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Learning From Rewards Practices at High-Performing European Technology Companies

Successful technology firms in Europe and the US share many of the same pay practices, which are distinct from the broad market. We identify those practices and how they drive better results.

How do the most successful companies consistently attract, retain and engage great talent in a market where hot skills are in such short supply? For those on the outside looking in, the reflexive answer is money— these companies must be paying top rates for top talent. While there's certainly some truth to that, the real answer is much more interesting and complex. Leveraging our latest research on rewards practices at high-performing technology companies based in Europe and the United States (US), we set out to address this question head-on, as it has become central to anyone hoping to design an effective HR strategy in the technology sector.

Across the global technology sector, hiring activity is as robust as ever (see our related infographic **here** about global workforce trends), and companies are increasingly strained to find the talent they need to pursue innovation. Companies that gain an edge in this type of environment start by thinking first and foremost about the mission-critical roles they need, and then ask the right questions about these jobs, including:

- What jobs, new and old, do we need to advance our long-term growth strategy?
- How can we afford to hire individuals with the skills we need in an increasingly competitive job market?
- How do we stand out as an employer of choice for these people?

To examine how high-performing companies answer these types of questions using rewards practices we took a custom cut of 20 technology companies with headquarters in Europe and 36 technology companies with headquarters in the US and compared their practices to the broader universe of technology companies in the **Radford Global Technology Survey**. The high-performing group, which we refer to as "turbocharged companies" below is distinguished by high growth, stock returns that beat the general index and their well-documented commitment to pursuing game-changing innovation.

Rewards Practices that Pay Big Returns

In just about every area of rewards design, turbocharged companies from Europe and the US shared similar characteristics that stand out from the general technology population as illustrated in the table below:

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Qualities of turbocharged technology companies	**Compared to the broader tech market, European turbocharged companies have:**	**Compared to the broader tech market, US-based turbocharged companies have:**
Make big bets on people	▪ Target total cash that is **18%** higher for engineers ▪ Ongoing equity grants that are **140%** higher for engineers and technical managers	▪ Target total cash that is **24%** higher for engineers ▪ Ongoing equity grants that are **172%** higher for engineers and technical managers
Think beyond the money	▪ Work environment and culture is increasingly an area of focus and a source of competitive advantage	▪ **3 times** more likely to provide a shuttle to work and to allow your dog to come to work ▪ **2 times** more likely to offer on-site childcare
Remove obstacles to hiring great talent	▪ New-hire grants are **2 to 3 times** higher than the broader market ▪ **69%** of companies say new hires are eligible to receive a sign-on bonus vs. 56% in the broader market	▪ New-hire grants are **2 to 4 times** higher than the broader market ▪ **67%** of companies say new hires are eligible to receive a sign-on bonus vs. 50% in the broader market
Provide bigger increases for fewer people	▪ Salary budgets of **4.0%** vs. 3.1% for the broader market ▪ **70%** of employees receive an increase vs. 81% in broader market	▪ Salary budgets of **4.6%** vs. 3.5% for the broader market ▪ **73%** of employees get an increase vs. 85% in broader market
Provide significant upside for exceptional performance	▪ **75%** have a discretionary bonus pool above and beyond formulaic payouts vs. 73% of broader market ▪ **52%** use an individual performance multiplier to determine ongoing equity grant vs. 37% of broader market	▪ **100%** have a discretionary bonus pool above and beyond formulaic payouts vs. 88% of broader market ▪ **50%** more use an individual performance multiplier to determine ongoing equity grant
Redefine promotions and maximize their impact	▪ **57%** more promotions each year with 35% higher salary increases ▪ **1.6 times** more likely to provide a promotional increase for lateral move	▪ **69%** more promotions each year with 20% higher salary increases ▪ **2 times** more likely to provide a promotional increase for lateral move
Widespread ownership across the employee population	▪ **41%** provide equity awards to engineers vs. 20% of broader market ▪ **67%** grant equity to technical managers vs. 36% for the broader market	▪ **82%** provide equity awards to engineers vs. 32% of broader market ▪ **82%** grant equity to technical managers vs. 37%
Compensation is awarded closer to performance events	▪ **34%** pay their bonuses more frequently than once a year ▪ **2 times** more likely to give promotion grants at the time of promotion, even if it's off cycle	▪ **40%** pay their bonuses more frequently than once a year ▪ **2 times** more likely to give promotion grants at the time of promotion, even if it's off cycle

Learning from "Turbocharged" Practices

The technology market is growing at a rapid pace and jobs are constantly changing. While some companies are able to catch speed faster than others, there are lessons to be found in the rewards practices highlighted above that we feel every company— no matter the constraints on your compensation budget— can learn from. It's up to each company to decide what rewards practices to adopt and how to implement them in a way that makes sense for their business. Here are some of the key takeaways from our research:

- **It's not just the amount of spend that matters— it's how you distribute those dollars within your organization.** Reducing and/or limiting incentive compensation and merit increases for employees that don't receive the high performance ratings will free up resources to pay your top performers more competitively.

- **Ask employees what rewards they value.** The monetary value of different types of rewards does not always match the value that your employees assign to them. Make sure you're investing in the right types of rewards, that employees value, in order to maximize their impact and your spend. For example, our recent perquisites survey found that peer-to-peer recognition programs were highly valued among employees, can be low cost to implement and foster a sense of team spirit that can reinforce company culture and values.

- **Don't underestimate the power of your culture.** Aon's research finds that European companies have allocated more resources to their benefits and perquisites programs in recent years, particularly in the UK. You also need to make sure your rewards programs align with your culture (read our article ***Hidden Strategy Killers: How Leaders Can Recognize, Avoid and Tackle Common Pitfalls*** for tips on how to do this).

- **Creating a culture of ownership makes a difference.** Our research shows a clear association between broad equity participation and higher performance. We don't think it's a coincidence. When employees have a financial stake in the long-term performance of the company, they are more likely to act like owners of the organization.

- **Shift your business priorities (and possibly your incentive metrics).** Turbocharged companies tend to have different business goals for their employees. They are more likely use metrics that focus on customers and innovation rather than revenue and profitable growth.

- **Go back to basics with your job architecture.** Everyone is reviewing their job architecture (or should be) to examine what jobs are needed today and in the coming years. Creating a solid job architecture by function or discipline and mapping out the existing career levels allows you to see what your organization looks like today and allows you to build placeholders for future job families and levels that are anticipated as the company scales for growth.

To learn more about participating in a Radford survey, please contact our team. To speak with a member of our compensation consulting group, please write to consulting@radford.com.

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About Radford

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