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HR Quarterly
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A quarterly journal published by PwC South Africa, providing informed commentary on local and international developments in the people and reward arena.

June 2017

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Dear valued client

We are excited to announce that as of the 1st April 2017 Keypoint Consulting, a human resources consultancy business was acquired by PwC.

As part of the transaction, PwC is looking forward to continue servicing the valued clients of Keypoint Consulting. *"PwC will continue to work with and for you, using our existing knowledge, staff and personal client approach but with the added value of a global practice that PwC has" – Maura Jarvis.*

What does this mean for our combined client base?

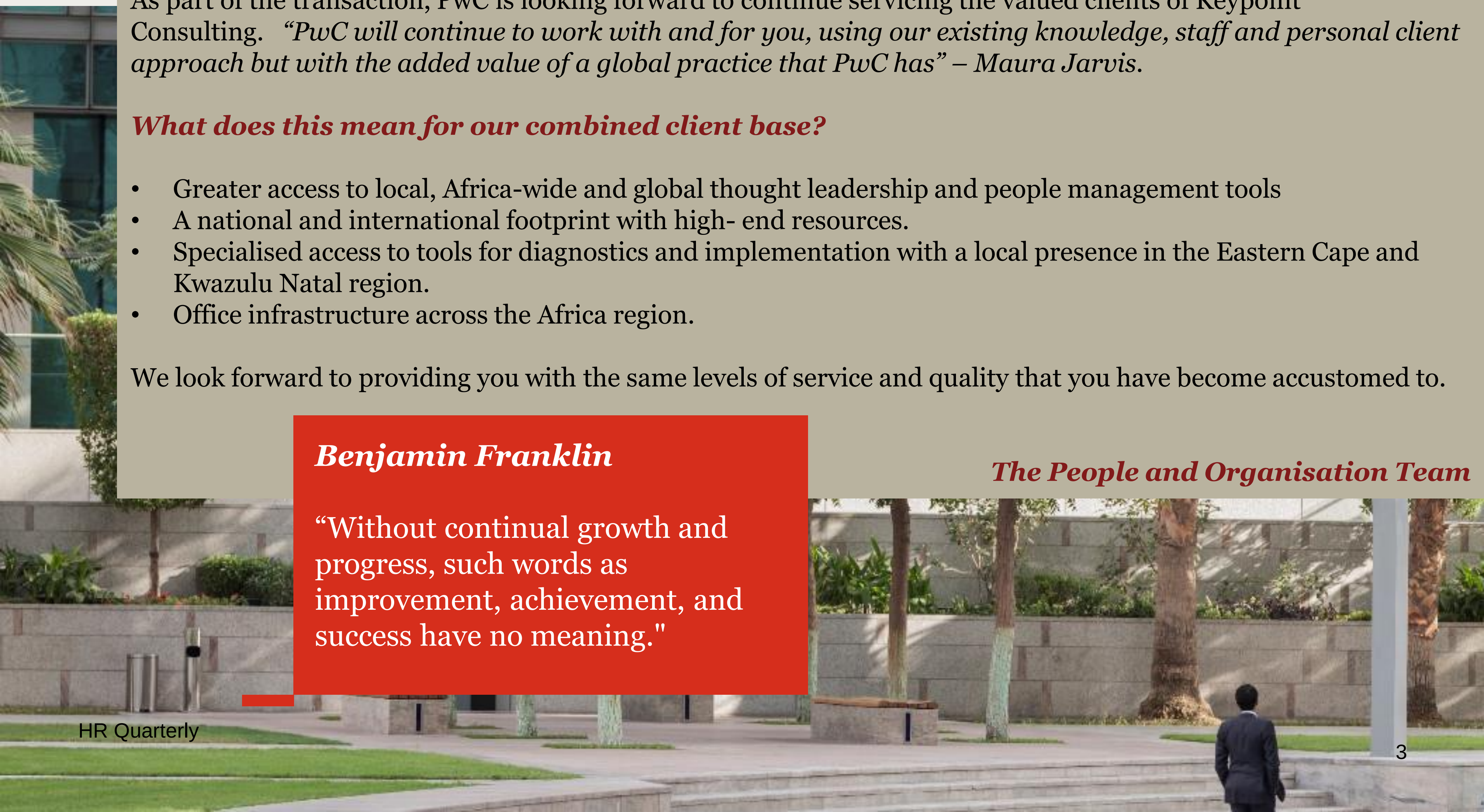
- Greater access to local, Africa-wide and global thought leadership and people management tools
- A national and international footprint with high- end resources.
- Specialised access to tools for diagnostics and implementation with a local presence in the Eastern Cape and Kwazulu Natal region.
- Office infrastructure across the Africa region.

We look forward to providing you with the same levels of service and quality that you have become accustomed to.

The People and Organisation Team

Benjamin Franklin

"Without continual growth and progress, such words as improvement, achievement, and success have no meaning."



Building the foundation for a data science culture

The new analytics requires that CIOs and IT organisations find new ways to engage with their business partners.

For all the strategic opportunities new analytics offers the enterprise, it also threatens the relevance of the CIO. The threat comes from the fact that the CIO's business partners are being sold data analytics services and software outside normal IT procurement channels, which cuts out of the process the very experts who can add real value.

Perhaps the vendors' user-centric view is based on the premise that only users in functional areas can understand which data and conclusions from its analysis are meaningful. Perhaps the CIO and IT have not demonstrated the value they can offer, or they have dwelled too much on controlling security or costs to the detriment of showing the value IT can add. Or perhaps only the user groups have the funding to explore new analytics.

Whatever the reasons, CIOs must rise above them and find ways to provide important capabilities for new analytics while enjoying the thrill of analytics discovery, if only vicariously.

The IT organisation can become the go-to group, and the CIO can become the true information leader. Although it is a challenge, the new analytics is also an opportunity because it is something within the CIO's scope of responsibility more than nearly any other development in information technology. The new analytics needs to be treated as a long-term collaboration between IT and business partners—similar to the relationship PwC has advocated for the general consumerisation-of-IT phenomenon invoked by mobility, social media, and cloud services.

This tight collaboration can be a win for the business and for the CIO. The new analytics is a chance for the CIO to shine, reclaim the "I" leadership in CIO, and provide a solid footing for a new culture of inquiry.

Redemption in the workplace – by Shaun Read, Partner Legal Services

A senior management employee of 15 years experience and good track record is found not to have disclosed an issue which has resulted in a potentially significant cost to his employer but from which the employee has not benefited. When confronted by the employee's bosses, the employee is at a loss to explain his negligent conduct.

A long standing employee at a food retail store, with a similar good employment record, is found in possession of food items, hidden in bag, during a routine search on the way out at the end of his shift. He seeks to explain his conduct on the basis that he supports 6 people and his salary no longer covers his monthly costs.

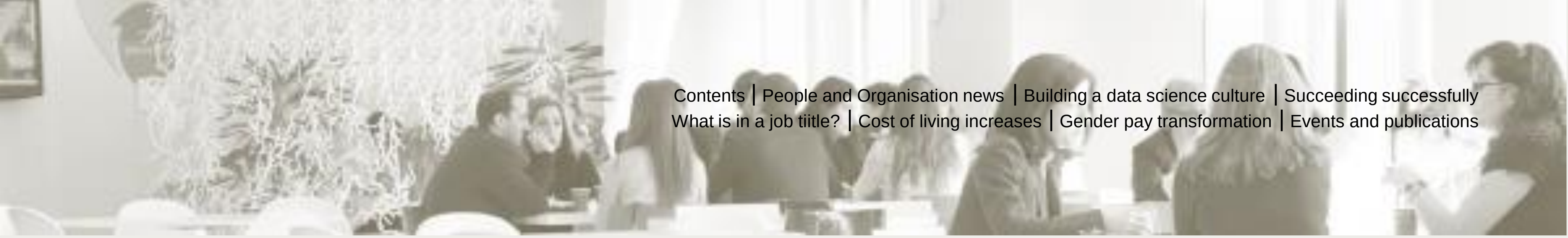
In the above scenarios, both employees would be facing disciplinary action that could lead to their dismissal, despite the redeeming personal circumstances and/or their employment track records. In the case of the senior employee, the employer would justify this on the basis of a breakdown in trust. In the case of the retail employee, the employer would most likely raise the need to send a message to a larger work force that it does not condone theft, even if it is minor or done with an altruistic purpose. It is unlikely that either employer consider whether or not the employee should be given a chance to remain in employment and redeem themselves.

The concept of redemption is present in many walks of life. In religion, redemption is coupled with a recognition of human failings, but requires the seeking of forgiveness and the commitment to future conduct that demonstrates to the worshipped deity that the "*sinner*" has mended his or her ways. Outside of the religious context, most will experience the idea of redemption through their interaction with family or friends, either in seeking or dispensing forgiveness for perceived wrongful conduct. Even the criminal justice system recognises the potential for redemption in its sentencing principles and those systems that do not provide some hope of redemption are seen as uncivilised or cruel.

Given that our world is filled with examples of forgiveness and redemption, why then is it that in the workplace, errant employees are more often than not dismissed rather than given the option to redeem themselves? Even a written warning for lesser offences, a form of "*second chance*", are often part of a box ticking process leading ultimately to an intended dismissal.

In the first instance, what drives redemption outside of the workplace is the need to maintain or repair relationships. Relationships between employees and the persons that manage them is often simply not present or is weak and/or actively discouraged. Employers often do not see the need to repair such weak relationships because the employer can replace the employee.

Secondly, a "*one size fits all*" disciplinary procedure, applied by most employers, does not lend itself to a redemption, which requires the employer to face the concerns of "*opening the floodgate*" and/or "*what message will this send to the other employees?*".



The above approaches ignore the potential benefits attached to giving an employee a chance to redeem themselves. These benefits may include the following -

- an employee facing dismissal and who is given a second chance is often a more loyal employee going forward as they appreciate the consequences that have been avoided;
- the employer has a chance to retain the institutional knowledge that exists in such employee;
- the time, effort and cost of a disciplinary enquiry is spared;
- the cost of recruiting and training a replacement is spared; and
- the opportunity exists to reset the terms and conditions of employment.

A menswear company in the USA illustrates the point. Led by an admitted recovered alcoholic CEO, the company actively recruited persons convicted of a criminal offence, who have sought out a second chance in life. Despite employing persons other companies would see as a significant risk, this company experiences only 0.4 % stock shrinkage on average against an industry average stock shrinkage of 1.5%.
Clearly not every situation lends itself to a redemption process. Whether or not an employee should be given a chance to redeem him or herself will depend on the facts of each case, but the following considerations may provide some guidance –

- the nature of the conduct. Certain conduct may never be considered as giving rise to an opportunity for redemption e.g. unprovoked assault.
- the absence or presence of malice towards the employer and/or fellow employees in relation to the conduct;
- was the conduct pre-planned or require careful thought in its execution?
- was the conduct ongoing or a once off occurrence?
- did the employee personally benefit from the conduct?
- did the employee confess to the conduct when confronted with it and if so, how soon afterwards?
- did the employee seek forgiveness for the conduct?

In the examples cited at the beginning of this article, each of the errant employees may have been candidate for redemption. A trained, experienced worker willing to redeem themselves is a valuable asset that should not be discarded before due consideration is given to the alternative.

The willingness to allow an employee to redeem themselves does not mean that the employee should not be disciplined or face any consequences. It should be made clear to the employee that a "*second chance*" is in fact a last chance. This should be coupled with an admission of the past conduct and/or apology to those directly affected by the conduct. In certain cases the employer may require the employee to resign and take up re-employment in a lower position. The employer may also seek repayment of damages to the employer. The success of redemptive process also depends on Company ensuring that the employee in fact has an opportunity to redeem themselves. To this end, the employer must have in place proper monitoring processes and regular follow up reviews. In addition, the employer should adopt a stance that does not result in the past conduct being used against the employee at every opportunity. The employer should also be mindful of how the situation is communicated to the remainder of the employees so that the redeeming employee does not become a pariah amongst fellow employees. Ideally, the process should be embodied in a written agreement after having taken professional advice.

Succeeding successfully

The importance of succession planning within an organisation

In order for organisations to thrive in today's ever-changing landscape, it is critical for organisations, particularly boards and CEOs, to ensure that the right talent, leadership and key critical skills are not only present in the organisation at this moment in time, but is identified and developed on a constant cyclical basis with the aim of meeting the organisation's future needs. In order for organisations to stay ahead of the ever-changing environment, organisations need to carefully identify and cultivate executive talent, key critical talent and teams that are able to recognise and seize strategic opportunities within these constantly shifting conditions. It is within this context that a thorough succession process is of vital importance to ensure the continuity and success of an organisation.

What is succession planning?

The movement of human capital in and out of an organisation (or between different roles) is a natural occurrence within any organisation. The key function of a succession plan is to address and mitigate the changes and consequences which the organisation will face upon the departure of employees, in particular those employees in top management positions or in possession of rare or critical skills. Ensuring that a sound succession plan is not only in place, but also implemented correctly, is a fundamentally important component of good human resource planning and management.

Generally the process will involve the identification and assessment of the organisation's current and future needs and requirements as regards their business goals and strategies, over the short and long term; and assessment of the capabilities of the existing workforce and matching these capabilities to those required; as well as the identification of any possible gaps which may arise if key critical staff were to leave the organisation or move between positions. The process will furthermore involve the identification of employees within the organisation who have the necessary skills, knowledge, experience and drive necessary to become possible successors to identified positions, and the development and grooming of these employees to enable them to fill key critical roles in the organisation.

PwC "Building the bench: Strategic planning for CEO and executive succession" available at http://www.pwc.com/us/en/people-management/assets/building-bench-strategic-planning-ceos-executive-succession.pdf

Although succession plans very often places the focus on only the most senior individuals in an organisation, e.g. the CEO and CFO, it is of critical importance that the succession plan be extended to critical positions necessary to fulfil the organisation's business strategies.

Why is succession planning important?

There are various reasons why having a thorough succession plan in place is crucial for an organisation:

- Having a succession plan will ensure that the organisation is ready for and able to continue its operations where an executive director and/or key critical staff member leaves the organisation or vacates his or her current role;
- It ensures a continued supply of staff members who are ready/being developed to step into key critical roles in the organisation;
- It emphasises the importance of the development of the career paths of employees and will be a factor in the attraction and retention of staff;
- It creates a feeling of value for the employees.

Guidelines to succession planning

In order to truly establish a culture of formalised succession planning, executives, senior managers and leaders of business units will need to be involved in the succession process, understand the process and be actively engaged in ensuring its success. The following principles serve as a high-level guide for managing succession in an organisation:

1. Establish succession management within the organisation: the aim should be to have a pipeline of solid and high-performing leaders within the organisation who are able to take over from and build on the success of their predecessors. Talent development should be a priority and should be integrated within the organisation's culture.
2. Establish who will be responsible for managing the succession process: in order to avoid ineffective succession planning and possible conflicts, the roles and responsibilities of each person involved in the succession management process should be clearly defined upfront so as to ensure effective management and collaboration. Typically the responsibility for proper succession planning and management will rest with the board, the CEO as well as HR management.
3. Establish an integrated succession management process: the aim should be to ensure that the organisation develops and maintains a solid and cohesive leadership team which can drive the organisation's business, as well as to ensure that the organisation has access to the key critical skills necessary to operate as effectively as possible.
4. Ensure thorough assessment of potential succession candidates: a key aspect of proper succession management is to position and develop the right people in the right roles at the right time. Often succession plans fail due to the initial assessment of succession candidates either being flawed or superficial. Typically assessments will take the form of performance reviews, interviews, group sessions and evaluations, self-assessments, psychometric tests and simulations. Identified individuals need to be properly assessed to ascertain whether they have the necessary skills, knowledge and potential to be or become potential successors. Typically more than one individual should be identified to be developed as a possible successor per identified role. Ideally this step should recognise both the strategic needs of the organisation, as well as the individual aspirations of each identified candidate and should preferably be done as early as possible in each identified candidate's career so as to ensure sufficient time and space for the necessary growth and development to occur.
5. Actively develop identified successors: once candidates for succession have been identified and assessed, each individual should have his or her own specific development plan created which identifies developmental objectives as well assignments that will assist the candidate in accelerating their readiness for their future roles. An effective approach to the development of leaderships to provide them with assignments which require the use and development of the skills which they will need in order to succeed into their future roles. Coaching and feedback, together with practical experience will assist the candidate's development.

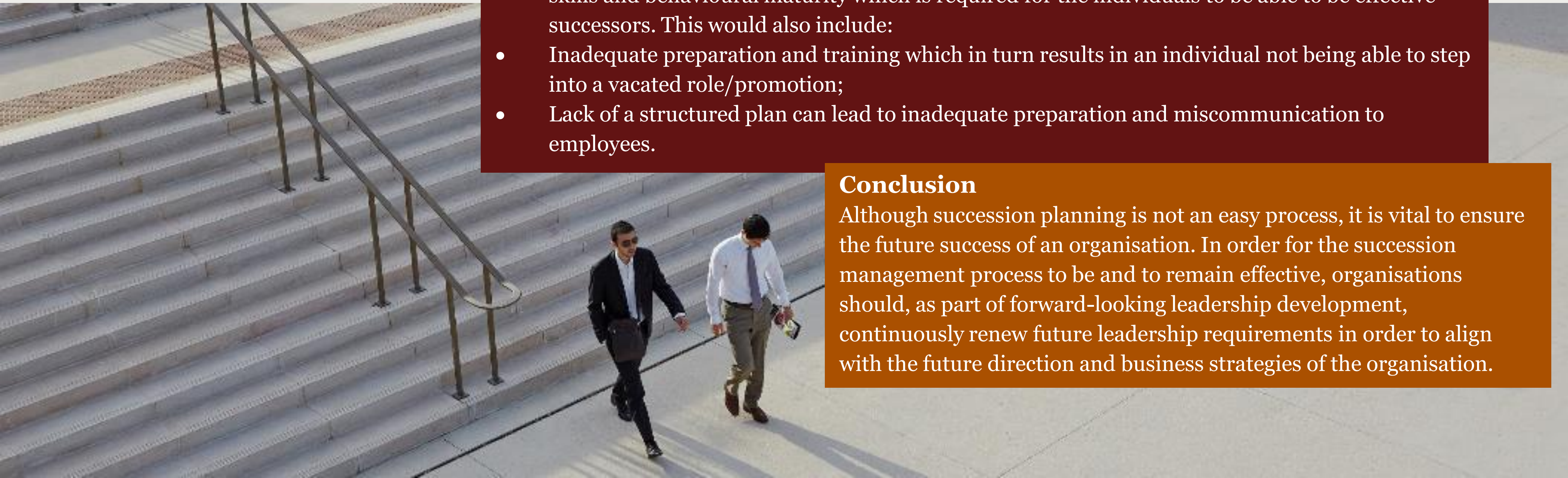
PwC "Building the bench: Strategic planning for CEO and executive succession" available at http://www.pwc.com/us/en/people-management/assets/building-bench-strategic-planning-ceos-executive-succession.pdf

Common missteps in succession planning

Article by Marike Kleynhans

Although many organisations have taken steps to establish succession management within the organisation, there are some common pitfalls which remain:

- Organisations fail to properly identify, define and establish the right roles and responsibilities for the process of succession planning. Many roles within organisations and their inherent responsibilities continue to shift and organisations often fail to properly clarify what each role entails and to involve the correct people in an effective way. Clear examples are where the board of the organisation is in charge of CEO succession but lack the information and insights necessary to make fully informed decisions. In some other instances, the CEO might have approval to select a successor without input and constructive challenges from other stakeholders.
- An important aspect of succession planning, and which organisations often fail to take into account, is that the evaluation and development of successors should not be done against an outdated set of criteria. The organisation should instead use forward-looking profiles so as to evaluate and identify potential candidates for succession ahead of time.
- Succession plans often seem to be adequate upon first glance, but fail to meet its required objectives. These plans are often based on ineffective assessment methods, superficial discussions of succession candidates and development plans which lack the proper development objectives and strategies which are meant to build and develop specific required knowledge, skills and behavioural maturity which is required for the individuals to be able to be effective successors. This would also include:
- Inadequate preparation and training which in turn results in an individual not being able to step into a vacated role/promotion;
- Lack of a structured plan can lead to inadequate preparation and miscommunication to employees.



Conclusion

Although succession planning is not an easy process, it is vital to ensure the future success of an organisation. In order for the succession management process to be and to remain effective, organisations should, as part of forward-looking leadership development, continuously renew future leadership requirements in order to align with the future direction and business strategies of the organisation.

The naming convention headache

by Christelle Brunette

These days it is imperative for Human Capital (HC) professionals to go back to basics before giving an employee a desired job title that not only is impressive on their curriculum vitae, but also gives them a perception of false power and authority within the organisation.

As a facilitator of PwC's job-profiling, job evaluation and reward academy workshops, I tend to make it my life's purpose to inform HC professionals of the dangers of creating a job title, which they believe will entice the right kind of person into accepting a job offer from the organisation.

Over the years of being involved in consulting assignments, I have conducted many job evaluation projects using PwC's REMeasure® on-line evaluation tool. In many cases where the management team were formally evaluated all their "Senior Managers" ended up being graded at the Paterson D-Upper levels and the Managing Director at the E-Lower level. These results were arrived at by taking into account the size of the business as well as the financial accountability relevant to each of the positions that were evaluated.

The reaction is often one of disbelief. How can these results be correct, specifically when one considers the correlation to the employment equity levels? How on earth can this tool say that they are not Senior Managers, which according to the Department of Labour's correlation should be in the E and F Paterson bands. For years the organisation has reported to the Department of Labour that their employees consist of top management, senior management, professionally qualified, and the list goes on. How can they not have a top management staff count? How can a Managing Director of an organisation not be in the F band top management category?

How can an organisation correct this misconception and what steps can be followed?

As in the legendary movie, the Sound of Music, you need to start at the very beginning – a very good place to start.

1. Conduct a job analysis exercise, which is the breakdown of a job into its constituent tasks and processes.
2. Document the outcome of the job analysis into a job profile (also known as a role profile, job- or role description). This is the written result of the job analysis in step 1.
3. Evaluate the positions using an objective and reliable rating system. This is necessary to establish a job-worth hierarchy in terms of where jobs should be placed within the organisation structure.
4. Establish a grading structure, also known as a job-worth hierarchy.
5. Ensure that your organisation has a remuneration philosophy that is aligned to your company's strategic objectives. This philosophy is a set of beliefs which underpin the reward strategy of an organisation.

With the evidence provided in the job evaluation exercise, one can report to the Department of Labour with confidence and provide correct and validated information.

Crucial to educate staff

Overall, there is nothing wrong in calling your senior management team in your organisation Senior Managers, but you need to educate your staff that this relates to internal naming conventions and not those of the Department of Labour employment equity levels. Be cautious of creating confusion and unrealistic expectations in the minds of your employees.

Harmonisation of job titles

When examining whether the obligation to apply pay /remuneration equity in the workplace is being complied with, three key issues require scrutiny-

- Are the jobs that are being compared the same, substantially the same or of equal value in terms of an objective assessment?
- Is there a difference in the terms and conditions of employment, including pay /remuneration, of the employees in the jobs that are being compared?
- If there are differences in the terms and conditions of employment, can these be justified on fair and rational grounds?
- Differences in terms and conditions of employment, including pay /remuneration, of employees of the same employer may not necessarily constitute unfair discrimination where the complainant and the comparator do not perform the same, similar or work of equal value.
- A difference in pay /remuneration will only be unfair discrimination if the differences are directly or indirectly based on race, sex, gender, disability or any other listed or on any other arbitrary ground.

The question is whether your job titles and grades will withstand scrutiny from the department of labour? And if so, are your policies and pay aligned to practice?

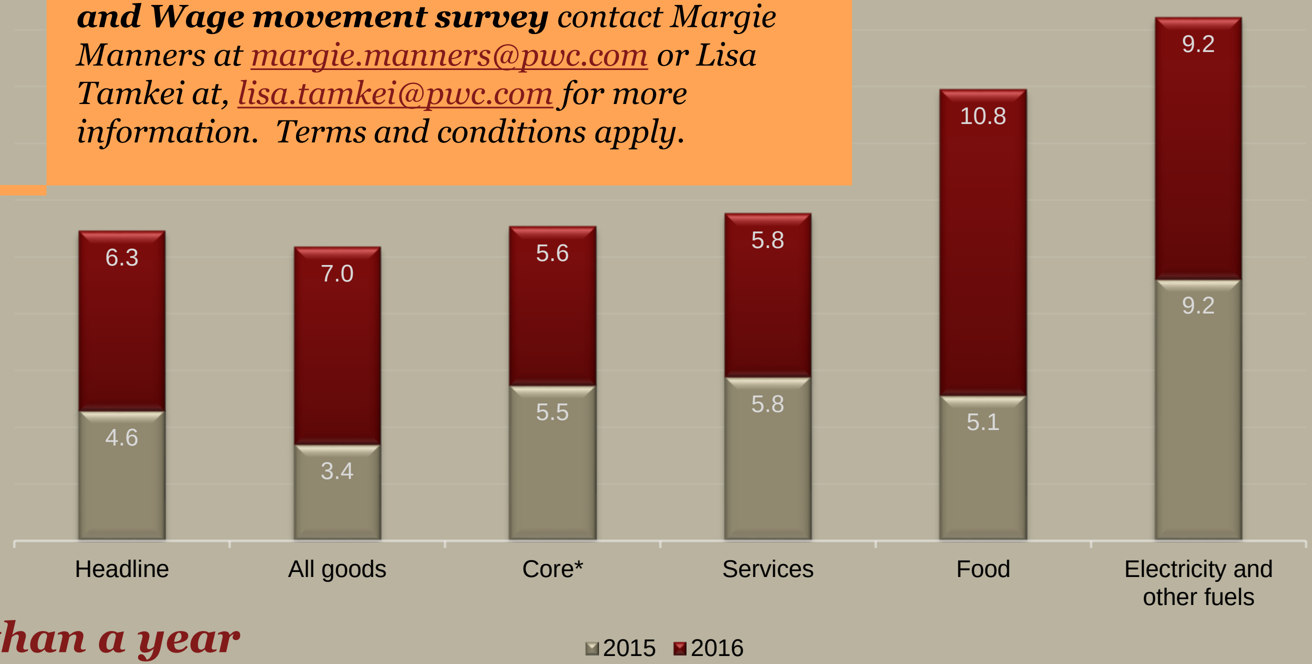
Possibly one of the most noteworthy additions to the amended Employment Equity Act is the introduction of the right to 'equal pay for work of equal value', which has been added as a sub clause to Section 6. The amendments were effective 1 August 2014 which means that it is against the law to discriminate unfairly between the remuneration and working conditions of employees doing the same work or work of equal value. The code of good practice on equal pay/remuneration for work of equal value gazetted in June 2015 provides reward professionals with the elements which may fundamentally be used to differentiate pay of employees. The guidance notes states that an employer must, in order to eliminate unfair discrimination take steps to eliminate differences in terms and conditions of employment, including pay/remuneration of employees who perform the same or substantially the same work or work of equal value.

Of course the analysis of your current organisational structure, job naming conventions and role profiles is crucial to this process. The amendments to the act requires employers to do an analysis of their pay practices. If you have however created unique job titles in your organisation to suit employees this may indeed be very difficult to do. Similarly many of the job profiles in organisations are outdated, which further complicates the analysis – especially if you are trying to evaluate positions in order to defend your pay practices.

An employer found guilty of transgressing the law will be facing severe financial penalties, 3rd offence could result in a fine of 10% of annual turnover.

Will you grant a cost of living increase?

***To participate in PwC's October 2017 Salary and Wage movement survey** contact Margie Manners at margie.manners@pwc.com or Lisa Tamkei at, lisa.tamkei@pwc.com for more information. Terms and conditions apply.*



Can you afford it?

We're easily 10% poorer than a year ago…

Inflation has reared its ugly head and most South Africans will not be experiencing anything close to the 6% reported by Stats SA. *Moneyweb article by Hilton Tarrant – 23 January 2017.*

Reading this article and the statistics quoted would resonate with most South African consumers. But how does this influence salary increases, if at all? The conundrum continues – employers must cut costs to ensure future sustainability and with human capital being one of the largest organisational expenses it is becoming increasingly difficult to do so. On the other hand employees are battling to make ends meet and your skilled talent will continuously look for opportunities to alleviate their plight.

Of course the retention of key talent remains a priority for all organisations, but will a cost of living increase have the necessary impact and will it achieve the overall objectives to create a high performing workforce? Especially in a time where organisational performance impacts incentive payments. If only reward professionals had a magic wand to ensure a perfect and balanced reward environment.

In the absence of the magic wand you still need to keep your eye on your competitors and the type of increases that they will be granting in the next 12 months. At least information will provide you with insight in terms of your decision making process.

To assess how organisations will be dealing with these challenges, PwC will again publish the Salary and Wage movement survey in October this year.

Gender pay inequities - alive and well?

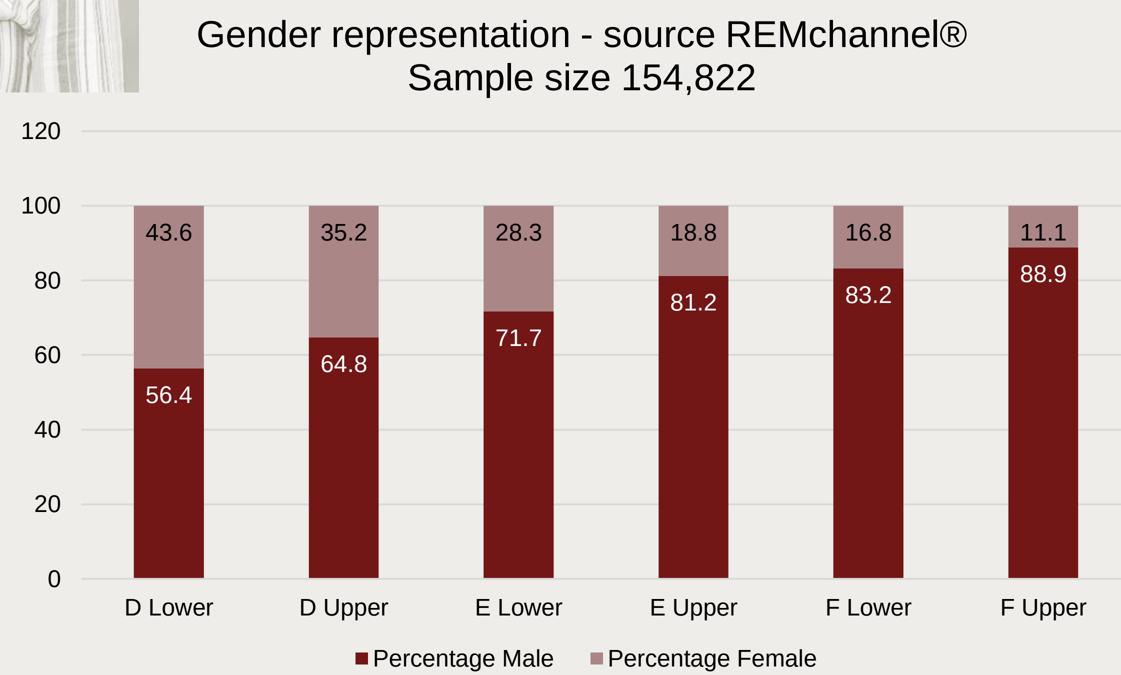
Women's month is around the corner and gender representation and pay transformation will again be in the spotlight. How much progress has been made in the last 12 months, if any?

Females represent 40% of the sample in the table indicating gender representation. It is however evident that representation decreases significantly at the E and F bands of the sample. This trend is almost exactly the same as reported during 2016 which means that very little progress has been made in the past 12 months.

On average 61% of the females in this sample is paid below the 50th percentile in comparison to 46% of their male counterparts being paid below the 50th percentile. However when you consider that 34% of the females are paid in the lower quartile and none of the females in the sample at F Upper are being paid in the upper quartile, the inequalities are very evident.

This begs the question whether diversity and equality strategies in organisations are effective, and whether they are being monitored to establish the success rate on a continuous basis.

This topic will again be addressed in the upcoming Executive Director's survey to be published in July 2017.



Current and forthcoming attractions

Thought leadership:

- Mine 2017
- Global Digital IQ Survey 2017 - Africa
- The Africa business agenda 2017
- 2018 Global Economic Crime Survey

Published Surveys:

- Non Executive Director's Survey: January 2017
- Salary and Wage Movement Survey: April 2017

Forthcoming Surveys:

- Executive Director's Remuneration Survey: July 2017
- Salary and Wage Movement Survey: October 2017
- Employee Benefits Guide: December 2017
- Short Term Incentive Trends Survey: January 2018

The following thought leadership and survey publications have been released or will be released in the next few months. Should you wish to review the available thought leadership publications please go to our website www.pwc.co.za

For enquiries regarding survey publications, please contact Margie Manners at margie.manners@pwc.com or Lisa Tamkei at lisa.tamkei@pwc.com

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