Pay for Talent

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The Lever and the Rock

HR

Compensation
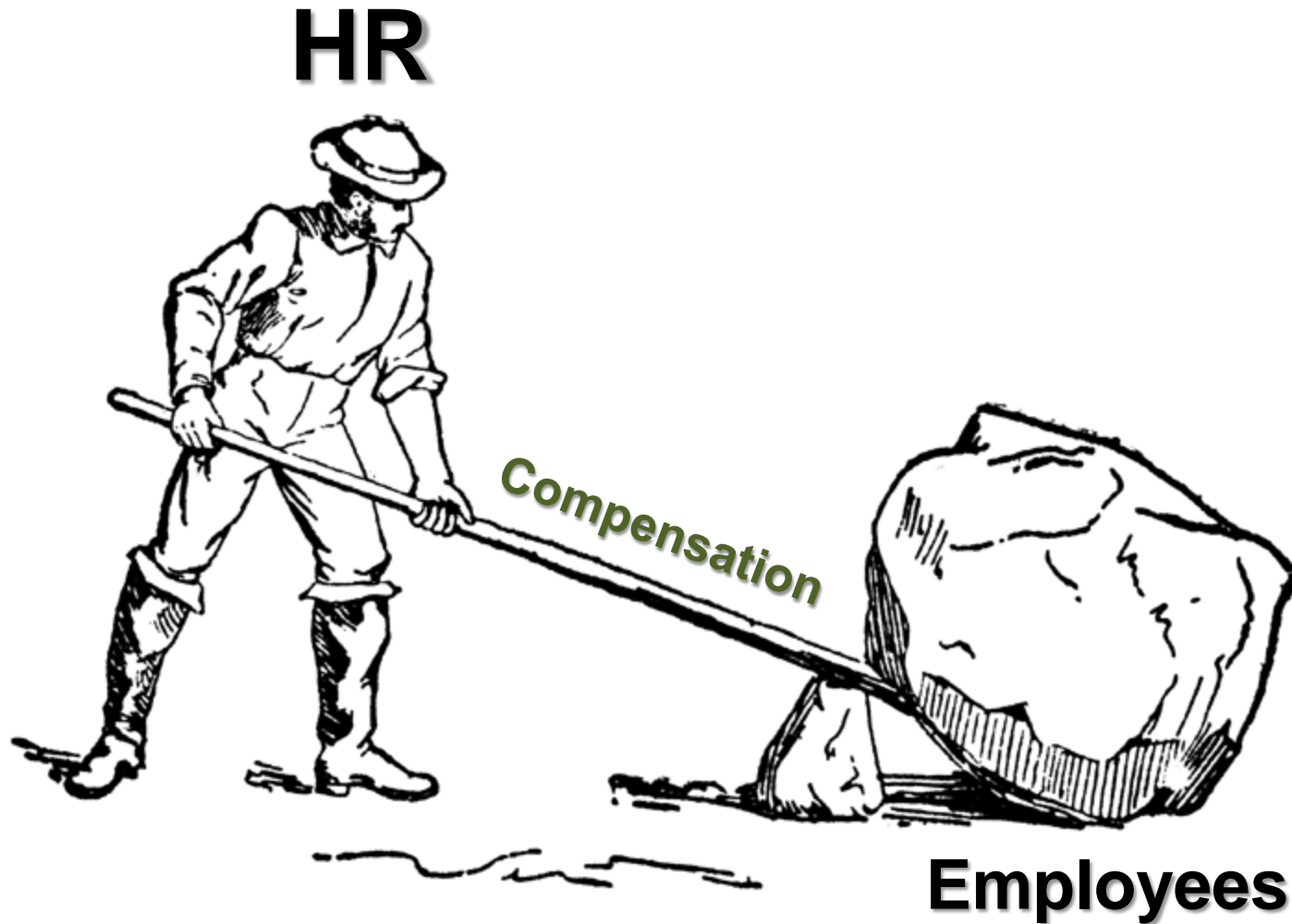
Employees

Top 10 Challenges for Achieving Business Goals

- **Of the top 10, 6 were HR related**
  - Ability to execute strategy
  - Retaining key employees
  - Improving employee engagement
  - Shortage of key skills available in the market
  - Ability to identify key employees
  - Workforce productivity

- **How does HR integrate various processes to manage these challenges and meet the business goals?**

SOURCE: Aberdeen Group: 2011 Quarterly Business Review Survey

Scarcity of Talent VS Unemployment

- **As of Dec 2 report, National Unemployment Rate is still 8.6%**

- **And yet on the other hand, there is a shortage of people with key skills needed to move organizations forward**

"… We are entering a new era of unparalleled talent scarcity, which will put a brake on economic growth around the world, and fundamentally change the way we approach workforce challenges."

SOURCE: "Global Talent Risk – Seven Responses," World Economic Forum, May 2011

Are Your Associates Engaged?

- **According to a 2011 Mercer Report, 32% of employees are planning to leave**

- **High Performing staff contribute up to 25% more than an average performer**

- **Employee Engagement is at the lowest levels in years, at least 1 in 4 are actively disengaged, another 1 in 4 are moderately engaged**

Must retain your Top Talent

Poll Question

- **How many of you believe you have at least one of these challenges? Two of the challenges? All Three?**
  - Employees looking to leave the Organization
  - High Performers Contribute significantly more than average
  - Employee Engagement is lower than ever

Keys to Retaining the Key Associates

- **Focus on mobility and development**

- **Managers manage – set goals, provide feedback, help associates with new opportunities**

- **Use Compensation as one of the levers**

How to Use Your Compensation Lever

- **Reward for past performance**
  - Merit increase
  - Bonus for overall performance
  - Bonus for specific achievement
  - Stock allotment

- **Improve compensation fairness**
  - Market or peer equity
  - Promotion adjustment

- **Incentives for the future**
  - Retention
    - Critical skill
    - Key talent
    - Future need

Reward Vs Incent

- **Reward**
  - Awards given for past performance

- **Incent**
  - Awards given to incent future actions

Pay for Performance Vs Pay for Talent

- **Pay for Performance:**
  - Process to drive differentiation in compensation to ensure the highest performing members of the organization are rewarded appropriately

- **Pay for Talent**
  - Process to drive differentiation in compensation to ensure the organization rewards those with the most value to the organization due to:
    - Performance
    - Contribution
    - Potential
    - Critical Role
    - Key Talent
    - Etc.

Integrating Talent Management with Compensation Strategy

- **Pay for Performance is a bit narrow and only addresses one component of retaining top talent**

- **Pay for Talent broadens the discussion to include:**
  - Talent Assessment process
  - Succession and Potential
  - Performance
  - Development

Get the Most out of your $$$

Pay for Talent: Talent Assessment

- **Create a talent assessment process, including a calibration discussion that assess factors important to driving your organization's strategies.   These might include items such as :**

  - A critical skill or experience

  - Risk of loss and or impact of loss

  - Key customer or vendor relationships (Key talent)

- **Allows the organization to have a broader discussion about the value people add to the organization and how to reward and incent them appropriately**

Pay for Talent: Succession and Potential

- **Develop a succession process that provides the opportunity to drive the conversation:**

  - Who are the people we can't afford to lose and why?

  - Who could add more value to the organization by taking a new opportunity?

  - Where are our next leaders?   Who are those key people we need to invest in and begin to build them into future leaders?

- **Potential has to be one component of the succession discussion:**

  - Who has the potential and the desire for an opportunity in a bigger role?   What do they need to be successful?

Is the Organization Ready?

- **Out of the 410 enterprises surveyed that identify and track high potential employees, only 213 reward these employees for their contributions**

- **Only six out of ten large U.S. enterprises (those with 500+ employees) identify and track high potential employees within their organizations**

- **Only 41% of organizations have KPIs that measure individual contributions versus overall goals below the manager level**

SOURCE: ADP Research Institute: *Talent Management in 2011: Perceptions and Realities*

Is the Organization Ready?

- **Do you have defined, consistent criteria?**

- **Do you know which attributes your organization values most?**

- **Does your organization has a culture of open and frank discussion?**

- **Which attributes of Pay for Talent best fit your culture?**

Organizational Process

- **Will the process be an open process, discussed with the identified employees?**

- **Or do the organization executives keep that information closely held?**

- **There is no right or wrong – assess what works in the culture of your organization, but think about the Gen Y generation – what will they expect? How do they change your culture?**

Are Your Managers Ready?

- **Do you have managers that are blockers? Are they aware they are blockers?**

- **Do your managers have the skills needed to manage the entire process?**
  - Setting realistic goals and providing feedback
  - Assessing potential and other criteria

- **Do you have support for them?**
  - A calibration process to enable open dialogue

- **What will be most challenging for the managers in the process?**

Summary

- **Understanding how the different talent management processes impact each of the different processes is key to long term success**

- **A key lever to extend across all talent management processes is compensation – PAY FOR TALENT**

- **Understanding the impact across the entire organization is critical to success**

Thank You

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