

HaRe Group newsletter: 25 March 2003

Subject: Fuel for business success

What do CEOs believe to be most important in driving business success? In a recent study of large & small Australian employers, most CEOs said the top 4 factors were all people-related.

A joint survey report by the AGSM, Hewitt and AFR BOSS has identified 19 "best employers" in Australia, as well as several HR issues that are strongly linked to business success. In particular, employee recognition was seen to be "remarkably effective but still ignored by many organisations."

The March BOSS has reported that the better-ranked companies had "a real concern for people; where their ideas are valued, they feel they are an integral part of what's going on." Supplementary data reveals that CEOs believe the top success driver is "acquisition and retention of talented people" and that a **culture of reward and recognition** is fuel for this driver. Many "best employers" celebrate success at all levels and have strong links from performance to remuneration. Variable pay is in higher proportions in the "best employers" than in other organisations.

In my experience, employees will usually put great value on a culture of recognition - ie. a general pattern of continuous behaviour that fairly acknowledges performance, as well as the HR programs that provide genuine development and career opportunities. Too often, I hear stories about managers who rarely give informal performance feedback and who neglect their performance management duties. In market leading companies, a broad willingness to communicate frequently with employees about performance and their future prospects is a critically important motivator.

Also vital to talent motivation and retention is a sound culture of reward. Some of the attributes of this culture often include the effective operation and communication of:

- base pay structures and the administration of periodic performance-based reviews;
- flexible fringe benefits;
- measures of business value creation, setting targets and assessing outcomes;
- incentive pay based on business and/ or individual performance;
- equity-based incentives and company ownership plans.

While there is nothing new in this list, it is surprising how many companies fail to satisfy the interests of their employees, and fail to use reward programs to focus their employees on core business objectives. On many occasions, the failure is in poor alignment of performance and rewards. In other cases, the failure is ineffective communication - the reward programs may be sound, but there is a general lack of understanding of how the reward programs should work.

The BOSS story reports that "60% of companies say they have a talent shortage..." In a market so starved of talent, a culture of reward and recognition is a must for the attraction, motivation and retention of quality people.

Simon Hare
HaRe Group