

# How a holistic view of reward pays dividends



First published in *People Matters* 21<sup>st</sup> June 2007

Three years ago, the senior HR team at KPMG - one of the Big 4 accountancy firms in the UK - were getting to grips with a thorny problem. They knew that the firm's reward package was competitive, without being top of the market. They also knew that employees didn't see it that way (from anecdotal feedback gathered from many channels, and responses to surveys). The firm's big challenge was to communicate its reward package to its employees more effectively. This article describes how in a short space of time KPMG substantially improved people's view of how well they were paid.

## **Alignment with the business strategy**

At this time, the firm was dealing with post-Enron changes in the competitive and regulatory landscape. The firm's leadership formulated its 'Best Choice for You' agenda in response.

This was built around the principle that being the best choice for clients and for employees would enable KPMG to achieve its business goals. In the CEO's words "if we get best employer right, we will find ourselves the best of the big 4." 'Best Choice for You' therefore became a key driver for improving employee perceptions of the reward package, and - through its heightened focus on people managers - it created an open communications channel through which to change these perceptions.

## **Total reward**

Meanwhile, the Reward team at KPMG was developing its approach to total reward. Competing for people just by paying more than their competitors was always likely to be a zero-sum game, especially in the close-knit and competitive professional services market. Developing total reward thinking involved looking beyond the traditional focus of reward teams - the pay and benefits package - and building a picture of other elements that employees found motivating and engaging: for example, the scope for self-development, the work environment, the opportunities for interesting work, their employer's image in the wider business and social community.

This presented a key opportunity for KPMG. The firm's leadership agreed, and saw the total rewards concept as an ideal platform on which to build their new strategic agenda of 'Best Choice for You'. The firm combined aspects of different models created by consultants over the years, and developed a framework - which it called the Motivation Model - to encourage employees to consider their financial

reward as just one part of why they wanted to work for the firm. Colleagues, the challenge and interest of the work, the training for professional qualifications, the opportunity to work flexibly, and the firm's image and reputation were all shown as part of the mix.

The Motivation Model concept was built into the firm's reward philosophy on the intranet, and used in conferences and team briefings to encourage people to see the broader picture. The model was also used in some of the resource material provided to people managers. For example it proved useful as a framework for managers to talk to members of their team who were thinking of leaving and whom they wanted to persuade to stay.

### **Line managers deliver the message**

Line ownership of the reward communications programme was critical to its success. KPMG benefited from having some especially articulate members of its leadership team, who bought into the total reward concept and could bring it to life by personalising the message. The Head of People Management openly summarises the firm's strategy on employee engagement in the following terms: "I am proud to work for KPMG, passionate about the firm and its clients, feel part of a successful and dynamic team, have a compelling future at the firm, can maximise my potential, am respected for who I am, and rewarded for what I do. Our people strategy is very simple - we want 9,200 employees to feel exactly the same way".

Briefing sessions during the salary review and to introduce new bonus plans were led by line managers, with HR in support. People managers were provided with briefing information on pay and bonus awards for relevant groups, and with a personalised total reward sheet outlining the value of the individual's total reward package. They were able to give the full context to each individual in their team when they came to advise individual pay and bonus awards one-to-one. A key part of the approach on communication was providing people managers with the information and the resources they needed to deliver the firm's message on reward effectively.

More radically, the firm placed advertisements in the national press aimed partly at employees, highlighting how the firm was sharing its success with its employees through its bonus scheme. The campaign was also aimed at clients and prospective recruits - KPMG as an employer of choice - but the message to employees was clear.

### **Measures of success**

The result? KPMG saw a huge improvement in the measures of reward and recognition taken from its annual employee opinion survey. The improvement was both against the previous year's scores, and against external benchmarks: reward and recognition was the most improved category of responses year-on-year for KPMG employees; and while overall employee perceptions of reward remain lower than the scores for other factors measured in the survey, KPMG's results for reward are now significantly more positive than the benchmarks for other professional services employers, and for other blue-chip employers. Staff turnover has been brought under control, and recruitment targets achieved. External

recognition has come in the form of a series of employer of choice awards, notably the Sunday Times Best Big Employer in 2006. And the firm has enjoyed successive years of double-digit growth.

### **Maintaining the momentum**

The firm maintains momentum in the process by feeding back to employees the detail of the survey results, and by committing publicly to specific actions to address continuing areas of concern for employees. Not everything goes to plan of course, and lessons are being learned constantly; however the overall message is positive. Investment of time and effort in the effective communication of how a business rewards its employees can pay handsome dividends.

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