

## Engagement – what’s reward got to do with it?



*There is no doubt that engagement is good for employees, good for business, and good for the economy. As the Sunday Times provides a showcase of companies who are getting it right, engagement and ‘Best Place to Work’ will be hot topics in most executive level meetings right now. When it comes to improving engagement levels, we argue that the basics of reward should be the bedrock of any action plan.*



The question about whether engagement is important for business has moved on. We can conclude with certainty that engagement affects performance, customer satisfaction and innovation. If there’s any doubt left, take a read of the rigorous research outlined in ‘the Evidence’ – a paper recently produced by the Employee Engagement Task Force. We don’t intend to replay these arguments to you. **The case is clear: engagement impacts the bottom line.**

The question is now: What can be done to improve engagement levels? This is where investing in the reward ‘basics’, and ensuring they align with your engagement agenda, will not only improve engagement but will ensure the other activities on your engagement action plan have a chance of success.



So, why are basics like pay and grading so important when it comes to employee engagement? Let's start by looking at the drivers of engagement. There will be differences across organisations, and differences across the people within an organisation. But clear themes emerge. Engagement levels are higher where leaders provide strong strategic vision, where managers manage people well, and where two-way communication exists so that employees feel involved.

## **Do you want your employees feeling like this?**

Imagine you are busy working hard and have just found out that you are being paid significantly less than your colleague, and you don't know why.

They aren't cleverer than you, they don't have better skills than you, and they are not doing any more than you. How do you feel now? Your manager says it's just the way it is around here. Do you still feel good about the exciting plans for the company going forward? Do you think your manager is doing a good job? Do you feel listened to? Most importantly, do you still feel like working quite as hard?

Having employees who feel their pay is unfair, and managers who cannot make and justify consistent and robust pay decisions, will demotivate. Get this bit wrong and the time, effort and resource you have put into getting so many other aspects of the employment relationship right, will be undervalued. The impact is truly significant. Without a solid foundation to pay and grading, any positive practices to engage employees are at risk of being viewed through a negative lens.

It's therefore not surprising that 'fair deal' is one of the eight factors used to establish the standard when accrediting companies, and when awarding places in the Sunday Times Top 100 lists. This measures "how well employees feel they are treated, and how their pay and benefits compare to similar organisations".

The good news is that the pathway to getting something robust in place is clear, even if some of the steps may be painful or slow for some organisations. If the line manager in the scenario above were able to explain how pay decisions were taken with reference to the company reward strategy, and relevant pay structure, the impact would have been very different.



## Our advice

- 1. Let's start with your reward strategy.** We know it's good to spend time up front agreeing key reward principles so that what you reward fits with your business strategy. What behaviours are you looking to reward in order to create a culture of engagement? Decisions need to be made in relation to aspects of reward such as pay for performance, pay stance compared to other roles internally, and the external market rates, will affect the perceived fairness of reward. This is a critical aspect of motivation and engagement. Once agreed, key messages that clarify 'how reward is done around here' can be shared with employees and we already know that sharing a strategic direction is good for engagement.
- 2. Are you rewarding good practice in engagement?** In addition to identifying those with people management responsibility, and giving them the tools and skills to do it well, are you recognising and rewarding good practice? Engagement levels are an important measure of success for people managers, and have a place in performance management frameworks and reward decisions. If you're already doing this well, consider the recent talk of 'authentic' engagement which makes a distinction between surface-level talk of engagement and behaving in an engaged way. We see organisations including forward-looking measures of engagement such as observing behaviours within teams in addition to employee responses to a survey.
- 3. Have you got a robust grading structure?** When it comes to creating some of the structures to achieve your reward strategy, this is often at the top of the list. Having a clear idea of work levels, and a systematic way of evaluating roles into them, provides a basic foundation for many HR processes including a pay structure. It's the consistency and transparency of having a structured way of doing these things that affects engagement. But are we missing a trick here? The CIPD's 'Next Generation' thought piece on engagement encouraged us to create more engaging jobs. As job evaluation systems lay out what is expected at each level, and in turn affects job design, is this our opportunity to encourage the design of more engaging jobs? Daniel Pink in his book 'Drive' describes the importance of the intrinsic factors *autonomy*, *mastery* and *purpose* in motivating us. Does our approach to job evaluation encourage these aspects to be present in all roles, not just those senior in the hierarchy?



*“Drive reminds us that human beings are motivated by three things: autonomy, mastery and purpose. Ensuring we maximise these three dimensions within the work we offer will give us more opportunity to engage our staff”* **Professor Katie Truss, Head of the People Management and Organisation subject group, Kent University (2012)**

4. With a clear reward strategy and robust grading structure in place, **the creation of a pay structure is the next necessary foundation.** Once developed, and any anomalies addressed, the foundations are ready to make justifiable reward decisions and to bring clarity and transparency to the whole process. Just what was needed by the line manager in the earlier scenario. We once again come back to the old saying of ‘communicate, communicate, communicate’. As a core driver of engagement, ongoing two-way communication needs to become a part of everyday activity, and that includes reward. – Should communicate be a separate step?
5. **A final piece worthy of inclusion is recognition** - an important aspect of reward that delivers huge motivation for very little cost. Employees feel valued when their contribution is recognised in some form, and this doesn’t have to be financial. Definitely something we all

need to be doing well. If you are looking for a fresh approach, how about looking deeper into the autonomy, mastery and purpose thinking to define the behaviours that you particularly want to recognise, or to help you create some really motivational rewards. For example, we’ve heard of some companies offering ‘innovation days’ as a reward. Employees can do whatever they want for the day, as long as it benefits the business in some way and they share what they’ve achieved at the end.



## Summary

In summary, we're really not talking rocket science. It's about getting the strategy and structures in place to make consistent, informed and understood decisions about pay. This will in turn create a sense of fair deal.

Engagement is giving us all the perfect opportunity to place the people agenda firmly in the centre of the leadership table. Don't underestimate the impact you can have through getting the basics right.

### References:

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