



EVIDENCE-BASED REWARD MANAGEMENT: CASE STUDIES

Published 27 April 2010

e-research report

e-reward.co.uk research report is published monthly (10 issues a year).
Single subscriptions are £255 a year + VAT.

All advice provided by e-reward.co.uk is for general guidance only. Any readers relying on information contained herein do so at their own risk.

e-reward.co.uk Ltd

33 Denby Lane
Heaton Chapel
Stockport
Cheshire
SK4 2RA
UK
Tel: 0161 432 2584
Email: post@e-reward.co.uk
Web: www.e-reward.co.uk

www.e-reward.co.uk is a web-based research and information service designed for UK compensation specialists and all those concerned with reward.

Registered name: E-reward.co.uk Limited
Company number: 4281768
Registered in England and Wales
Registered office as above

Editorial and subscription enquiries

Editors: Michael Armstrong
Paul Thompson
Production: Patrick Armstrong: www.pabps.co.uk
Researcher: Steve Glenn
Contact Paul Thompson on tel: 0161 432 2584 or email: paul@e-reward.co.uk. For details of previous issues visit the e-research report section of our web site.

COPYRIGHT

Copyright 2010 E-reward.co.uk Limited.

All rights reserved. No part of this publication may be reproduced, stored in an information storage and retrieval system or transmitted in any form, or by any means, electronic, mechanical or otherwise, without the written permission of E-reward.co.uk Limited.

Permissions to reproduce this report

An enormous amount of hard work goes into the preparation of this report. You are permitted to copy some material for your own personal use, but we will take legal action against anyone who reproduces, condenses or adapts any substantial part of the report without the prior written permission of E-reward.co.uk Limited.

Clients wishing to distribute copies within their own organisation should request extra copies from us at discounted rates. To avoid misunderstandings please write to us or email: post@e-reward.co.uk.

CONTENTS

INTRODUCTION5

- What is evidence-based reward management?
- Contents of this case-study report

SECTION 1: PROFILE OF CASE STUDIES6

- Who we interviewed
- Six diverse organisations
- Box 1.1: E-reward case studies – organisational profiles**7

SECTION 2: PRACTICAL ADVICE8

- To react or not to react?
- Timing and choice of “battles”
- Role of senior managers
- Role of line managers
- Most crucial factor is context
- Checklist 1: Practical advice to others from case-study organisations

SECTION 3: ANALYSIS13

- Different starting points
- Evidence-based reward in practice
- Setting a foundation for information collection
- Measuring reward effectiveness
- “Non-core” reward measures
- Solutions and evidence of success
- Barriers to progress
- Questions of cause and effect
- A final word
- Box 3.1: Commonly-used reward measures**15
- Box 3.2: Distinctive reward and evaluation measures**16
- Box 3.3: Evidence of success**17
- Box 3.4: Barriers to progress**19
- Box 3.5: Thoughts on cause and effect**20

CASE STUDY 1: FINSERV	22
A financial services organisation currently going through a merger	
CASE STUDY 2: SM&D Co.	25
A firm involved in the sales, manufacture and distribution of office products	
CASE STUDY 3: ENFORCECORP	29
Police authority operating across a number of counties	
CASE STUDY 4: ENGINEQUIP	32
A high-precision engineering manufacturer with half of its operations the result of acquisitions	
CASE STUDY 5: REGCOM	35
An independent non-governmental regulatory body with a growing workforce	
CASE STUDY 6: HOTELCO	38
A privately-owned hotel group with operations largely in the UK	

INTRODUCTION

Over the last few years, the term *evidence-based management* has become an integral part of the HR profession's vocabulary, and it can readily be applied in the reward field. But it still remains a process that is not fully understood.

To fill this knowledge gap, our survey published at the start of the year (*eresearch* 69) and accompanying toolkit (*eresearch* 70) helped untangle many of the intricacies associated with this subject. Here we build on this knowledge by examining the experiences of six diverse organisations and discover how they are wrestling with issues concerning the review, measurement and evaluation of reward systems. The organisations all share a belief in the importance of assessing the effectiveness of their reward practices and all have initiated and now operate some kind of process. By examining the area from this slightly different perspective, it has been possible to add to the knowledge gained from the survey with more specific details of individual company practices, the rationale behind them and their consequences in terms of levels of success and lessons that have been learnt. This has made it possible to add a further layer of advice to those still puzzling over this complex area.

What's clear from our research is that effective reward management has to be evidence-based. Broadly speaking, the aim of evidence-based reward management is to improve the reward strategy formulation and implementation process, to ensure that rewards more effectively support the achievement of organisation goals and to provide for employee needs to be met. The process recognises that reward systems exist to add value but often don't, and that it is essential to assemble and analyse the evidence available on how well they are functioning so that improvements can be made where necessary.

Evidence-based reward management gathers **internal** data on the impact and effectiveness of reward strategies and practices. This involves research, analysis, measurement, evaluation and, importantly, seeking the views of stakeholders. **Externally**, it carries out systematic benchmarking of good reward practices and analyses and makes use of the practical outcomes of reward research projects. Evidence-based reward management provides the information and impetus which makes an integrated approach to reward management effective.

RESEARCH PROJECT ON ASSESSING REWARD EFFECTIVENESS

This **case-study analysis** forms the third and final part of a large-scale research project on reward effectiveness undertaken by e-reward. Our partners for this work, the Institute for Employment Studies, is also doing an increasing amount of research and project work in this area.

Part 1: Our joint research project involved a **survey** of practice and experiences, the results of which were set out in *eresearch* 69. This survey of 173 employers examined current practice and opinions relating to the review, measurement and evaluation of reward effectiveness in UK organisations. Among the key aims of the research were to find out what organisations are doing about assessing the impact of their reward programmes – the most important methods, criteria and measures used – and what are the major obstacles.

Part 2: Published in *eresearch* 70, our "how-to" **toolkit** chronicled the key components of evidence-based reward management: conducting reward reviews; measuring the impact of reward programmes; evaluating that impact; and then developing, implementing and applying reward policies and practices on the basis of the evidence you have assembled.

Contents of this case-study report

Our report starts with an overview of the organisations we interviewed (section 1), and continues with some of the direct pieces of practical advice provided by interviewees on how to avoid some of the stumbling blocks along the way (section 2). We then consider some of the broad themes to emerge from our discussions with the six HR and reward professionals (section 3). The case studies then follow.

SECTION 1: PROFILE OF CASE STUDIES

This research report draws on case-study interviews carried out by e-reward, examining the evidence-based reward approaches adopted by six organisations. The case studies illustrate in different settings how organisations are reviewing and assessing the effectiveness of reward policy and practice – each adopting its own approach in accordance with the organisation's context. They underline a basic principle which was confirmed by the research – that there is no such thing as “one best way”; only the method that suits the needs and circumstances of the organisation.

A number of key issues in this research report relate to potentially sensitive issues concerned with the process of reviewing and assessing the effectiveness of reward practices. By guaranteeing our interviewees that the names of the case-study organisations would be anonymised, we have extended both the depth and breadth of the analysis beyond what – our experience tells us – would otherwise have been possible.

The job titles of the six interviewees are as follows:

- Cluster HR Manager
- Compensation and Benefits Manager, International
- European HR Compensation & Benefits Manager
- Function Leader – Performance & Reward
- HR Business Partner (Reward and Benefits)
- Lead Reward.

Six diverse organisations

The six case studies come from an assortment of sectors and range from a police force to a global high-precision engineering company. Moreover, their workforces are considerably diverse, stretching from 160 staff employed in one region of a hotel group to more than 10,000 employees worldwide in two of the companies we interviewed, as shown in box 1.1.

The case-study organisations all differ in respect of how far they were along the reward evaluation path. In a few cases, for example, those we contacted had relatively embedded arrangements in place, while at the opposite end of the spectrum were a couple of the organisations just starting on their journeys by getting the conditions in place to build effective reward evaluation systems for the future.

Adding to the variety, one of the organisations we spoke to is currently in the middle of a merger. So it is thinking about how to redesign its evaluation approach in order to incorporate all the new data to which it will have access, illustrating how the process needs to be changed in parallel with the adjustments an organisation itself undergoes.

Despite the range of practice exhibited by our case studies, it has been possible to pull out a number of common themes and lessons for others interested in the subject while, at the same time, helping shed light on why this is still an area that, at times, lacks any real consensus or agreed principles on how it should be undertaken.

BOX 1.1: E-REWARD CASE STUDIES – ORGANISATIONAL PROFILES

Organisation*	Profile	Employee nos.	Comments on reward evaluation process
FinServ	Financial services organisation currently going through merger.	12,000	Process goes back number of years prior to interviewee joining.
SM&D Co.	Sales, manufacture and distribution of office products.	6,000	Currently at initial stages in order to "audit" what information is available.
Enforcecorp	Police force with operations in three countries.	9,000	Process initiated seven years ago and developed since then.
EnginEquip	Global high-precision engineering manufacturer.	10,000	Currently at initial stages in order to "audit" what information is available.
RegCom	Independent non-governmental regulatory body with two locations in the UK.	3,000	Relatively mature system of evaluation in place for some years.
Hotelco	Over 4,000 staff but case study relates to 160 staff employed in two of the group's hotels.	160	Relatively mature system of evaluation in place for some years.

* In order to present as much information as possible our case-study organisations appear anonymously.