

The reward Quarter

Part of the e-reward family of publications, courses and conferences

Issue
18

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2015/16

Dear Subscriber

There are quite a few controversial topics within reward but how to compensate your sales professionals is certainly up there. With that in mind, E-reward's next showcase event on 12 May tackles this hot potato with the help of top US sales compensation guru, Mark Donnolo.

Sponsored by beqom, IBM and OpenSymmetry, the seminar will cast a spotlight on how to connect sales strategies to the bottom line and develop methods to motivate and drive sales performance.

Four insightful workshops will be dispersed with exhibitor sessions and opportunities to meet with the top providers of sales compensation solutions and services.

With very best wishes

The E-reward team

PS **Update** – this event has now sold out the first 50 tickets but 20 more places will be released this week.



In this issue

Executive pay Remuneration landscape in the world's largest global corporations

NHS Survey of boardroom pay

Compensation software Review of our 2015 conference

Top tips Excel for reward professionals

Education Parlez vous reward?

News Executive remuneration database

Case studies Arup, British Sugar and Capital One

E-REWARD SURVEYS

New survey highlights global executive pay league

Most experts in our field would say that executive pay in the USA is higher than elsewhere, but few could offer a correct assessment of the magnitude of remuneration differentials. Even fewer could provide a more detailed ranking of other countries' pay levels. A new survey by Steve Glenn, Head of Executive Remuneration Research at E-reward.co.uk, provides answers to these and other questions concerning pay in the world's largest 200 companies.

This landmark research examines executive pay levels in organisations such as Apple, Facebook and Google in the United States, as well BMW, Samsung, Honda and HSBC elsewhere. Overall 182 of the top 200 global corporations feature in the survey. Among the key findings are:

- North American **realised executive pay**, £11.9 million at the median, is over twice the corresponding levels found in the largest European economies.
- UK and German board level realised remuneration levels stood at around £5.4 million.
- Next in line were executives employed in companies in other European countries, with a median of just under £3 million.
- They were followed by those in the "Other country" group, where the equivalent figure was just over £2.8 million.
- Finally, at the foot of the table were directors in Japan and China where median realised pay was just over £0.5 million.

Face value of future potential remuneration

An examination of **potential future remuneration** – a combination of salary, maximum bonus levels and the monetary value of shares and share options awarded to directors in the last year – while not representing what directors will actually receive in the future, does provide an idea of the relative scale of potential remuneration packages in the coming years.

With this in mind, these so-called **face values** illustrate that the international pay hierarchy looks set to continue. For example:

- North American face value remuneration was just over £18 million at the median, substantially larger than equivalent amounts found elsewhere.

- For example, German and UK equivalent face values stood at £10.2 million and just over £8 million respectively.
- The corresponding level in other European countries was £5.6 million, while sample sizes elsewhere were insufficient to allow any meaningful analysis.

Glossary

Realised remuneration refers to amounts actually received by executives in the latest year – salary and annual bonus received, shares and share options vested and exercised in the latest financial year.

Face value remuneration is the sum of salary, maximum bonus potential and the value of any shares or share options at the time they are awarded. It is a measure of the magnitude of potential remuneration rather than what will actually be received in the future.

US remuneration packages more complex

The survey also usefully examines each component of remuneration. What's striking is that the make-up of US directors' remuneration packages is not only larger but also more complex. The means by which executives are paid vary markedly across the globe. For example:

- **Performance-based shares** are commonly used in North America and Europe, but to a lesser degree elsewhere.
- In contrast, there is a much greater reliance on **share options** and, to a lesser extent, **time-based retention shares** in North America than in other regions.
- Overall, UK remuneration structures were closest in composition to those in North America because of the use of **options**, whereas elsewhere in Europe's largest companies, share options are much less popular.

- In other parts of Europe, **annual bonuses** contributed a larger proportion to total amounts received than they did in either North America or the UK.
- Another notable aspect found was that in Chinese and Japanese companies there were no **long-term incentive gains**. In China this may be because of ideological reasons whereas in Japan, while directors are granted share options, none were disclosed as having been exercised in the latest period.

Non-US firms face a quandary

It is clear that, in general, US board-level pay far exceeds amounts found elsewhere. So any similarly-sized company from outside the region benchmarking its executive remuneration levels may consider its own directors relatively poorly paid by US standards. This creates a quandary. Any move towards US pay levels would generate adverse publicity, especially in the current climate. On the other hand, many in the business community argue that for companies to compete effectively they have no choice but to pay the levels of reward necessary to participate in what is an increasingly global market for top talent.

As a result, very large organisations outside the US have to strike a balance between these competing pressures and, in the case of some, especially in Germany and the UK, they have settled for “mid-Atlantic” levels, albeit closer to European than North American shores.

Why is North American pay so high?

This begs the question – how did North American executive remuneration levels become so large? One possibility is that companies on that continent are larger than elsewhere. But the survey shows that, with the exception of a few very large organisations, this is not the case. In fact, the majority of North American companies’ market capitalisation levels are not significantly different from those found in Europe and elsewhere.

More probable reasons for the large differentials are suggested by our research, including:

- Historically, some argue that prior to corporate governance improvements and the resulting

shareholder empowerment resulting from legislation, boards and, as a consequence, remuneration committees, were less accountable to shareholders and thus more likely to acquiesce to management requests for higher pay.

- In addition, many attribute high levels of US pay, particularly in regard to incentives, to a change in US tax law introduced in 1993. Originally intended to cap executive director pay, the law prevented companies from taking a corporation tax deduction on fixed pay amounts greater than \$1 million, but allowed deductions on performance-related pay such as stock options and bonuses. The result was an explosion in the use of such incentives.
- Finally, companies in North America have been more likely to benchmark their pay levels within the region, rather than looking at the lower levels found elsewhere which probably had the effect of ratcheting-up levels of remuneration over the years.

While European and other international pay levels have not reached anywhere near the level of those found in the USA, many in the business community would argue that there are grounds for comparisons to be made with remuneration levels in similar North American companies. This means that despite ongoing calls for executive pay restraint, persistent upward pressure on non-US board-level pay is likely to continue and, if and when it does materialise, it is likely to be in the form of share-based performance-related pay which is easier to justify to shareholders.

Want to know more?

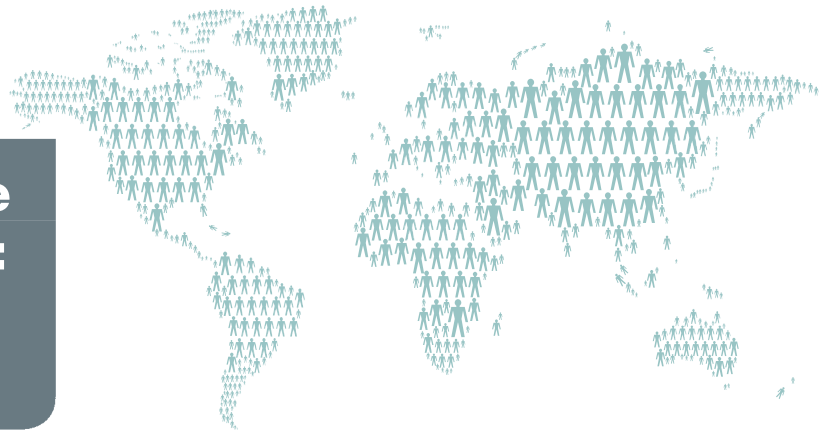
Title of report: *Global Executive Compensation 2015: Survey of Global FT 200 companies*, E-reward.co.uk, December 2015.

Price: Dataset plus 95-page survey report £750 + VAT; survey report only £350 + VAT.



To order your copy, please visit: www.e-reward.co.uk/executive-pay/reports

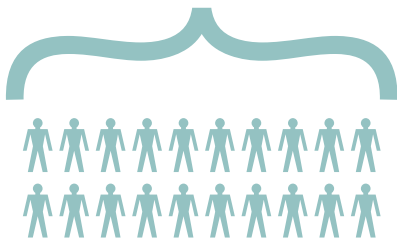
Worldwide Executive Compensation 2015: Survey of Global FT 200 Companies



This survey report examines the remuneration landscape in the world's largest global corporations. Focusing on the top 200 companies from the annual Financial Times Global 500 list, E-reward.co.uk's landmark survey extracted data from the most recently-available remuneration reports, including DEF 14A forms, annual reports and registration documents. Year-end dates ranged from 27 September 2014 to 31 May 2015 with over 90% on or after December 2014.

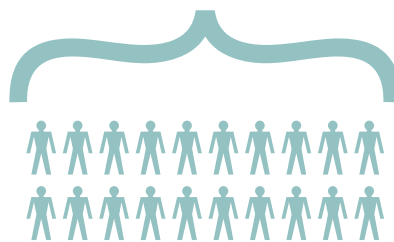
£968,647

Median salary for principal directors in FT Global 200.



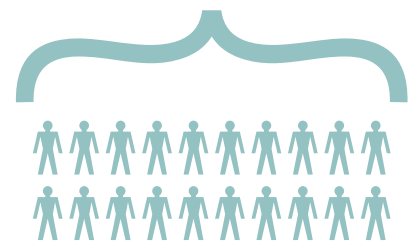
£5.9m

Median realised remuneration level for principal directors in FT Global 200.



£7.9m

Median level of fair value potential future remuneration for principal directors in North America.



About the E-reward.co.uk research



182

Data analysed for 182 companies in FT Global 200.



25

Data gathered from 25 countries.



1,339

Information collected on 1,339 directors and non-executive directors.

Top 5 bonus payments in FT Global 200, 2014/15

Company	Country	Position	Bonus payment
Hutchinson Whampoa	Hong Kong	Managing director	£15,151,753
Walt Disney	USA	Chairman/CEO	£14,042,108
Time Warner	USA	Chairman/CEO	£9,309,387
Boeing	USA	Chairman/CEO	£9,286,932
CVS Health	USA	CEO	£7,355,797



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Salary rises remain muted, but eight in ten NHS hospital trust directors now earn over £100,000

A new pay study on NHS trusts show that almost 80% of non-medical directors are paid more than £100,000 a year, although salary rises in 2014/15 were somewhat muted. These are some of the findings from a new report by Steve Glenn, Head of Executive Remuneration Research at E-reward.co.uk, based on around 1,400 NHS hospital trust directors drawing on the latest available information.

Other headline findings from the survey include:

- **Board-level turnover levels are running at around 30%** with attrition rates higher in non-foundation trusts (35%) compared to their foundation counterparts (27%) in the year to March 2015.
- **There was an absence of salary increases for most directors** with median levels registering no change for five major non-medical NHS board-level roles – chief executives, finance directors, human resources directors, nursing and operations directors.
- In fact, around **60% of board members were subject to pay freezes**.
- NHS reorganisation is still ongoing as illustrated by the **£116 million redundancy costs** incurred by 229 UK NHS trusts and health boards.

Steve Glenn, E-reward.co.uk's Head of Executive Remuneration Research, commented:

"While the reorganisation of the NHS continues apace, it must be worrying that during this critical period board-level turnover is running at such high levels. But despite these pronounced rates of attrition, NHS remuneration committees have managed to keep a tight lid on directors' pay rises."

Trust size and type main determinants of pay levels

While nearly 80% of NHS directors now earn over £100,000 there is still a fair degree of variation. More than half of salaries fall between £100,000 and £142,500 and nearly 24% were paid amounts over £142,500. Pay levels vary according to a range of factors, including **trust type**. The highest-paid chief executives in England are employed by **acute trusts** with a median salary of £182,500. Meanwhile, in the lowest paid – heading **health and care trusts** – the corresponding figure is £140,000.

An even clearer link existed between **trust size and remuneration** – the median salary of chief executives in the largest trusts (income over £425 million) is £202,500, compared to £147,500 in smaller ones (income below £125 million).

Most of the top-paid chief executives are employed by the largest trusts in terms of income, including [University College London Hospital, Guy's and St Thomas'](#) and [Cambridge University](#) – who all received salaries in excess of £250,000.

Other directors were paid at higher rates but this was because they were employed on **interim contracts**, often for short periods of time. Such temporary contracts and employment via agencies still persist at board level with around 190 directors with job titles designated as "interim" or "acting".

Redundancy costs persist

- In the year to March 2015, 229 NHS organisations made around 3,800 staff across all job levels redundant at a cost of over £116 million.
- The cost was slightly down on the previous year (£121.5 million based on 207 trusts).
- These amounts compare to the £208 million spent by 244 trusts at the height of the latest NHS reorganisation when 6,500 staff were made redundant in the year to March 2012.

Latest board turnover levels cause for concern

The E-reward survey measured the number of directors "leaving" and "joining" each type of trust in England, Northern Ireland, Scotland and Wales excluding those who have retired and other "good" leavers and finds:

- Of all the countries, Scotland stood out – turnover levels there were relatively low at around 15%.
- In contrast, levels in England, Northern Ireland and Wales all stood at around 30% or more.
- There were marked variations between foundation and non-foundation trusts in England. Rates in non-

foundations trusts were over 35%, significantly higher than those in foundation trusts which were around 27%.

- Put into a longer-term context these rates are striking. Following the introduction of the Health and Social Care Bill 2011, as the latest NHS reorganisation first began, board attrition rates stood at around 28% in English foundation trusts and 20% in foundation trusts which were notably high at the time.
- More broadly, the latest Chartered Institute of Personnel and Development (CIPD) survey on the subject puts the latest NHS figures into further context illustrating that staff turnover rates across all job levels nationally varied between around 13% and 18% over the last 10 years.

Bonuses remain a minority practice

- Just 8% of full-time, full-year directors in UK trusts registered bonuses in the last 12 months.
- Where they were received, the median and average were £7,500 and £14,518 respectively.
- Some bonuses were more substantial – the chief executive of [Oxford University Hospitals](#) received the highest amount at between £30,000 and £35,000 in recognition of performance.
- Amounts for medical directors could be even higher, stretching up to between £55,000 and £60,000,

although these tended to be in recognition of clinical excellence rather than for board performance.

Pay ratios

- Like all public sector organisations, NHS trusts are required to publish the ratio between the pay of their highest-paid director and the median full-time earnings of employees.
- By country, the highest median pay ratio of 7:1 was in England and also Northern Ireland.
- In Wales the ratio stood at 6.5:1, while Scotland had the lowest at 6:0.
- The range was wide – spanning from 4.3:1 up to 21:1.

Want to know more?

Title of report: *NHS Hospital Trusts: Boardroom Pay 2016*, published by E-reward.co.uk, February 2016.

The research: E-reward.co.uk researchers scrutinised 267 NHS trust remuneration reports that were available with year-end dates 31 March 2015. All the analysis is based on figures and information recorded on the E-reward.co.uk database of NHS executive remuneration.



More details about the report can be found here:

www.e-reward.co.uk/executive-pay

NHS Hospital Trusts Boardroom Pay 2016

About the E-reward.co.uk research

267

Draws on remuneration reports from 267 NHS hospital trusts and health boards in England, Northern Ireland, Scotland and Wales with year-end dates of 31 March 2015

2,500



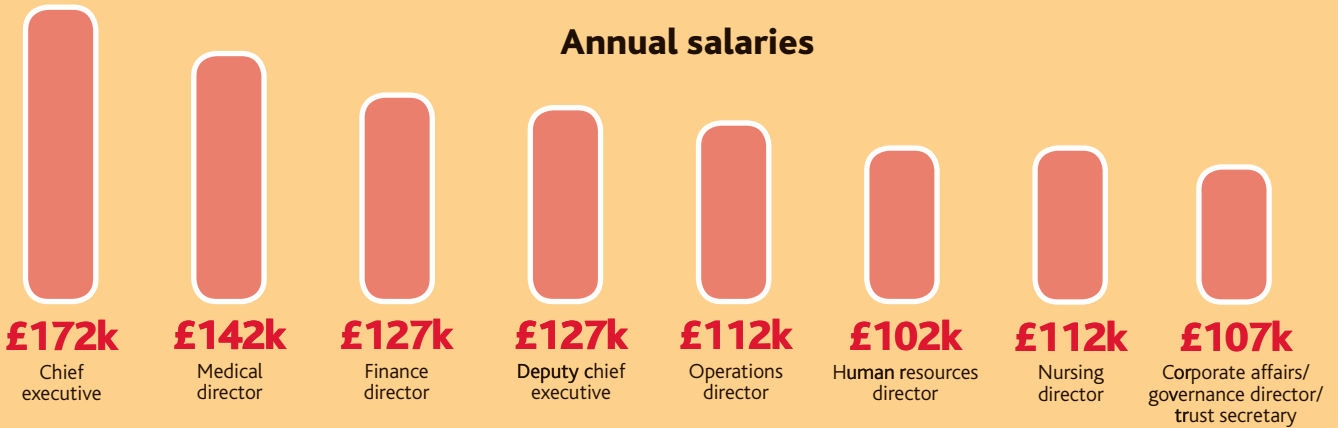
Data collected on nearly 2,500 directors

20



20 board-level job roles analysed

Annual salaries



3,787

Number of staff made redundant by 229 NHS trusts and health boards in year to March 2015

£116 million

Aggregate cost of redundancy packages for these trusts in year to March 2015

35%

Board-level turnover levels in non-foundation trusts in the year to March 2015

27%

Board-level turnover levels in foundation trusts in the year to March 2015

0%

Annual salary rise for five main board NHS director roles

(Median increase in year to March 2015)

7:1

Ratio of 'highest paid director' to full-time staff earnings across all UK NHS hospital trusts and health boards, median level

£26,822

Staff earnings in all UK NHS hospital trusts and health boards, median for full-time staff

£183,700

'Highest paid director' earnings in all UK NHS hospital trusts and health boards, median level

Order your copy of the report now!

Title: NHS Hospital Trusts: Boardroom Pay 2016

Published by: E-reward.co.uk

Format: 100-page PDF report

Price: £195 + VAT

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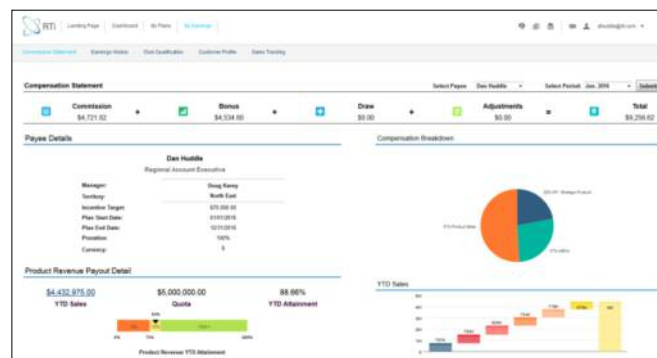
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Read paper: https://www-01.ibm.com/marketing/iwm/dre/signup?source=ibm-analytics&S_PKG=ov44197&S_TACT=M16109DW

Events

E-reward's Compensation Management Software Showcase 2015

Fifty senior reward practitioners joined us at the E-reward Compensation Management Software showcase in London on 19 November 2015, to meet leading suppliers, hear first-hand from their clients and learn how to choose the best software system for their needs.

Compensation management software has the potential to transform the working lives of reward professionals. The right software can bring greater efficiency, increased standardisation and better quality data – and it can free HR and reward from the drudgery of updating spreadsheets and double-checking lines of data. And yet many reward professionals continue to endure the manual solutions they have always used.

"It was a fascinating blend of information on compensation software and where to get it from. Having all the best sellers in one room was great."

According to Vicki Badham, Head of Reward at QCG and chair of our showcase event, less than one in ten (8%) reward professionals feel they use technology efficiently to administer reward. And only half (53%) use specialist reward software to manage their compensation and benefits. The rest (47%) use a mixture of manual processes and generic spreadsheet packages, such as Microsoft Excel, to manage pay.

Part of this is down to inertia, of course. "Some people feel more in control with Excel, more comfortable," says Badham. "They don't particularly want to change." For others, it is a question of flexibility.

"Even firms that have some specialist HR or reward software in place still use Excel to work around some of their gaps or limitations," says Claire Bedwell, Client Services Director at HWC.

But much of it is down to senior managers failing to realise the sheer amount of time and effort that goes into making these manual processes work.

"Working this way takes a lot of time – but if no big mistakes are being made, the board is usually blind to this. They say 'if it's working, why should we invest in new software?'," explains Badham.

Alan Chapman, Global Head of Sales Performance Management at IBM, echoes these thoughts. "People outside reward often don't understand the challenges we face – they don't see the vast amount of hours it takes to make everything work," he says. "The time that goes

into managing these systems manually is a huge overhead for organisations."

Making the business case

So if the reward team wants new software, how can they get senior managers to listen? Well, if saving the time of the HR and reward teams is not enough of a driver for a business to invest in new software, saving money often is. Many manual systems are actually far from error-free – although these errors often go undetected: unsurprisingly, employees can be slow to report problems with **overpayments**.

"For some organisations, making the business case is as simple as establishing how much the company is overpaying in salary and bonuses," says Jon Clark, Director of Strategy Services EMEA at OpenSymmetry.

"If a new software system is going to cost \$1 million to implement but it's going to save \$10 million in overpayments, the deal is pretty much done and dusted."

But **underpayments** also present challenges for employers, particularly when they erode the trust of the workforce. When bonuses are paid out incorrectly, it is not long before members of the sales force start maintaining their own sales records and calculating their own incentives – leading to yet more valuable time being wasted.

"Errors also undermine employee engagement," says Tanya Jansen, Head of Product Marketing at beqom. "Employees need to understand the vision and direction of the company and being paid incorrectly may lead them to question these."

Where errors are not a problem, the new legislation on **gender pay gap reporting** coming in 2016 may prove a big driver for many companies to invest in dedicated compensation software.

"The legislation will require employers to publish very specific information – and a lot of organisations feel their current systems won't be able to give them the reports they need," says Badham.

Finding the right software solution

But making the business case for new software is just the beginning – organisations still have to find the right package for their particular needs. As Badham explains, this is not a decision the reward function should try to make on its own.

“You need to speak to all the stakeholders right across the business, including IT, legal and procurement. You might also need to speak to customers about what information they can provide,” she says. “You certainly can’t do it in a darkened room all by yourself.”

While the prospect of speaking to the IT and legal teams may leave many reward professionals cold, it is important to prepare for these meetings.

“You’ll need to speak IT’s language a little bit to understand their needs and wants – and to be clear on what are ‘must haves’ and what can be compromised on,” says Badham.

And while the legal and procurement teams might sometimes throw up some obstacles, they may also be able to help. At Pitney Bowes, for example, the legal team actually helped make the business case for introducing new compensation software.

As Andrew Small, the firm’s European Payroll Manager, told delegates: “They leveraged SOX [The Sarbanes-Oxley Act 2002] compliance and told the board ‘we simply have to do this’. It meant we were able to cut through a lot of the debate.”

Wider benefits

While all of these factors can drive the uptake of new software solutions, the benefits can often reach much wider.

“Data is key to making business decisions these days,” says Chapman. “You need more than just instinct now – we’ve moved from the Mad Men era to the Moneyball era.”

The datasets available from today’s compensation management software can make a real impact on the whole business, he explains: “There will probably be datasets available that you’ve never pulled together before, questions you’ve never asked. But they can lead you to rethink entire business processes, such as hiring decisions, sales quotas and territories. The right software can offer a crucial connection between business strategy and business activity.”

Nowhere is this clearer than at Vodafone, which rolled out new compensation software across 23 local markets in 2013 without compromising on its business strategy.

In fact, as James Ludlow, Head of Executive Reward at Vodafone explained, the software enabled the company to standardise its reward policies, salary increase guidelines and reward statements globally – which would not have been possible using its legacy systems.

“We’ve also reduced the pay review process from more than three months to less than three weeks,” says Ludlow. “It’s a huge achievement that we simply couldn’t have done without the right software.”

Leveraging technology brings ...

- A single consolidated view of all data used in the compensation review cycle.
- Automated approval workflows so that managers are guided through the process intuitively with configured messaging, targeted at individual needs.
- Information is distributed and shared in a transparent and open process that is fully auditable.
- A real-time view of budget spend and compensation recommendations with easy to run reports and analytics to review both process and impact.

– Ruth Thomas, Senior Consultant, Curo Compensation.

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TOP EXCEL TIPS YOU WONDER HOW YOU EVER DID WITHOUT

This issue, **Dianne Auld**, the world's leading Excel for Reward expert, shares her top tips.

10 Excel tips

- 1 Use Control E in Excel 2013 to separate first name and surname for the whole column at one time.
- 2 Press the F11 key to create a chart.
- 3 Use the Pivot Table Report Filter function to create one pivot table per division or manager at the click of a button.
- 4 Enter today's date in a worksheet by pressing Control and semi-colon or typing =TODAY()
- 5 Prevent Mail Merge showing lots of decimals like this – 485.6789 – by using a simple ROUND formula in the Excel source data.
- 6 Write a macro which will do eight hours of Excel work in a minute!
- 7 Use Goal Seek to get to a desired merit budget at the click of a button.
- 8 Use the Iferror formula to eliminate all those unsightly #N/A and #DIV/0! errors in your Excel worksheets without deleting your formulas.
- 9 Use the camera tool to put an entire table into one cell in an Excel dashboard, and make the table interactive based on a field chosen by a user.
- 10 Set up user controlled slicers with a pivot table or chart to slice and dice the data. You can link one set of slicers to all the pivot tables and charts in a dashboard.

How do you create Excel Dashboards?

- 1 Decide what you want the Dashboard to show and do.
- 2 Sketch it on paper or on a flip chart.
- 3 In Excel, set print area – portrait, landscape, adjust margins.
- 4 Fit in rows, columns and text needed.
- 5 Set up any drop downs needed.
- 6 Leave place holders for tables and graphs.
- 7 Develop tables and graphs in separate sheets.
- 8 Bring in tables using camera tool, copy or move the graphs.
- 9 Unprotect input cells and protect everything else.
- 10 Test the dashboard.

Want to know more?

E-reward has commissioned Dianne Auld to design, develop and deliver two classroom courses focused and tailored so that we cover all of the essential Excel skills that are relevant to the needs of UK reward professionals – offering you the opportunity to enhance your learning as you progress from our Excel **Intermediate** level to Excel **Advanced** level.

Dianne Auld is without doubt the most highly regarded and popular Excel for reward expert in the world. Based in South Africa, she travels worldwide demonstrating to reward professionals how to save hours and hours – some even say days – by harnessing all the power of Excel.

Dianne has worked with E-reward and WorldatWork to carefully devise a study programme to assist UK reward professionals with their day-to-day tasks in Excel. These Excel for reward classroom courses – Intermediate and Advanced – include sleek visual and audio demonstrations of tasks reward professionals need to perform in their job function. During these

demonstrations, students follow the instructions being highlighted by Dianne, and immediately afterwards undertake a parallel exercise on their own, with teacher guidance, to cement the learning. You will enhance your ability to analyse mountains of data in seconds with professional looking charts and Pivot Tables.

Unlike other Excel courses, our classes have been specially developed to help you master skills specific to compensation and benefits work not taught in any other general Excel course. These courses are UNIQUE.

Dianne will be visiting London once a year to lead these classroom courses. Her courses always sell out. Enrol now on our educational courses so that you can be confident about enhancing your Excel skills in the workplace. You'll have the powerful Dianne Auld training name on your CV, as a quality mark of achievement in Excel for Reward. You can also be confident that you will possess the enhanced Excel skills for reward being sought by today's employers.

Please visit: www.e-reward.co.uk/education

e-reward news

All that's happening at E-reward

New kid on the block – 'Summit', E-reward's executive remuneration database

An unrivalled resource for pay consultants, remuneration committee members, reward & HR specialists and anyone involved in the executive remuneration field.

We collect, aggregate and analyse vast amounts of board-level remuneration data as well as incentive scheme design information from company reports to inform your decision-making. Our subscription, research and bespoke services are built upon this data, expertise and independence.

You can now purchase bespoke data at competitive prices from E-reward. Drill down to the specific data you require.

Our staff and associates have decades of experience of collecting and analysing executive remuneration for both UK and overseas companies. Our specialists have regularly supplied data to many well-known consulting firms and companies.

The E-reward executive remuneration database is constantly updated, collecting the key executive data from the UK's major organisations and FT Global 200. Using this information we produce regular reports, but we also offer the opportunity to purchase more tailored bespoke data that can be further analysed by additional variables such as but not limited to:

- Job role
- Sector

- Organisation size
- Market sector
- Bespoke comparator groups
- Executive and non-executive directors
- Incentive scheme designs.

We highlight notable examples of remuneration policy which illustrate that we don't simply "record pay levels" and that we really analyse and interrogate each report thoroughly, understand the underlying policies and are therefore able to highlight any points that would be of interest to consultants and companies alike.

For more details about how we can provide you with further analysis and a price quote, please email: paul@e-reward.co.uk

Worldwide Executive Compensation 2015: Survey of FT Global 200 Companies

In addition to purchasing our survey report of executive remuneration in the world's largest global corporations (see page 2), we are also making available the raw data.

This includes information on 1,339 executive and non-executive directors in 182 companies from 25 countries. Our groundbreaking dataset includes over 150 columns and is now available to purchase (£750 + VAT, includes 95-page PDF survey report).

To illustrate the high quality of our global data we have made available a subset (comprising 45 corporations) of the whole dataset. Please email us for a copy: paul@e-reward.co.uk

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International Financial Reporting Standards for Reward Professionals | 16-18 March 2016, London

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International Financial Reporting Standards for Reward Professionals has a bark that is worse than its bite. It will provide you with all the understanding you need to interact effectively with the accounting and finance departments in your company.

The marvelous, beguiling Pat Gurren is your tutor – he has got more reward professionals on speaking terms with financial reporting than anyone else.

Pat says:

“Every reward professional who wants to make an impact on their business should take this class. Effectively, I’ll be teaching you a new language. A language that will enable you to break through and partner in a truly strategic way with your finance and business stakeholders. The course covers the framework that governs the reporting of your organisation’s financial performance in general and the governance framework of pay programme cost reporting in particular.”

What you will learn:

- Introduction to the IASB and the IFRS
- Objectives of financial reporting
- Financial statements
- IAS 19 Purpose and scope
- IAS 19 Short-term employee benefits
- IAS 19 Types of post-employment benefit plans
- IAS 19 Other long-term benefits
- IAS 19 Termination benefits

Match the right methods to your organisation

Job Analysis, Documentation and Evaluation | 20-22 April 2016, London

The ever-popular Alan Gibbons runs this course. Students travel from all over the world to attend his courses and he prides himself on never receiving anything less than the highest scores in his feedback.

This course examines the methods and processes that support job analysis, job documentation and job evaluation in order to attract and retain effective talent.

You will cover various methods of job evaluation including quantitative and market-based approaches. Exercises help you see how the methods outlined in the course can be put into practice in your own organisation.

- Review strategic concepts associated with job analysis, documentation and evaluation
- Learn how to approach job analysis planning and implementation
- Discuss job documentation and the necessary components and format for job descriptions
- Examine market-based and content-based job evaluations with a focus on quantitative and non-quantitative approaches

Learn how to design a fair and competitive pay programme

Base Pay Administration and Pay for Performance | 20-22 April 2016, London

This course, run by the wonderful Brid Cudmore, provides an in-depth discussion of the principles, design, implementation and evaluation of an employee base pay programme. Exercises will show how to design a pay programme that is fair, competitive and supportive of your organisation’s compensation strategy.

- Identify the relationship between an employee total rewards programme and an organisation’s business strategy
- Discuss the design of base pay programmes and necessary considerations
- Discover what it takes to implement and deliver base pay
- Examine pay for performance merit pay systems, including development, utilisation and costing
- Address the effectiveness and efficiency of pay programmes through monitoring and evaluation
- Discern how and when HR should be involved in mergers and acquisitions

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case studies

In each issue of *The Reward Quarter* we'll look at our recent case-study research. These case histories are printed in full in the monthly research reports, *Reward Blueprints*. Our case studies are written to give you an over the shoulder view and enable you to see how named organisations plan out their own reward practices. We'll show you precisely how leading professionals are putting all the theory into practice and making it work.

All eyes on Arup

Professional services firm, Arup, is in the process of introducing a total reward model across its European, Middle Eastern and African operations; a region of around 5,000 people, the majority of which work in the UK. This places the UK HR team at the forefront of a larger project to implement total reward across Arup globally. Other regions in the organisation are observing closely the UK experience with a view to introducing similar projects in their own areas.

We interviewed Evan Davidge, Head of Reward, UK-MEA, and Diane Thornhill, Director of Human Resources, UK-MEA, at Arup.

Parallel universes

The impetus for considering a total reward model at Arup in the UK grew out of a recognition that, for some time, salaries and benefits at the group had been operating as two parallel, but slightly conflicting, components of reward. For example, the benefits package was relatively "rich", according to Thornhill.

"Our benefits package sits in the upper quartile of the distribution, whereas basic salaries are closer to the median, compared with comparable employers," she adds.

"The challenge became how to bring these two parallel components of reward together, rather than prioritising one above the other, and also to get our people to appreciate the value of the total package rather than simply looking at basic salary."

Her team at Arup were aware that professionals had left the firm in the past to join a competitor for a higher salary without realising just what they were sacrificing in terms of benefits.

Developing the firm's new total reward strategy is designed to attract and retain the right people in an environment of strong business growth: "Our aim is to move our package to become a 75th percentile employer," Davidge explains.

What's more, Thornhill and the team were conscious that the firm spends a significant amount on employee benefits: "It was not helpful seeing this side of the package side-lined; benefits were definitely under-appreciated in the old

package. Introducing the concept of total reward is all about repositioning what we have so that it is better represented in the employee value proposition".

The total reward model also aims to draw out the less tangible parts of reward and make them more visible in the total package – for example, aspects of life at Arup that make it a good place to work, including the working environment, opportunities for personal growth and the learning assignments it offers.

As Thornhill told E-reward: "Total reward is also about our unique culture. The values laid down by our founder, Ove Arup, still dominate how we work. We are set up as a company in trust for the employees which means we are independent, not vulnerable to take over and are not answerable to external shareholders. As far as our reputation goes, people know that we adhere to a specific set of values which set us apart from other organisations, including some who may have similar cultures on paper."

Lessons learned

Work on the total reward model in the UK-MEA region continues within the context of a wider review of the Arup global reward philosophy and how it is interpreted in different areas.

However, the UK region is "well ahead of the curve" with its work on total reward, meaning the four other Arup regions are scrutinising what it does, "grabbing bits from us", as Thornhill puts it.

Davidge and Thornhill had the following tips for implementing total reward:

Do:

- Have a clear vision and strategy.
- Ensure that every senior executive is fully behind the changes so that they will support you when the going inevitably gets tough.
- Recognise the time commitment involved and try not to be over-ambitious; set a time limit for the project and triple it!, Davidge adds.
- Have a dedicated project manager/resource; people

cannot be expected to take on a project of this scale on top of their regular role.

- Keep restating the proposals to stakeholders, especially if the changes are wide-ranging and comprehensive.
- Communicate – you can never do too much.

Don't:

- Assume that if something is logical to HR everyone else in the business will "get it".
- Assume that because you have satisfied one group within the organisation that the same plan will work with others. Each workforce group is different and HR needs to tailor its solutions and methods of delivery.
- Lose sight of what it is you are trying to achieve; it is easy to get ambushed by the agenda of others.
- Go in with a "Plan A" without a "Plan B": give yourself options so that you can respond in an agile way as the project progresses.

Interested to read more?

Read the full story and interview in *Reward Blueprints* 107, January 2016.

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REWARD BLUEPRINTS

107

Published:
January 2016

Sweets for my sweet – British Sugar take a broad approach to total reward

British Sugar employs 1,500 people in the UK and produces over one million tonnes of sugar. It adopts a broad view of total reward that incorporates the following four components:

- pay
- benefits
- learning and development
- organisational culture.

E-reward interviewed Henk Verhoek, the Head of Reward, to find out more.

"Pay includes everything around both fixed and variable pay," says Verhoek. "After this, we talk about benefits in the biggest sense of the word – it includes everything we offer to employees to enhance their experience with the company. We use the learning and development opportunities within the organisation as a selling point to

existing and future employees. And we also consider what it is like to work at British Sugar – particularly the unique elements that help make up our organisational culture."

Adopting a joined-up approach to reward

Verhoek has been instrumental in the evolution of a "joined-up approach" to reward at British Sugar since his recruitment in March 2013. "When I joined British Sugar, the company took quite a traditional approach to reward. The negotiations that took place with candidates who were given a job offer, for example, were very much focused on the monetary elements of the reward package. The non-financial aspects were ignored or taken for granted, even by the company."

"But when I spoke to my colleagues in the learning and development department, for example, they told me how much we had to offer in terms of personal development – but we were not using it as a selling point during the recruitment process."

He adds: "That's not to say that pay isn't important, of course. If a candidate has contracts in his hands from two different companies for the exact same job, then offering him a higher salary may help persuade him to join you – and there are some companies that are willing to pay well over the going rate to try and secure the best people."

"But for me, as long as your pay is in line with the market, it's the other issues that are most important – and I believe you need to use all the elements at your disposal to attract and engage your employees. Every organisation is unique and you need to find and communicate the elements that make you stand out from other employers."

A changing business environment

This new total reward approach has been developed against a backdrop of large-scale organisational change and the imminent removal of EU sugar quotas, which will bring significant challenges for the business. On top of this, the industry is facing a testing time in the media, where sugar is often portrayed in a negative light. "Some people have been quick to label sugar the 'new evil'," says Verhoek, "which brings its own set of challenges."

Lessons learnt

Overall, Verhoek is happy with the impact that his approach to total reward has had at British Sugar, and he feels employees are really starting to engage with the full proposition.

"We've come a long way since I joined the company back in 2013, and I think people are beginning to understand just how much British Sugar has to offer them as an employer," he says. "But we still have a long way to go and we have to make sure the reward strategy continues to align with the business strategy as we move into the challenging times ahead."

Verhoek offers two key pieces of advice:

- **Focus on total reward, rather than pay and benefits in isolation.** "Employees are looking for an appealing proposition when they seek employment which goes further than just pay and benefits," he says.
- **The reward offerings should address a multigenerational workforce.** "Employees are looking for flexibility and choice throughout the relationship with the employer. Ensure you offer a wide range of benefits and continuously evaluate your offerings," he says.

Interested to read more?

Read the full story and interview in *Reward Blueprints* 106, December 2015. To subscribe and have a constant source of ideas and comment, please visit www.e-reward.co.uk/research

REWARD BLUEPRINTS

106

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Capital One – banking on its clear and well-developed approach to total reward (with grannies on segways)

Capital One, a leading credit card company, has a very clear and well-developed approach to total reward. We spoke to Jill Cunnison, Head of Benefits and HR Operations, who explained, it is not just about lumping together all that the company has to offer its "associates" (the term the company uses for employees) in one place. Instead, it is about:

- making connections between all the different elements of reward
- capturing what is unique about working at Capital One.

"The idea of connectivity runs through everything we do in reward," she says. "We never look at our benefits in one dimension – we are always looking for the links between them to try and bring the whole offering to life for our associates. And the elements we offer – and the way we communicate them – have to align with the Capital One culture."

Connectivity is key

For Cunnison, connecting the various elements of the total reward package is hugely important. As she explains: "We like the idea of connectivity – of linking together all that we do for associates with their pay, benefits, recognition,

incentives, development and health. We could just look at the bottom line and give people a long list of everything we offer, but for me a lot of the value comes from how you position everything – by connecting all the elements together you can make the whole package much richer.

A unique approach to reward communications

One recent example illustrates how Capital One's reward communications "capture what is unique about the organisation". In early 2015, the company closed its previous defined contribution pension scheme and replaced it with a master trust scheme.

To launch the new scheme, the company hired Granny Turismo – a group of actors, "dressed up to look like grannies", who dance and perform on Segways that have been disguised as outsized shopping trolleys. The actors performed outside head office as associates arrived for work and then put on a performance in the restaurant area later in the day.

Alongside this, the internal communications team created a music video – with a rap performed by an associate – that played on screens around the office and on the intranet home page. At the end of the video was a call to action: associates who wanted to join the new scheme were asked to complete the application form that had been left on their desk and to post it in one of the many post boxes – also designed to look like a shopping trolley – that had been placed around the office.

More serious educational materials were also made available, with FAQs and policy documents on the intranet, and consultants from Towers Watson (the scheme provider) and Fidelity (the fund investment managers) also put on presentations throughout the day.

Lessons learnt

One key consideration for employers just embarking on a total reward journey, says Cunnison, is to think about branding from the start: "We have several logos and brands (both from the UK and our US parent organisation) that we would love to bring together. Organisations just starting here maybe could consider this from the off."

Cunnison holds a clear view that being able to communicate in a way that connects benefits is hugely helpful to employees and the organisation alike.

Interested to read more?

Read the full story and interview in *Reward Blueprints* 108, February 2016. To subscribe and have a constant source of ideas and comment, please visit www.e-reward.co.uk/research

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