



# focus on

## Total reward and total motivation

These days managers need to think far beyond the “carrot and stick” world of reward they may have started out with.

Understanding motivation and people’s different personality preferences is a big part of making reward and recognition work effectively.

**Helen Murlis, director of London’s Hay Group investigates.**

Talking recently to a City figure who sits on a number of remuneration committees, I asked about the motivational value of the current annual incentive scheme for executives in the particular organisation we were discussing. Somewhat to my surprise, he said he didn’t think the scheme had much motivational value at all and was “largely mumbo jumbo”.

He went on to say, however, that it was now an expected part of their package and that they would be “very sore” if it were taken away and not replaced with a scheme delivering equivalent amounts of money. Receiving an incentive was part of these executives’ self-image. But it didn’t, if my witness is to be believed, make them work more effectively to raise organisational performance. So what would do the trick?

Let’s remind ourselves what motivation is. Put simply, it is the drive behind human behaviour.

According to Armstrong and Murlis (1), motivation theory is about:

- how behaviour is initiated by needs and by expectations on the achievement of goals that will satisfy those needs
- how the achievement of goals and/or feedback on their achievement reinforces successful behaviour
- how belief in one’s ability to carry out a specific task will activate behaviour which is expected to achieve successful performance in that task.

Motivation happens therefore through the recognition of an unsatisfied need, setting a goal perceived to meet that need and taking a course of action focused on goal achievement – provided always that goals are realistic and attainable. Motivation is sustained when people feel that what they do is positive and worth doing (or what is worth avoiding to stay out of trouble) and by being in a work environment that fosters personal engagement. Beyond this generalisation, different kinds of people and personalities tend to have different needs and respond to different goals. They will also respond differently to reward offerings.

### Beyond economic theories

Recent work done for the Chartered Institute of Personnel and Development (2) identifies more than 20 theories likely to influence our thinking on reward. Only six of those described are economic – supply and demand, efficiency wage theory, the effort bargain, principal agent theory, rational choice and human capital theory. None of these really explains how or why different kinds of people perform at their best or indeed feel well rewarded.

Yet these are the theories that are typically “in play” when reward systems are designed and implemented. They tend to be taken for granted as fundamental since they are part of basic conventional teaching in economics, finance and to, some degree, in HR.

### Learning from the world of psychology and development

There is a very good case for employers taking an interest in what psychological state people are in when they are performing at their best. To get at this, recent developments in psychology and, indeed, neurophysiology provide the



evidence. The mental state involved is called "flow" – described by Mihaly Csikszentmihalyi, Professor of Psychology and Education at Chicago University, as a hyperfocused state in which people are remarkably unstressed even when doing challenging work (3). They lose themselves in a task they love and feel "out of time" – not knowing where the time goes when completely absorbed in what they are doing.

Professor Csikszentmihalyi believes that to raise productivity and effectiveness, organisations should be aiming to have more of their people "in flow" more of the time. For employees to have the motivational level to be in this state, organisations need to focus on their total reward environment.

Clearly, issues of leadership quality, organisational values, an enabling work environment, appropriate training and development, opportunities for career development and growth, and reasonable levels of work life balance matter as much as effective and competitive, as well as flexible, pay and benefits provisions. This is why total reward thinking is rising in prominence and is an essential part

of the equipment of reward practitioners. It also helps put pay in an appropriate place in the overall reward agenda – which can be important for employers like those in the public sector where people are less likely to join or stay largely for financial reward.

### What organisations and line managers can do

Effective total rewards depend on understanding and working with the employee reward agenda – recognising that different kinds of employees and, as importantly, different personalities are rewarded by different things.

Difference in staff category is already typically recognised by having differential reward practices for, say, executives, the sales force, staff in call centres or, indeed, specific job families such as IT or R&D – partly driven by market practice, partly by an understanding of what is valued by the group. Flexible pay and benefits then add a further dimension of customisation to meet the needs of different generations, lifestyles and personal values.

This is not however the whole picture since, as I mentioned earlier,

people with different personality preferences and motive profiles tend to value dissimilar things in the total reward environment. This is where reward, performance management and development meet – in the hands of line management.

An accessible way into this comes from taking account of people's personal preference type as shown by the MBTI (Myers Briggs Type Indicator), a commonly used instrument across the UK economy and internationally. This instrument essentially looks at what energises people (Extraversion/Introversion), how they take in and use information (Sensing/Intuition), how they take decisions (Thinking/Feeling) and how they like to live their life (Perceiving/Judging).

Motivating and retaining talent can depend on understanding how the talent identified perceive their employment "deal". The same deal will be perceived differently by different types and the way they need to be communicated with and recognised for their contribution also varies by type. So, for example (4), someone whose type is:

- INTJ will prefer to be rewarded with more independence and resources, recognised for



achievement on long complex projects and for thinking "out of the box" – by someone whose competence they respect.

- ENFP will prefer to be rewarded with opportunities for new learning, want continual verbal and non-verbal feedback on how they are doing, like recognition for producing new ideas and enjoy recognition at a fun, public event.

This illustrates just two of the 16 MBTI preference types. Line managers who want to get this part of reward and recognition right will need to be conversant both with their own and their team's individual types to use

this research successfully. They will also need the kind of people management effectiveness fostered by leadership programmes and performance management training which build self awareness and emotional intelligence and take them beyond the "carrot and stick" world of reward they may have started out with.

My non-executive director being consulted about reward strategy recognised this. Although he saw sound incentive scheme design with better focused and more stretching objectives and measures as significant, he also went on to put

more emphasis on the importance of improving top team collaboration and effectiveness in raising organisational performance.

References

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4. Hammer, A L (2003) *Type and Retention: Retaining talent, leveraging type*, CPP, Palo Alto



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# focus on

## How to beat bonus scheme confusion

- Do's and Don'ts from 11 very different organisations



Bonus schemes might be one of our most often used and reliable reward practices but have you noticed how hard it is to find much high quality information on the subject?

E-reward has just published the first part of an in-depth study designed to remedy this. In a series of case studies we can learn first-hand from the practical experience of 11 organisations and examine the

approach to the design and operation of different types of bonus schemes.

There are six main types of bonus schemes examined in the e-reward study.

- 1 **Cash-based profit sharing** which is the payment of sums in cash related to the profits of the business. These do not require Inland Revenue approval and are fully liable for income tax and national insurance.
- 2 **Gainsharing** which is a formula-based company or factory-wide

bonus plan which provides for employees to share in the financial gains made by a company as a result of its improved performance.

- 3 **Business performance schemes** are bonus payments related to the performance of the whole business or a major function such as a division, store or site. They can be distinguished from profit sharing schemes in which all employees may participate and emphasise sharing in the success of the organisation rather than providing an incentive.

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4 **Team Pay** where payments to members of a formally established team are linked to their performance. Here we were looking especially at team pay when it is applied to smallish permanent teams.

5 **Individual bonus or incentive plans** where bonus payments are related to individual performance.

6 **Combination schemes** where bonuses are related to a combination of plans measuring performance across several levels, for example: team and individual.

### Who did we talk to?

Eleven very different organisations provided tremendously helpful and practical feedback on all aspects of developing and implementing bonus schemes.

Organisation (employee nos. UK)	Scheme	Comments
1. Bank of Cyprus (230)	Cash-based profit sharing	Pays out fixed percentage of profit ("added value") on annual basis. To be combined with individual performance bonus in 2006. Covers all staff.
	Individual performance bonus	Annual bonuses awarded to individuals on basis of achievement of their agreed objectives, performance in role and overall contribution to business. Covers all staff.
2. easyJet (4,000)	Management and administration bonus scheme	Multi-level plan with annual payments based on combination of company performance (profit before tax) and individual performance (personal objectives and behaviours). Covers 400 management and administration staff.
3. A Financial Services organisation* (1,000)	Annual incentive plan	Multi-level plan based on a combination of global and regional performance measures – profit before tax (75%); cost, market share and quality achievements against budget objectives (25%) – and individual performance measured against managers' personal objectives. Covers 50 middle and senior managers.
4. Financial Services Authority (2,800)	Annual bonus scheme	Individual performance-related bonus scheme. Payments from bonus pool linked to individual's appraisal rating. Covers all staff.
5. GlaxoSmithKline (20,000)	Site multiplier	Annual bonus based on performance targets set by each manufacturing site. All manual workers on site receive same bonus. Covers 4,000 manuals across 80% of manufacturing sites.

Organisation (employee nos. UK)	Scheme	Comments
6. Kuehne + Nagel (10,000)	Brinklow bonus scheme	Productivity bonus with payments made on four-weekly basis. Covers 600 operatives at the Brinklow depot.
7. Orange PCS (12,500)	Individual performance bonus	Size of half-yearly bonus determined by appraisal rating. Covers 5,000 non-management customer services staff.
8. PricewaterhouseCoopers – Audit Practice (6,500)	Assurance bonus scheme	Combination (multi-level) scheme based on individual performance (competencies and objectives), business team performance (measured by a balanced scorecard) and line of business performance (gross margin of the Audit Practice as a whole). Covers qualified staff in Audit Practice.
9. Rolls-Royce (21,000)	Senior management bonus	Combination (multi-level) bonus awarded on basis of plc and business unit performance (profit and cash) plus individual performance (personal objectives and occasionally behaviours). Annual bonus with a third paid in deferred shares and two-thirds in cash. Covers 800 senior managers.
10. Siemens (22,000)	Management incentive scheme	Management incentive scheme for senior managers pays multi-level bonus based only on financial results, although middle and line managers have a bonus based partly on business results and partly on individual performance.
11. WHSmith News (4,500)	Management bonus scheme	Combination (multi-level) bonus pays out annually on basis of individual performance rating (personal objectives and behaviours), departmental performance (KPIs and cost savings) and company performance (KPIs). Covers 300 line managers, specialists and middle and senior managers at Swindon head office.

\* This organisation agreed to take part in the e-reward research on an anonymous basis only. In this report, it is referred to as "A Financial Services organisation".

## Do's and Don'ts

One of the highlights of this new report was the advice participants would give any organisation introducing a bonus scheme for the first time or substantially changing an existing scheme.

Much good, highly practical and worthwhile advice was obtained.

## Want to know more?



The full, unedited study runs to 38 pages and can be read in our research report no. 40. To subscribe and have a constant source of ideas and comment, telephone 0161 432 2584 or email [paul@e-reward.co.uk](mailto:paul@e-reward.co.uk)

Part 2 of this study will look at survey findings and part 3 is a toolkit. Both will be published in a forthcoming issue of *e-research*.

DO	DON'T
<ul style="list-style-type: none"> <li>• Link the available pool to actual profits and to specified business performance criteria.</li> <li>• Communicate well.</li> <li>• Focus on those who have the potential to contribute most and to influence business performance.</li> <li>• Ensure performance management practice is robust.</li> <li>• Communicate as widely as possible.</li> <li>• Consult senior managers and staff in development.</li> <li>• Determine objectives up front.</li> <li>• Consult.</li> <li>• Survey your participants.</li> <li>• Survey your market.</li> <li>• Reward factors that form business drivers.</li> <li>• Understand costs and consider a self-financing option.</li> <li>• Create line of sight.</li> <li>• Think through all the implications and possible consequences of introducing a scheme.</li> </ul>	<ul style="list-style-type: none"> <li>• Go with profit sharing – it's a blunt instrument in terms of motivating individual performance.</li> </ul>
<ul style="list-style-type: none"> <li>• Communicate as much as possible, particularly if your scheme pays out on company performance.</li> <li>• Capitalise on the interest the bonus scheme generates by providing regular updates.</li> <li>• Think carefully about what behaviour you want to encourage - you just might get it!</li> <li>• Model all scenarios – what happens in a bad year?</li> <li>• Set bonuses according to the message you want to give – a 5% bonus won't change behaviour but you don't need a 50% bonus to say thanks (in fact you don't need money at all).</li> <li>• Communicate – employees must understand the scheme and know why they are rewarded.</li> <li>• Ensure the bonus is driven by things that staff can influence – have a clear line of sight and link the scheme to clear and realistic objectives.</li> </ul>	<ul style="list-style-type: none"> <li>• Allow managers to set unrealistic expectations.</li> <li>• Copy another scheme and assume it will work for you.</li> <li>• Over-engineer – simplicity is key.</li> <li>• Over-complicate.</li> <li>• Disregard cost.</li> <li>• Copy a blueprint from another organisation</li> </ul>
<ul style="list-style-type: none"> <li>• Maintain line of sight between the individual and the plc and business targets.</li> </ul>	<ul style="list-style-type: none"> <li>• Underestimate the resistance of a workforce to change.</li> <li>• View groups of staff in "silos" – make sure you consider all groups when communicating bonus schemes, even if some will not be directly affected.</li> <li>• Just design and send out a bonus plan without proper communication and hope for the best.</li> <li>• Focus only on bonuses – performance management should be about development too and recognition goes a long way.</li> </ul>
<ul style="list-style-type: none"> <li>• Cost the bonus scheme carefully.</li> <li>• Consider the administration.</li> <li>• Make sure the scheme is easy for participants to understand.</li> <li>• Consult with employees.</li> <li>• Set objectives early in the year.</li> </ul>	<ul style="list-style-type: none"> <li>• Worry about manager and subordinate being on the same level of participation – salary will be a major differentiation in determining payout.</li> <li>• Make it too complicated.</li> </ul>
<ul style="list-style-type: none"> <li>• Make sure that you plan thoroughly each step of the implementation of a new scheme.</li> <li>• Establish a clear and concise message to the business as to the benefits of the scheme.</li> <li>• Confirm buy-in at all levels.</li> <li>• Keep the business up to date with the progress of the introduction of the scheme.</li> </ul>	<ul style="list-style-type: none"> <li>• Pay a bonus regardless of business results.</li> </ul>

# focus on

## Relating pay to performance

Despite the misgivings in academics circles and amongst many personnel practitioners and most trade unionists, paying for performance, competence and contribution continues to flourish. E-reward's Michael Armstrong finds out why.



The clear message emerging from e-reward research and other recent surveys of contingent pay is that it continues to thrive. And yet received wisdom in academic circles, and amongst many reward practitioners and most trade unionists, is that paying for performance, competence or contribution is (a) undesirable, (b) unworkable, and (c) ineffective. Yet it persists, in fact burgeons – why?

The expression "contingent pay" is a useful blanketed term we use which covers the various methods of providing additional rewards for individuals and teams. The e-reward 2004 contingent pay survey found widespread use contingent pay for *individuals* – pay for performance, competence or contribution (hereafter referred to as PCC pay, which excludes service-related pay).

In e-reward's view there are three reasons why PCC pay continues to flourish:

- The first, and the most compelling, is that it is right and proper that people who contribute more or people with higher levels of competence or skill should be rewarded more. They should not be paid just for being there (service-related pay) or the same whatever they contribute (spot rates). PCC pay schemes provide for tangible recognition. It is generally accepted that recognition is the best form of reward and that it is the approach most likely to increase motivation, commitment and job engagement, thus encouraging productive discretionary behaviour.
- The second reason is that the focus on performance, competence or contribution demonstrates that these are important matters – the message is "This is what we value; this is what we are prepared to pay for."
- A third reason is that it encourages and supports desired behaviour and can therefore help to develop a performance culture.

### Reservations

So, these are good reasons for having PCC pay, but it is necessary to explain why it fell into such disrepute in the 1990s and is still regarded with suspicion in many quarters today, in spite of its

widespread adoption.

There are three explanations:

1. Too much was and is expected of PCC, especially individual performance-related (merit) pay. It was seen as a powerful incentive and a major lever for change. It is neither of these things. In times of low inflation, there is not enough money around for it to function as an incentive and the line of sight between effort and reward is too imprecise. Merit pay can help to influence culture change but it is only one influence among others.
2. It was generally assumed that everyone was equally motivated by money so that a one-size-fits-all approach would work. But people are motivated to different degrees by different things. Allowance must be made for the fact that this will limit the overall impact of any PCC pay scheme.
3. It is very difficult to ensure that PCC pay schemes work well. This is because they are dependent upon the fair, equitable and consistent measurement and assessment of performance, contribution and skill. Line managers play a key role in influencing pay increases but they do not always have the

capability to make appropriate and defensible decisions.

### What are the alternatives?

If it is believed that it is right and proper that people who contribute more should be paid more, they should not be paid just for being there (service-related pay) or everyone in a job should not receive the same irrespective of what they deliver (spot rates). Should greater attention be paid to using non-financial rewards? This last option has much merit – but is it sufficient?

There are alternatives to conventional merit pay schemes:

- team pay for organisations in which teamwork is vital
- competence-related and skill-based pay for organisations where the emphasis is on improving competence and skill, as long as they deliver better performance
- contribution-related pay schemes embracing both output and input measures
- organisation-wide reward schemes such as gainsharing and profit-sharing to promote commitment and ensure that everyone, especially core employees, share in the organisation's success.

### Choice of approach

Your choice of approach to contingent pay will depend on the organisation's culture, people, the existence of appropriate measures, the capacity of the organisation to administer it fairly and the views of staff.

E-reward research suggests that the choice of approach will be influenced by the following factors:

- culture and business strategies/needs of the organisation
- degree to which the approach is likely to meet these needs

- type of people employed
- likely impact of different schemes
- existence of appropriate measures
- capacity of the organisation and its managers to administer the system efficiently and fairly
- views and likely reactions of employees and their representatives.

### Key requirements

When selecting an approach, we would recommend that you take the following seven criteria into account:

1. The method should recognise and reward the behaviour desired by the organisation.
2. It should ensure that pay is related to factors that are important to the organisation.
3. Measures should be readily available to discriminate between good and less good performers.
4. The scheme should be fair and transparent.
5. A "line of sight" should be available so that individuals can relate the contribution they make to the reward they can attain.
6. The scheme should be controllable so that awards are only made when they have been earned.
7. Subject to affordability, payments should be worthwhile.

### Conclusions

The arguments against performance, competence or contribution pay appear formidable. But they generally focus on the process rather than the principle. It can be argued strongly that most people do believe that their pay should be related to

performance. The alternative of service-related increments may provide an easy way out but it conflicts with the belief that people generally want their pay to reflect their contribution and competence.

However, it must be accepted that the criteria for effectiveness in terms of providing an incentive or a motivating reward are very demanding. If these cannot be met, then consideration has to be given to some form of payment related to team or organisational performance and or/more focus on non-financial methods of reward or recognition schemes.

In spite of all the criticisms, the most convincing arguments for PCC pay is that people should be rewarded according to their contribution – the value they create. Don't be starry-eyed or believe that it is an easy option. PCC pay is most likely to fail if it is introduced complacently, without sufficient thought, on the basis of simplistic views about what it can do.

## WORDS of WISDOM

“ Having the right rewards in place helps people to make the right choices to support your strategy ”

Michael Porter, IPD Annual Conference, 1997.

“ A good reward strategy is one that works. ”

Paul Bissell, Senior Manager – Rewards, Nationwide Building Society, CIPD Annual Conference, 2005.

# e-reward surveys

## What is happening in performance management today

Scratch the surface and there's more to understand about performance management than you might think. Although always a popular people management process, it is notoriously difficult to implement. And even though much is written about how the basic processes work, less is said about how to make it work well. E-reward's survey set out to redress the balance.

The most significant conclusions of the survey are derived from the practical and realistic comments from respondents on what makes performance management work.

### Achieving buy-in from top management

A constantly recurring plea in every area of HR policy is that there must

be active support from top management if it is to be effective. This is particularly the case with performance management as it is up to them to impress on everyone in the organisation that the achievement of high levels of performance is a fundamental part of the organisation's method of operation and that performance management is regarded as a major instrument in developing and maintaining a performance culture. Clearly, this means that they must engage wholeheartedly in performance management processes themselves as an integral part of how they approach their role as managers. But they have also to deliver and reiterate the message that they expect all line managers to do the same. In other words, it is top management, and only top management that can ensure that performance management becomes a key part of the culture of the organisation – "the way we do things around here".

It could be argued that without that support – in deeds as well as words – there is no real point in pursuing performance management. In some cases, the support is readily available, in others, HR as a business partner has a key role to play in enlisting and perpetuating it. A business case has to be made for performance management which means it has to be presented as a business process (a business improvement model), not

an HR activity. HR is concerned because performance management is about the management and development of people and it is the role of HR to manage communications about performance management on behalf of top management, to ensure the involvement of staff in its development and to provide the training, coaching and guidance which is essential to its success. Ultimately, however, performance management has to be seen and presented by top management as a means of helping them to run the business.

### Achieving line management commitment and capability

The comments from respondents about the issues surrounding performance management confirmed that, given top management support, its effectiveness depended largely on the commitment of line managers to the processes and the level of skill they could bring to bear in carrying them out. It is line managers who "do" performance management. If they do it badly, it will fail.

Explanations of why the alarming figure of 50% of respondents reported that performance management demotivated rather than motivated staff were not available (this could well be the subject of further research), but it is

## WORDS *of* WISDOM

“ Employees have the right to determine whether the values, culture and reward systems of the organisation match their own. ”

Jay Schuster and Patricia Zingheim, *The New Pay: Linking employee and organisational performance*, 1992.

a reasonable assumption that the unwillingness or inability of line managers to do it properly were major causes of the problem. Perfunctory reviews, inadequate or biased feedback, a judgemental approach and unwillingness to engage in dialogue can all demotivate people.

But this should not be regarded as a blanket criticism of line managers. It is up to HR to ensure through communication, involvement and, above all, training and coaching that they believe in what they have to do, willingly find time to do it, and have the skills to do it well. And these skills such as agreeing objectives, using competency frameworks, providing feedback, coaching and discussing improvement and development plans are demanding. This is not a problem that can be solved by the issue of a glossy brochure and a half-day training course. It needs continuous and sometimes frustrating effort.

Complete success will never be achieved. There will always be some line managers who are not up to it. If they still exist, having been given training, coaching and guidance, and leadership from the top, then their fitness as people managers must be questioned.

### Clarity in purpose and process and simplicity in operation

Again and again respondents emphasised the need to be clear about the objectives of performance management and about the processes to be used. The whole system must be transparent – everyone should know how it works, how it affects them and how the outcomes of performance management will be used.

Above all, the message delivered by respondents was “keep it simple”. Elaborate forms, lots of paper work and bureaucratic procedures are the death of performance management and provide the best way of putting everyone concerned off the process.

### Alignment and integration

As a business improvement model performance management must ensure that individual objectives are aligned to organisational objectives and any discrepancies in performance need to be dealt with through improvement and personal development plans. Performance management should not be regarded as stand-alone process, it needs to be treated as part of the normal way of doing business which is linked

strongly to other HR activities, especially those concerned with learning and development.

### Cultural fit

Performance management processes must fit the culture of the organisation – the way it “does the business” and its values and norms. As a number of respondents commented, the system should never be “lifted down from the shelf” and if management consultants are used they should demonstrate that they understand the culture and are presenting recommendations that are aligned to that culture.

### Contribution and performance pay

There was a strong tendency for respondents to question too much focus on financial reward as an outcome of performance management. Of course, if people are going to be rewarded according to their contribution or performance then some attempt has got to be made to assess that contribution or competence. But the danger of creating a formulaic link between a performance appraisal rating and a pay increase is that performance management is regarded simply as a means of creating a link rather than as an approach to performance improvement and development.

### The care and time factors

Respondents frequently mentioned the need to take great care in planning performance management – obtaining the views of stakeholders, pilot testing considering all the implications, and obtaining buy-in and commitment. The overall message was that developing performance



management "takes longer than you think" and some respondents commented that it is best not to be too ambitious to start with.

It was also remarked by several respondents that time has to be allowed to embed performance management. It won't happen overnight. People have got to be given time to get used to the idea and develop the attitudes and skills required for it to work.

### Evaluation

It is hard to see how performance management can be improved as it progressively is embedded without evaluating its effectiveness. Yet less than half of respondents did evaluate. It is essential to find out how well it is operating so that communication, training, coaching and guidance can be provided where necessary. But several respondents warned against tinkering too much with the basic processes on the grounds that this only serves to confuse people.

### A final word

The overall implication of this survey is that performance management is by no means an easy option. It should never be entered into lightly and without taking account of, and acting, on the implications set out above.

### Want to know more?



The full, unedited survey runs to 79 pages and can be read in our research report no. 32 published in April 2005. To subscribe and have a constant source of ideas and comment, telephone 0161 432 2584 or email [paul@e-reward.co.uk](mailto:paul@e-reward.co.uk)

## What is happening to grade and pay structures today

Broadbanding remains on the margins of mainstream reward practice.

Job evaluation thrives.

Forget best practice – look for best fit.

It's always exciting to follow a rapidly evolving aspect of reward management. Grade and pay structures are no exception. E-reward's survey carried out in 2004 provides a wealth of insights into contemporary practices and trends in the area.

Grade and pay structures are an important part of reward systems. If properly designed and maintained they provide a logically designed framework within which an organisation's pay policies can be implemented. They enable the organisation to determine where jobs should be placed in a hierarchy, define pay levels and the scope for pay progression and provide the basis upon which relativities can be managed, equal pay achieved and the processes of monitoring and controlling the implementation of pay practices can take place. A grade structure can also serve as a medium through which the organisation communicates the career and pay opportunities available to employees.

Overall, this survey, more than any previous one, highlighted five significant features of the grade and pay structures scene:

1. There is an immense diversity in the approaches adopted by organisations.
2. The survey demonstrates once and for all that there is no such thing as best practice with regard to the type of structures adopted. Best fit is what matters. It is quite clear from the comments made by respondents that their structures, while taking into account notions such as broadbanding or job families and responding to new ideas, were ultimately designed to suit their particular circumstances. This often meant developing original ideas involving the use of hybrid approaches which did not fit neatly into any of the traditional structure categories.

### WORDS of WISDOM

“ A key challenge is getting the people in all of the different departments involved in the project – recruitment, employment policy, internal communications, human resources and reward – to work together. If change strategies do not carry everyone in the organisation willingly forward, the process can be painful and even damaging. So it's vital that the reward manager builds relationships with the right people.”

Will Astill, then Reward Manager at B&Q, interviewed by e-reward in e-research 10, April 2003.

3. Recognition was, however, given to good practice in designing and implementing structures. There was strong emphasis on the process issues of communications and involvement, the key role played by line managers and the need for top management commitment.
4. Narrow-graded structures are no longer the norm. But the original concept of broadbanding – a small number of very wide bands with no infrastructure – is not happening to any great extent. The tendency is either to have broad-graded structures which are run on the same traditional lines as narrow-graded structures or to create an infrastructure of reference points and zones within broad bands to have more grades.
5. Job evaluation still has an important role to play.

**Advice**

Perhaps the most interesting and useful outcome of the survey is the highly practical advice given by respondents. What strikes the reader of their comments is the vast

reservoir of knowledge about the realities of organisational life and the amount of what some might regard as old-fashioned common sense which has been brought to bear on the issues surrounding how best to reward people in organisations.

Comments such as these stand out:

- Work out why you are doing it and if anyone else will understand it.
- Think hard about what you are trying to achieve from pay.
- Talk to the line managers (at least 20 times!).
- Ensure it reflects the nature of your business.
- Communicate very widely and very often what is being done and why.
- Benchmark and be aware of the ever-changing external market.
- Provide enough structure to support communication and understanding.
- Allow for some flexibility in management of the system – but don't go overboard on flexibility! There must be some key underpinning principles.
- Understand the organisational drivers.

- Resource your project full time, not in someone's spare time.
- Be honest about the limitations of market data.
- Ensure the job evaluation tool is robust, transparent and defensible.
- Keep the faith!
- Don't give in – believe in your own process.
- Don't underestimate the level of perseverance required.
- Don't underestimate the drain on resources and time to deliver.
- Don't underestimate levels of internal resistance to change.
- Don't try for perfection – fit for purpose will do.

**Want to know more?**



The full, unedited survey runs to 57 pages and can be read in our research report no. 26 published in October 2004. To subscribe and have a constant source of ideas and comment, telephone 0161 432 2584 or email [paul@e-reward.co.uk](mailto:paul@e-reward.co.uk)

# 2

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## REWARD RULES

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**Using market data**

The analysis of pay data is not an exact science: it includes a degree of judgment about the market data. Pay assessments provide benchmark information to support judgments, not a set of recommendations in respect of what the organisation should pay.

We like to think of our monthly **research reports** as guiding lights when it comes to helping you outperform in your reward role. Each one contains a wealth of professional and reliable ideas and solutions appropriate to all the reward management issues that regularly crop up. Ideas and comment that really impress with their relevance and content.

Everything we cover is directly gained from our own expertise and the wise experience of top companies that have tried and tested everything we talk about. To find out more, turn to **p.23**

# Armstrong analysis

## Seven myths of broadbanding

Michael Armstrong, managing partner of e-reward, shatters a few costly myths about broadbanding.

Broadbanding has been the big idea in reward management for some time. Many organisations have jumped on the bandwagon without fully appreciating what they were getting into. All too often, they have been seduced by the myths created by the originators of the notion in the US and perpetuated by practitioners, both there and on this side of the Atlantic.

### Myth # 1 – Broadbanding is easy to manage

What's clear is that broadbanded structures, especially in their unstructured form as initially developed, are harder to manage than narrower graded structures in spite of the original claim that they would be easier:

- They make considerable demands on line managers because it is more difficult to provide guidelines on rates and limits of progression.
- The task of HR is harder because they have to spend more time "holding the hands" of line managers and explaining to employees the reason for their position in the band.
- Broadbanding can build employee expectations of significant pay

opportunities which are doomed in many cases.

### Myth # 2 – Broadbanding is easy to understand

Broadbanding is advocated by its supporters as a means of simplifying multi-graded pay structures. This is certainly the case, but the downside is that the way they operate – i.e. how levels of pay are fixed and how pay progresses – is much more difficult to explain. While one of the perceived advantages of broadbanding is flexibility, this is only achieved by creating confusion in the minds of line managers and employees alike.

### Myth # 3 – Broadbanding means that you can do without job evaluation

Conceptually, the existence of only five bands or so obviates the need for job evaluation – it is easy to slot jobs in because the choice of grades is much smaller than in multi-graded structures. But organisations that have installed broad bands have found that they still have to use job evaluation to define band boundaries and, increasingly, to size jobs, especially when they have introduced reference points and zones. They also need an analytical scheme to be able to defend an equal pay case.

### Myth # 4 – Broadbanding helps to achieve equal pay for work of equal value

It is sometimes claimed by supporters of broadbanding that it helps to achieve equal pay for work of equal value because the limited number of bands make it easier to ensure that jobs held by both men and women are in the same band and are therefore in the same pay range.

However, in practice, broadbanding can create the following equal pay problems:

- reliance on external relativities (market rates) to place jobs in bands can reproduce existing inequalities in the labour market
- the broader pay ranges within bands mean that they include jobs of widely different values or sizes which may result in gender discrimination
- women may be assimilated at their present rates in the lower regions of bands and find it impossible, or at least very difficult, to catch up with their male colleagues who, because of their existing higher rates of pay, are assimilated in the upper reaches of bands.

## WORDS of WISDOM

“It's about being aware that as you go into the change, not everyone is going to be happy with the change. To be successful, your new reward programme should be implemented by means of a carefully planned and managed project to organise and shape work more effectively.”

Kevin Brady HR Director, Reward and Employee Relations, BT, interviewed by e-reward in e-research 35, July 2005.

Moreover, decisions on movements within bands can be harder to justify objectively than in other types of grade and pay structures.

**Myth # 5 – Broadbanding means that you can relate pay more easily to market rates**

Placing jobs in broad bands is indeed often primarily determined by reference to market rates. But the existence of such bands does not by itself create this situation. A market-driven spot rate system achieves the same end. It can be argued that a broadbanded structure is in effect a spot rate system in disguise.

**Myth # 6 – Broadbanding saves money**

It is claimed that broadbanded structures save money because there is much less grade drift and assimilation costs are lower. But they can be more costly than conventional structures because there is less control over pay progression. Research conducted by Charles Fay and others in the United States published in 2004 in the

*WorldatWork Journal* found that both pay and total cash compensation was significantly higher in the companies with broadbanded structures than in those with more conventional structures. They estimated that broadbanding increased pay roll costs by 7% plus.

**Myth # 7 – Broadbanding removes the need for elaborate grade structures**

The original notion certainly did this but the majority of organisations that have installed broadbanding found that they have had to introduce some form of infrastructure within bands. The research conducted by Michael Armstrong and Duncan Brown in 2001 established that 80% of organisations had introduced some controls in the form of zones (43%) and zones with reference points (37%).

Job evaluation was used not only to define the boundaries of the band but to size jobs as a basis for

deciding where reference points should be placed in conjunction with market pricing.

Progressively, therefore, the original concept of broadbanding has been eroded as more structure was introduced and job evaluation became more prominent to define the structure and meet equal pay requirements. Zones within broad bands look very like conventional grades.



**Using market data**

There is always a choice of rates. No salary survey is able, despite the claims of some surveyors, to provide the single "correct" salary for any position, or range of positions.

**innecto.**



**Innecto Reward Consulting** is a specialist consultancy able to provide advice and delivery capacity to help you manage the reward agenda within your business.

The expertise of our industry-leading consultants stretches from designing strategy through base pay management and job evaluation to variable, performance and incentive-based pay. With a client list that includes major employers such as Marsh, Channel 4, Dixons Stores Group and Vision Express, we work mainly in five industry sectors:

- Financial services • Retail • Media/TV • Professional services • IT/Telecoms.

Our clients say that Innecto Reward Consulting provides cost-effective, workable solutions that meet the individual requirements of their business. Visit our website at [www.innecogroup.co.uk](http://www.innecogroup.co.uk) for more information about our services and our latest research article *Rewarding Talent*, or call us on 01672 851716.

# case studies

In each issue of *The Reward Quarter* we'll look at our recent case study research. The case histories are printed in full in the monthly research reports. Our case studies are written to give you an over the shoulder view and enable you to see how named organisations plan out their own reward practices. We'll show you precisely how leading professionals are putting all the theory into practice and making it work.

## Camelot uses fairness and transparency to boost creativity and growth

Camelot operates the National Lottery. It is a private company employing 950 employees in offices throughout the UK.

After nearly not winning the second licence for the lottery, Camelot told e-reward that it was galvanised into action. Management undertook a strategic overhaul of many aspects of the business, with total reward being an important element in the move to align people with the organisation's goals.

This resulted in:

- the introduction of new market-driven arrangements
- a six-band pay structure, with jobs evaluated using a classification matrix covering stakeholder relations, communications, innovation, team work and knowledge.
- new performance management arrangements based on goals set quarterly
- a new recognition scheme to reward exceptional performance
- changes to the bonus scheme to fund progression pay for high performers
- improvements to benefits.

### The verdict

Camelot says it needs creativity and innovation from employees – and growth. The company is confident that the new approach to reward and performance management, which focuses on "clarity and transparency", has achieved this aim.

And employee satisfaction with the company has increased, as demonstrated by entry and then an improved position in *The Sunday Times* survey of "100 Best Companies to Work For", and better scores in Camelot's own staff survey.

### A final word

*"It's very important to get the communication right", Catherine West, Camelot's reward and benefits manager, told e-reward. "We need to continue to communicate both success and failure – so people can learn what they need to do better next time. We should also be reinforcing the principles that underpin each programme, so that employees really understand what they might do to succeed in the future."*

### Want to know more?

e-research

The full, unedited case study runs to 13 pages and can be read in our research report no. 41. To subscribe and have a constant source of ideas and comment telephone 0161 432 2584 or email [paul@e-reward.co.uk](mailto:paul@e-reward.co.uk)

e-research

### Organisations featured in e-reward's case-study series

Our case-study reports are published in our monthly subscription service, which is called *e-research*.

So far, this series has featured a host of leading organisations, including:

- Airbus
- B&Q
- Bristol-Myers Squibb
- BT
- Camelot
- Centrica Business Services
- COLT Telecom
- Diageo
- Elan Computing
- Financial Services Authority
- Friends Provident
- GSK
- Lands' End
- Lloyds TSB
- Nationwide
- Norwich Union Insurance
- PwC
- Royal Bank of Scotland
- Tesco
- Unilever
- Xansa

These reports show how **respected** organisations are planning, developing and implementing reward systems to improve performance and help their business secure a sustained competitive advantage.

### Interested in taking part in our case study research programme?

If you are interested in sharing your organisation's good practice in reward management with our readers please email [paul@e-reward.co.uk](mailto:paul@e-reward.co.uk).

# e-reward news

## All that's happening at e-reward

Did you know e-reward.co.uk was the UK's first web site dedicated solely to reward management?

Launched in October 1999 by Michael Armstrong and Paul Thompson, it is now widely recognised as the UK's most comprehensive, popular and innovative reward web site – as many as 7,500 reward and HR specialists now subscribe to our web site and receive our regular email newsletters. Quite simply, e-reward.co.uk is a unique source of expertise and up-to-the-minute information on a wide variety of reward topics.

And it's still completely free.

### New series of "toolkits"

We've certainly received some great feedback on our new-style toolkits – covering total reward statements, performance management and market data – which are published as part of our paid-subscription series called *e-research* (see p.23).

Check out some of the testimonials we received about our market rate report:

- **"This is simply a brilliant article. Extraordinary."**
- **"Congratulations with another brilliant report. This is something that I wished I could have had on my desk to read when I started my career in remuneration a number of years ago."**

The purpose of these "how to" toolkits is to provide practical advice and guidance to anyone in an organisation who wants to review an existing practice or develop new ones.

You can use these toolkits to understand:

- the aims and features of the reward practice
- why organisations introduce such practices
- evidence regarding their prevalence in the UK
- key characteristics and components
- what are the pros and cons
- key ingredients for success
- strategies available for design, development, implementation and maintenance.

### Forthcoming research from e-reward

The e-reward team has been busy researching and writing a collection of high-quality studies for publication in forthcoming issues of the research reports series, *e-research*. We hope that you continue to find value in our in-depth and comprehensive coverage of reward issues.

In the next six months as part of an annual subscription you will receive:

- **Bonus scheme – Survey**  
Report presents the results of our survey on current bonus scheme practices in UK organisations.
- **Bonus scheme – Toolkit**  
Practical advice and guidance to anyone in an organisation which wants to review existing bonus schemes or develop new ones.
- **Job evaluation – Toolkit**  
Practical advice and guidance on the design, introduction and maintenance of job evaluation schemes.

- **Total reward – Toolkit**

How to develop and implement a total reward programme, including a logical and systematic approach to introducing and operating a total reward programme.

- **Case studies**

An in-depth case study of a leading UK organisations, complete with document extracts.

Besides the forthcoming toolkits on job evaluation and bonus schemes, in the next year or so we also plan to cover team reward and recognition programmes. Please let us know what else you would like to see in this series by emailing: [paul@e-reward.co.uk](mailto:paul@e-reward.co.uk)

### Web site revamp

e-reward is changing. We're in the process of completely revamping [www.e-reward.co.uk](http://www.e-reward.co.uk) from scratch to further enhance its image as the biggest, most authoritative community for those interested in the reward management scene in the UK. There will be more, much more.

From late August, you'll find news, features and factsheets there, plus a directory of suppliers and their products, and listings of up-coming e-reward conferences of interest to reward professionals.

There will be a fresher, cleaner design, new search facilities, and improved navigation. We hope you will enjoy the new e-reward.

Be patient! We're busy transferring more than 1,500 articles on to the new system, testing that it all works smoothly and then we'll go live.

# make your mind up



## Pros and cons of competence-related pay

Under the e-reward spotlight in this issue is competence-related pay. This contingent pay approach has aroused enthusiasm amongst users and also some deep disappointment.

What's been your experience? Let us know what you think, email your thoughts to [paul@e-reward.co.uk](mailto:paul@e-reward.co.uk)

### Attractions and drawbacks

Competence-related pay enables people to receive financial rewards in the shape of increases to their base pay by reference to the level of competence they demonstrate in carrying out their roles. It's attractive in theory because it can form part of an integrated competency-based approach to HRM.

Increasingly, organisations are finding that success depends on a competent workforce. Paying for competence means that an organisation is looking forward, not back. What's more, pay based on competence avoids the over-emphasis in performance-related pay schemes on quantitative, and often unrealistic targets. It rewards people

for what they are capable of doing, not for results over which they might have little control.

### Questions raised

But the idea of competence-related pay raises two fundamental questions:

Firstly, "what are we paying for?". Are we are paying for competencies (how people behave) or competences (what people have to know and be able to do to perform well). If we are rewarding good behaviour (competencies), then a number of difficulties arise. These include the performance criteria on which competencies are based, the complex nature of what is being measured, the relevance of the results to the organisation, and the problem of measurement.

This raises the second question: "Are we paying for the possession of competence or the use of competence?" Clearly it must be the latter. But we can only assess the effective use of competence by reference to performance. So, the

focus is on results and if that is

the case, competence-related pay begins to look suspiciously like performance-related pay. It can be said that the difference between the two in these circumstances is all "smoke and mirrors". Competence-related pay could be regarded as no more than a more acceptable name for PRP.

### The rise of contribution-related pay

There is then a strong case for rewarding the possession of competence but an even stronger one for linking the reward to outcomes (performance) as well as inputs (competence). This is the basis for contribution-related pay. In truth, take-up of competence-

**4**

**REWARD RULES**

**Using market data**  
Decisions on levels of pay following market rate analysis should be guided by the pay policy of the organisation – its market stance – i.e. how it wants its pay levels to relate to market levels.

related pay is still limited in the UK. Although much vaunted as an alternative to merit pay, it has never really taken off. Instead, according to our research, an increasing number of organisations in the UK are introducing contribution-related pay – which links pay *both* to performance as measured by results

and competence. It is safe to assume that many of those who believe, rightly, that competence should be taken into account when rewarding people have subsumed it into contribution pay. An increasing number of pay specialists who have recognised the limitations of individual

performance-related pay are not convinced that competence should be the sole factor in influencing reward decisions, and want to take a much broader view of the basis for deciding levels of pay.

#### FOR

- Rewards people for the ability to perform now and in the future and thus maximises their contribution to organisational success.
- Focuses attention on the competences required for success – i.e. what people have to know and be able to do to perform their jobs well.
- Linked to organisational competency frameworks and thus supports the achievement of higher levels of competency as required by the organisation.
- Avoids the crude basis upon which performance-related pay works – i.e. it is not confined to rewarding people simply for achieving quantified objectives.

#### AGAINST

- By focusing attention on competence, it ignores the fact that people in organisations exist to achieve results – performance is about what is achieved as well as how it is achieved.
- To overcome this problem, it is tempting to say that competence is measured in terms of the results achieved by being competent, but this begins to look just like performance-related pay.
- It is difficult to assess competence fairly and consistently.

## events

### Strategic Reward Management

A new conference from e-reward  
30 November 2006, central London



#### Mark your diaries!

e-reward's next conference will take a look at the essence of strategic reward and its links to performance. We'll see how the concepts of engagement and organisational commitment can be treated as an important part of a total reward programme. We'll examine the context of strategic reward in order to explain some of the evolution in the approach – the internal and external environment, the impact of an increasingly knowledge and service-based economy, and the broader trends in reward practices.

The event will also consider the processes involved in developing and implementing reward strategies, which includes looking at the roles of reward specialists and, importantly, line managers. We'll end with a discussion of the vital subject of communicating the strategy to all concerned.

For a full programme or to register please call Amanda Browning on **0161 432 2584** or email: [Amanda@e-reward.co.uk](mailto:Amanda@e-reward.co.uk)

#### FREE M&S VOUCHER!

All paid delegates who bring a copy of this page with them on the day will receive a £25 Marks & Spencer voucher with our compliments.

# Thompson's top tips

This issue, Paul Thompson, managing partner of e-reward, shares his top ten tips for effective change management.

1. Ensure people see the reason for change – they understand why change is important and see how it will help them and the business in the short and long term.
2. Ensure the people who need to be committed to the change to make it happen are recognised.
3. Build a coalition of support for the change – this should include key individuals with influence.
4. Ensure the link between the change and other HR systems – such as resourcing, talent management, learning and development, performance management and rewards – is understood.
5. Ensure the systems implications of the change are recognised.
6. Identify the means of measuring the success of the change.
7. Establish plans to monitor progress in the implementation of change.
8. Ensure the first steps in getting change started are recognised.
9. Devise plans to keep attention focused on the change.
10. Recognise the likely need to adapt the change over time and ensure plans can readily be made and implemented for such adaptations.



## The team

We're very fortunate. Michael Armstrong and I spend every minute of our working life studying and researching reward issues. It's a subject we're truly passionate about. In fact, it has absorbed us both for a lifetime.

A few years ago, we both realised there was an enormous lack of support for the busy pay practitioner. E-reward was designed to fill this gap. Our mission is to put a smile on your face by taking the toil out of the work you do.

We'll bring you all the latest thinking in reward management and give you our thoughts and guidance on all the issues of the day. We'll help you improve your knowledge and understanding, and form intelligent views and opinions – so you can get on with achieving everything you want and deserve at work. We'll give you all the tools you need at your fingertips.

We do make a charge for some things (well, we've got to pay our bills and cover costs somehow) but the majority of what we provide is absolutely free!

### Michael Armstrong

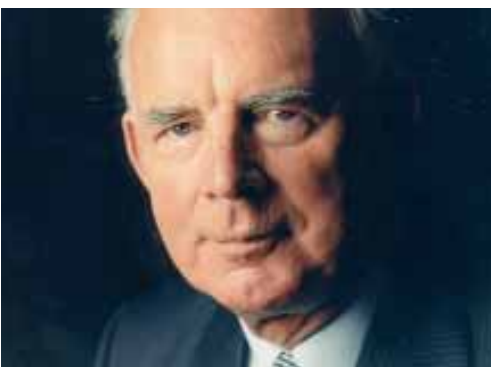
Michael is one of Britain's best known and prolific management authors, with titles on paying for contribution, job evaluation, performance management and employee reward. His latest book on strategic reward, co-authored with the CIPD's Duncan Brown, is due out in the Autumn.

Michael has vast experience both as an HR practitioner and a consultant, and he is a Companion of the Chartered Institute of Personnel and Development.

### Paul Thompson

Paul spent 13 years working in the reward field at pay analysts Industrial Relations Services. Between 1993 and 1999, as editor of the *Pay and Benefits Bulletin*, he made a major contribution to the quality and high reputation of one of the foremost journals in the field. Paul has completed many major research projects on reward management and total reward.

# askArmstrong



This issue:

- **What's the best incentive scheme for call centre staff?**
- **Is there a standard bonus scheme?**
- **How do you fit benefits into broad bands?**

From reliable advice to practical guidance on all reward management topics, you can trust e-reward's Michael Armstrong to know the right answers. One of the UK's most respected authorities on reward management, Michael takes a regular seat as *The Reward Quarter's* agony uncle.

Email your questions to [Michael.Armstrong@e-reward.co.uk](mailto:Michael.Armstrong@e-reward.co.uk). Michael will then pick out the three most interesting queries and publish his replies here.

**Q** *I would like to implement some kind of incentive scheme for our call centre. Should it be team or individual based?*

**A** You could consider a team bonus system if your staff operate in groups whose members are interdependent and are working towards a common objective. Alternatively you could have a bonus related to company performance shared between all staff. Another option is to offer individual bonuses to those who perform well in meeting specified targets, e.g. the ratio of conversions to calls, speed of response.

In each case, it is important to remember that the bonus will not achieve an improvement in performance unless there is clear line of sight between the effort and the reward. And you must also ensure that the performance criteria relate to key result areas that are readily available and can be measured fairly.

**Q** *We would like to put a bonus scheme in place for the managers of our subsidiary companies. Is there a standard scheme?*

**A** There is no such thing as a standard bonus scheme. They all have to be individually tailored to meet the needs of the organisation and the circumstances in which bonuses will be earned. There are, however, certain principles that can be considered in developing a scheme. These are:

- The aims of the scheme should be clearly defined.

- The bonus should be awarded for significant and readily identifiable results which are within the control of the individual(s) concerned.
- Performance measures have to be selected that accurately and fairly indicate what results have been achieved.
- Management information must readily be available on results so that individuals can track their progress.
- A formula should be developed which links the size of the bonus to measurable outputs, usually expressed as targets.
- Targets should be achievable although stretching.
- A decision has to be made on the pay out periods, e.g. quarterly or annually.
- The size of the bonus should provide a worthwhile incentive -- for senior managers figures of 20% to 30% are typical.
- A cap should be set on bonus earnings to cover situations where extraordinary but fortuitous results have been achieved.
- A time limit should be set on the operation of the bonus scheme (often one year) on completion of which the scheme may be changed or abandoned.
- Individuals should be quite clear about the bonus scheme arrangements including the formula, measures, targets, potential payouts, the cap and the time span over which the scheme will operate.

**Q** How do you fit benefits into broad bands? Is practice to align benefits to anchor points especially where these are aligned to the market?

**A** The normal approach is to relate benefits to the whole band. In other words, all jobs allocated into a band would have the same benefits. Benefits can be varied in different bands. If this is the case, what you have in effect is a benefit grade structure and in the design of the broadbanded structure any need to vary benefits would have to be taken into account.

#### Disclaimer

All advice provided by e-reward.co.uk is for general guidance only. Any readers relying on information contained herein do so at their own risk.

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REWARD RULES

#### Using market data

Remember, simply comparing jobs that have similar titles is totally misleading. For surveys to be of real value, it is essential that jobs are matched effectively and accurately.

# resources

To advertise in this directory please call 0161 432 2584  
or email [amanda@e-reward.co.uk](mailto:amanda@e-reward.co.uk)

## ereward sponsors

### Frazer Jones Reward

[www.frazerjones.com](http://www.frazerjones.com)

Frazer Jones Reward focuses on the recruitment of professionals working within compensation, employee benefits, pensions, expatriate management and administration, management information and payroll. Our methodology encompasses contingency recruitment, advertised selection and executive search and our candidate network spans the complete range of seniority from analyst through to head of department.

For further information contact Matt Brooks, tel: 020 7415 2815 or email: [mattbrooks@frazerjones.com](mailto:mattbrooks@frazerjones.com)

### Hurst Associates – people who deliver results

[www.hursta.co.uk](http://www.hursta.co.uk)

We are a consultancy providing the full range of business effectiveness and HR related services: strategy clarification, performance management, reward management, development, HR effectiveness.

Our Performance & Reward Consulting Practice partners with organisations to deliver business-led reward arrangements which reinforce, and integrate with, the wider people management agenda. Our clients include: British Museum, Competition Commission, GCHQ, Kudos Information Services, iSoft, Learning & Skills Council, Ofcom, Ofgem, Sharp Electronics, Taylor Nelson Sofres, Toshiba, Transport for London.

For further information contact Mike Curtis, tel: 020 7462 4837 or email: [mike@hursta.co.uk](mailto:mike@hursta.co.uk)

### Link HR Systems

[www.link-hrsystems.co.uk](http://www.link-hrsystems.co.uk)

At Link HR Systems, we develop and market specialised reward software focusing on pay and grading solutions. Since 1986, Link has established itself as a world leader in pay structuring, with over 700 client installations across three continents. Specialising in job evaluation, reward structure modelling and equal pay, we work with organisations to simplify and streamline their reward processes.

For further information contact Richard Gerrard, tel: 01244 893833 or email: [r.gerrard@link-hrsystems.com](mailto:r.gerrard@link-hrsystems.com)

### thomsons online benefits

[www.thomsonsonlinebenefits.com](http://www.thomsonsonlinebenefits.com)

Our award-winning combination of traditional benefits consultancy and the leading web technology solution enables us to offer you services and solutions wherever you are on your benefits journey from total reward statements through to international flexible benefits.

Our clients range from SMEs to the FTSE 100 in both the private and public sectors. They include MTV, Ministry of Defence, Motability Operations, Reed, Regus, Smith & Nephew, and Vanco plc to name but a few.

For further information contact Caroline O'Keeffe, tel: 020 7802 5855, email: [Caroline.OKeeffe@t-bx.com](mailto:Caroline.OKeeffe@t-bx.com)

## WORDS of WISDOM

“Even the most ardent supporters of performance-related pay recognise that it is extraordinarily difficult to manage well.”

Vicky Wright, *Performance-related Pay: The performance management handbook*, 1991

e**research**



# Try being a fly on someone else's wall ...

## Instead of making your own mistakes, why not learn from others instead?

Time and time again, the team at e-reward is asked for advice on finding the right policies and procedures for setting up great reward systems. You want to learn the secrets of success without having to stumble around tripping up on all the inevitable obstacles along the way!

You don't need to master scores of rules and learn hundreds of secrets. Just a few – the right few – will bring you success. This is where e-reward research reports can help. They contain a wealth of information ready to help you outperform in your reward role.

- Discover from other companies which simple principles can help solve your own reward problems.
- Uncover avoidable errors that you may otherwise walk right into.
- Learn the art and science of reward management and new ways to apply what you've learnt.
- Get to know the short-cuts that will make your job a whole lot easier.

Everything we tell you is directly gained from our own expertise and the wise experience of top companies that have tried and tested everything we talk about.

### **Read, study and apply what you find out in our research reports.**

Take a look at some of our recent feedback:

"Your report and case studies have gone a long way to providing us with the data we need to make informed decisions. It will also provide those that have never been involved in this area greater comfort by providing deeper understanding."

"I'll look forward to a continuing ripping good read!"

"I am very impressed by the quality of the reports."

### **Don't waste any more time and money on ineffectual reward processes.**

A subscription to our research reports will be one of the best business decisions you make this year. £255 + VAT buys you a single annual subscription giving you 11 world class reports each year. That's less than £22 a month!

A fraction of what it would cost to get all this information from consultants.

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Win a bottle of champagne!

**Q** Define the mental state called 'Flow' as described in this issue?

To enter, email your answers to [paul@e-reward.co.uk](mailto:paul@e-reward.co.uk) by 31 August 2006. The first correct answer to be drawn from the hat wins a fine bottle of champagne.