



Best Practice Compensation & Benefits Strategy, Singapore 2010

An Opportunity to Reshape Rewards

Speaker: Samir Bedi

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Questions we need answers for....

Q1: What has been the impact of the downturn on HR programs?

Q2. What has been the impact on employee engagement?

Q3. Are we well positioned for revival?

Q4. With limited budgets, what does the Reward Manager focus on?

Q5. How can we reset employee expectations?

Q6. What will differentiate my EVP in the market place?



Rewards Lessons Learnt from Crisis

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The downturn has exposed many organisations who have been **'DOING THE WRONG THINGS'** with Rewards...

- Aggressive rewards led to unethical, unproductive, and unsustainable outcomes ...
- All in the spirit of driving short term results ...
- Undetected and/or ignored while things were going well ..
- Justified by accepted industry and general market practices



- ☑ Insure trillions in risky derivatives
- ☑ Trigger a global economic crisis
- ☑ Get billions in government bailouts

BONUS TIME!

Conventional wisdom in pay management HAS contributed to the current problem ...

- **An almost myopic focus on benchmarking and best practice**
- **Blinded by traditional techniques**
- **Primarily cost driven approach .**
- **Problems disguised by program complexity ...**

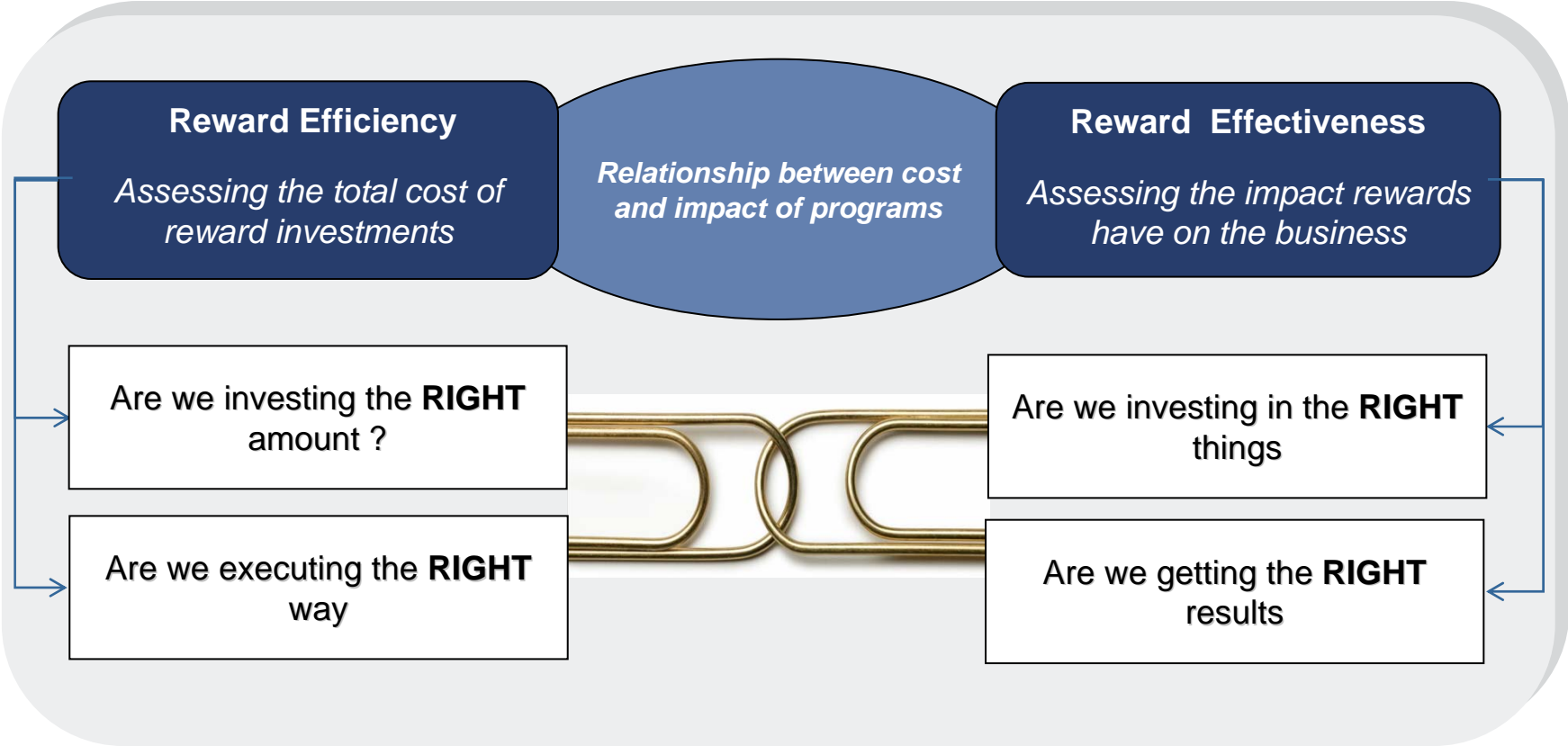


Traditional programs tend to exhibit common risk issues...

- Programs not properly budgeted or funded
- Discretionary payments being made
- Programs driving the wrong behaviours
- Weak performance pay alignment
- Overlapping / redundant programs
- Excessive variation in program design
- Soft target setting (re-setting)
- Gaming of sales incentive programs
- Lots of flexibility without control
- Manual administration - spreadsheets



An interpretation of Efficiency and Effectiveness for Reward provides a different perspective for evaluating programs





Bets For 2010

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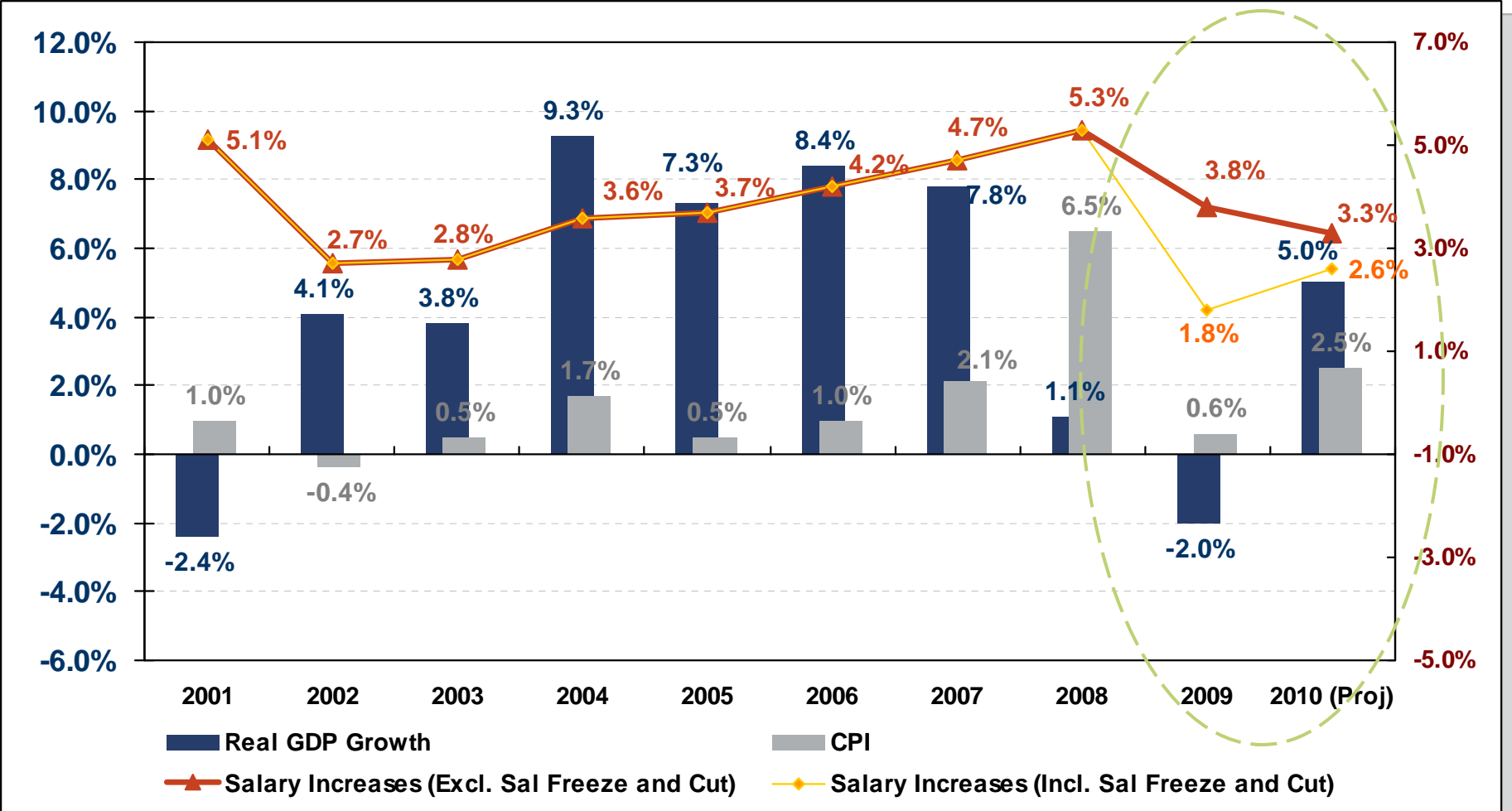
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Economic Impact on Businesses in Singapore



	Taking a big hit ...	Feeling some pain ...	Worried but doing fine ...
Talent Management	<ul style="list-style-type: none"> • Recruitment & Hiring freezes • Better utilization of labor mix (part-time, contract, and outsourced) • Organizational restructuring 	<ul style="list-style-type: none"> • Retention incentives for critical talent • Organization structure review • Leave or sabbatical programs 	<ul style="list-style-type: none"> • Strategic Hiring • Key talent and leadership development • Investment in key engagement drivers • Employment value proposition/ brand • High performance management and culture
Total Rewards	<ul style="list-style-type: none"> • Merit increase budget reductions • Reduce incentive funding/payouts • Reduce promotion spending • Refocus differentials and premiums • Re-evaluate market position 	<ul style="list-style-type: none"> • Further differentiation of pay and incentives • Put more pay at risk • Improve ROI on benefit investment 	<ul style="list-style-type: none"> • Optimize cost and value of Total Rewards • Refocused sales force and incentives to growth drivers
HR Policies and Programs	<ul style="list-style-type: none"> • Working policies review • Cost-benefit analysis • Re-evaluate travel policies 	<ul style="list-style-type: none"> • HR delivery streamlining and HR outsourcing • Structure, process and work redesign • Health care management and supporting technology 	<ul style="list-style-type: none"> • HR capabilities improved through training programs • Targeted HR investments (e.g., technology)

Singapore market movement slumped from 2008 to 2009 – GDP, CPI and Salary Increases reduced drastically...

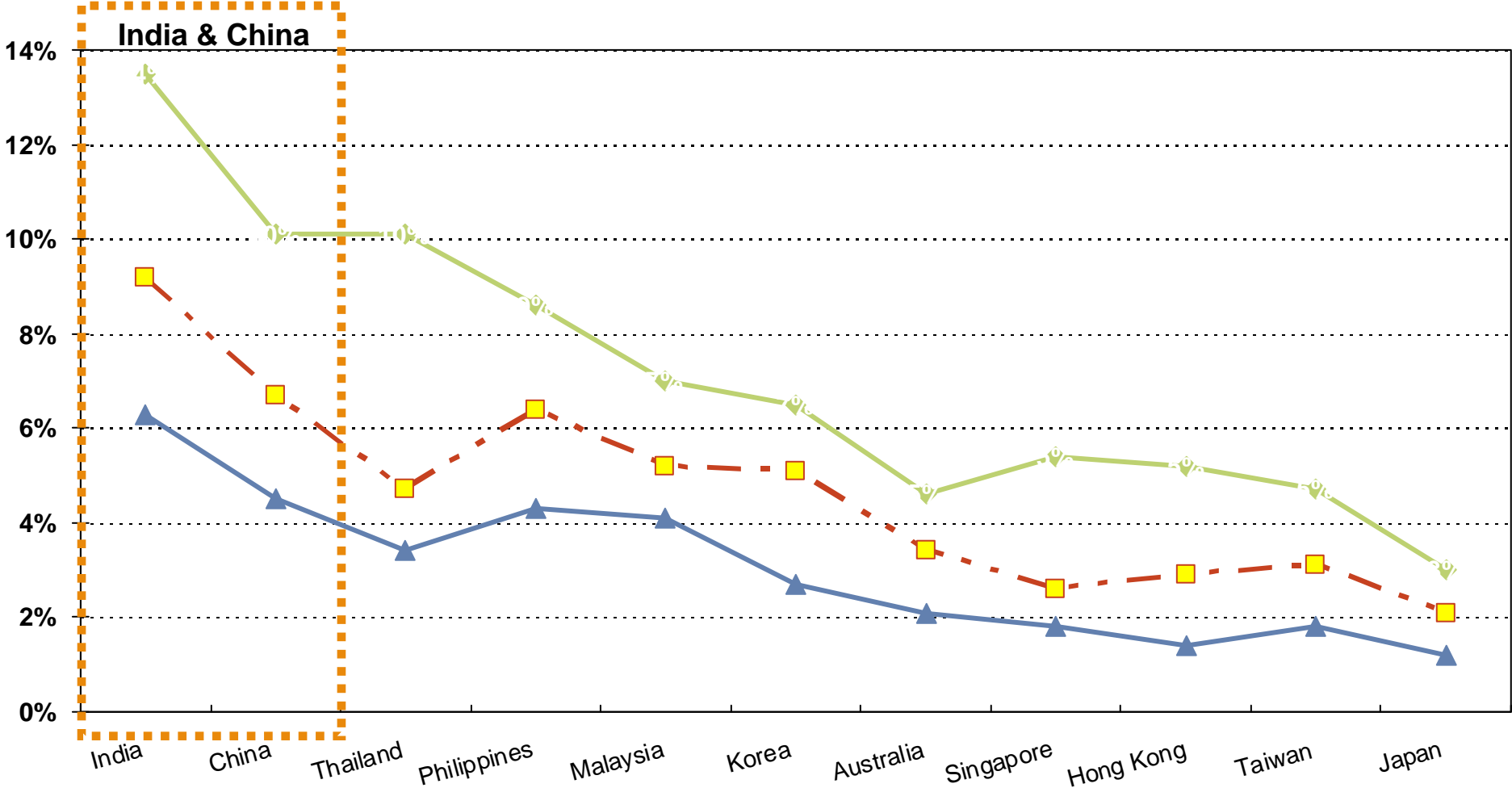


Note: 2010 GDP and CPI shown are projected figures as of March 2010

Data sources:
 1. Hewitt Singapore Salary Increase Survey 2001-2010
 2. Ministry of Trade and Industry, Singapore

Salary Increase of Countries in Asia Pacific

* Figures include Zero



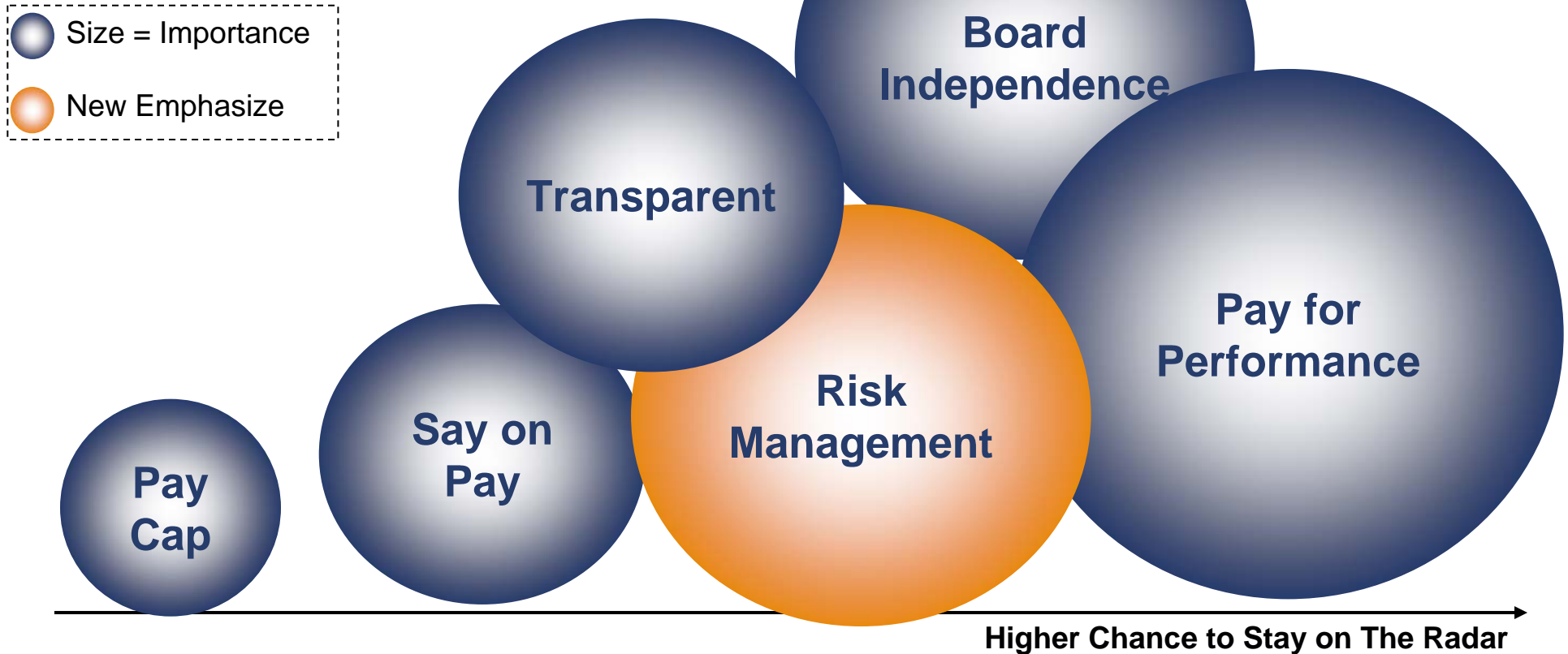
Data Sources:

1. June 08: Hewitt AP Salary increase Survey
2. Hewitt SIS Study 2009-2010

—◆— 2008 Actual —▲— 2009 Actual -■- 2010 Forecast

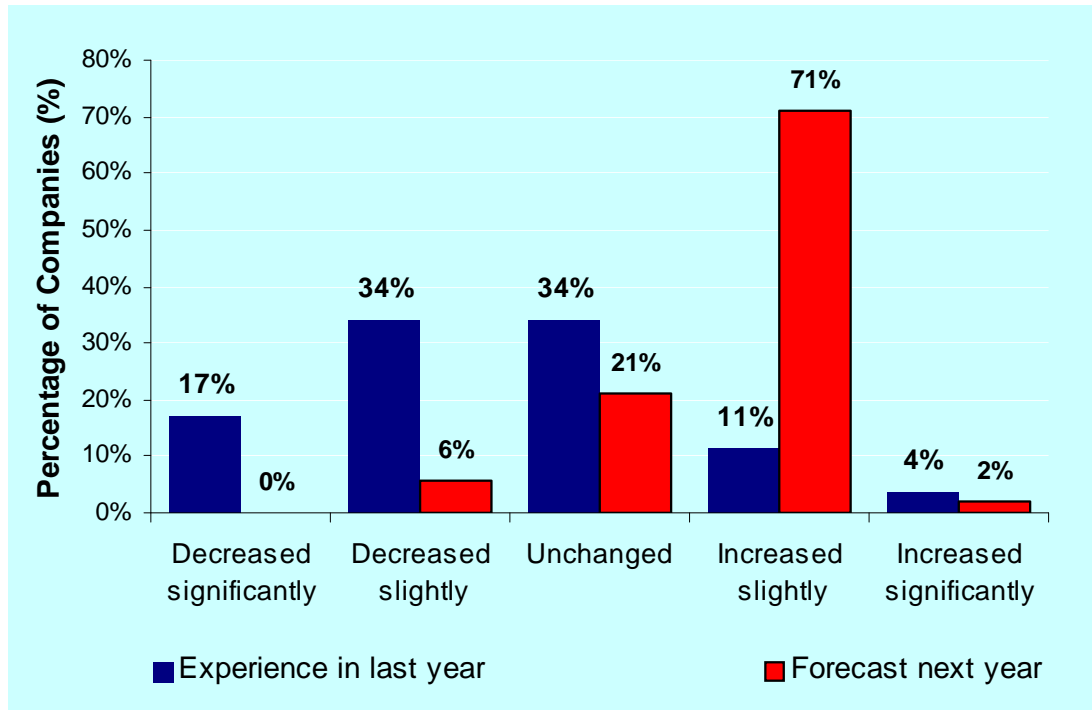


The New Themes Around Executive Compensation



** We looked at US Federal reserves incentive compensation principles , Moody's corporate governance guidelines, RiskMetrics Poor pay practices policies, recent SEC proposals, Conference Board Task Force Report on Executive Compensation, Financial Stability Board – Principles for sound compensation practices, ...*

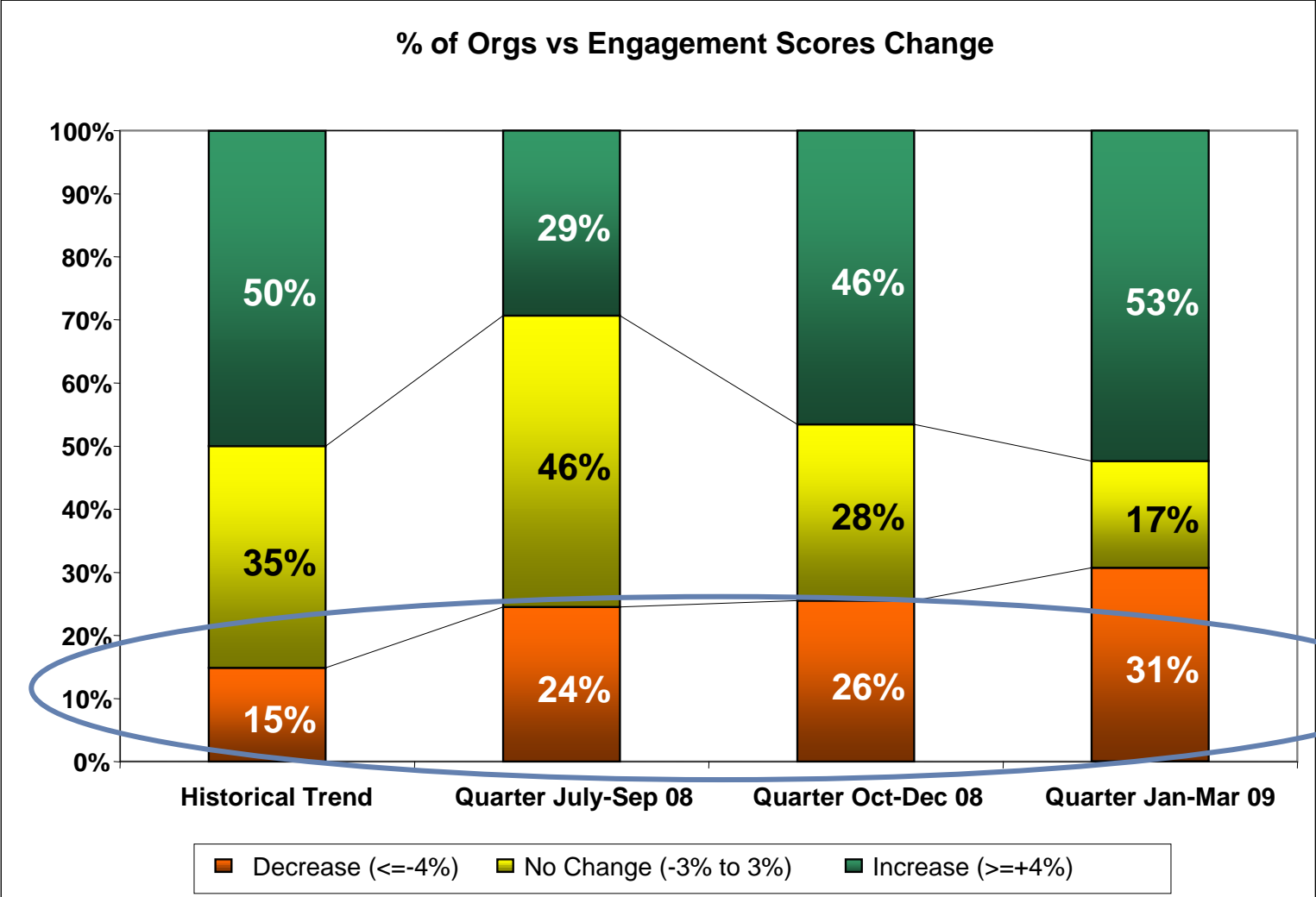
2010 The Battle of Talent - Impact on Turnover



- 71% of companies expect to see a slight increase in Turnover compared to 11 % in 2009
- Only 6 % see a slight decrease in Turnover compared to 34% in 2009

Overall, companies are expecting that their turnover would increase with the economic recovery as companies begin to hire strategically or to increase headcount.

Emerging Evidence That Companies are Struggling to Manage Engagement Globally



Data Source: Hewitt Global Engagement Surveys

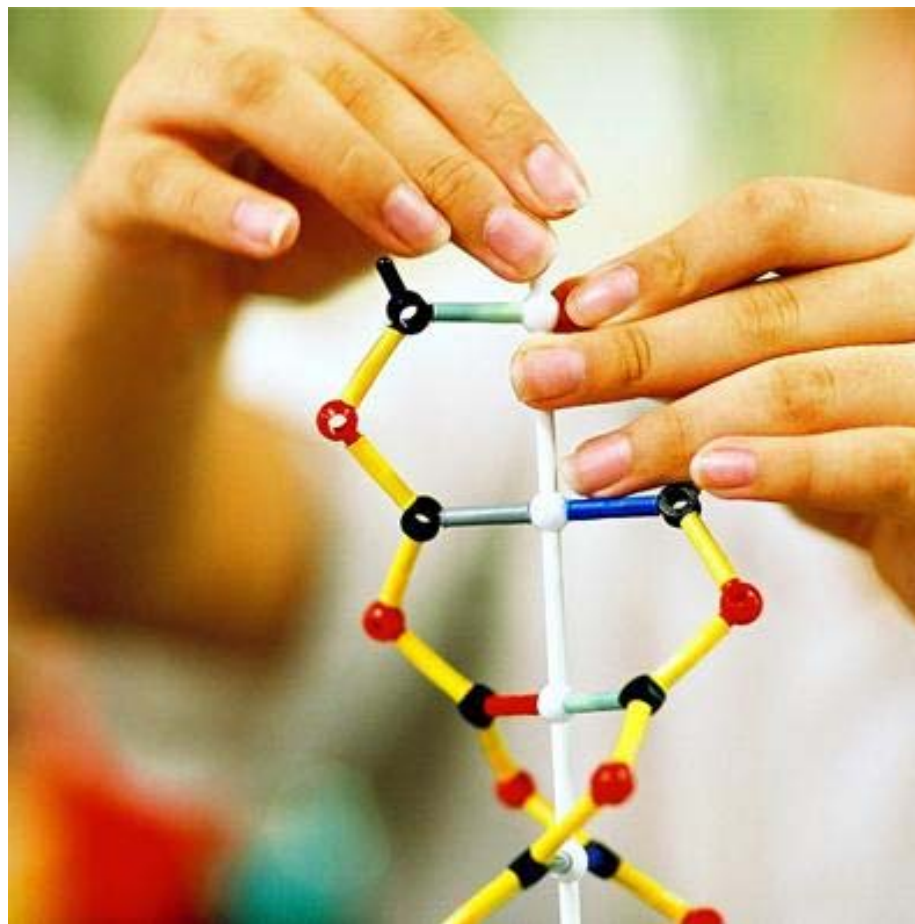




Principles for the Road Ahead

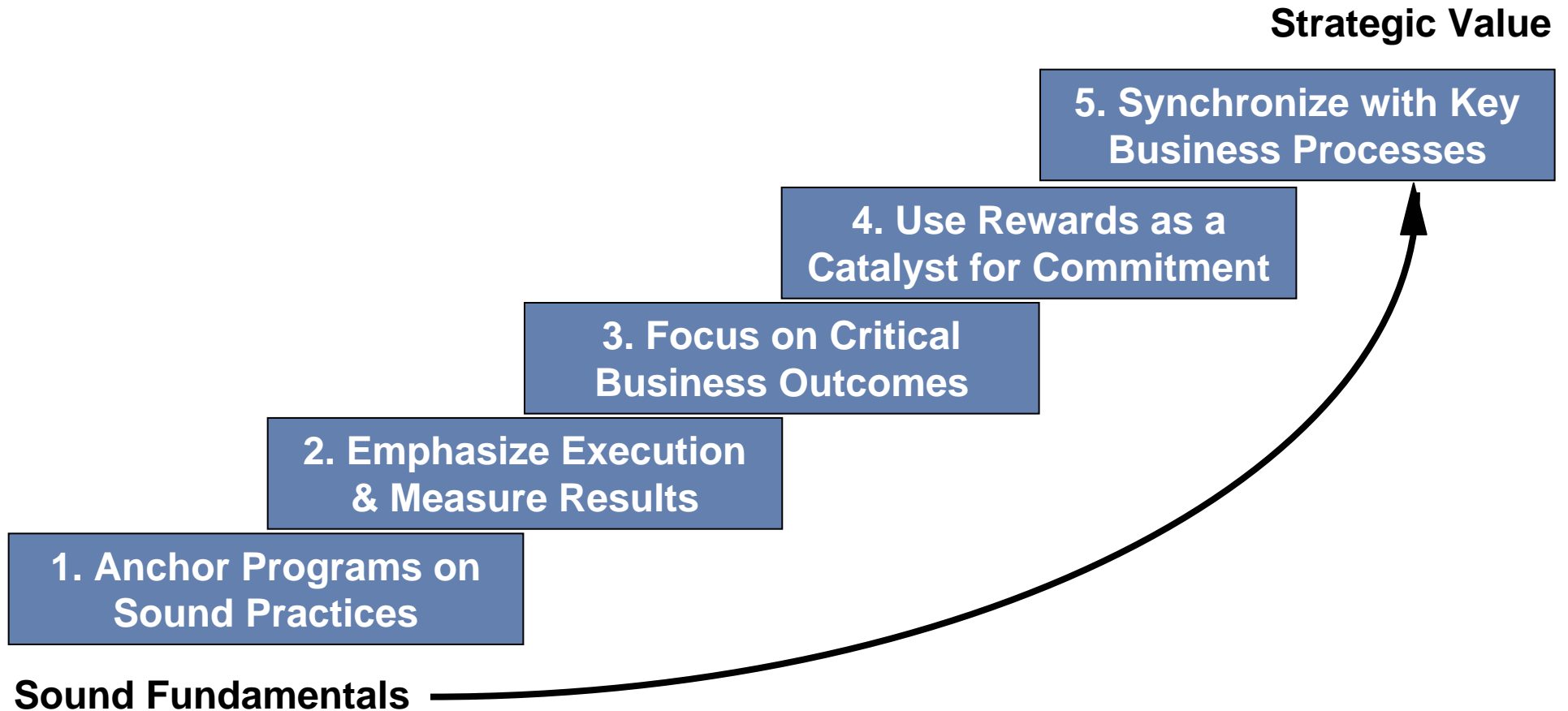
Principles for the Road Ahead

1. Start with a Strong Foundation



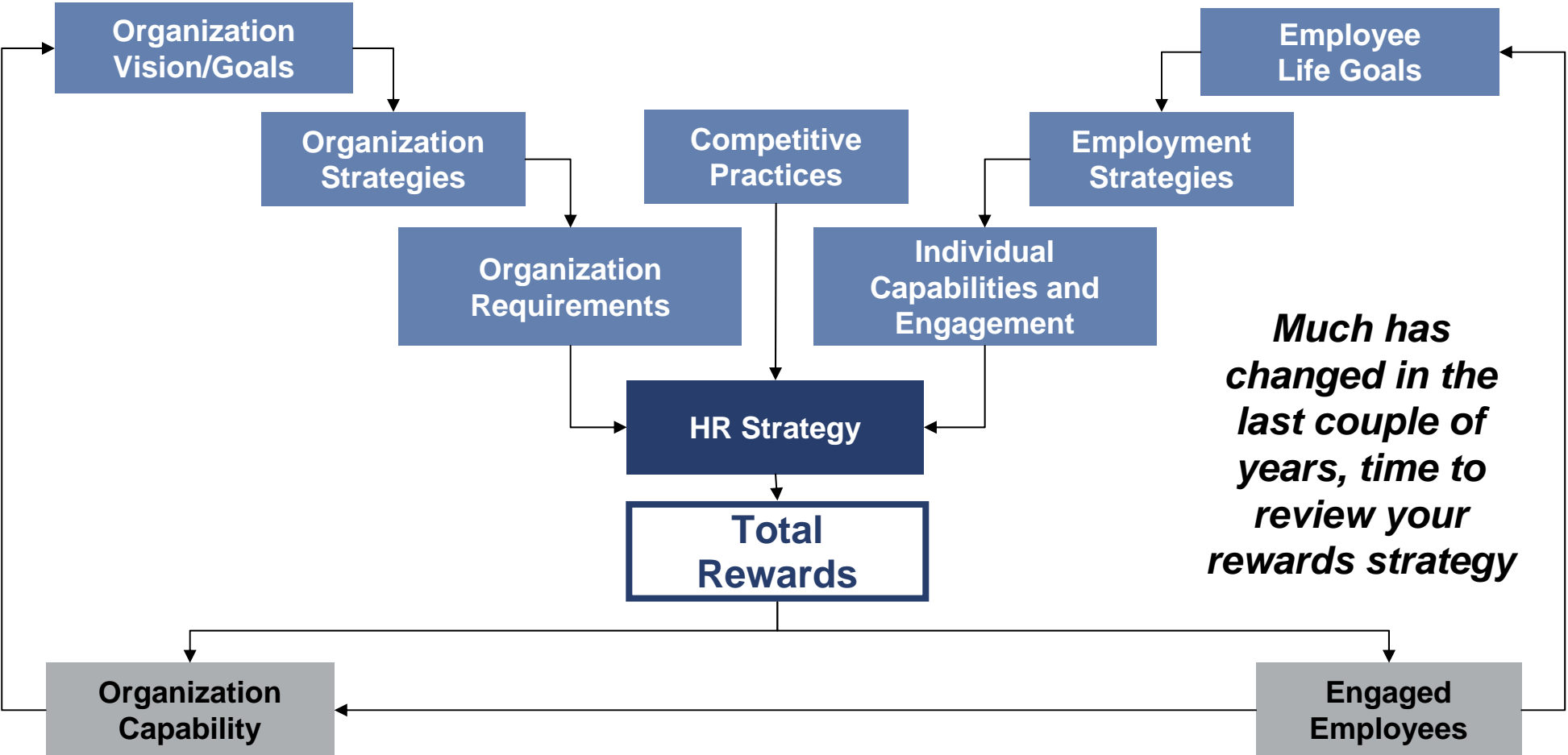
Must Start with the Fundamentals, and Build Up from There

Systemic Problems Arise When Foundation is Not Securely In Place



Start with a Strong Foundation

We believe effective total rewards programs balance the interests of the organization with those of employees



Much has changed in the last couple of years, time to review your rewards strategy

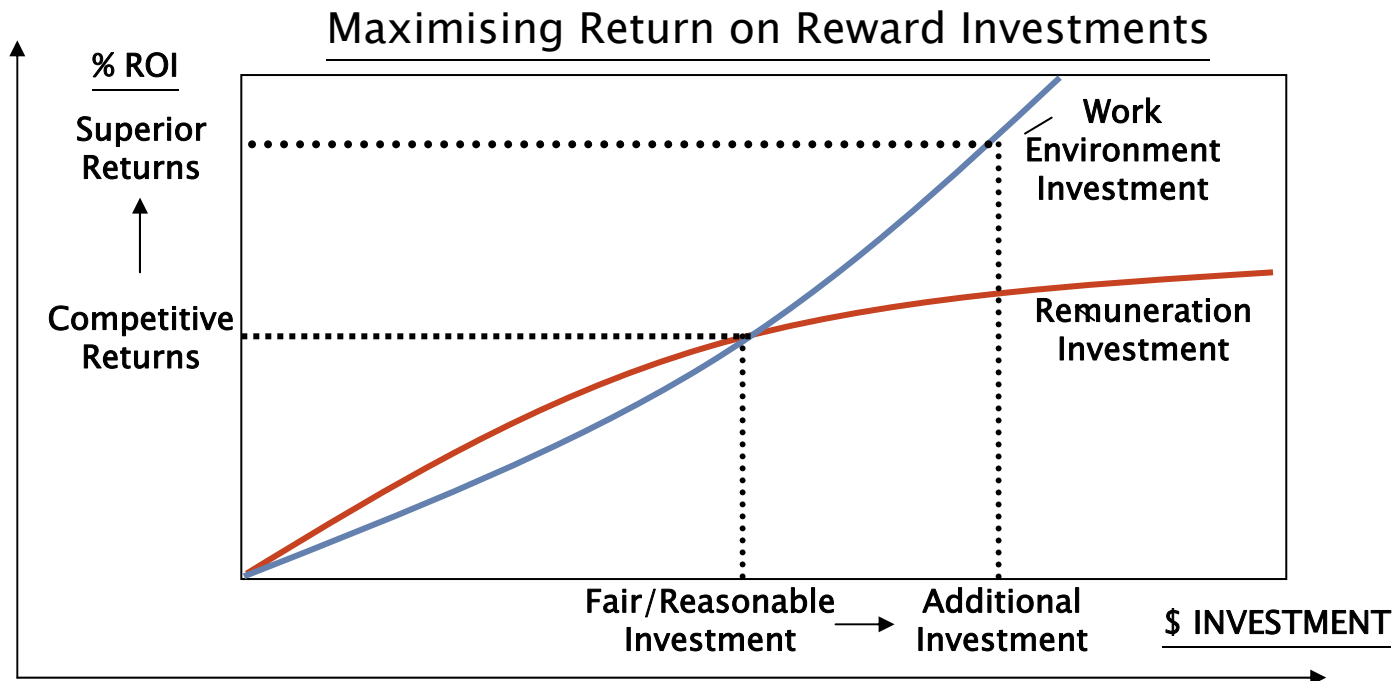
Principles for the Road Ahead

1. Start with a Strong Foundation
2. Optimize the Cost and Value of Total Rewards



Are you spending right?

Beyond the “fair and reasonable level” : **Our studies show that marginal ROI is significantly higher if you invest in building a more rewarding work environment - specifically focusing on the key drivers of engagement.**



Build an integrated approach to Total Rewards

Successful total rewards programs promote both intellectual and emotional commitment to the organization

Relational Rewards

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Environment
Culture & Climate
Work Design & Flexibility
Quality of Work Life

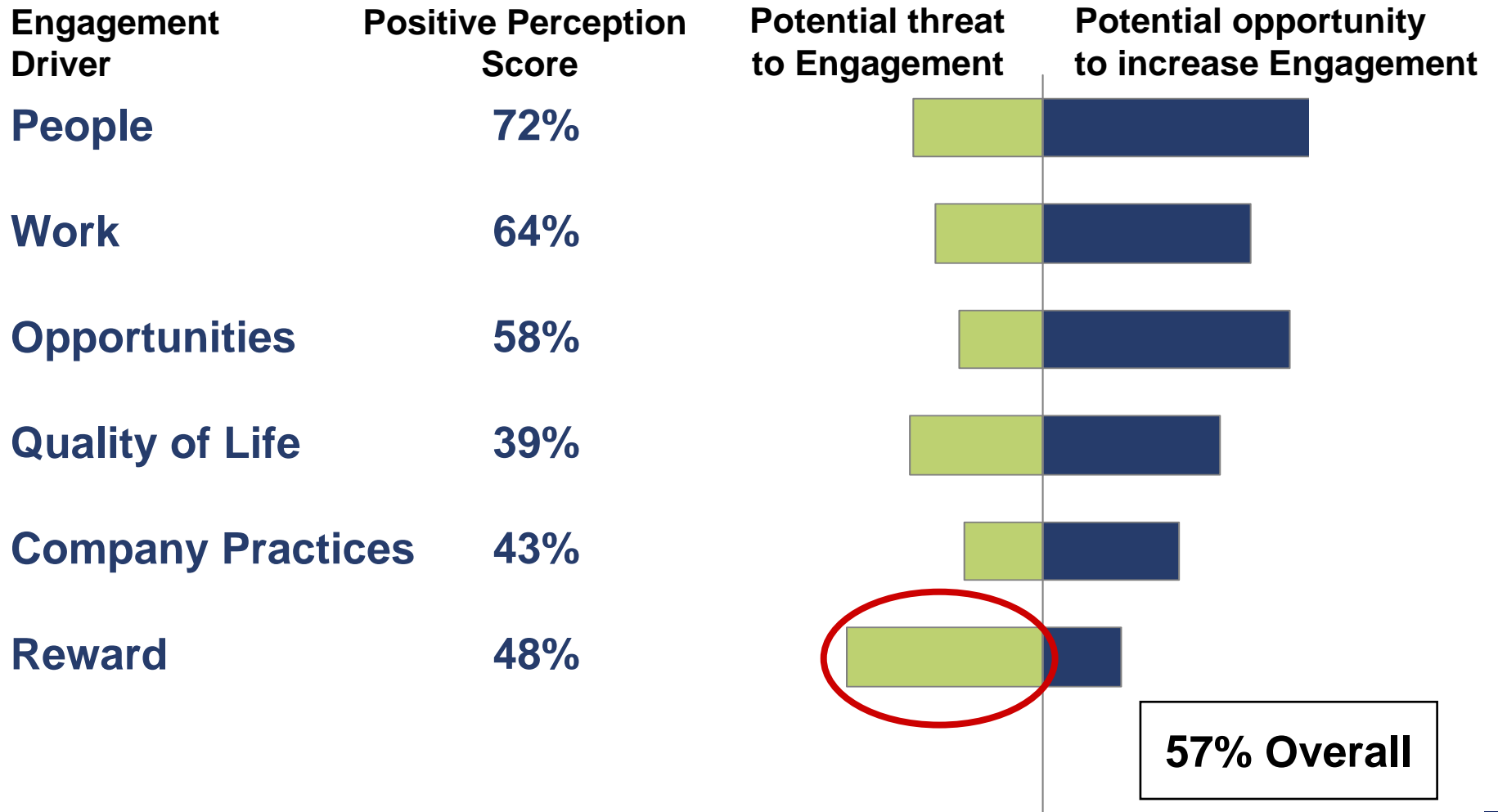
Development
Performance Management
Learning and Development
Career Opportunities

Benefits
Health and Welfare
Retirement
Paid Time Off

Compensation
Fixed Pay
Bonus Plan
Long-Term Incentives

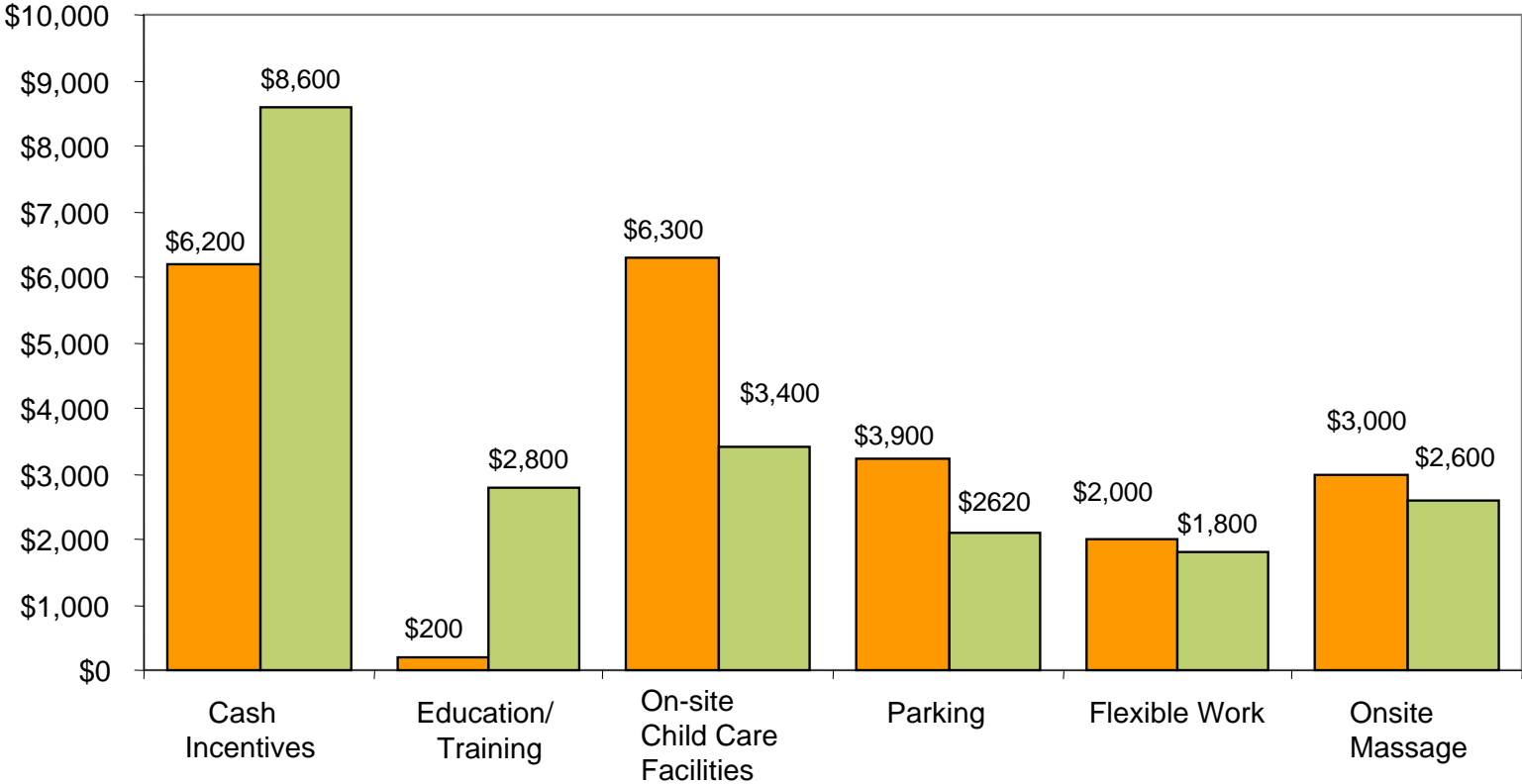
Transactional Rewards

But Rewards often Have More Downside Risk than Upside Potential



Achieving Reward Effectiveness – Understanding demand for reward programs

Value Gap: measures the difference between the actual cost and the perceived value of the reward programs



Data Source: Hewitt Research on Global Total Rewards

Principles for the Road Ahead

1. Start with a Strong Foundation
2. Optimize the Cost and Value of Total Rewards
- 3. Focus on Critical Talent**



Identify your critical talent

Identify Your Critical Talent: A Checklist

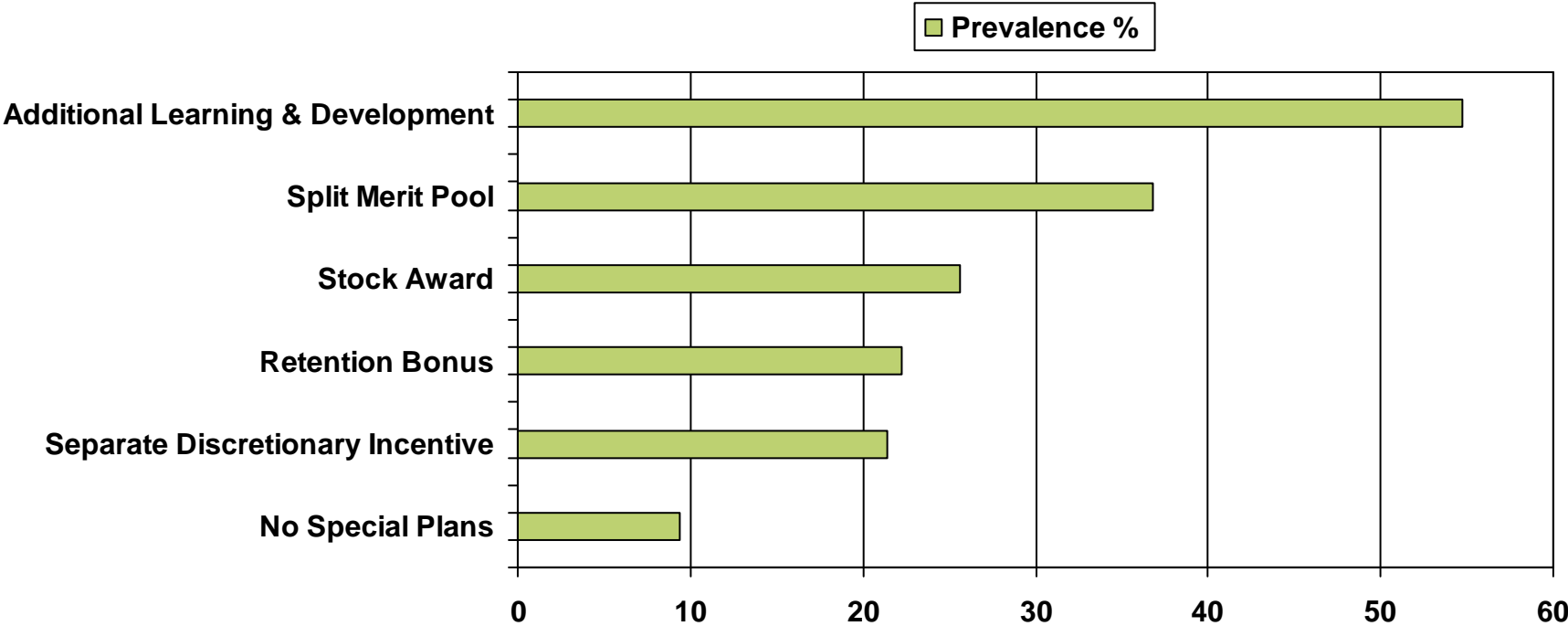
- ❑ **Strong business managers**
- ❑ **High performers/high potentials**
- ❑ **Critical/specialist/hard to replace skills**
- ❑ **Strong People leaders**
- ❑ **Key customer relationship managers**
- ❑ **Cultural icons: holders of organizational norms, knowledge, or history**

Two Key Groups During a Downturn



Ensure Programmatic Response to Critical Talent Retention

Are You Taking Special Action to Reward and Retain High Performers? If Yes, What Actions?



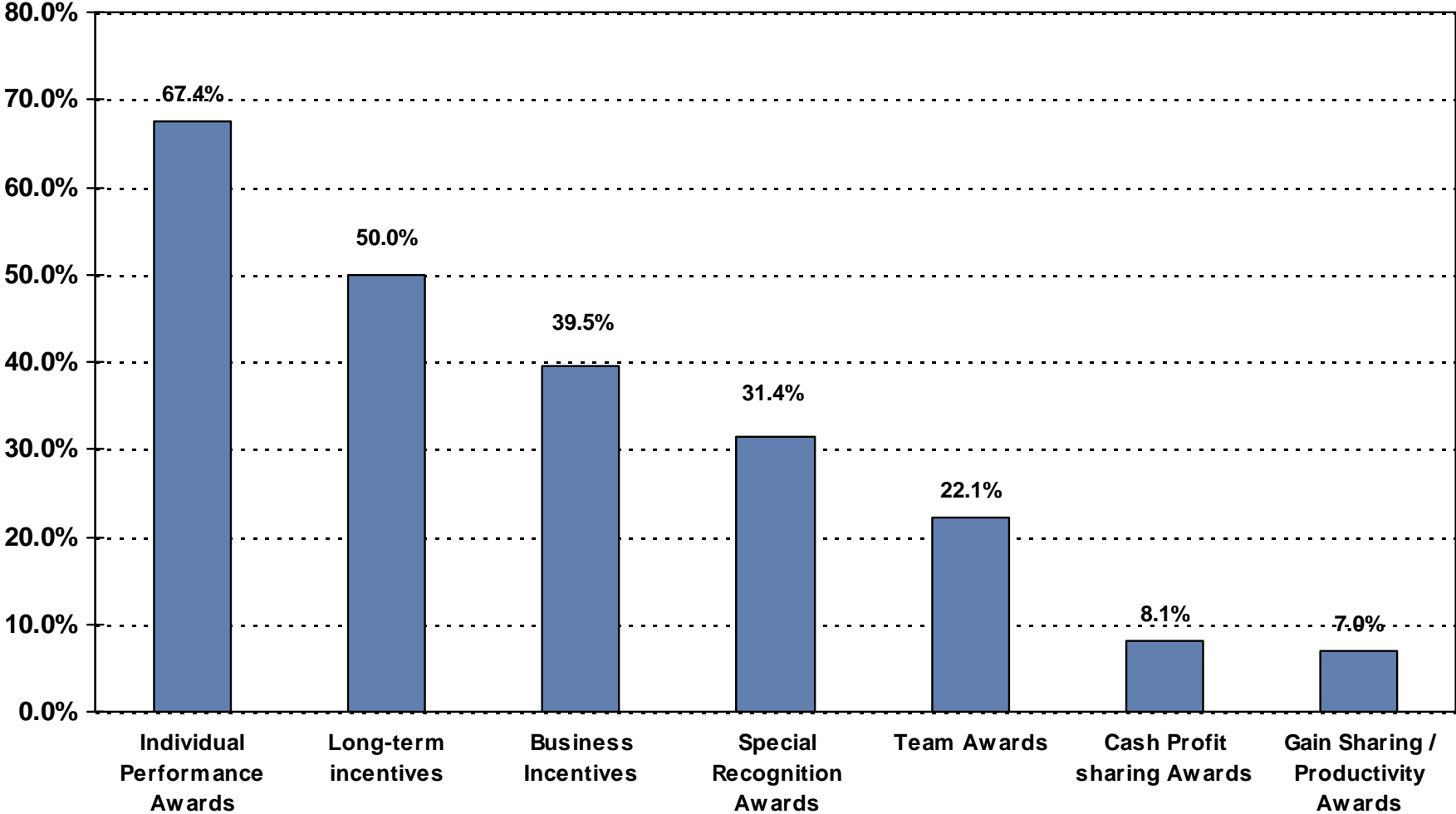
Data Source : 2010 Hewitt Annual Salary Increase survey

Principles for the Road Ahead

1. Start with a Strong Foundation
2. Optimize the Cost and Value of Total Rewards
3. Focus on Critical Talent
- 4. Pay for Performance**



Organizations leveraging different types of Incentives programs, discarding the approach of “one size fits all”



Data Source : 2010 Hewitt Annual Salary Increase survey



Hence Pay for Performance....and in the real sense

- 1. Manage Costs**
- 2. Focus Employees on RIGHT/ desired behaviour**
- 3. Create long term commitment and performance**
- 4. Strongly impacts High Performers engagement**
- 5. Employees aligned with shareholder interest**

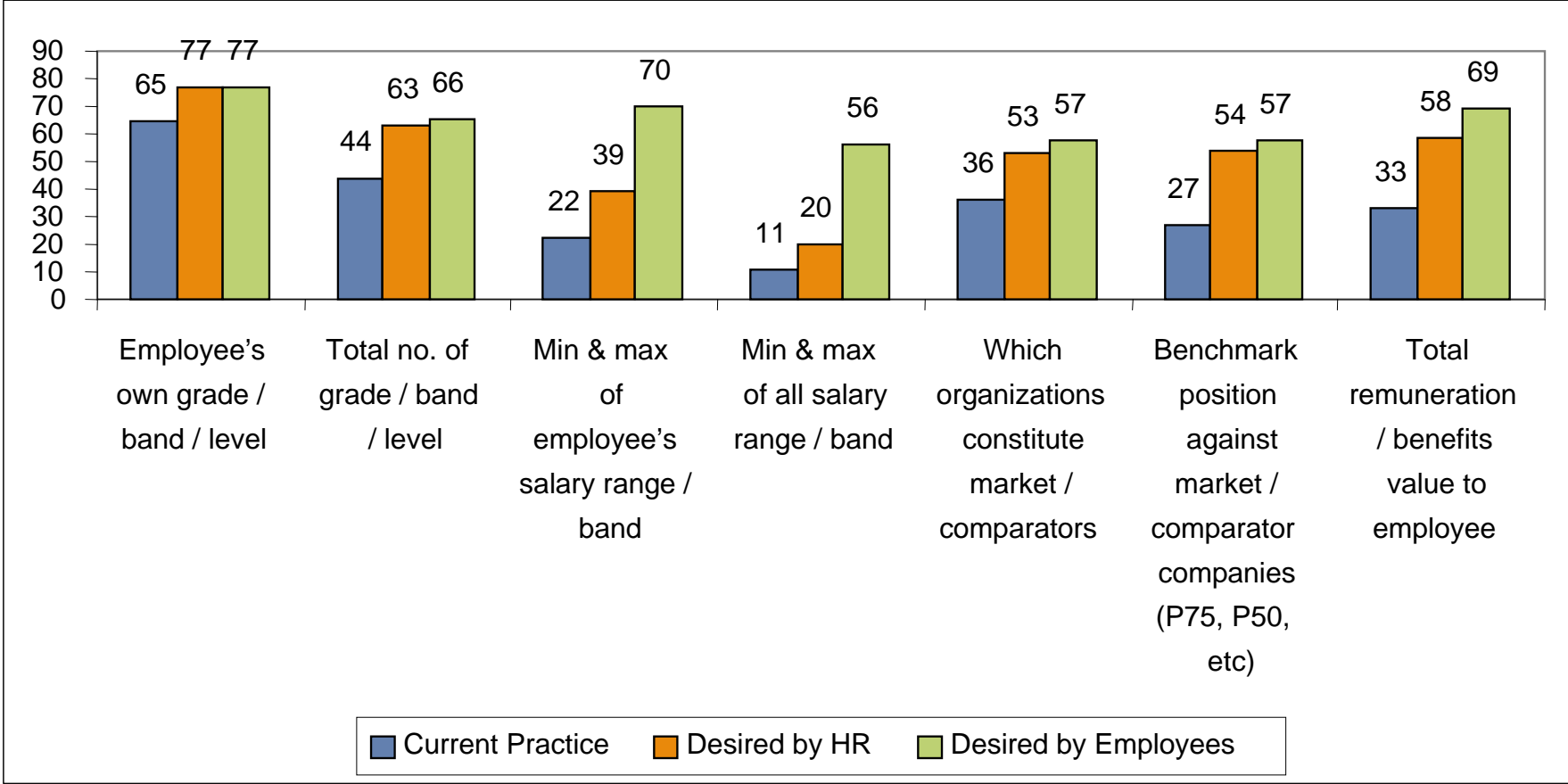
Principles for the Road Ahead

1. Start with a Strong Foundation
2. Optimize the Cost and Value of Total Rewards
3. Focus on Critical Talent
4. Pay for Performance
5. **Communicate and Educate**



Communication to employees...

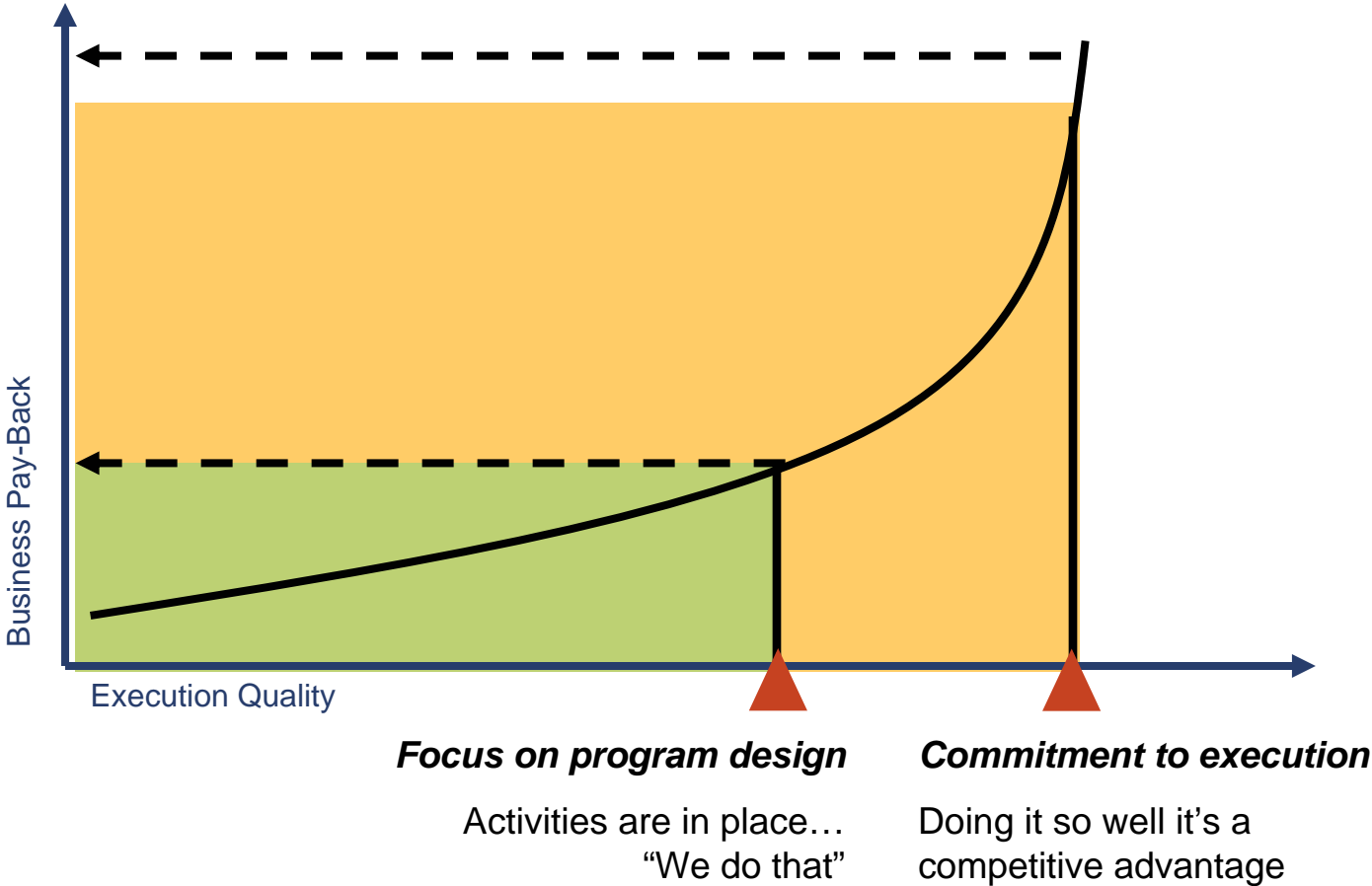
What is being told to employees in current practice, versus as desired by HR? as desired by employees?



Source : Hewitt Global Research on Employee Pay Communication

Our Research

Commitment to *execution* and *manager capability* is key to a competitive advantage



Sending the Right Signals to Each Performer



TOP TALENT

SOLID CONTRIBUTORS

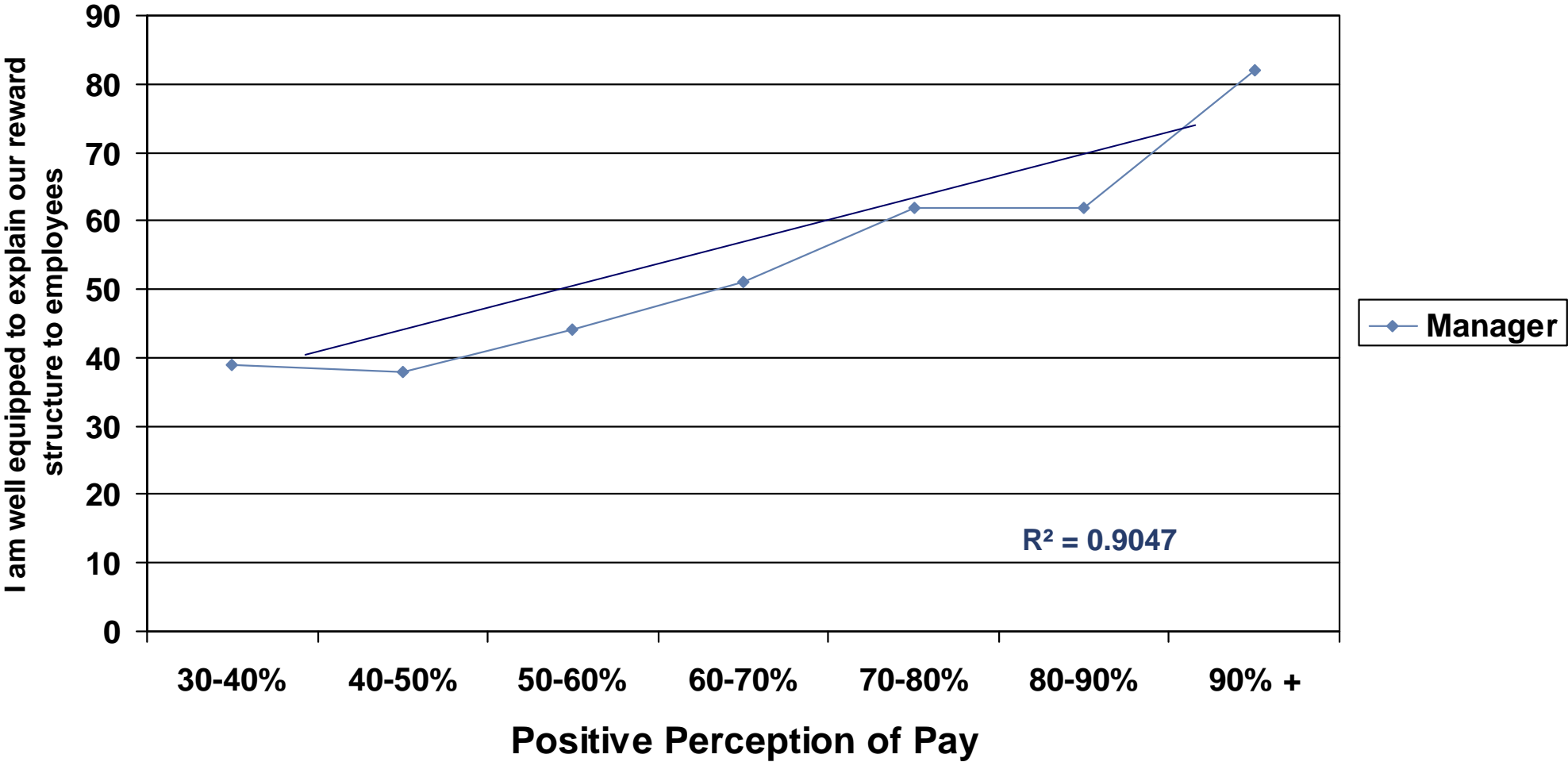
UNDER-ACHIEVERS

What Managers may be Saying	What we <i>need</i> them to hear:
<ul style="list-style-type: none"> • <i>We're glad you're here</i> • <i>It's a given that you'll produce great results every year</i> • <i>We want to give you more money but HR won't allow</i> • <i>We depend on you to carry the rest</i> 	<ul style="list-style-type: none"> • <i>We want you to be glad you're here!</i> • <i>We deeply appreciate all you do</i> • <i>You will be recognized and rewarded in pace with your impact and contribution</i> • <i>Here, high performance is rewarded and underperformance is addressed</i>
<ul style="list-style-type: none"> • <i>You're not a high-potential, but we still value you...though somewhat less</i> • <i>Do your job well and it's not necessary to improve or grow</i> 	<ul style="list-style-type: none"> • <i>Performance matters as much as potential—both are ways to be a key player here</i> • <i>We all must keep stretching to stay ahead of our competitors—"it's grow or go"</i> • <i>Your solid contribution is vital to us</i>
<ul style="list-style-type: none"> • <i>"This too shall pass" (e.g., a new performance management initiative)</i> • <i>There are ways around the new processes</i> 	<ul style="list-style-type: none"> • <i>Help's available, but turning things around is up to you</i> • <i>Without real improvement, this likely isn't the right place for you to be</i>

We'll increasingly need to "re-recruit" these people with everything we say and do

Expecting improvement, offering support

Do Not Underestimate the Importance of Manager Capability



Source: Hewitt Global Engagement Surveys



Educating Managers about the Rewards Programs is Critical

- 1. Leverage trust in managers**
- 2. As executioners, help them understand program modalities**
- 3. Visible linkage with business strategy will help buy in and execution**
- 4. Leverage reward programs outside of cash compensation**

Relearning and Reshaping Rewards

- 1. Start with a Strong Foundation**
- 2. Optimize the Cost and Value of Total Rewards**
- 3. Focus on Critical Talent**
- 4. Pay for Performance**
- 5. Communicate and Educate**



Thank you

Contacts:

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