

RESEARCH ON REWARD REMUNERATION AND PERFORMANCE

Research Need

The area of reward, remuneration and performance has grown in stature over the past decade. Remuneration Committees have been set up across the globe and good committee members are sought after and highly paid. Good corporate governance has been put in the spot light and the media are always looking for the “excessive pay” story. Tax, accounting and legal changes continually change the reward landscape and global trends have placed tremendous demands on reward professionals, HR, Finance and line managers. Remuneration needs to be understood by line managers.

There is not enough empirical South African research to assist with remuneration and performance decision making.

Research Aim

The research focus of this programme is to generate a better understanding of successful reward, remuneration and performance management and enhancement implementations. A clearer understanding of the critical success factors and drivers of attraction, motivation and retention of staff is required. The following topics are not exhaustive and should help with ideas for new topics.

Research Streams

Research stream 1: Strategic remuneration

Getting this right is one of the things that set high performance organisations well ahead of the rest. A good insight is required as to what to do differently and be effective. Related research topics are:

1. Executive remuneration as a function of potential, performance and experience
2. The relationship between executive remuneration and career stages

3. Remuneration strategies for all four quadrants of the Hermann Brain Dominance Instrument (hypotheses here is that remuneration over-rewards some areas, say, Execution, and under-rewards other, say, People Orientation)
4. The role of remuneration in developing the NT bias as per the MBTI
5. The reward challenges facing SA business
6. A SA perspective for attracting and retaining top talent (could also focus on top Black Talent)
7. The future of reward as a strategic competitive advantage for SA business
8. How does SA remain competitive in the global market: A reward perspective?
9. Measuring return on investment A reward perspective
10. Exploring the link between branding and reward
11. Rewarding innovation
12. To develop or understand what factors play a role in the pay ratio (Genie co-efficient) from country to country

Research stream 2: Variable pay and incentives

This is the number 1 global remuneration and business trend. Getting it right is critical for morale, business, legal, relationship and motivation reasons. Related research topics are:

1. How to bridge the dichotomy in short-term incentive design between targets based on line of sight considerations (Maximum motivation to employees) and governance considerations from a shareholder perspective
2. The market has been basing long-term incentive scheme allocations of equity to staff on multiples of annual guaranteed remuneration for different management levels. This does not provide an equitable basis to compare the potential value of benefits to staff due to a number of factors that distort the value of equity based benefits. Would allocations based on equity benefits calculated using equity valuation models be a sounder basis, or suggest an alternative basis?
3. What would be the best basis for designing performance hurdles in long-term incentive schemes
4. Incentives and salary increases in a deflation environment – do we really know how to deal with this?
5. Incentives and the labour force – what really works in the new SA – do they really feel like they are part of the team?
6. Should you consider different incentive schemes for Generation X, Generation, Baby Boomers and High skilled equity candidates or will this be seen as discrimination? (SA context)
7. The suitability of team based versus individual based incentives in certain companies/industries
8. A SA perspective on shares: Does it still drive appropriate behavior?

9. To determine the relationship between size of the variable remuneration reward and the effect on the variable remuneration on what is called the “Instrumentality” construct of the variable remuneration methodology

Research stream 3: Remuneration and performance

Linking Reward to performance requires a good line of sight, robust measures and sufficient reward to motivate. Few organisations concede to doing this well or getting it right, yet it is one of the most powerful levers for driving business strategy. Related research topics are:

1. Establish a correlation between organisation performance (e.g. profit) and CEO short-term incentives
2. The relationship between a CEO's impact on the organisation and their reward. Do CEO's still have a direct impact, given they are so removed from operations, and hamstrung by governance issues? (Try and prove what the CEO's impact is – given corporate governance constraints. Board influence, Chairman's role etc – on the core business. Does the CEO really make such a difference or is success really a factor of good market conditions, exchange rates, etc. outside the CEO's control)
3. The relationship between CEO pay and turnover (e.g. try and establish a model that says a CEO gets paid X% of turnover with a factor for Group / Subsidiary)

Research stream 4: Remuneration and base pay management

Managing GTP, base pay, pay structures, expatriates all costs big money. It can sometimes be up to 60% of the total cost of doing business. It is critical to get the best return on every remuneration rand spent.

Related research topics are:

1. Remuneration for Productivity Enhancement
2. Is there an alternative to Job evaluation?
3. Negotiated wage settlements. What are the drivers?
4. Challenge of business today is to manage costs. How do you ensure reward maximizes return at the lowest cost
5. Reward metrics for managing business
6. Structuring of guaranteed packing for maximum flexibility – the Total Package concept

7. Validate the Strategic Level aspect of Execu-Measure (an executive grading tool) to show that strategic level is an important factor in sizing executive position (i.e. the old argument about a parent company of R3b turnover versus a subsidiary of R3b turnover)
8. To research the correlation between the main grading systems in use in South Africa

Research stream 5: Governance

Research suggests that good governance attracts as much as a 30% premium. Remuneration committees have been set up to oversee organisation remuneration and competent members come at a price. Related research topics are:

1. Structuring a guaranteed pay has remained fairly static for the past two decades. Does this system best serve the needs of both employees and staff given the differing needs of successive generations, the development of virtual organisations, and the growing trend to flex pay with performance? What changes would make sense?
2. The status of remuneration committees in South Africa
3. Research on the link between disclosure of Executive Director pay and the upward movement in pay in this category as an unintended consequence.
4. The relationship between Corporate governance and variable remuneration scheme outcomes

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