Case Study: Empowering Managers to Hire with Accountability

Project Drivers

The remuneration team at a large ICT company was inundated with managers trying to increase remuneration for "new and changed" roles.

Divisional managers pushed HR to evaluate roles to justify "changing remuneration or classifications" shifting ultimate responsibility for rem budget increases to HR. It also caused 'classification creep' (roles that have barely changed moving classifications due to constant Job Evaluation pressure from managers).

Brief to Insightpay Directors

At the time, two Insightpay Directors were working in senior remuneration roles at this company. They, and their teams, were tasked by the Executive with implementing a framework to align management accountability with decision making, and control salary costs.

The overall objective was a controlled and accountable environment, where managers were empowered to make hiring decisions within clear remuneration parameters. The HR Team would become internal advisors instead of referees, managing the process and exceptions rather than ruling on so many job classifications.

The Aha Moments

When the HRD agreed to the remuneration team's plan and identified the key sponsors.

The CEO came on board fast, as wage control was a perennial issue & the benefits were clear.

Now, to change behaviour, Managers needed to be more accountable for the financial impact of their hiring decisions.

The means to achieve this change was clear when the CFO also agreed to endorse the plan.

Further to this, the HRD and CFO also agreed for the finance team to drive the key labour cost reporting with the rem team.

This scorecard reporting then had the impact and credibility to help measure and drive real change.

The Approach

Once the CEO and CFO were on board (see the box) the team started working on the background analysis. This centred on:

- Simplifying the existing classification framework
- Modelling the likely remuneration budget outcomes
- Designing the agreed accountability measures

The process for introducing this to the Divisional Executive and their Managers was crucial to get their buy-in and engagement. It highlighted:

- The win-win based on increased hiring authority
- How this approach would improve hiring speed, and
- Reinforced budgetary accountability

A Division Level Monthly Labour Cost Scorecard was a key element that helped drive change:

- Labour cost 3 month rolling average run-rate, (to smooth out end of FY hiring)
- Average unit cost of labour and
- Labour cost to revenue/EBIT ratio as a productivity check

• *See the next page for The Outcomes.*

The Outcomes

With a solid foundation in place, the HR team could use their remuneration expertise to advise decision makers on new roles outside the current framework, rather than just being the gatekeeper.

Job evaluations, other than legitimate new roles, decreased significantly. Managers began to actively manage to budget and the required labour cost run rate.

Underpinning this was increased hiring accountability for Divisional Executives, reinforced by regular labour cost meetings with the HR and Finance Teams. These discussed trends and any large variances.

Divisional Executives then translated these outcomes down to the Managers within their own teams. Being directly accountable really helped guide more commercially focussed hiring behaviour.

Managers soon realised a best fit match within the current remuneration framework was a reasonable trade-off for greater autonomy. And if they wanted to move outside the framework, it was their Divisional Executive who would question the need (on advice from HR), rather than the HR team.

This resulted in a significant reduction in unplanned salary growth and demonstrated that … what gets measured, gets done.