HaRe Group newsletter: 13 November 2002

Subject: Show us (how to get) the money

In the November BOSS magazine, you may have seen a section on their 2002 Salary Survey, with articles like "Show us the money." In addition to some rather inconclusive data on market pay trends, the key themes of these articles included:

- the motivating power of money (particularly when your bonus decreases, or if you find that you get paid less than your peers);
- the importance of good performance and measuring the things that really matter;
- applying the right blend of corporate, team and individual measures in financial and non-financial incentive plans;
- the rise and rise of executive remuneration, regardless of value adding performance.

Generally, the BOSS articles combine to question (sometimes harshly) the current levels of executive remuneration - in particular, the frequent absence of correlation between company performance and the financial incentives received by executives. A special criticism is reserved for share option plans and a lack of good corporate governance.

In my experience, building a high-performance organisation requires a clear and defensible reward strategy. Market leaders are now stepping away from commonplace remuneration programs - they are developing new ways to support employee behaviour that will make a difference in achieving their particular business goals. These organisations go well beyond benchmarking their remuneration & benefits practices - their reward & recognition programs tend to be:

- Contingent on all employees making a genuine contribution, rather than just doing certain tasks;
- Based on objective and attainable goals;
- Meaningful and valuable to the individual;
- Fair to all, and not based on a competitive struggle within the workplace;
- Balanced between workplace conditions and fulfilment of individual needs and priorities;
- Focussed on efforts to serve customers and to enhance collaboration within the workplace.

Considering executive remuneration and corporate governance, company boards need to adopt an independent approach that keeps executives' personal interests at arm's length from the process. This process should be driven by organisational interests, a sound remuneration philosophy and a reward strategy that is aligned to long-term business objectives. Depending on this strategy, performance-based share options may still be a valid solution, despite their current unpopularity.

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