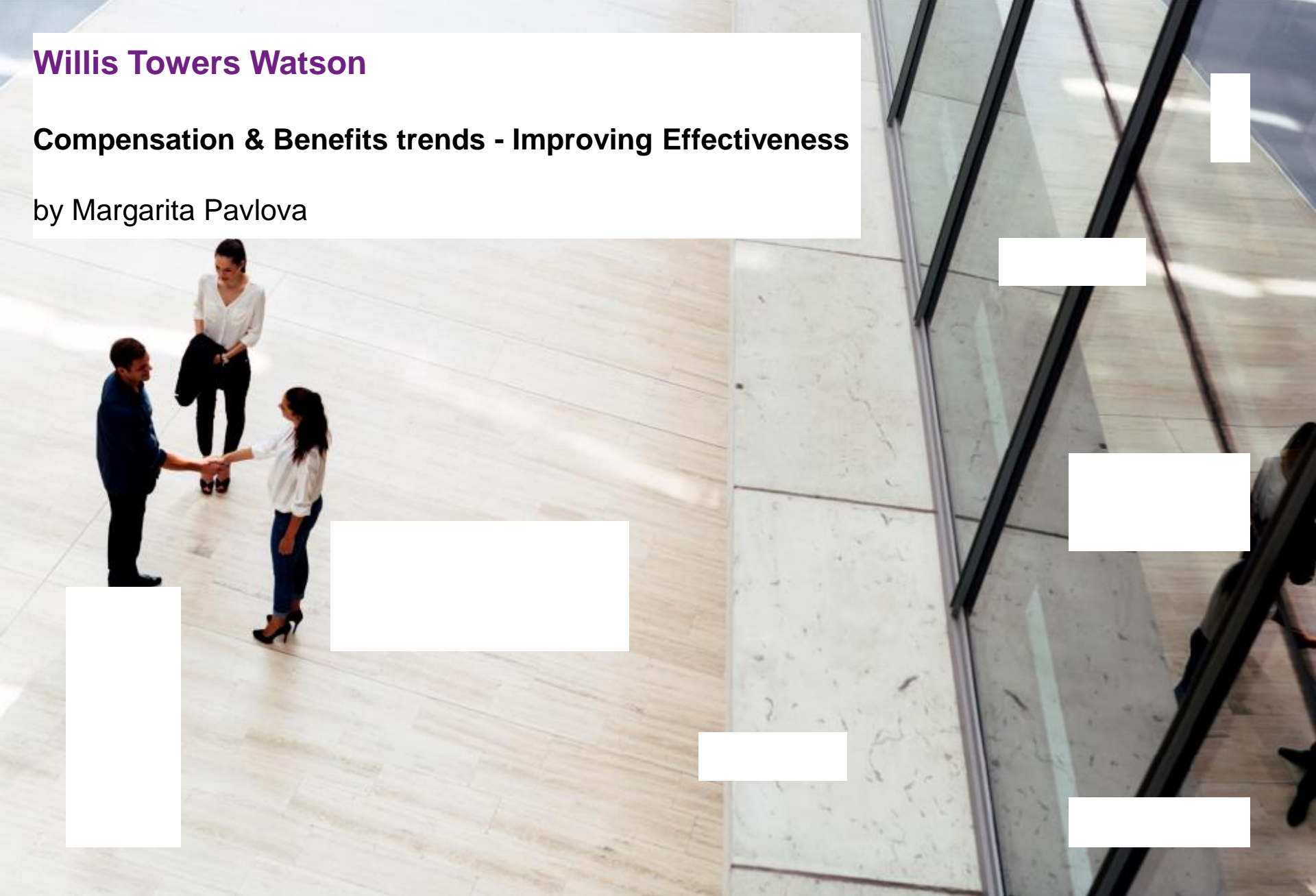


**Willis Towers Watson**

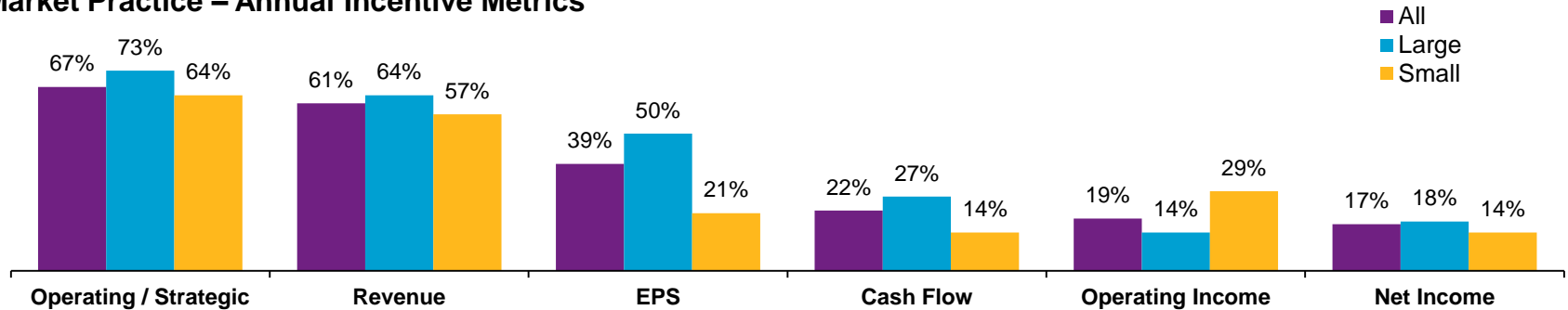
**Compensation & Benefits trends - Improving Effectiveness**

by Margarita Pavlova



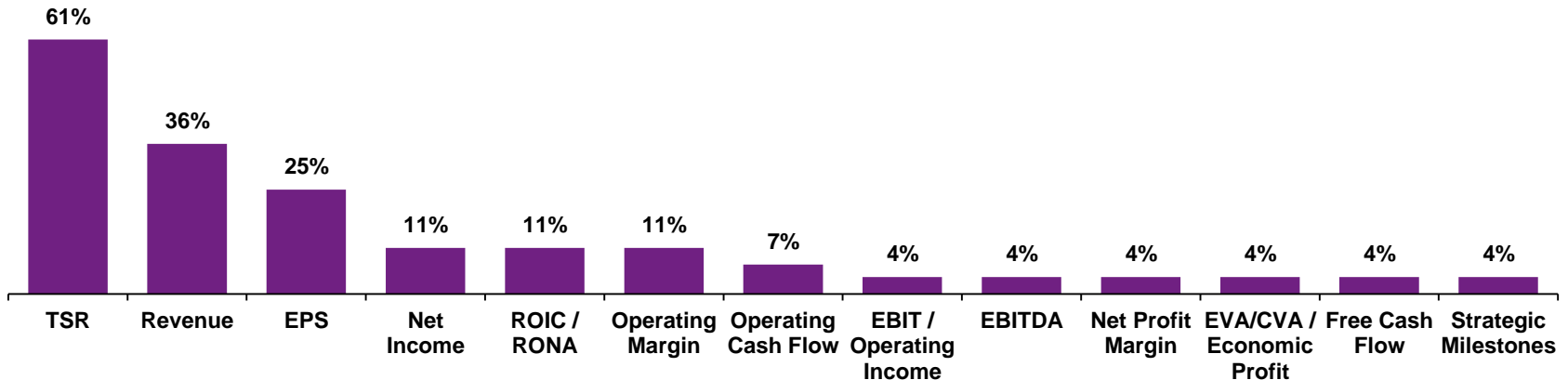
# How do companies measure performance?

## Market Practice – Annual Incentive Metrics



Operating / Strategic and Revenue goals are by far the most prevalent measures among the peer companies

## Market Practice – Long-Term Incentive Metrics

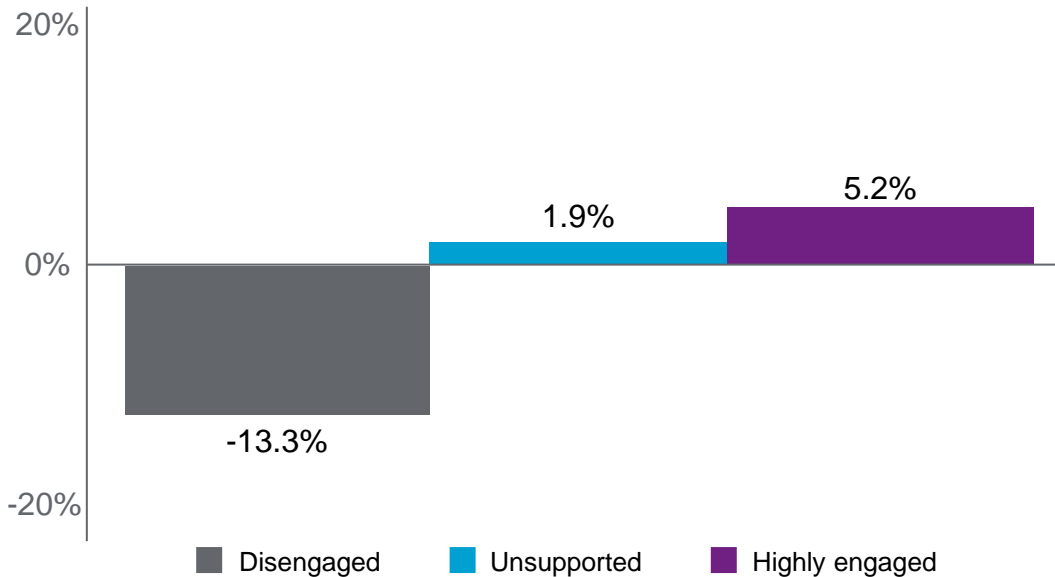


Over half of the peer group companies utilize TSR as a performance metric; revenue and EPS are the next most common, used by 36% and 25% of companies, respectively

# Sustainable engagement pays dividends...

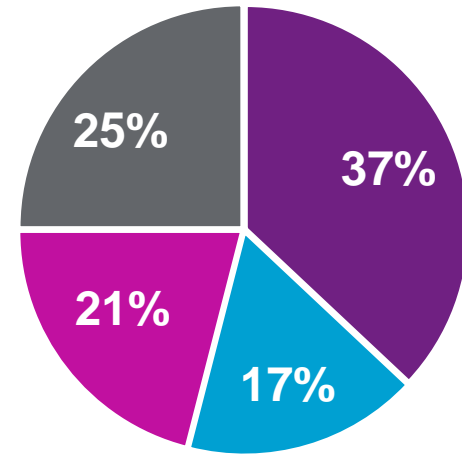
but only one-third of employees are highly engaged

12-month change in gross profit margin vs. sector



- Research shows that companies with high levels of sustainable engagement (engaged, energized, enabled) outperform those lacking energy and enablement

Global



**Highly Engaged:** Those who score high on all three aspects of sustainable engagement



**Unsupported:** Those who are traditionally engaged, but lack enablement and/or energy



**Detached:** Those who feel enabled and/or energized, but lack a sense of traditional engagement



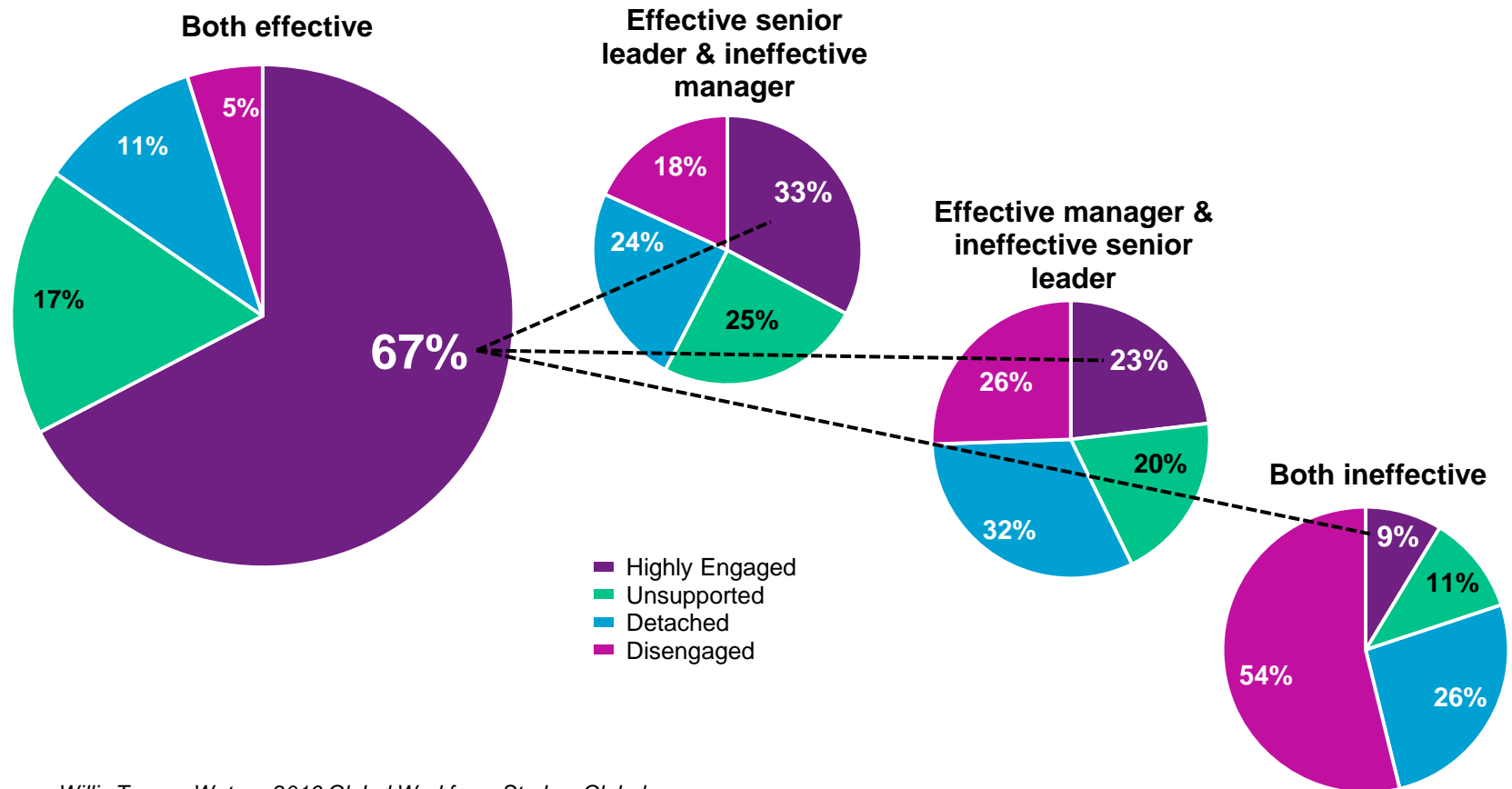
**Disengaged:** Those who score low on all three aspects of sustainable engagement

# When Performance Impacts Pay

Rank	RETENTION		ATTRACTION	
	Employee view	Employer view	Employee view	Employer view
1	Base pay/salary	<b>Career advancement opportunities</b>	Base pay/salary	<b>Career advancement opportunities</b>
2	<b>Career advancement opportunities</b>	Base pay/salary	Job security	Base pay/salary
3	Physical work environment	Relationship with supervisor/manager	<b>Career advancement opportunities</b>	Reputation of organization as a great place to work
4	Job security	Ability to manage work-related stress	Challenging work	Challenging work
5	Ability to manage work-related stress	Opportunities to learn new skills	Opportunities to learn new skills	Job security
6	Relationship with supervisor/manager	Flexible work arrangements	Reputation of organization as a great place to work	Organization's mission, vision and values
7	Trust/Confidence in senior leadership	<b>Short-term incentives (e.g., annual bonus)</b>	Health care and wellness benefits	Opportunities to learn new skills

Source: WTW TM&R and Global Workforce Study Surveys

# The bottom line: Employees with effective senior leaders and managers are much more likely to be highly engaged



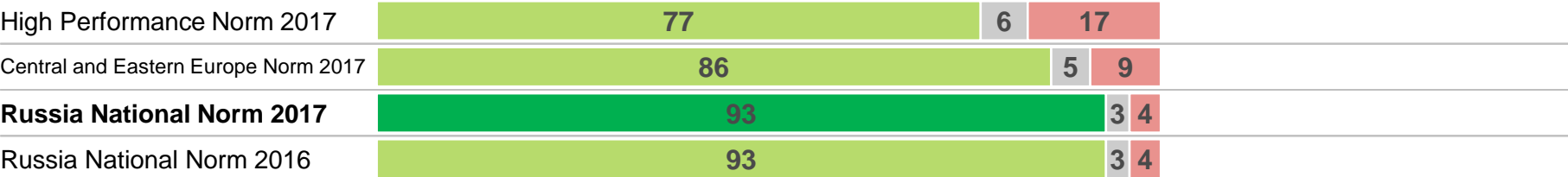
Source: Willis Towers Watson 2016 Global Workforce Study – Global.

Note: Proportions may not sum up to 100% due to rounding.

# And though excellent efficiency

My department operates efficiently.

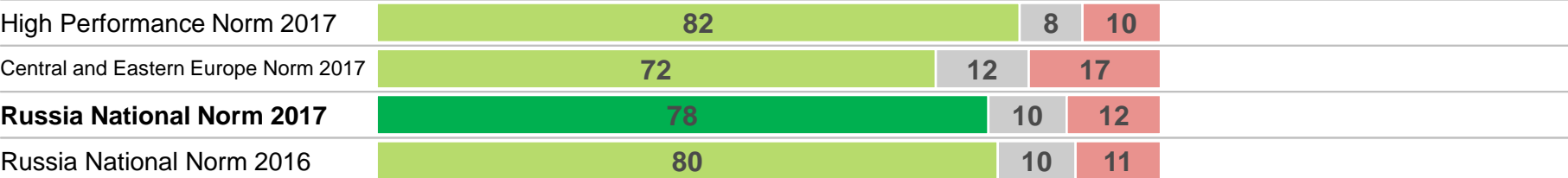
Total Favourable | ? | Total Unfavourable



# More could be done around collaboration, a declining score

There is good cooperation between my department and other departments.

Total Favourable | ? | Total Unfavourable



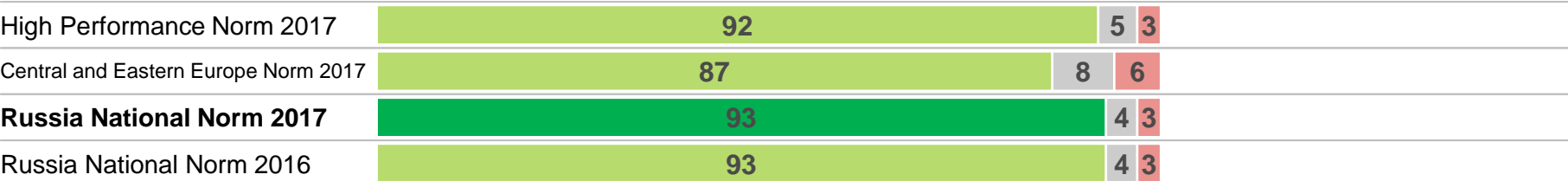
Study based on:

- Russia National Norm (97 companies, 63,000 people)
- Central and East European Norm(177 companies and 400,000 people)
- Our high performing companies benchmark (30 companies across 150,000 people)

# Strong understanding of company goals and how individual work contributes

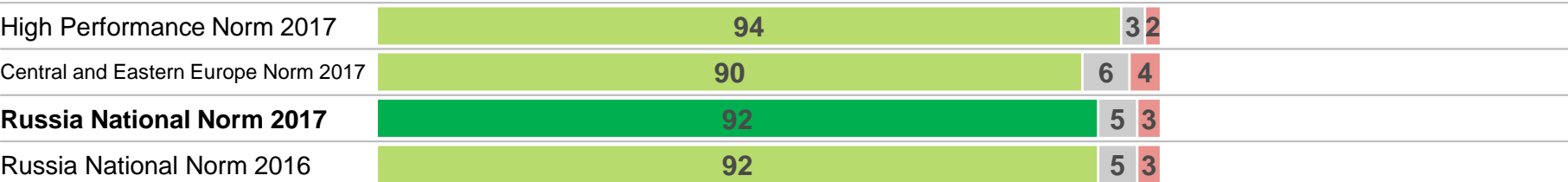
I have a clear understanding of the goals and objectives of the company as a whole.

Total Favourable | ? | Total Unfavourable



I understand how the work I do contributes to the achievement of the company goals and objectives.

Total Favourable | ? | Total Unfavourable



## Intensity of Change

91%

Almost all participants noted that they are currently in **a state of change**

55%

Most participants noted the **high** intensity of changes in the last 12 months

7%

Of participants noted the **low** intensity of changes



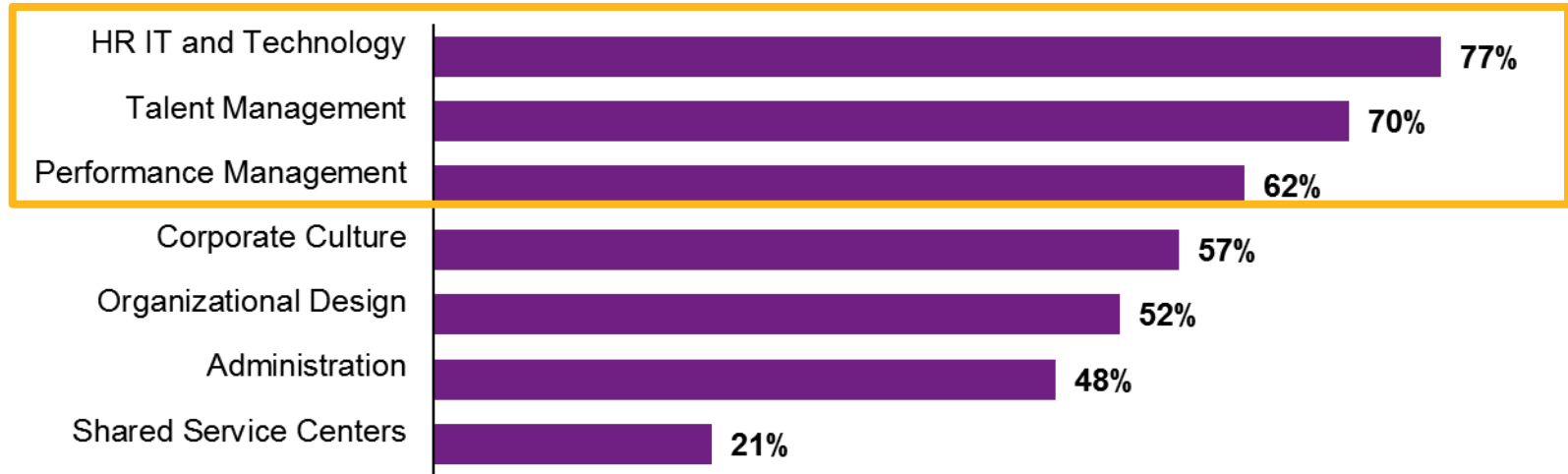
### Technology plays the vital role...

- Companies with **high** intensity of changes noted **technology** as a key external factor of transformation
- Companies with **medium and low** intensity do not place the **technology** factor as the most essential



# Direction of Change

## Areas most affected by change



In terms of change factors:

### Economy

**61%** Performance Management

**53%** Organizational Design

### Technology

**85%** HR IT

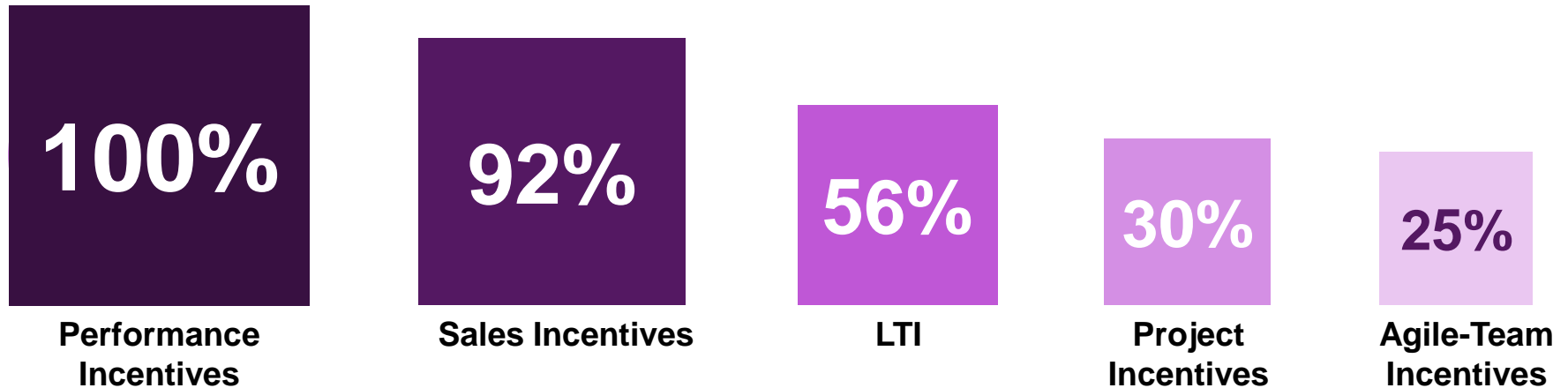
**67%** Talent Management

### Workforce

**70%** HR IT

**63%** Corporate Culture

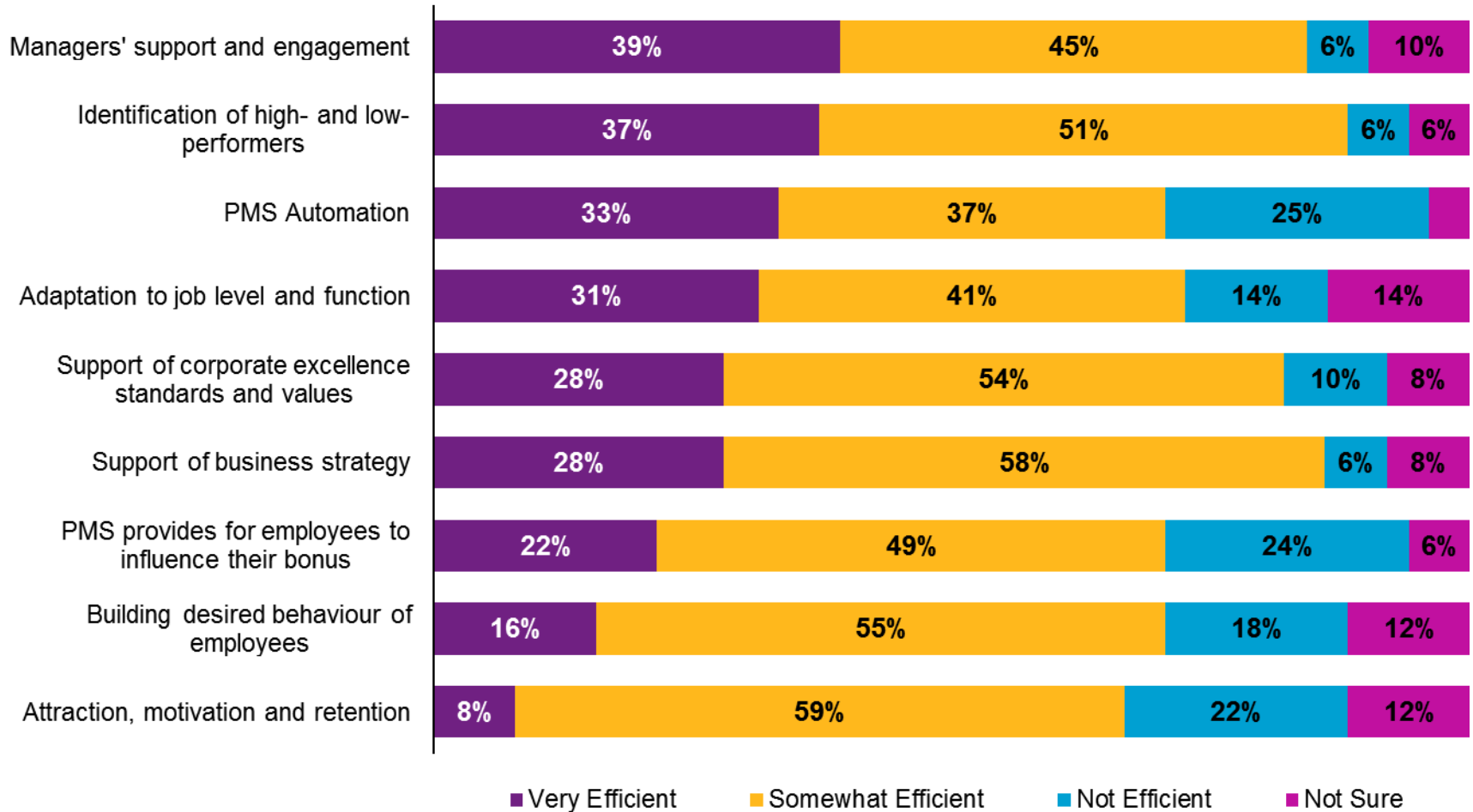
# Prevalence of Incentive Plans



Despite the fact that almost all survey participants (91%) are in a state of change (which provides for intense project activities), only 1/4 to 1/3 of participants have dedicated project incentive plans

90% of companies implementing or planning to implement technology-based changes have special project incentive plans and/or Agile-team incentives

# Most Efficient Elements of Performance Management System



# How do companies assess performance?

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**80%** of companies use a **rating scale**

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**71%** of companies use '**top-bottom**' principle in assessment and feedback

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**37%** of companies noted that managers provide feedback on a **regular** basis

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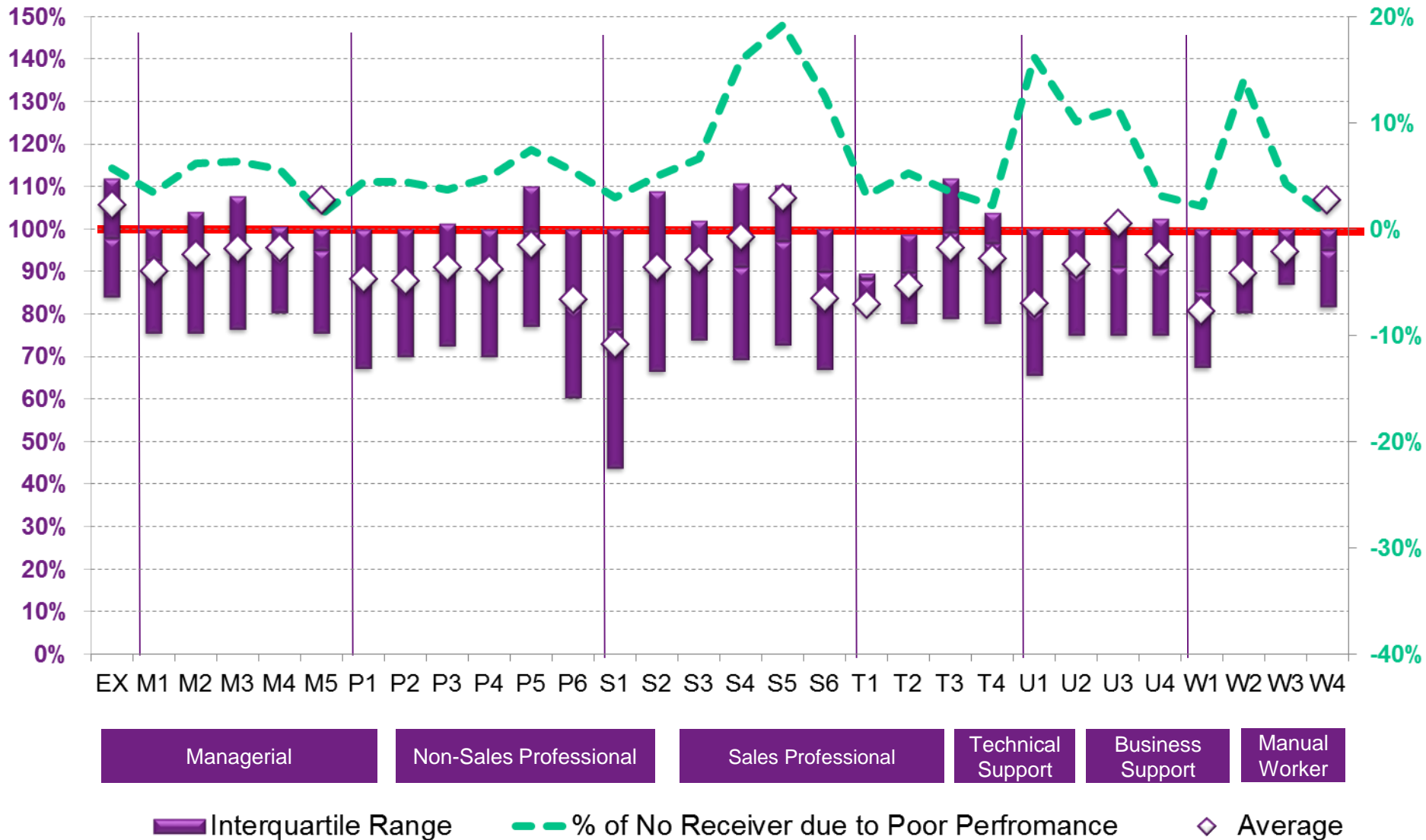
**31%** of companies use **360** when assessing performance and providing feedback

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**20%** of companies use **forced distribution** of ratings principle during performance assessment

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# Annual Actual Bonus & Sales Incentive When Received As % of Annual Target Bonus & Sales Incentive by Career Level



# Typical Problem: Setting Clear Goals and Objectives

## Pain Points

The extent to which you agree with the following statement:	Employee View
	Total Sample
People are held accountable for their performance at my organization	56%
The people who evaluate me have clear visibility of my performance on the job	56%
My performance was accurately evaluated in my most recent performance review	52%
My performance reviews have helped me improve my performance	48%
High-performing employees in my organization are rewarded for their performance	46%
There is a clear link between my job performance and my pay	45%

This represents a lost opportunity to address a top driver of sustainable engagement: **clear goals and objectives**



Source: Willis Towers Watson 2016 Global Talent Management & Rewards and Global Workforce Studies

# Contact information

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