

Leaders in Reward: Part 1- The evolving role of reward and reward professionals

In late 2018 and early 2019, Aon held interviews with over 40 senior reward professionals from some of the best-known brands and employers across Europe. Their thoughts and views on three particular topics have now been collated and used to inform three separate - but related - articles. The first in the series looks at how the role of reward and its professionals is changing. The second article, to be published next month, looks at the subject of performance culture and performance management. The third will look at the evolution of total rewards and the increasing focus on employee value proposition and employee experience.

From compensation and benefits to reward and performance

The traditional role of reward professionals is clearly under scrutiny, with all the evidence pointing to a quantum shift in the focus of the Reward function and the professionals who work within it.

The function's focus is evolving as we are going through a time of change and seeing a rebalancing of Reward's desired intent and impact on a business. There is still a clear need to get the basics right around delivery and efficiency, and Reward teams still need to develop cost-effective approaches which are relevant and reflective of their organisation. Achieving this in today's environment, though, is simply considered as a threshold or baseline level of performance; it does not form a differentiator between good and great Reward teams, as it might have done 10-15 years ago. Quite simply, operational effectiveness in reward will not help an organisation to stand out from its competitors or provide the business with any meaningful advantage in the marketplace.

The scope of the function is clearly shifting and broadening. This can be seen through some recent changes to naming conventions and job titles, which although seemingly simple suggest deeper running impacts and implications. The traditional functional label of 'Compensation and Benefits' is in decline, and usually indicates a very traditional and operationally-focused function. In its place, we have witnessed the growth of the 'Reward' function which is in turn evolving in many organisations to something more akin to 'Reward and Performance'. These changes usually run alongside the wider re-branding of the HR function, as organisations become less inclined to think of their employees as 'human resources'. We have seen the birth and growth of the 'People' function.

Today's Reward function is increasingly focused on partnering with the business and using its expertise to provide management with advice and guidance focused less on procedural compliance and more on business performance. The HR industry has embraced the concept of HR business partners for many years, but now we are seeing the emergence of a Reward business partner mindset. In this context, there is more emphasis on longer-term decision-making and thinking about reward as an investment which needs to demonstrate a return to the business - and less focus on the short-term or the perception of reward as a cost entry on the balance sheet.

Most of those interviewed in this process spoke encouragingly about their organisations' journeys and the move to Reward being perceived as a more strategic business partner. But this was not the case in every instance; organisations with a strongly unionised workforce or with a powerful Works Council seem to be struggling to participate widely in the evolution outlined above. They are far more likely to be operationally-focused and to maintain a more traditional compensation and benefits scope. This particularly impacts on reward professionals working in some European markets e.g. Germany, who through necessity need to maintain many highly transactional dimensions in their role through the need to engage on a practical level with local works councils.

The importance of leadership

A strategic and business-centric Reward function does not just come into being because of a name change or because it is described as such on an organisation chart. The role of leadership is crucial at two levels; leadership of the function and leadership of the business.

A strategic Reward function that goes beyond the transactional design and delivery of compensation and benefits requires a leader who also works this way. They need to be able to paint a compelling picture of the impact of the function to help encourage the business to ask different questions of them and their teams. Reward will never be seen as a strategic change agent and business partner if the lead professional fails to treat it as such or portray it in this way in all of their interactions with the business. One interviewee described it quite succinctly when he stated that "I get the Reward function I deserve. There is no point in complaining about not having the opportunity to fully contribute to the business if I fail to describe the right vision and bring it to life".

This requirement for leadership does not just fall to the Reward function. It was made very clear that business leaders need to be reward 'literate' if they are to maximise beyond the operational, the potential contributions of reward. The pattern of reward literacy was very different across all the conversations that took place. In some situations, it was clear that the top team and wider line management had an excellent understanding, where in others, the real knowledge of reward was described as very shallow or non-existent. In one discussion, the Director of Reward actually stated, that their biggest challenge every year "is without a doubt, our Leadership team".

From this, it is apparent that the key ingredients for a more strategic function are a reward leader who creates and delivers the vision, and a leadership team which is able to ask the right questions. When both these elements existed in a business, the interviews revealed a very different type of function and impact compared to those where one or both elements were missing. This then raises the question: which comes first in driving evolution from operational through to strategic? Is it the recruitment of a different type of reward leader with a different vision? One who is able to describe the impact of their function in a different way, or is it the presence of a leadership group which asks and expects a different type of contribution to the drive for change? The answer is that you probably don't need both to create change, as one can be a sufficient catalyst. But the other party needs to be responsive and open to change, from whichever direction it comes.

The future role of reward

We also asked reward leaders for their views on where the role of reward was heading in the future. While there was a wide variety of responses, it was clear that everyone expects the role of reward to change in the future. The concept of procedural excellence and efficiency is being pushed further into the background. Clearly it cannot be lost altogether, but individuals described the future impact of reward more broadly. For example, one participant stated that reward is no longer about trying to pay people correctly, rather it is about “trying to make people feel good about working for you!”. The general picture that emerged was of a function that needs to/will focus more on education than it does currently, and which will play a stronger role in helping employees to make appropriate life choices to maximise the return they receive from their reward package (e.g., how to save for retirement in the most tax-efficient manner).

It is also very interesting to see the wide range of changes and pressures that individual leaders expect to see impacting on them and their function. These have been summarised below:

- “We need to build a function which is more flexible and agile in how it works and in how we reward our people.”
- Functions need to be able to respond to changing demographics and particularly to;
 - The strengthening of the ‘gig economy’ and the need to redefine what it means to work for us and even the need to redefine the basic concept of what a job is.
 - The aging workforce and how we manage, motivate and focus these individuals to best effect.
 - The range of different generations in the workforce and how we can build a package and proposition which feels relevant, exciting and engaging to all of them.
- Pressures for simplification and improved transparency and communication to support. increased perceptions of fairness both within and external to the business.
- Developing a performance/reward link that is right for a particular business.
- More focus on recognition and celebrating success.
- A clear global governance structure with a focus on local/ centralised decision-making.
- More pressure for integration with other HR and business areas e.g. links to employee value proposition and talent.
- Managing societal pressures and concerns over reward, particularly for executives.
- Exploiting technology and not getting left behind by competitors.
- Managing regulatory compliance and dealing with an ongoing escalation in the level and volume of regulation.

Looking through the list above highlights the sheer variety and level of pressure facing Reward functions. In today's economy, it is widely recognised that the only constant for many organisations is change. In fact, that phrase could sum up the next few years of the journey that Reward functions will be undertaking. As their role continues to shift, so too must the capabilities and expertise of those who work within it. Technical and procedural excellence will continue to be a threshold competency as the function moves to become even more flexible and responsive to the business, its employees and to events in the wider marketplace. Technology advances can help with some of that and new, more integrated and agile reward strategies and approaches also have an important role to play. However, what does not change is the need for a body of flexible, adaptable reward professionals who are able to work with both process and ambiguity. Ultimately, it will be the quality and ambition of these individuals who determine the role that reward will play in helping to guide business and business performance in the future.

Sectors represented include:

Technology	Retail	Manufacturing	Professional Services
Financial Services	Travel & Tourism	Real Estate and Property	Media and Entertainment
Pharmaceutical and Life Sciences	Aerospace and Engineering	Mining	Automotive
Construction	Energy	Publishing	Distribution and Logistics

Participants were based in the following markets although all had responsibility/influence over reward arrangements in Europe as part of their role:

UK	France	Germany
Denmark	Sweden	Norway
U.S.A.	Switzerland	

Total number of employees at participant organisations = approx. 3.3 Million

Contact Us

Stuart Hyland

Associate Partner
Rewards Solutions
+44 (0)20 7086 0625
stuart.hyland@aon.com

Jackie Waller

Associate Partner
Rewards Solutions
+44 (0)1727 888394
jackie.waller@aon.com

Anne Marie Knuth

Director
Rewards Solutions
+45 3269 7360
anne.marie.knuth@aon.com

François Auger

Director
Rewards Solutions
+33 147 831367
francois.auger@aon.com

Ian Karcher

Director
Rewards Solutions
+49 89 52305 4870
ian.karcher@aon.com

Karin Trigell

Director
Rewards Solutions
+46 8 697 40 00
karin.trigell@aon.se

About Rewards Solutions

The Rewards Solutions practice at Aon empowers business leaders to reimagine their approach to rewards in the digital age through a powerful mix of data, analytics and advisory capabilities. Our colleagues support clients across a full spectrum of needs, including compensation benchmarking, pay and workforce modeling, and expert insights on rewards strategy and plan design. To learn more, visit: rewards.aon.com.

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance. For further information, please visit aon.com.

This article provides general information for reference purposes only. Readers should not use this article as a replacement for legal, tax, accounting or consulting advice that is specific to the facts and circumstances of their business. We encourage readers to consult with appropriate advisors before acting on any of the information contained in this article.

The contents of this article may not be reused, reprinted or redistributed without the expressed written consent of Aon. To use information in this article, please [write to our team](#).

©2019 Aon plc. All rights reserved

This document and any enclosures or attachments are prepared on the understanding that it is solely for the benefit of the addressee(s). Unless we provide express prior written consent, no part of this document should be reproduced, distributed or communicated to anyone else and, in providing this document, we do not accept or assume any responsibility for any other purpose or to anyone other than the addressee(s) of this document.

Notwithstanding the level of skill and care used in conducting due diligence into any organisation that is the subject of a rating in this document, it is not always possible to detect the negligence, fraud, or other misconduct of the organisation being assessed or any weaknesses in that organisation's systems and controls or operations. This document and any due diligence conducted is based upon information available to us at the date of this document and takes no account of subsequent developments. In preparing this document we may have relied upon data supplied to us by third parties (including those that are the subject of due diligence) and therefore no warranty or guarantee of accuracy or completeness is provided. We cannot be held accountable for any error, omission or misrepresentation of any data provided to us by third parties (including those that are the subject of due diligence). This document is not intended by us to form a basis of any decision by any third party to do or omit to do anything.

Any opinions or assumptions in this document have been derived by us through a blend of economic theory, historical analysis and/or other sources. Any opinion or assumption may contain elements of subjective judgement and are not intended to imply, nor should be interpreted as conveying, any form of guarantee or assurance by us of any future performance. Views are derived from our research process and it should be noted in particular that we cannot research legal, regulatory, administrative or accounting procedures and accordingly make no warranty and accept no responsibility for consequences arising from relying on this document in this regard.

Calculations may be derived from our proprietary models in use at that time. Models may be based on historical analysis of data and other methodologies and we may have

incorporated their subjective judgement to complement such data as is available. It should be noted that models may change over time and they should not be relied upon to capture future uncertainty or events.

Copyright © 2019. Aon plc. All rights reserved.

Aon Hewitt Limited Registered in England No. 4396810

Registered office:

The Aon Centre, 122 Leadenhall Street, London, EC3V 4AN.

Aon Hewitt Limited is authorised and regulated by the Financial Conduct Authority.

aon.com