companies have earned what appear to many to be obscene levels of remuneration. There are many examples of executives who have earned seven figure bonuses however in most cases these are “earned” by exceptional company performance. The greatest uproar, and rightly so, surrounds directors who still manage to earn significant packages yet their companies have under performed for their shareholders. Realistically, if companies have performed well for their shareholders, why shouldn't the directors and decision makers be rewarded accordingly?

Rewarding and retaining high performing senior executives is fundamental to business stability and growth continues to be the one of the greatest challenges facing Irish companies, north and south. As the market heats up, and with increased competition in key sectors, getting the best people through the door and into your company in the first place is often difficult enough. Rewarding high performance effectively presents as great a challenge.

It is clear that “paying someone handsomely for a job well done” is not the long-term answer. Companies must look strategically at the full range of benefits they offer and effectively reward the contribution key people make to the bottom line or by increasing shareholder value.

In Northern Ireland, the very best people can now command significant reward packages, and rightly so. Research has shown that although money is not the sole motivator when it comes to job satisfaction, lack of it or a sense that

people are being rewarded unfairly can be a huge de-motivator. However, depending on what study you read on the factors that are most important when assessing job satisfaction, remuneration is not the main factor. It often ranks a few points down the list of importance behind factors like positive work culture, career development and personal growth, variety, job security, recognition for personal contribution and autonomy in decision making.

Positive company culture and the emphasis on being awarded appropriately for work well delivered are consistently seen as the key drivers in retaining good people. A fair and equitable remuneration system is obviously crucial to the retention of staff and linked with this is a performance management system which perpetuates through the whole organisation, from the most junior member of staff through to the Chief Executive.

Performance management establishes the vital link between corporate goals / objectives and the individuals who will implement them. This is done by breaking corporate goals down into objectives and targets for teams and individuals; managing the process objectively through regular performance reviews and supporting the performance and development of all staff.

However, if an organisation exceeds goals, surely this success should be shared by all who contributed to the achievement of these goals? This can be done fairly and equitably and can be based on the sense that a basic salary is received across grades and subsequent achievement rewarded by a transparent bonus structure. In this way, everyone clearly sees the level of achievement necessary;



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Reward systems must be tailored to the needs of the organisation and be focused on the key indicators that contribute to ‘bottom line’ results. Measurement of key indicators should be perpetuated throughout the whole organisation, from the top down. How de-motivating can it be for staff who are consistently measured against specific targets and rewarded accordingly, when they read the company's board report only to find that the Chief Executive bonus model was vastly out of relative proportion to other levels within a business? Put simply, if an organisation has an exceptional year, all of those who contributed to that success should be rewarded in relative proportion.

Rewarding high performance equitably should encourage higher performance. A leading US Management Consultancy survey on attracting and retaining top talent found that the top 20% of managers have a much greater impact on operational productivity, profit and sales revenue than average performers. The senior executives surveyed believed that top performers in their organisations deserved to be paid 42% higher than average performers. This was shown to have a clear pay off for the business.

Companies that paid an additional 40% to hire an “A player” recouped an overall return of 100% or more on their investment in a single year. Those companies who worked hard to retain these people also fared well. The survey showed that companies that scored in the top quintile of talent management practices outperformed their industry's mean return to shareholders by a remarkable 22 percentage points.

While rewarding high performance has clear impact on organisational performance, it is imperative that companies do not tolerate underperformance. Tolerating

underperformers – especially underperforming managers – carries the highest price of all. Sub par managers drive talent from companies and tie up positions that could have been used as development opportunities.

Reward must not focus purely on the financials. It is clear that salary, bonus, car allowance and to a lesser extent more recently, pensions, will always form the core of an executive remuneration package. Share options remain important although in some sectors have lost their appeal because in many cases anticipated share option values have not materialised.

Recent analysis suggests that there is a significant movement towards benefits that help to address “work /life balance” issues. Technology has made it much easier to work from home on a more frequent basis and innovative companies are more readily prepared to offer much greater working flexibility and benefits such as the ability to “purchase” additional holidays.

While it might be great for some to earn a fantastic level of remuneration, it is just as important to have the time out of work to enjoy the rewards. In this age of long working hours, big salaries and big bonuses, the flexibility to spend more time with family and friends, to travel, to relax and enjoy life to the full is a real executive benefit and one that doesn't appear on any tax return!

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