



How to motivate your people

Our Point of View on Reward, Recognition & Benefits

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Executive Summary

Key principles

- We are moving from a 'performance' management to 'talent' management philosophy.
- Your talent management model must be closely tied to the culture, values and behaviours you are striving towards.
- Numeric ratings and rankings trigger a fight or flight response in our brains.
- We have a competitive streak deep-rooted in our brains, comparing our rewards and ratings in relation to others.
- Reward fairness is strongly related to pay satisfaction, intention to leave and performance (Scott, 2018).
- How reward is communicated directly predicts perceptions of pay fairness (Colella et al., 2007).

Numbers oriented



Skills focused



Key considerations



What outcomes are you trying to achieve?



What talent are you trying to retain? Exec / non-exec distinction



Who are your people? What do they want in terms of EVP?



How do you motivate internal and external hires?

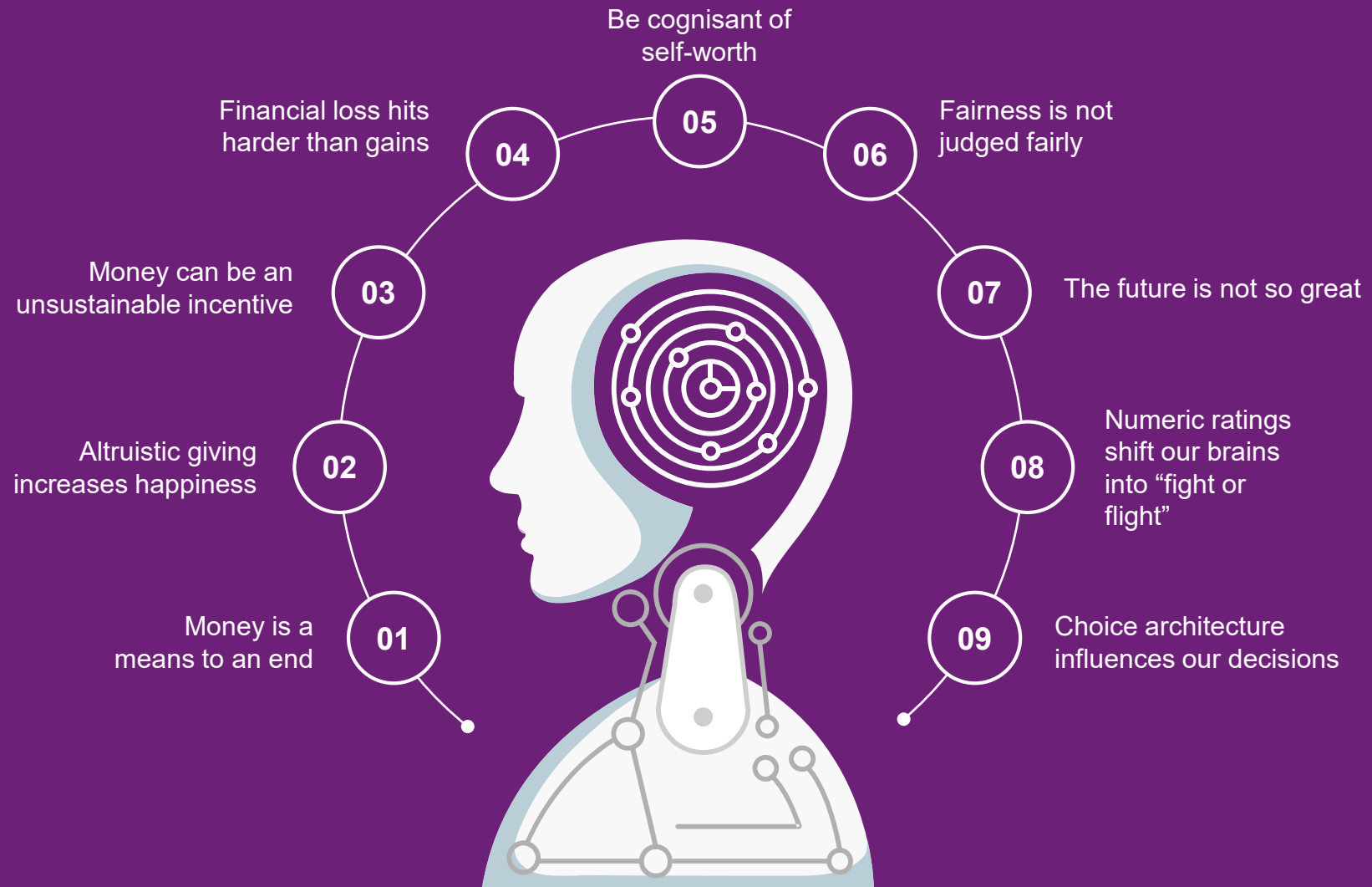


Do you have a variety of career pathways available?

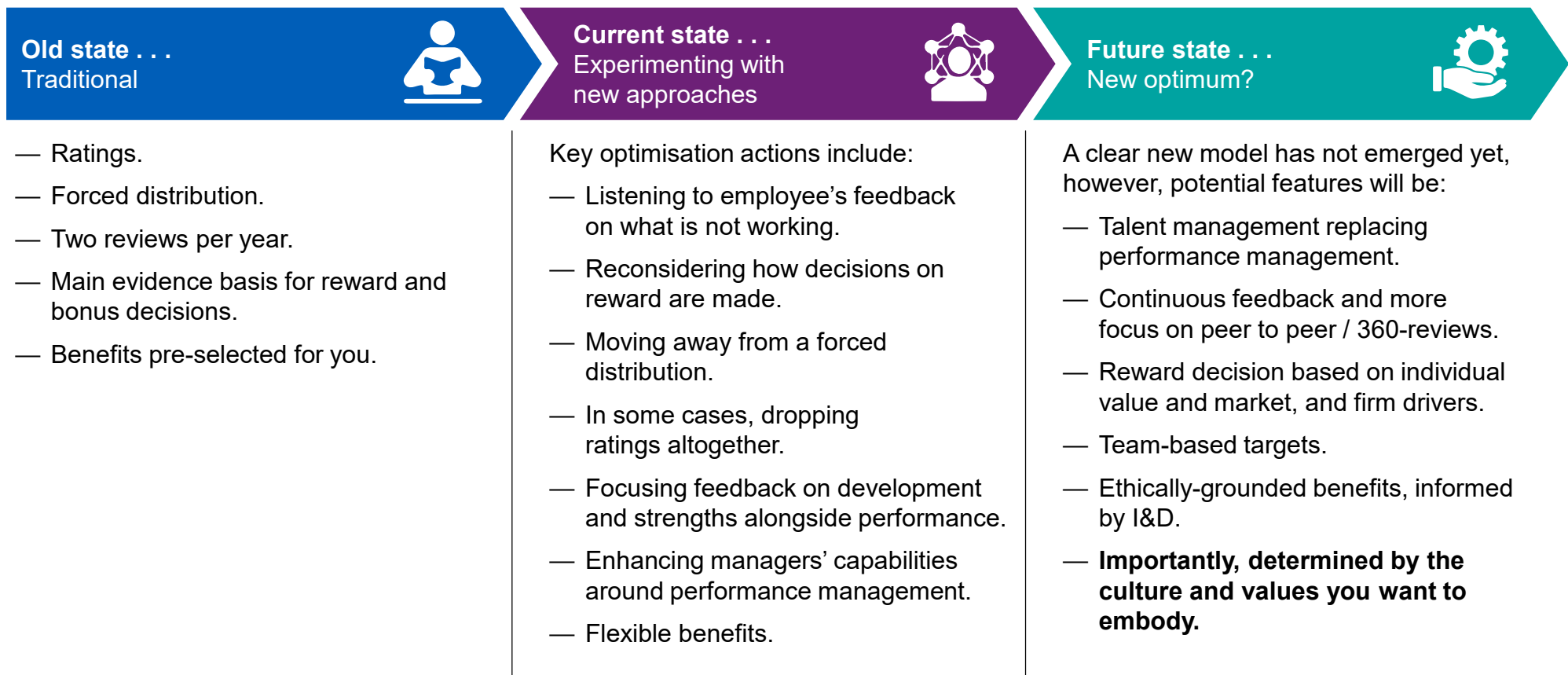


Where are you willing to compromise?

The psychology of reward and assessment



Although most organisations are re-thinking their approaches, a new optimal model is yet to emerge



Source: American Society for Training and Development ⁷

A curve ball... should we really differentiate reward?

The traditional model of performance rankings feeding into salary differentiation removes the focus on development....

- The performance conversation becomes focused on waiting for the ratings label / salary figure.
- The most valuable part of PM is the development planning conversation and this may be marginalised or missed out.
- The focus is on looking backwards with little emphasis on the future.

Can we instead:

- Set salaries at the organisational / team / grade level, and
- Differentiate performance through intangible rewards (learning / work travel / career experiences)?

Case Study

“We really think that everyone is [equally] important to the success of our team. We don’t believe in a hierarchy or in more important people. If we hire you, we think you are valuable and want you to be part of our team as a level peer, not an underling that does the stuff no one else wants to do.”

(iwantmyname co-founder)



Risks

- Hiring specialists and more senior people.
- Paying certain required team members over the market rate for their profession.



Why it works

- Offer freedom and fairness.
- Co-founder is part of the flat salary with no ownership stake.
- No investors being paid off.

What does the science say?

- You need to deeply understand how your top performers want to be rewarded. What motivates them?
- Do you risk losing your high performers to competitors who will pay them more for their experience and performance?
- It is vital to transparently articulate who is a ‘high performer’, celebrate the behaviours you value, and directly link this with intangible rewards. This motivates high performers, and ensures those who are not yet there are driven to improve.



Going beyond extrinsic motivation

How we are motivated



We are motivated by doing something either for its own sake because it is interesting and enjoyable (intrinsically); or motivated by doing something for instrumental reasons such as to obtain rewards, or to achieve a goal (extrinsically):

- Intrinsic motivation: wanting your team to feel more fulfilled at work.
- Extrinsic motivation: wanting to do a good job to earn more money.

Research concludes that more than 25% of workers regard the fact their job “allows them to help other people” and is “useful to society” as very important job values. This is equal to the share of the workforce that see “high income” as a very important value (Clark, 2009).

What does this mean for business?



Research finds intrinsic motivation to predict enhanced learning, performance, creativity, optimal development and psychological wellness (Di Domenico & Ryan, 2017).

We need to work harder to help people connect more with their intrinsic motivators, such as continuous learning, wanting to feel part of a team and community at work.

In a survey by McKinsey, over 1000 respondents viewed three non-cash motivators; praise from managers, leadership attention (e.g. 1:1 conversations) and a chance to lead projects as ‘no less or even more effective motivators’ than cash bonuses, increased base pay, and stock options.



Which non-cash motivators are part of your reward strategy?

Source: McKinsey Quarterly (2009). Motivating people: Getting beyond money ; Gagne, Forest, Gilbert, Aube, Morin & Malorni (2010). The motivation at work scale: Validation evidence in two languages. Educational & Psychological Measurement, 70, 628-631.; Di Domenico, S., & Ryan, R. (2017). The emerging neuroscience of intrinsic motivation: A new frontier of self-determination research. Human Neuroscience, 11, 145

One size does not fit all

We recommend that you align your reward strategy with your desired culture and values...

The recognition landscape is changing. Progressive organisations are aligning recognition programmes with business goals, culture and organisational values.

A formal recognition programme is an essential element to shaping the culture of an organisation and reinforcing the actions and behaviours necessary to drive business success.



Culture

- Assess your cultural entropy;
- What values and behaviours do you need to embody for success?



Performance

- Reward for performance...
- Company and/or
 - Individual Level.



Reward

- Base;
- Bonus;
- Benefits;
- Non monetary recognition.



Improved productivity

- Engagement;
- Retention of critical skills;
- I&D – gender pay reporting, minority pay reporting;
- Commercial impact.



Reward for company performance



- No differentiation for performance.

- Encourages team collaboration;
- De-motivates high individual contributors.

Reward for top contributors



- Differentiation of salary and non-monetary recognition (e.g. learning opportunities) at the top 5–30% of the organization.

- Engages and retains top performers;
- Disengage 'lower' contributors;
- Requires an assessment of performance.

We can help you define your reward strategy to unlock further engagement...

Understand Your Employees

Use listening tools to gauge how colleagues want to be recognised and rewarded. A recent study found that travel experiences and gift cards were the most appealing rewards for millennials.

Focus on Fairness

Define what transparency and fairness mean for you. Encourage managers to talk to their teams about the fairness of your processes.

Manage the change

These are emotive topics, and everyone will have an opinion. This is vital to build engagement, manage retention and commercial impact.



Align Strategy to Your Values and Business Goals

Your reward strategy will influence behaviour and is a key lever to help shape your culture. Consider the impact on collaboration, trust, innovation etc.

Explain reward decisions through narratives

Help managers explain reward decisions using a narrative that summarises each employee's most important contributions to the business.

Technology Enabled

Collaboration and knowledge sharing have become the norm, Social media is widely used in peer-to-peer recognition systems and enables use amongst a geographically diverse workforce.

Appendix

We are all unique

McClelland's Theory of Needs tells us that each individual has a unique combination of needs, which will direct his/her behaviour towards power, affiliation or achievement. We must design our reward and recognition strategy with this in mind.

Achievement focus

- How can I improve myself so that I am more efficient and can achieve greater results?
- Preference for moderately difficult tasks, enjoying the satisfaction of completion (Buelen, Sindin & Waldstrom, 2011).
- Strong desire for job-related feedback. Social feedback like acceptance or appreciation does not work as a motivator (Hein, 2009). Goal setting is highly motivating.



Affiliation focus

- Driven by establishing, maintaining, or re-establishing a positive, warm and close relation to others (Hein, 2009).
- Seek harmonistic relationships and try to avoid conflict.
- May be uncomfortable competing to reach a goal (Burnham, McClelland, 2003).



Power focus

1. Drive for altruistic power – in control and institution minded, driving a team spirit. Desire to influence, coach, teach or encourage others to achieve.
2. High concern for personal power – motivated by competition and attracted by status and prestige (McClelland, 1967).



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