

Using information to motivate people.

**The Old Mutual experience:  
SAP enables dynamic information management in a  
complex sales environment.**

IGNITING CHANGE

07

SAPHILA

IGNITING CHANGE

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SAPHILA

# AGENDA

**The importance of Information**

**The Old Mutual environment**

**The value SAP brings to the rewards strategy**

Hi, my name is Hendrik Bruwer, I am professionally qualified as a chartered accountant

I have a special interest in **rewarding large groups** of employees for their corporate performance

Technically I am a “reward strategist”

Let's talk about motivation



## Motivation 101:

a motive (or motivation) as a need, want, interest, or desire that **propels someone** in a certain direction.

This motivating mechanism can be called many things--a habit, a belief, a desire, an instinct, a need, an interest, a compulsion, or a drive--but no matter what its label, it is this motivation that prompts us to **take action**.

How does **information** influence goal-directed behavior?

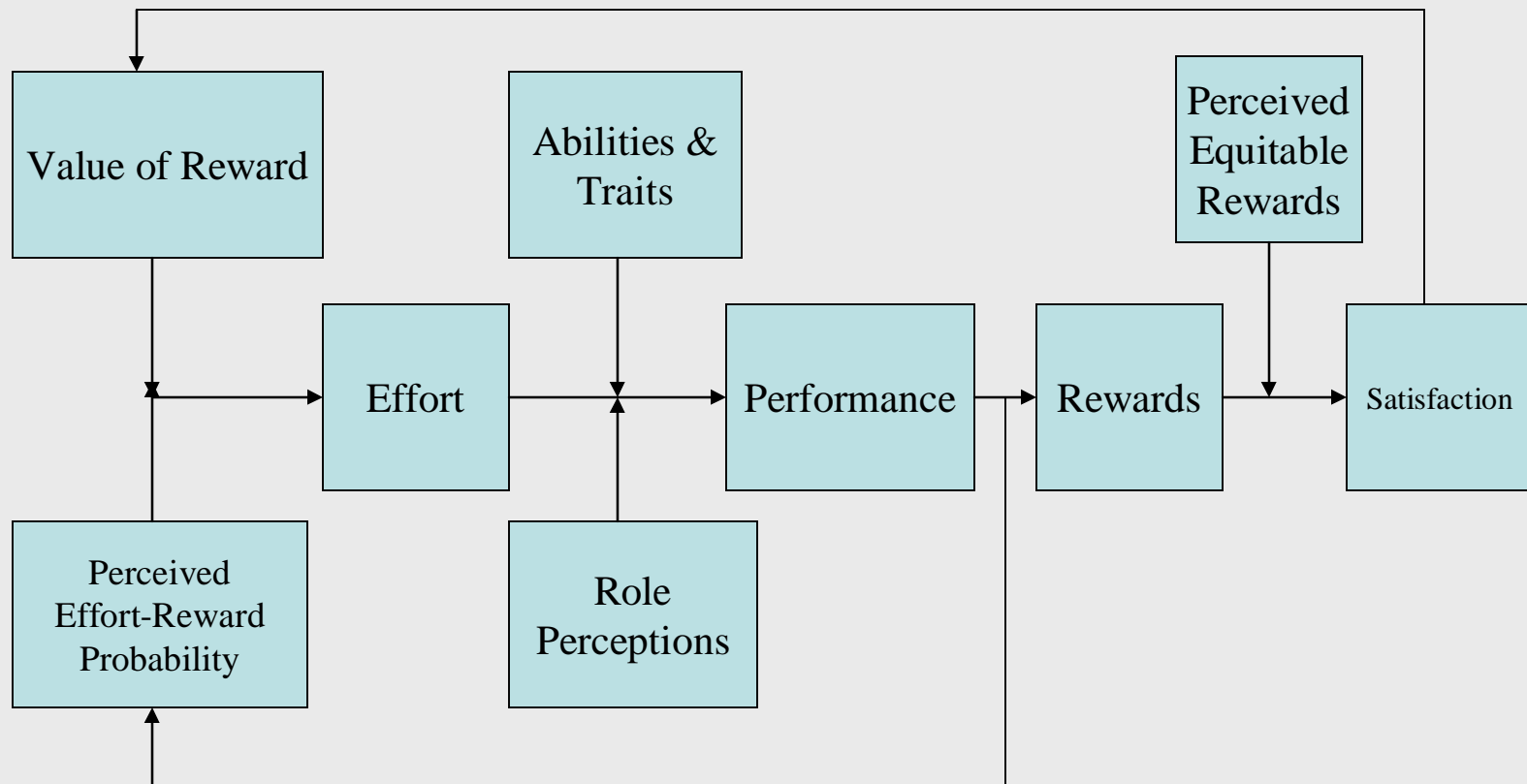
Having the right information is very important



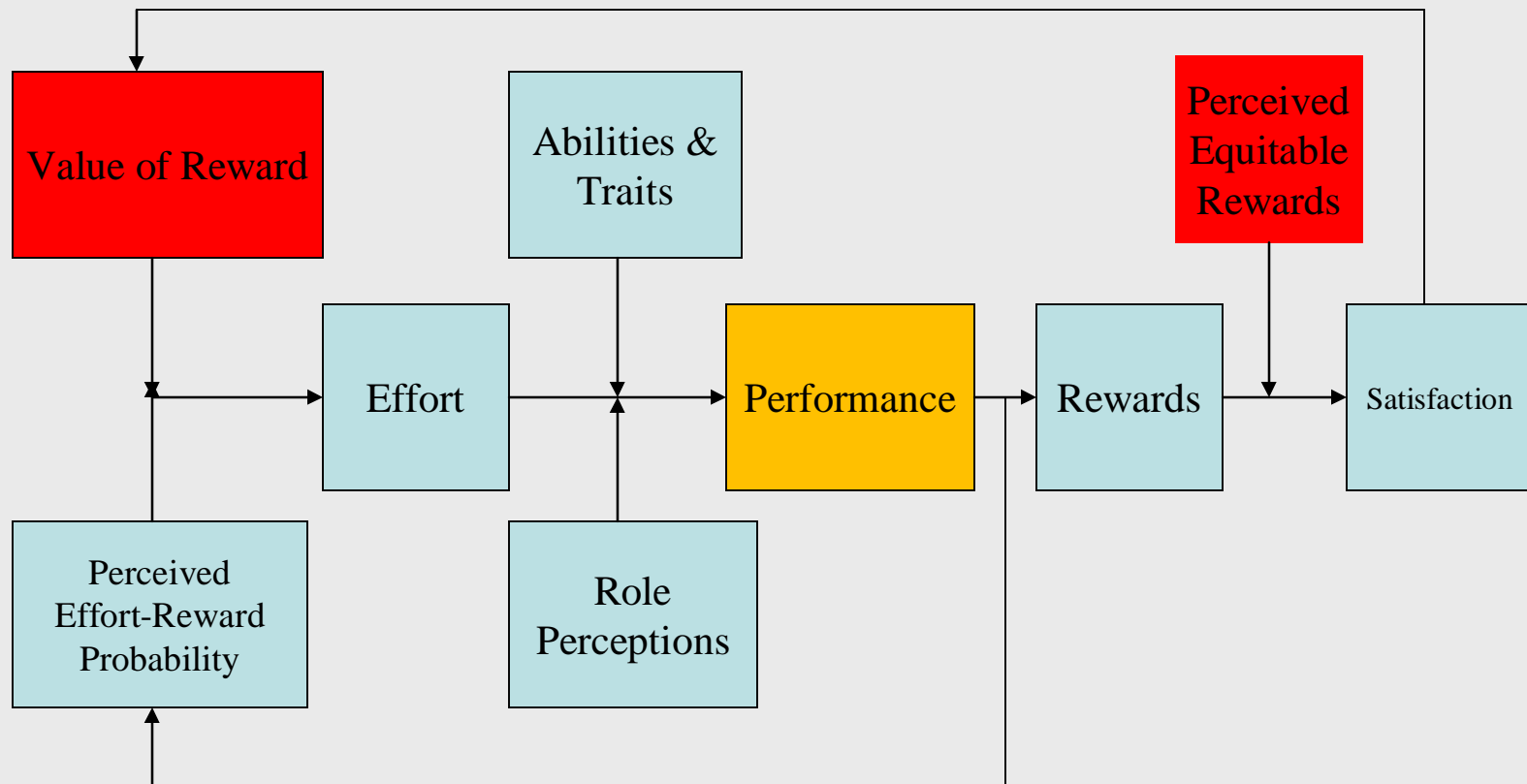
The reward for this bit of information can shown as



# Porter & Lawler's Reward Model



# Porter & Lawler's Reward Model



Reward systems means that in some way you provide incentives for people, individuals or teams, to perform a activity. Our example "Beat all the other countries and I will crown you world champion."

In order to fulfill the **reward commitment** you have to manage the process leading to performance. Our example "A 6 week knock-out tournament applying the IRB rules of rugby"

In the business world this means the corporate objective is to get **employees to perform and the employees are motivated by the reward.**

Even the **traditional salary** is reward people are motivated by.

Some rewards  
are simply the  
uniform you are  
allowed to wear



The level of performance depends on the influence of

- the environment
- your skills
- and motivation



wait wait...

I am at the wrong presentation...

What has this got to do about SAP????



We are talking about the importance of information in motivating people to harness their skills.

The point is simply.....within the **same environment**, without the right information, **performance declines** not only because people act on wrong results, ultimately wrong information demotivates...

SAP provides the software infrastructure to guarantee quality of corporate information, in Old Mutual's case – a very complex environment

Information is a key element in the “performance environment” because you want to **reward employees by measuring performance**

Performance information often appear as

**KRA: Key Result Areas**

**KPI: Key Performance Indicators**

etc

You need fundamental principles to manage performance information to **reward employees**

Having the right information is very important, but you also need a rulebook...



There is a referee, aided by two touch judges (one on each side of the pitch), to decide how the rules should be applied during a game.

## Rewards Procedural Justice Rules

(After Leventhal, 1980)

1. **Consistency Rule**- over time and across people
2. **Bias-Suppression Rule**
3. **Accuracy Rule**- use good information
4. **Record Keeping**- archival audit trail
5. **Correctability Rule** - modifications can be made
6. **Representativeness Rule**- no favoritism

Being the referee for 30 players for 80 minutes seems easy compared to..

What if you had thousands of employees, selling products day after day, month after month, year after year, decade after decade

How would you manage your own **rules** with millions of bits of **information** to reward them?

Some information looks boring, but is also important

TARGET				BUFFERED TARGET				2007 YTD ACTUALS			
INV REC	RISK REC	SINGLE	TOTAL	INV REC	RISK REC	SINGLE	TOTAL	INV REC	RISK REC	SINGLE	TOTAL
695,719	1,578,955	455,599	2,730,274	622,402	1,531,120	430,798	2,584,320	774,383	1,788,179	507,115	3,069,677
328,096	643,541	75,801	1,047,438	326,270	641,517	75,769	1,043,556	127,566	351,156	94,904	573,626
863,608	1,338,817	260,122	2,462,546	850,685	1,330,176	258,730	2,439,591	1,079,594	1,472,539	341,580	2,893,712
259,184	1,078,819	278,928	1,616,931	234,619	924,904	220,263	1,379,786	279,650	1,203,640	255,262	1,738,552
267,380	711,774	49,762	1,028,916	265,834	710,059	49,734	1,025,627	242,634	658,644	135,524	1,036,802
262,757	708,005	105,786	1,076,548	262,757	708,005	105,786	1,076,548	230,119	708,685	91,496	1,030,300
321,598	1,616,561	459,613	2,397,772	300,332	1,361,076	457,681	2,119,088	390,681	1,931,168	445,221	2,767,070
295,484	1,194,743	149,980	1,640,206	285,306	1,160,224	149,736	1,595,266	445,983	1,203,632	285,043	1,934,658
281,168	525,068	258,960	1,065,196	281,168	525,068	258,960	1,065,196	276,019	832,262	236,075	1,344,356
<b>229,003</b>	<b>586,419</b>	<b>266,307</b>	<b>1,081,729</b>	<b>229,003</b>	<b>586,419</b>	<b>266,307</b>	<b>1,081,729</b>	<b>239,417</b>	<b>598,784</b>	<b>70,282</b>	<b>908,483</b>
570,011	871,057	179,586	1,620,653	570,011	871,057	179,586	1,620,653	390,221	723,027	228,901	1,342,149
567,233	848,235	166,880	1,582,348	563,226	845,441	166,880	1,575,548	471,953	943,874	153,429	1,569,256
453,954	645,367	147,007	1,246,328	453,954	645,367	147,007	1,246,328	593,988	951,074	139,366	1,684,428
628,386	808,198	364,958	1,801,542	547,667	753,111	347,181	1,647,959	618,771	803,021	383,540	1,805,332
320,628	478,104	136,498	935,230	320,628	478,104	136,498	935,230	105,514	854,134	50,670	1,010,319
114,360	606,514	184,856	905,731	112,905	591,975	184,172	889,052	152,560	638,846	50,401	841,807
19,557	58,717	34,533	112,807	19,557	58,717	34,533	112,807	1,561	10,164	49,223	60,948
202,238	882,865	176,219	1,261,322	195,092	809,771	173,219	1,178,083	701,170	1,013,888	151,054	1,866,112
90,802	370,658	182,799	644,260	90,802	370,658	182,799	644,260	35,860	336,675	205,891	578,426
572,245	2,184,712	460,462	3,217,419	434,180	1,990,743	402,432	2,827,355	291,341	2,154,641	875,264	3,321,246
162,920	567,460	134,511	864,891	162,920	567,460	134,511	864,891	-49,679	805,302	207,599	963,222
266,439	2,511,976	118,493	2,896,908	264,186	2,207,768	113,476	2,585,430	439,527	2,750,858	154,781	3,345,166
398,654	737,002	65,201	1,200,856	398,654	737,002	65,201	1,200,856	523,584	862,841	132,800	1,519,225
554,220	342,333	1,227,184	2,123,737	493,833	316,871	1,160,604	1,971,307	826,682	443,222	1,516,398	2,786,301
418,716	589,112	658,230	1,666,058	418,716	588,806	614,097	1,621,619	461,569	646,207	1,161,725	2,269,501
33,555	277,553	709,911	1,021,018	33,555	277,507	615,123	926,185	60,109	473,441	570,644	1,104,194
342,809	634,136	351,293	1,328,239	342,809	634,136	351,293	1,328,239	269,041	659,658	425,811	1,354,510
840,106	578,287	1,810,067	3,228,460	557,913	427,895	1,508,260	2,494,068	1,139,423	442,106	2,241,005	3,822,533
231,040	904,697	147,861	1,283,597	224,849	739,491	142,261	1,106,601	251,372	872,399	265,542	1,389,313
200,232	687,821	112,289	1,000,341	200,232	687,821	112,289	1,000,341	260,324	811,131	127,378	1,198,832
41,776	732,848	117,993	892,617	37,805	624,634	108,889	771,329	48,367	664,658	150,796	863,821
210,309	412,750	149,689	772,748	210,309	412,750	149,689	772,748	459,530	1,089,229	48,641	1,597,401
533,723	808,012	159,857	1,501,592	505,331	804,724	158,691	1,468,746	451,983	679,517	84,829	1,216,329
217,628	112,238	12,451	342,316	217,628	112,238	12,451	342,316	68,479	135,033	4,756	208,269
522,480	1,095,783	502,705	2,120,968	464,102	931,645	439,268	1,835,015	446,839	920,784	519,244	1,886,868
256,037	725,971	129,252	1,111,261	221,427	662,772	123,158	1,007,357	413,454	557,075	132,200	1,102,729
544,691	914,915	736,324	2,195,930	521,547	879,891	652,841	2,054,280	929,419	935,749	870,383	2,735,551
17,819	63,299	37,724	118,842	17,814	63,255	37,721	118,790	-5,033	44,236	5,248	44,450
41,915	30,792	6,312	79,019	41,915	30,792	6,312	79,019	-68,379	2,570	4,515	-61,295
313,291	983,981	1,014,089	2,311,361	311,366	984,074	994,662	2,290,103	538,573	1,466,966	1,083,868	3,089,408
8,092	21,218	37,257	66,566	8,092	21,218	37,257	66,566	-1,970	-36,153	11,036	-27,087
114,267	475,020	739,136	1,328,423	111,254	458,749	715,665	1,285,668	124,336	360,955	691,936	1,177,228
207,678	873,954	201,913	1,283,545	207,678	873,954	201,913	1,283,545	220,654	1,068,410	89,083	1,378,148
143,506	256,693	192,839	593,039	143,506	256,693	192,839	593,039	425,643	460,800	187,249	1,073,691
257,734	659,398	72,623	989,756	257,734	659,398	72,623	989,756	309,523	876,496	89,971	1,275,990



....the pay cheque

when last did you see one?



Let's recap...

At this stage you should either agree that information increase motivation or consider it that it is impossible for information to be a major driver of motivation.

What I want to continue with is...

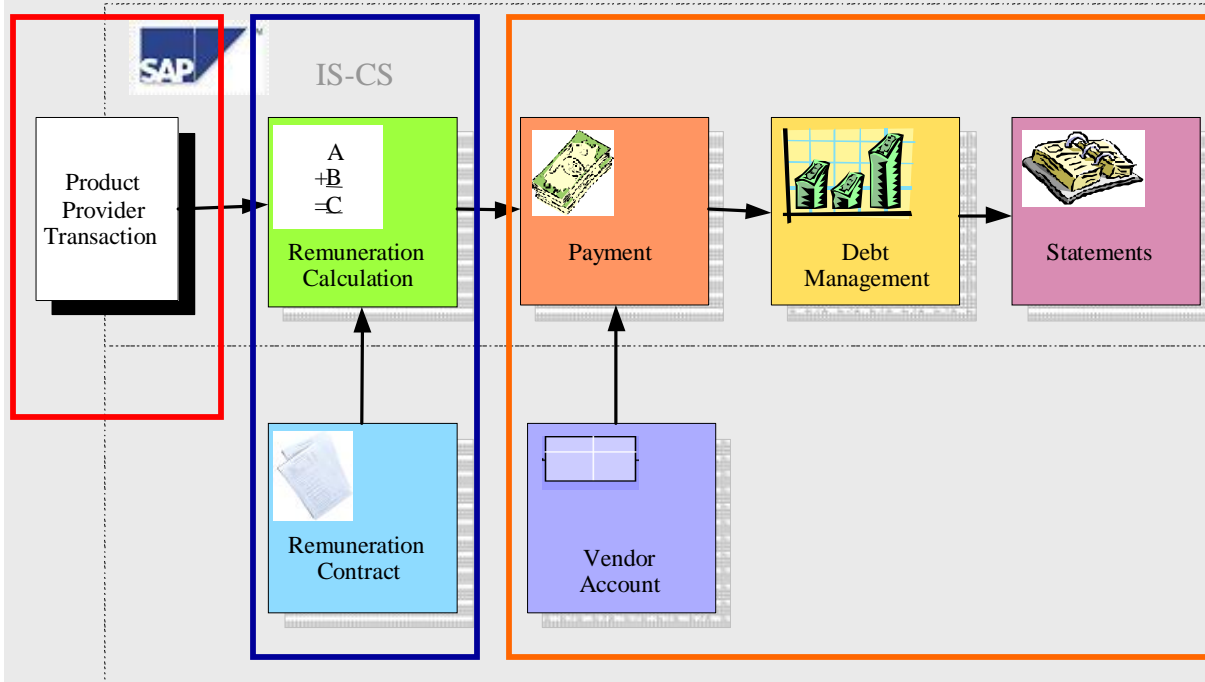
In managing information where peoples' pay (reward) depends on the information the one key principle that you should comply with is...

**PRINCIPLE: quality & availability of information must never de-motivate**

Here are a few things you need to know about Old Mutual in relation to their sales activity that increase the **complexity** of managing commission transactions...

- multiple distribution channels,
- various different categories of salespeople
- multi-tiered management structures,
- multiple customer centric "commission" models
- multiple products,
- multiple geographical location,
- different fiscal locations,
- multiple years
- multiple pay cycles
- and to top it all.. sharing of commission between people

# Major information management events in the Old Mutual commission reward process

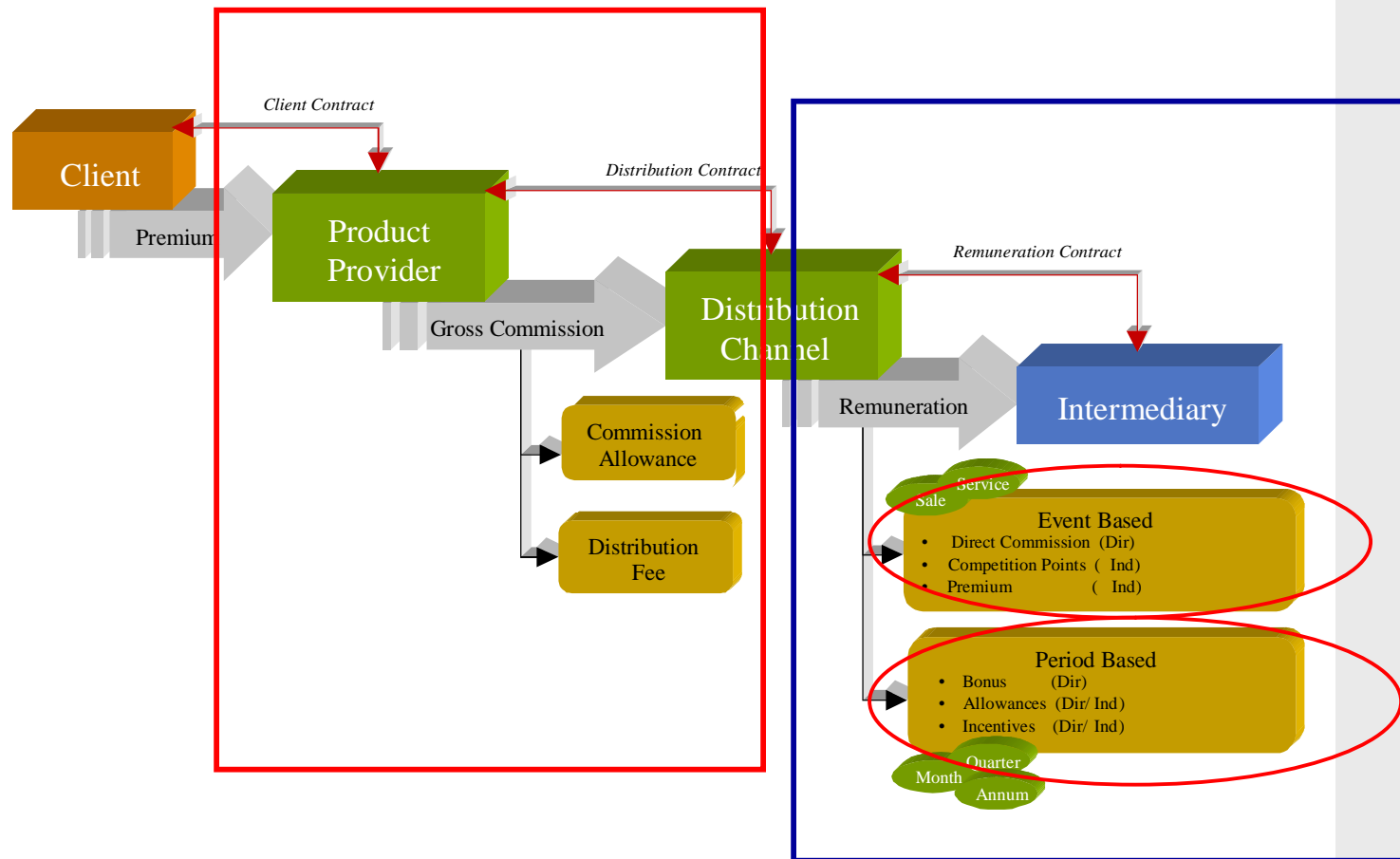


- ❑ 20 Different Product Providers
- ❑ more than 1200 products
- ❑ 5 million Transactions per month

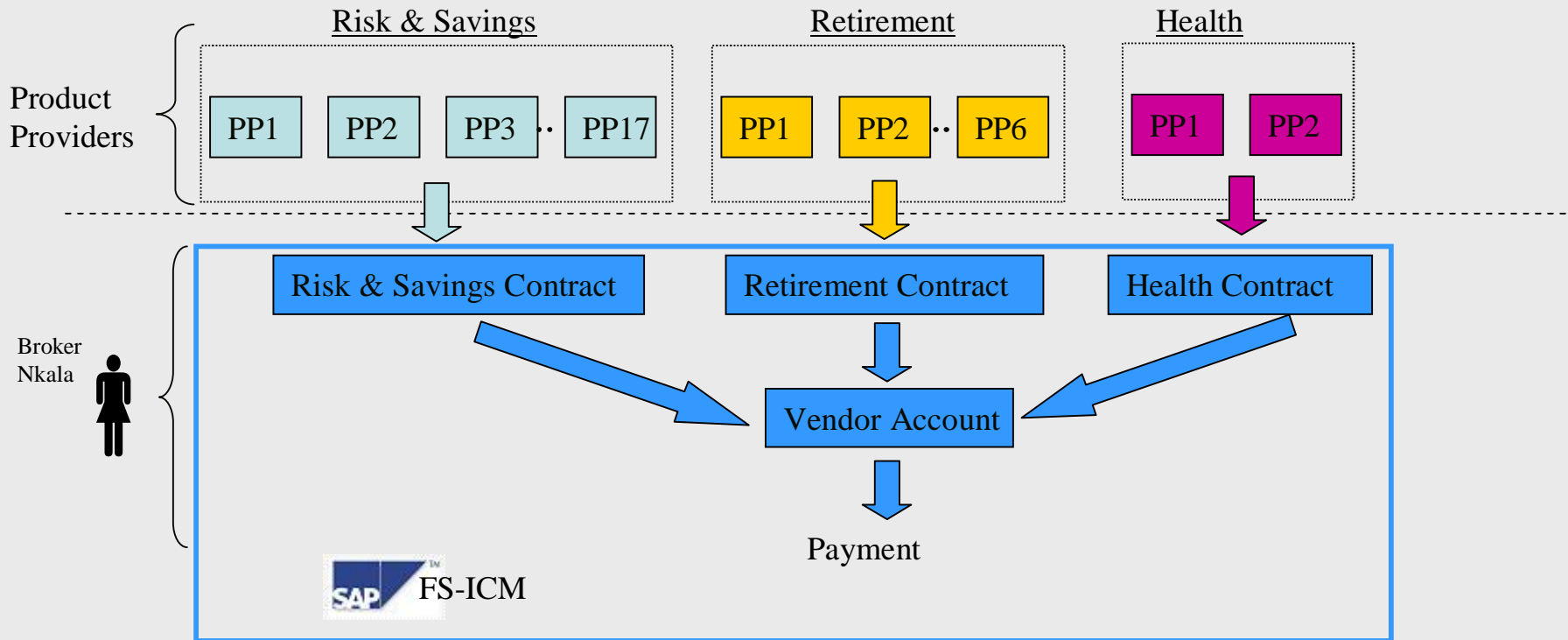
- ❑ 6 Distribution Channels
- ❑ 66 Intermediary Types
- ❑ 54,000 Intermediaries

- ❑ Direct and multiple payroll payment mechanisms, Gen Ledger expensing
- ❑ 3 debt admin processes
- ❑ 14 Commission, payment and account statements and invoices

# Information flow from client to staff member...



# Consolidated Broker Contract allowing integrated Payment and Debt Management Administration



## SAP facilitates a dynamic change management process



### Information Change...

- Ability to rapidly re-categorise products,
- OR create new ones,

### Rule & Information Change...

Ability to base remuneration on various inputs, not only client commission but also

- Premium
- product attributes
- productivity events
- pattern of sales behaviour
- etc, etc

SAP facilitates frequent role changes, specifically in an environment of client service fees..

1. Sales person appointed in one channel
  2. Change role, therefore **change** remuneration model
  3. Moves up one level in management structure, therefore **different** model, same clients and still sells, no loss of past sales events
  4. Transfers to another sales channel in different sales capacity, new role, new management structure, new remuneration model, same clients and still sells - no loss of past sales events
- Information of relationship between Product & Intermediary in place
  - Justice rules for commission processing in place



So what if the regulator (FSB), not the company, changes the rules for a product range ?

Effectively this means

- A change of information
- A change of the legal rules, thereby influencing the commission processing rules.



At Old Mutual it is **very simple to execute such a rule change** across all channels and all remuneration models, because **SAP software allows** rule based processing of new information.

= easy switch-over !

SAP FS-ICM is an essential element of the Old Mutual rewards strategy because it allows for seamless execution

- in **maintaining** data/information,
- allowing complex processing **rules** and
- distributing the final **reward** results



Questions Please...

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