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# *HR Quarterly*

## 4th Edition December 2018

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

*December 2018*



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Dear valued client

It seems unreal that we are only a few weeks away from the annual December holidays. Last year this time we commented on what a tough year it was in 2017 but we believe that 2018 was probably much tougher from an economic perspective than the year before. It is also evident that 2019 is going to be equally challenging for employers and employees alike. Most of our clients are in a cost containment phase which means that salary negotiations are more difficult than ever. That being said technology advancement is creating major opportunities to increase efficiencies whilst at the same time creating new and exciting jobs in the market.

In this final edition of the HR Quarterly we have provided insight in to the blockchain technology and its potential to transform businesses and Human Resources.

We trust that you will enjoy the last publication of 2018 and would like to take this opportunity to wish you and your loved ones a peaceful, blessed and safe festive season.

**The People and Organisation Team**

# *How will blockchain technology impact HR and the world of work?*

*Blockchain's potential to transform business is already manifesting itself in industries such as insurance. But what could the technology do for HR?*

Blockchain is a technology that is widely discussed but perhaps less widely understood. Technically, it is a distributed ledger that allows value to be exchanged securely, transparently and without risk of tampering. It is also a technology that creates trust through consensus, by ensuring that all parties authorized to access the blockchain agree that any additions made to it are valid. As a result, it removes the needs for a central trusted counterparty in transactions.

These attributes mean blockchain is revolutionizing the way we exchange value online – in much the same way as the internet itself revolutionized the way we exchange information. But what implications does it have for the future of the HR functions and the wider world of work? And how can organisations make the most of blockchain's potential in areas like recruitment, talent management and skills development, while avoiding the risks that can arise with early adoption of any technology?

To ask, discuss and answer these questions and more, PwC convened an expert round table consisting of HR leaders from across various industries and blockchain technology specialists. The debate was intriguing and wide-ranging, and the paper published pulls together the highlights and key themes.

The overarching message was clear: blockchain's impact on HR and the workplace will be transformational. And not just for companies but also for the individuals who work for them, whether as traditional employees or as part of the growing pool of "talent on demand". While the full impact of blockchain will take time to emerge, participants at our debate felt companies should begin their journey of blockchain discovery now – or face a scramble to catch up in years to come. **Chris Murray – PwC Partner and Leader of PwC's Global HR Technology Network**



# *Reshaping the landscape of value exchange*



It removes the need for a back-office, because settlement with blockchain is instantaneous – with no requirement for reconciliation, receipt, purchase order or the other traditional components of a transaction. It is estimated that the resulting reduction in back-office overheads could create annual savings of 4 trillion USD for business globally.



It removes the need for a third-party to sit between the counterparties in the middle of transactions – banks, estate agents, travel agents and so on.



It provides immutable proof of evidence that the transaction has taken place. This record cannot be deleted or altered without the other parties knowing about it.



It creates the ability to embed business logic into a single transaction – otherwise known as a “smart contract”. For example, if someone’s cost code changes, then their permission to access systems and data can also be programmed to change automatically.

***Blockchain enables you to take the written word and codify it in technology.***

# *Key conclusions from the blockchain debate*



While disruption from blockchain is more commonly associated with areas like payments and capital markets, its effects on HR will be profound and pervasive – not least because of its impacts on talent and skills requirements.



The processes most appropriate for transformation through blockchain are likely to be those that are slow, cumbersome, labour-intensive and expensive due to the need for significant data collection and third-party verification.



Rather than focusing on the intricacies of the technology itself, HR functions should consider the benefits it delivers such as trustworthy verification of counterparties identities and how these can help with problems/inefficiencies in their existing operations.



The race to seize competitive advantage through blockchain has begun and HR functions must join it now, or risk being left behind.



Possible usages of blockchain meriting further exploration include:

- Verifying and assessing the education, skills and performance of potential recruits – enabling those recruits to be allocated to the most appropriate roles.
- In turn, giving people a comprehensive , trustworthy blockchain based record of their education, skills, training and workplace performance.
- Managing cross-border payments and employee mobility, including international expenses and tax liabilities.
- Boosting productivity, such as automating and reducing the burden of routine, data-heavy processes like VAT administration and payroll.
- Enhancing fraud prevention and cybersecurity in HR, including both employees and contractors.

# *Evolving an engaging work experience*

In 2017 PwC conducted an Employee Engagement Landscape Study which provides insight and direction for sceptics and believers alike. For sceptics, our results reinforce the need to see engagement as a reflection of the work experience and an enabler of business growth, not as an end in itself. For believers, we identify ways to build on past achievement to arrive at greater heights in innovation and sustainable, long-term business performance. In both cases, we are switching the focus on engagement from being just a measure or outcome to being part of an ongoing progression of the employee work experience.

Organisations in ever-increasing numbers are striving to create a work experience that motivates employees, aligns these resources to business goals, and measures the impact of these efforts. Over the past two decades, employee engagement has served as a measure of work experience and consistently been shown to be related to increased employee retention, workplace safety, performance, quality, customer satisfaction, sales results, and financial growth. Even as employee engagement has gained prominence as a human resource and business strategy, sceptics remain, questioning whether engagement truly drives business performance. This is likely grounded in a narrow perception of engagement as just a number, or something that's simply switched "on." In contrast, believers in engagement have found that focusing on creating an engaging work environment has provided value and return. Some organisations become stuck, content that the given level of engagement is enough, while others want to more fully realise their return on engagement, but are uncertain about how to take things to the next level. Sceptics ask, "What besides engagement should we focus on?" Believers wonder, "Where do we go from here?" The answer lies in the reality that fully activated employee engagement is a reflection of a far broader, fluid work experience paradigm.

Both sceptics and believers should focus on how they can continue to grow and evolve the work experience from foundational to distinctive, building on the engagement created along the way. It's important to remember that engagement is not just a number or measure. Although engagement surveys and other measures often represent engagement as a number, it's ultimately a reflection and outcome of the work experience itself. Creating engagement is really about the experiences and interactions people have on the job that influence their perceptions of their work environment, ideally in a way that motivates them and directs their actions toward supporting business goals. Thus, when the objective is to create a more engaged workforce, the focus should be on what changes in the work experience can help create engagement. The evolution of the work experience follows three stages: foundational, developing, and distinctive. It's important that organisations address issues and opportunities at the foundational level before introducing and driving more advanced, or distinctive, behaviours. This will increase the likelihood that these advanced behaviours can be supported and sustained. If your organization tends to experience starts and stops on some behaviours (e.g., showing gains and presence one year, and then losses and absence the next) it could indicate that the foundational elements are not in place.

# Three stages of work experience progression

More advanced work experiences provide a greater variety, sophistication, and depth in behaviours and processes. As a result, the environment creates more committed, aligned, and engaged employees (i.e., more Champions). Our work with clients tells us that not all aspects of the work experience will be equally important to all organisations; the priorities for the business will help inform what aspects of the work experience need attention and where you should put in the most effort to further develop that work experience. For example, some organisations are more invested in building a culture of open dialogue and creating new things, whereas others may put more emphasis on process excellence and process improvement. Understanding the progression of the work experience can help organisations avoid stagnancy in creating an engaging and productive work environment. Understanding how the work experiences evolve from stage to stage helps companies focus on the right level of behaviours and actions and can invigorate engagement activities.



**Foundational elements**, which are fairly consistent across organisations, need to be solidly in place for further development to be sustainable. These are often basics such as good communication, awareness and understanding, and clear standards. For example, if leaders want people to wholly own and internalize the organization's strategy and vision, good communication and understanding are crucial. When foundational elements are in place, it's more likely that an organization will have successful elements at the next two stages.



**Developing elements** help advance the work experience. Though many of the activities and behaviours remain somewhat similar from one organization to another, differences emerge in the way organisations execute on these elements. Developing elements build upon foundational elements and help shape the next step for the organization's ultimate work experience goals. For example, if good communication is a foundational element, and the goal is to have employees internalize the organizational vision in their day-to-day work, the developing elements will reflect what is needed to get to that end state. This could entail discussing the vision as a team and considering how it relates to employees' work. Or it could call upon managers and leaders to act as role models and demonstrate how they incorporate the vision into their work. Or it could be about encouraging ideas that help support the vision at all levels of the organization. These activities form the pathway to deeper ownership and personalization of the vision.



**Distinctive elements** of the work experience are the processes and behaviours the organization wants to use to differentiate itself from other organisations. Where foundational elements may be fairly common across organisations, and developing elements might be similar but executed differently, the focus for distinctive elements varies from one organization to another. For one organization, the pathway to strong communication may involve internalizing values and strategy. For another, it may be creating an innovative culture. And for another, it may be helping to create real-time feedback and coaching. High performing organisations define what makes their work experience different from others in terms of distinctive behaviours, such as personal ownership of vision. Even two organisations that have a similar end goal (e.g., real-time coaching and feedback), each may define what this looks like differently.





## The Foundational Company

- Discusses engagement/work experience, but not a defined strategy
- Tends to do well on engagement basics related to role clarity, fair treatment, and job satisfaction
- Can do better at connecting people to broader strategy and vision (tends to be tactical/job focused)
- Leaders not as visible or as strong at communicating
- Not as likely to be doing research to connect HR strategies to business performance
- Tends to be more average relative to other organisations in terms of engagement, retention, and business outcomes



## The Developing Company

- Has developed a defined strategy for engagement or EVP, but not fully implemented
- Tends to have regular employee surveys or feedback processes
- Introduces new activities and processes designed to improve work experience, but ownership of actions not always well defined
- Does a good job of listening and involving employees
- Leaders visible, earning higher trust and confidence
- May still define activities/practices based on what other companies are doing, rather than creating own path
- Tends to be above average on engagement, retention, and business outcomes



## The Distinctive Company

- Leaders see strong interconnection between reaching business goals and employees' work experience
- Regular employee survey and feedback mechanisms, along with strong action response and follow up
- Continuously looking to build on what it has achieved—always evolving
- Regularly act on employee ideas and feedback—very strong connection between performance and reward
- People feel personal connection to leaders, are excited to enact vision, and can see a future at the organisation
- High levels of consistency in the work experience across organisation
- Often seen as industry leaders in terms of engagement and business performance

***For a copy of the full research contact:  
[rene.richter@pwc.com](mailto:rene.richter@pwc.com)***

# Remuneration philosophy

## What on earth is a remuneration philosophy and why do I need one? Article by Christelle Brunette

No, this is not a new-age spiritual belief, nor does it involve any kind of yoga or meditation. In my humble opinion, people tend to think that a remuneration philosophy is a swear word and not to be mentioned, as “you know who” from the legendary Harry Potter books.

Twice a year I facilitate the PwC Reward Academy. Here, I share with the delegates what the content of a remuneration philosophy should consist of. I get such a sense of fulfilment from their responses, which usually includes; “is that all?”, or, “no way, it cannot be that simple”. Yes, everything is simple when we stop trying to complicate everything. Many years ago, I attended an advanced Excel workshop in Johannesburg. The facilitator taught me an invaluable lesson. His favourite saying was: “You can only work in Excel, *if you know what you need to show*”. That lesson is also true when designing and creating a remuneration philosophy.

Remuneration is easily linked with numbers, accounting, one plus one equals two; that people are missing the beauty in the uniqueness and individual identity of each organisation’s philosophy. I like to tell my delegates in the reward academy that reward is an art, not a science. It is unique through its philosophy.

As an artist you would need brushes, paint, a canvas, and also some turpentine. But most importantly, you need to know what the story is that you want to tell and who do you want to tell it to? The same applies in developing a remuneration philosophy. You will need to include the company’s strategic objectives, vision, mission and budgetary restrictions (affordability), but most of all it will echo the message that the organisation wants to convey to their staff. It shows them not only what they can do for their company, but what the company can do for dedicated, performance-driven, positive and passionate employees. This is a “story” of hope, commitment and success. People need to believe in the philosophy in order to have belief in the company. They must believe in its reason for existence and its reason for success.

### ***Where to begin? Easy, your business strategy and human capital needs***

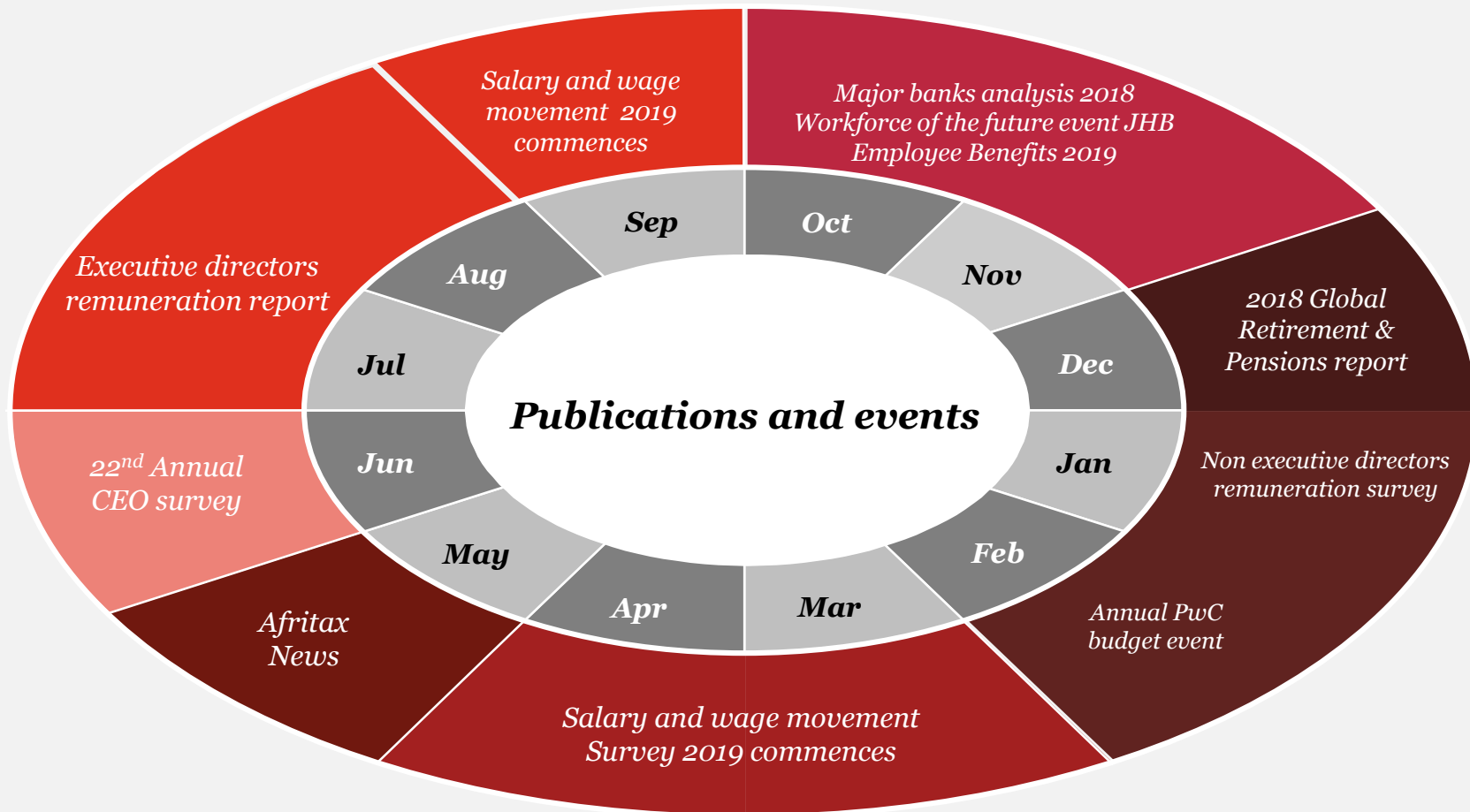
- Know the nature of your business, your industry? Consider your business strategy, organisational structure, the business life cycle and business culture.
- What type of remuneration package structure has the company adopted? Basic cash, flexible or a total guaranteed package?
- Which market is the company benchmarking against? National all industries or industry specific? Or, maybe a combination of the two?
- How, and for what would the organisation like to reward employees through the various elements of reward, e.g. tenure or performance?
- The ratio of fixed versus variable remuneration for the various levels of the organisation?
- Know your staff. What are their needs and how can the company accommodate different needs of a diverse workforce?

The list of considerations can be expanded to the story you need to tell, and it needs to be aligned to the overarching business strategy. I would like to urge you to consider the importance of having a remuneration philosophy in your organisation. At the end of the day your employees need to know how they will form part of the engine that works to achieve the organisation’s objectives. At the same time they need to know what benefits the company has to offer and what’s in it for them. Think of this as a marriage between the company and the employee – and your remuneration philosophy is your wedding vows. ***Get your people to say: “I do.”***

# Current and forthcoming attractions

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](http://www.pwc.co.za)

For enquiries regarding survey publications, please contact Margie Manners or Lisa Tamkei at [surveys.researchservices@za.pwc.com](mailto:surveys.researchservices@za.pwc.com)



# Technology news

Although South African companies are not required by law to report on the gender pay gap, many organisations have started taking steps to identify pay disparities at all levels.

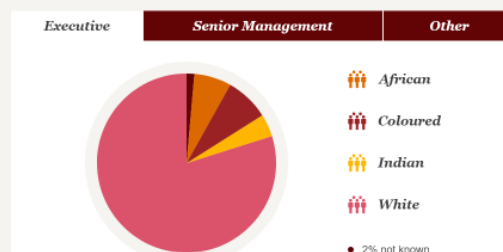
Organisations are also adopting a long-term view to ensure that diversity and, in particular, gender pay inequality, is addressed and reported on.

## Watch this space!

We are developing a fair pay barometer which will be available to all REMchannel® participants very soon. This interactive tool will give our participants a high level view of their equity and wage differentials by employee category.

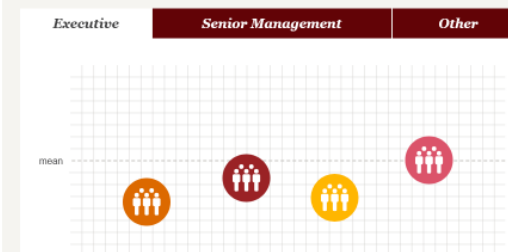
### Race distribution in your organisation

✦ Find out how PwC can help you



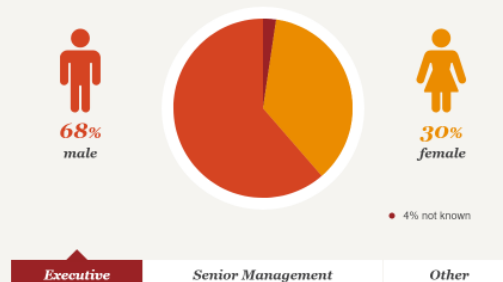
### Compa-ratio by race in your organisation

✦ Find out how PwC can help you



### Gender distribution in your organisation

✦ Find out how PwC can help you



### Gender pay differential in your organisation

✦ Find out how PwC can help you



**We are also hard at work to improve the efficiencies of the REMchannel® data submission process. The process will be more streamlined and intuitive saving between 20% and 30% in time. More news on this topic will be provided in the first quarter of 2019.**



# *Regional contact details*

## **Gauteng**

Gerald Seegers  
+27 82 655 7097

Puseletso Matsheng  
+27 72 221 7693

Carol Shepherd  
+27 84 657 3526

René Richter  
+27 82 460 4348

Louna Robbertse  
+27 79 494 3222

Nicky Fourie  
+27 082 447 3285

Martin Hopkins  
+27 82 459 4168

Minda Botha  
+27 81 546 0931

## **Western Cape**

James Whitaker  
+27 72 117 2180

Gizelle Erwee  
+27 82 871 5728

## **Kwa-Zulu Natal**

Kerry Barker  
+27 83 787 9411

Caitlin Shaw  
+27 83 384 3111

## **Eastern Cape**

Maura Jarvis  
+27 82 894 2258

Yvonne Ducie  
+27 84 605 6332

