

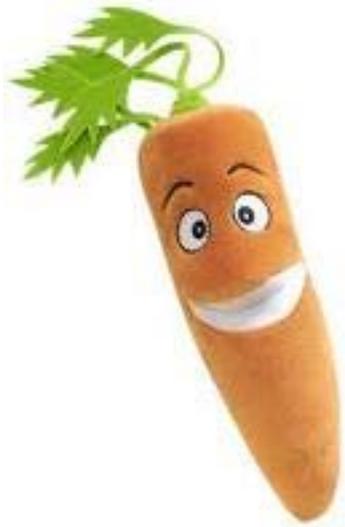
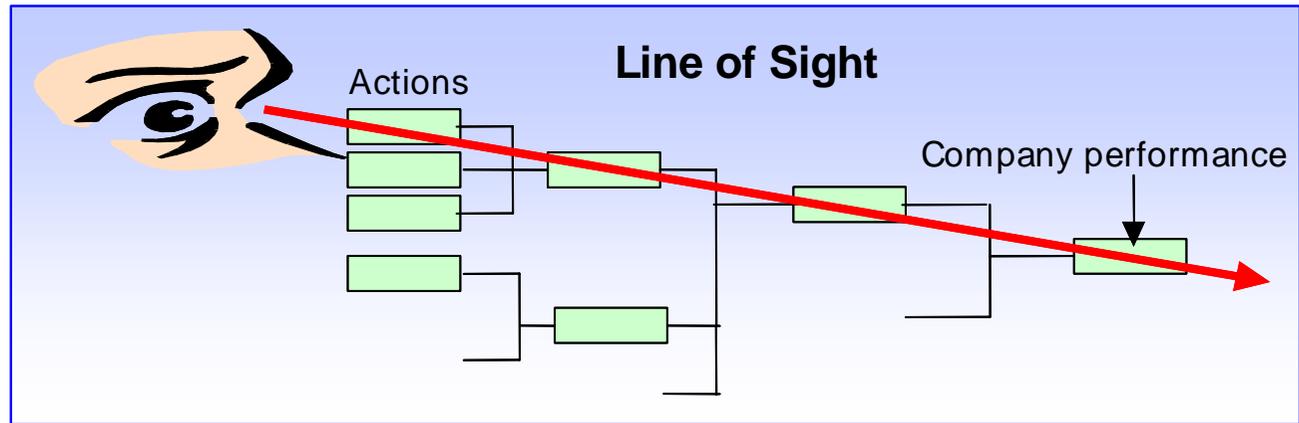


Building sustainable incentives

Camiel Selker

25 November 2010

Some quick basics



Know what you wish for...

- “The good thing about variable pay is that it works. The bad thing about it is that it works...”
 - “The folly of rewarding for A while hoping for B” (1976!)
 - “Success is the result of a random set of events” (Nassim Taleb)
 - Performance measures corrupt when used for driving behavior (Cools/ Van Praag)
 - People cheat
 - What is ‘performance’?

Current state of play – personal view

- Incentives increasingly include sustainability
- But too often as window dressing or PR:
 - Not linked to business model
 - Ineffective performance measures
 - No consideration of what's already there
- Only few companies dare to make choices:
 - Selection of fewer, yet measurable targets
 - Improvement rather than reporting focussed

So then to employee engagement

- Popular bonus measure, sometimes even long term

**Impact of Employee Engagement
on Financial Performance**
A 12-month study across 50 global companies

**Impact of Employee Engagement
on Business Performance**
A three-year study across 40 global companies

■ High employee
engagement

■ Low employee
engagement

Source: Towers Watson

But what does it require?

Top Attraction Drivers	Top Retention Drivers	Top Engagement Drivers
Competitive base pay	Organization rewards outstanding customer service	Organization rewards outstanding customer service
Career advancement opportunities	Ability to balance my work/personal life	Have excellent career advancement opportunities
Challenging work	Manager inspires enthusiasm for work	Good collaboration across units
Convenient work location	Work in environment where new ideas are encouraged	Improved my skills and capabilities over the last year
Flexible schedule	Organization's reputation in community	Senior management sincerely interested in employee well-being
Learning and development opportunities	Satisfaction with the organization's people decisions	Enjoy challenging work assignments that broaden skills
Reputation of the organization as a good employer	People in my unit work well together as a team	Organization's reputation for social responsibility
Vacation/paid time off	Competitive base salary	Manager empowers people to take initiative
Reasonable workload	Positive impact of technology on work/life balance	Organization quickly resolves customer concerns
Organization's financial health	Competitive training	Appropriate amount of decision-making authority to do my job well

Source: Towers Watson – financial industry cut

Promoting the stewardship model

- The stewardship model...
 - Collective serving instead of self-serving
 - Long term focus instead of short term
 - Involvement instead of control
- ...requires different supervision
 - Process oriented instead of content driven
 - How does strategy include stakeholders
 - In executing strategy, which safeguards are implemented
 - Who is accountable
 - Etc.