



CONNECTING PAY AND STRATEGY FOR NOT- FOR-PROFITS

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Introduction

In 2006, Strategic Pay spoke at New Zealand's inaugural Not-For-Profit (NFP) Conference. Year on year, the conference has provided an opportunity for experts to share their insights, knowledge and thoughts on the sector's challenges and developments.

Open to all leaders and managers in the non-profit sector as well as the public sphere, there are three parallel sessions participants can choose to join over two days, in addition to four keynote presentations. The core themes at the 2017 event were 'leadership', 'managing people well and organisational strategy', 'future thinking', 'communicating and connecting with the corporate world' and 'evaluation that empowers action'.

Strategic Pay has been a major sponsor of the conference for the last three years and this year, we had the pleasure of hearing from our very own Cathy Hendry as a keynote speaker.

Introducing the total rewards model

More often than not, remuneration is looked at completely isolated from other business functions. Yet, the full context within which an organisation works needs to be considered. External influences such as the labour market, regulations, culture and the economy as a whole, as well as internal business strategy and culture, directly influence what might be the best course of action.

Getting pay right, whilst important, is essentially only a hygiene factor in terms of motivation. Instead of viewing this as a non-plus ultra for success, the total rewards model urges a holistic approach to motivation. As a flow-on effect from this, organisations which recognise the interconnections between strategy, external and internal facets will ultimately be able to attract, motivate, retain and engage the right talent.

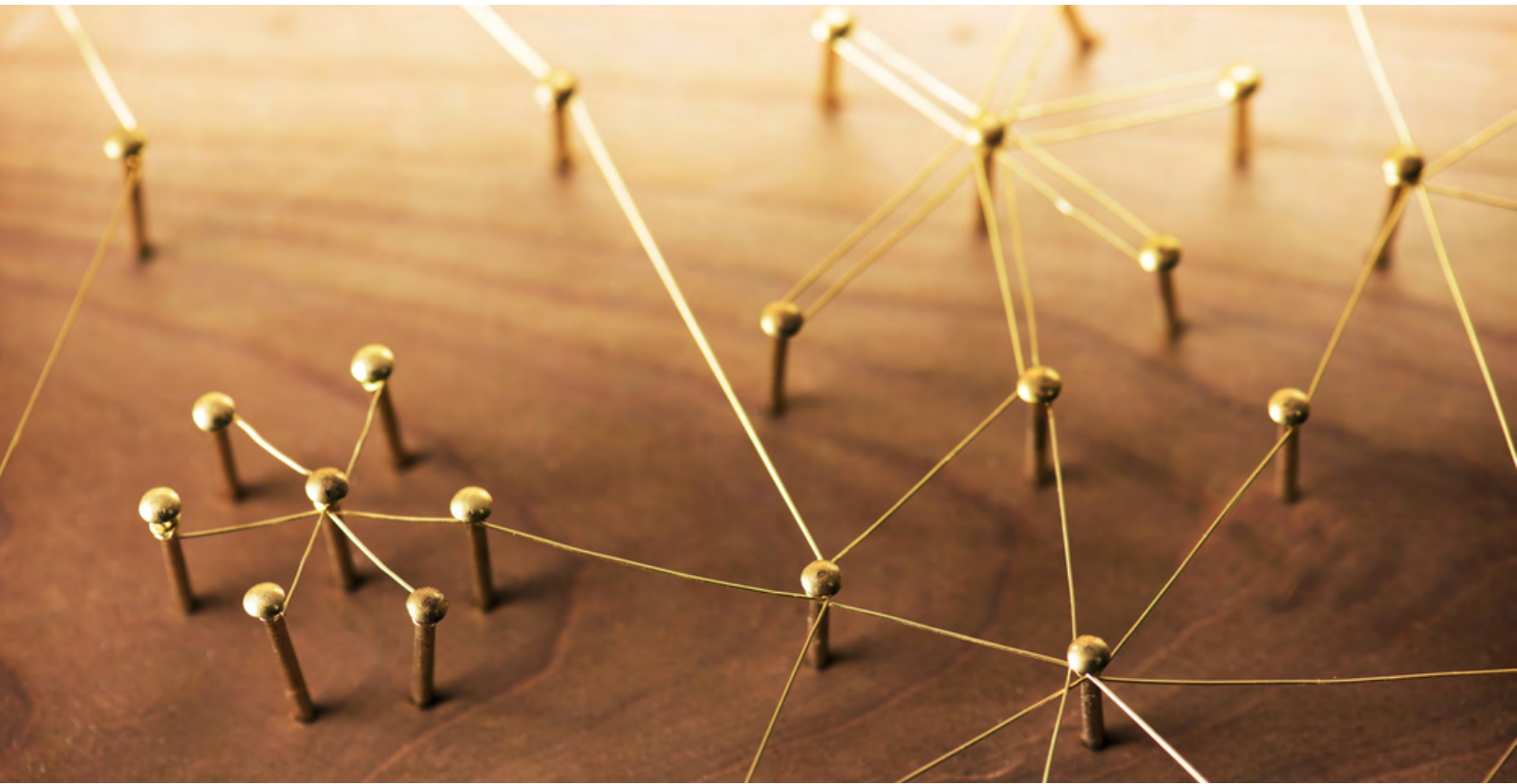
The key message the 'World at Work Total Rewards Model' highlights is that performance, reward and results need to go hand in hand with organisational strategy. With this, to attract the right personnel, work-life balance, performance and recognition, remuneration, benefits and development, and career opportunities all need to be considered and aligned.

As such, the total rewards model meets both extrinsic and intrinsic needs by providing job satisfaction, challenges, career prospects, personal growth, opportunity to achieve, status and high quality working conditions. When these aspects align cohesively, an organisation is able to create value for employees and employers alike, which inherently improves business performance.

Particularly in the non-profit sector, approaching remuneration from a total rewards model perspective allows key decision makers to not think about connecting the dots in a uniquely beneficial manner, suited to an organisation's key attraction points.



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Talking strategy and pay for NFPs

Cathy, an experienced HR consultant, has a strong background in remuneration consulting both here in New Zealand and the United Kingdom. As such, she has been involved with remuneration benchmarking, pay structure design, equal pay audits and incentive advice for C-Suites among many other things.

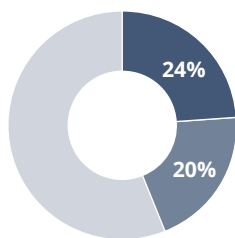
Her keynote presentation encapsulated our vision of linking remuneration and strategy instead of viewing these as separate factors. With this, Cathy touched on three major ideas: the 'World at Work Total Rewards Model', remuneration framework and using strategic thinking to approach pay.

Looking at remuneration framework

After deciding on the unique, strategy underpinned angle an organisation can take with a total rewards model, NFPs need to consider what market information they require.

Considering that Grant Thornton's 2016 NFP sector survey indicated that 24 per cent of individuals left their organisation because of development limitations, followed by 20 per cent due to pay, Cathy emphasised that a key challenge within the non-profit sector is the balancing act between market rates and affordability.

"What we forget is that the key element of the NFP sector is the fact that there are really strong vision and values which employees can identify with and get behind," she further pointed out.

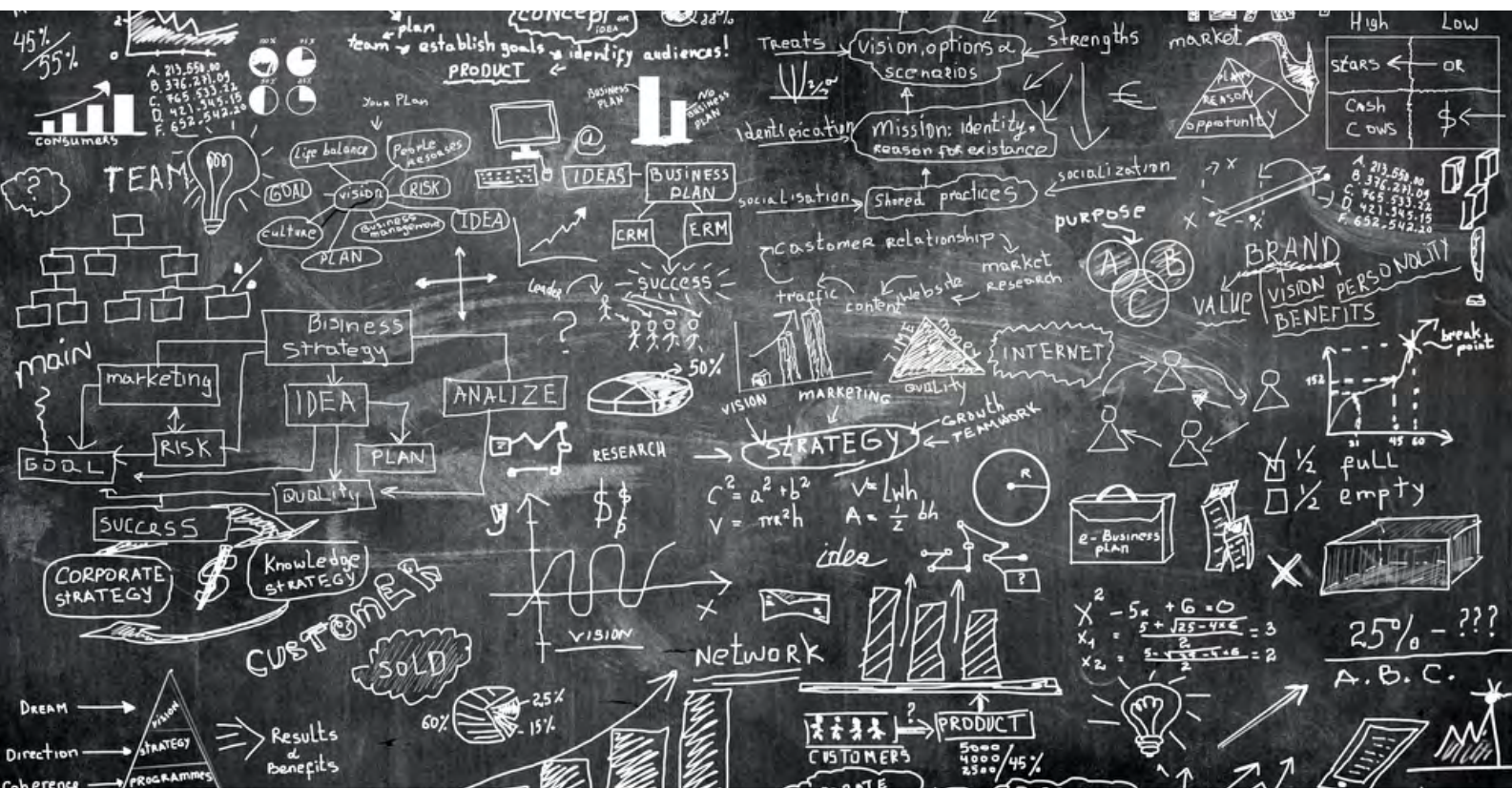


24% of individuals left their organisation because of development limitations, followed by 20% due to pay.

This key aspect of the sector enables individuals to make a real difference in other's lives, inherently lifting the expectations of honesty, transparency and fairness in terms of strategy as well as pay.

While remuneration is not necessarily the selling factor for NFPs, 98 per cent of organisations offer a work-life balance programme compared to just over 80 per cent in the general market. Voluntary as well as involuntary turnover is much lower and, as a result, absenteeism is significantly lower as well. Specifically, the non-profit sector has an average of 75 days lost due to absence compared to the staggering 708 days the general market loses out on.

"These numbers are a clear indicator of the level of engagement within NFPs. So we should focus on the things we can progress more, looking for partnership opportunities and training developments. More than that, recognising how important values are to retaining talent is key," Cathy suggested.



Key strategic aspects affecting pay

As social enterprises are becoming a more widespread phenomenon - where non-profits establish a commercial arm to make money which is then fed back into the NFP sector - incorporating two different strategies will also become more important.

In New Zealand, Iwi organisations typically have commercial, investment or property businesses, from which they align pay policies to the private sector. However, the money generated through this is funnelled into their development or social arms which typically align pay policies against the not for profit sector.

This dual-strategy approach in addition to many NFP's reliance on DHB contracts calls for organisations to focus on leveraging their strengths, particularly in terms of intrinsic motivation factors.



The major takeaways

One of the key points to take away from the total rewards model is how important it is to link performance outcomes with strategic plans throughout the organisation.

“Non-profits need to ask themselves ‘where do we want to be as a whole’ and then cascade this down to key objectives and employee deliverables alike,” Cathy suggested.

New Zealand’s non-profit sector may not have it easy. Yet, despite pressure in areas such as Auckland housing and skilled labour shortages affecting the greater environment, there’s also an opportunity to rethink what makes it an attractive work space.

So, to summarise, the kiwi non-profits face unique challenges and opportunities. This leads to the conclusion that to be successful, organisations need to see the big picture and recognise that it’s really not all about pay, but instead being able to make a difference.



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