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Reward, Recognition and Retention

Introduction

With the war for talent and skills shortages still prevalent, organisations are continually looking at ways to differentiate themselves from competitors. The modern workforce is expecting more from their employers and it is not just financial rewards that are important. Reward and recognition strategies are becoming increasingly important tools for attraction and retention.

The purpose of this report is to provide an insight into current and emerging practice in the implementation of reward and recognition strategies. A short series of questions were asked of 30 senior HR professionals from large public sector and blue chip commercial organisations at the Penna sponsored Strategic HR Network event on 16 October 2007. The topical questions focused on how these organisations were implementing reward and recognition strategies to retain key talent.

Rewards and Incentives

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. We have an effective reward and incentive scheme in place		46.7%	36.7%	13.3%	3.3%
2. We operate a highly flexible benefits system giving employees real choice	13.3%	16.7%	30%	23.3%	16.7%
3. Our incentive scheme is directly related to individual performance	13.3%	50%	10%	13.3%	13.3%

Rewards and incentives are a key element of the talent management strategy but our results show that organisations have a long way to go to getting the strategy right. 63.3% of the organisations surveyed have an incentive scheme that is directly related to individual performance, highlighting the importance of

rewarding employees for superior performance, yet less than half of respondents have an effective reward and incentive scheme in place. Furthermore, only 30% are giving their employees real choice with a highly flexible benefits system.



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Modern Workforce

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
4. Our reward and recognition strategy acknowledges the different needs of different generations		23.3%	16.7%	53.3%	6.7%
5. Generation Y place more value on work-life balance than financial rewards	20%	50%	26.7%	3.3%	
6. Considerations around CSR and the environment are becoming an important part of our reward and retention strategies	20%	40%	23.3%	16.7%	

Recent studies have found that different generations have different expectations when it comes to rewards and incentives. However, only 23.3% of organisations surveyed have a reward and recognition strategy that acknowledges the different needs of different generations, so there is a real need for review and change in this area. This is further backed up by 70% of HR Directors agreeing that Generation Y place more value on work-life balance than financial rewards. Factors such as the values of the organisation matching those of their own and career development / progression play an

important role in attracting and retaining the modern workforce. There is no doubt that organisations are becoming increasingly aware of CSR and the impact it has on attraction and retention and 60% of respondents said that considerations around CSR and the environment are becoming an important part of their reward and retention strategies. This is backed up by a Penna survey conducted in April 2007 on the Future of Recruitment and Retention which found that 92% of organisations believe that CSR is important to employer brand.¹

Measurement



It's one thing to implement strategies to retain staff but are organisations actually measuring their effectiveness? A large proportion of our sample - 43.3% - undertake a staff survey every 2 years or less. 50% of respondents

undertake a survey every year and only 6.7% of our sample conduct a survey every 6 months. Staff surveys are an important first step in engagement strategies and in measuring the effectiveness of the employer brand.





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	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
8. Our appraisal process provides the key metrics for determining financial rewards	10%	50%	13.3%	26.7%	
9. We actively measure and reward behaviours which reflect our organisation's values	6.7%	43.3%	16.7%	30%	3.3%

60% of respondents have an appraisal process in place that provides the key metrics for determining financial rewards and 50% actively measure and reward behaviours that reflect their organisation's values. If organisations are introducing a performance related pay and reward scheme they need to make sure they have the correct measures in place to ensure the process is fair. A robust performance management and appraisal process is essential

and line managers need to be trained to ensure consistency of approach across the whole organisation.

“Our challenge is more around generating greater understanding within our organisation.” Head of Resourcing, Leading Drink Retailer

Culture and Engagement

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
10. We are finding it increasingly difficult to retain key talent	3.3%	36.7%	36.7%	20%	3.3%
11. We have innovative strategies to engage our people's hearts and minds		26.7%	50%	20%	3.3%
12. Our Board recognises and supports the importance of engagement and culture as a retention tool	16.7%	43.3%	20%	16.7%	3.3%

Retention continues to be a major issue with 40% of organisations finding it increasingly difficult to retain key talent. These results mirror the results of the survey we conducted 6 months ago which found that 44% of organisations are finding it difficult to retain the staff they want to keep.¹

While 60% state that their board recognises and supports the importance of engagement and culture as a retention tool, only 26.7% actually have innovative strategies in place to engage people's hearts and minds. There appears to be a real mismatch between recognising that

something needs to be done and actually putting resources into doing it.

Organisations must consider the questions: What will attract an individual to an organisation? What will keep them there and what will engage them?

“Our values and leadership capabilities are locked into recruitment, development, career moves and reward.” Head of Leadership Development & Resourcing, Transport industry





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Summary

There is no doubt that the emphasis on reward and recognition strategies is changing. Potential recruits and employees want to see a greater balance between financial and non-financial rewards, with CSR and work-life balance increasingly important. Reward and recognition are acknowledged as key facets of retaining talent and this is recognised at board level. In practice, however, effective benefits and rewards systems are not consistently in place and the different expectations of Gen Y and its attitude to company loyalty are not being planned for adequately.

Those organisations who have implemented a more balanced approach are seeing the benefits in their ability to recruit good people, a more motivated workforce and better retention. Successful organisations have ensured full engagement of management and staff including clear channels for feedback. In turn, they can benefit from a direct improvement in business performance.

How Penna can help

Penna works with leading organisations achieve bottom line improvement through the performance of their people. We bring together expertise across the entire employment lifecycle:

Recruitment Communications Executive Recruitment Executive Interim

Leadership Development HR Consulting Career Transition

To find out how Penna can help your organisation call 0800 028 1715 or visit www.penna.com

ⁱ The Future of Recruitment and Retention, by Penna, April 2007. This report can be found at www.penna.com/newsopinion/research.aspx