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FYI: Dona Roche-Tarry

Setting the record straight

Media coverage about fat-cat pay has left many employees feeling disengaged just when it seems an upturn could be on the horizon. HR needs to seize the opportunity to create a culture based around effective communication and greater transparency. Dona Roche-Tarry, Managing Partner, CTPartners reports.

A survey by *The Guardian* recently claimed that executives at FTSE 100 companies saw their basic salaries rise by ten percent in 2008, despite the fact that overall pay fell by five percent on account of reduced bonus payments. Separate research by Hewitt New Bridge Street found that executive bonuses paid in 2008-09 were at 65 percent of the maximum possible (or 90 percent of salary), compared to the previous year's figure of 80 percent (110 percent of salary).

Executives in some organisations such as Citigroup and Channel 4, meanwhile, waved their bonuses altogether and others have joined them in this, without necessarily publicising it. The likes of BT and G4S, meanwhile, have introduced "clawback" provisions to their remuneration schemes, which will allow them to reclaim bonuses paid out on profits as a result of decisions that prove in the long-term to be detrimental.

Where bonuses have been paid, HR needs to explain why, if there has been positive performance in some divisions, for example, and what metrics have been used. More often than not it is tied to performance. If the company has only achieved 80 percent of its target, bonuses may have been paid at 65 percent and executives end up getting less than they expected. It's vital this is communicated effectively to employees. There are many different layers to an effective communication strategy, from regular written dialogue, to face-to-face meetings, podcasts and conference calls. But the most important element is to establish a common and consistent message that goes out to all staff, from the first line of management right up to the CEO. It needs to be constantly reinforced; if everybody is saying the same thing, people will start trusting the message. If they're hearing four or five different things they'll only get confused.

If it's a UK company they need to go from Scotland down to Portsmouth. It's not an easy thing to do and it takes time, but it's got to be done. In terms of results, most companies are measured quarterly or monthly, so every quarter or every month, whatever their measurements are, they should be out there communicating the results and the impact of these on the business.

Part of this is to get the CEO to commit to more effective communication and then working with all the management teams. In some cases this will mean organising training so managers are comfortable with their responsibilities. The most important levels are the first and second lines as they're the ones who are most in touch with employees. If the company culture is such that executives sit in an ivory tower and rarely mix with staff, it's likely that employee engagement has declined pretty dramatically in recent months.

The economic downturn has been so dramatic that it will have a long-term impact on almost all companies. The key message for HR is to use it as an impetus to shift to a more transparent company culture and to work even harder at employee engagement. Only then will organisations be able to bridge the gulf that has emerged between leaders and the wider workforce, however these have come about.

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Yet the media portrayal of "fat-cat pay" means that for many employees perception is reality, regardless of the facts, and it falls to HR, along with the marketing communications team, to ensure the right messages get through to staff to keep them engaged as the economic situation improves. The key to this is effective communication and transparency of information. A good number of executives have chosen to take no increase in salary and zero bonuses for the good of the company. HR must communicate that they have done so because they are concerned about the company and want it to be successful in the long run.

Before deciding on any strategy HR needs to engage with the employee base to understand what the issues are and which areas could be improved. Some companies conduct employee surveys on a quarterly basis but many don't, and they need to think about doing so quickly. Once a communication policy has been established, HR needs to bring the workforce and management together. This needs to be more than just sending an email to all staff. Management and the executive team have to go on the road, visiting every site, meeting employees and having open and transparent question-and-answer sessions so those who are feeling disengaged can have their say and listen to the response.



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