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ADVISOR BLOG

Why Tony Robbins Has it Right and Why You Should Ditch Your Current Compensation, Engagement, and Retention Strategies

AUTHOR

Laura Hay
Managing Director

A while back, one of my colleagues wrote a compelling article calling for companies to say farewell to ARMs. He wasn't referring to Hemingway's novel, but the ubiquitous and sometimes simplistic compensation philosophy of Attract, Retain, and Motivate. The article's premise is that a plain vanilla approach cannot catapult a company's focus from meeting basic pay needs to using compensation and talent development as a competitive advantage.

Tony Robbins has built a self-help empire by understanding what motivates people. One of his fundamental concepts is the six human needs, which motivates each and every one of us in the "what" and "why" of our actions. Interestingly, it also works very well in evaluating the effectiveness of a compensation philosophy and employee engagement and retention strategies. The six human needs are:

1. Certainty
2. Variety
3. Significance
4. Connection
5. Growth
6. Contribution

Let's take each one and apply it hypothetically to a company's philosophy and programs.

1. **Certainty** – Company ABC needs salespeople and had the great fortune of enticing a top sales professional in their market area to interview. In discussing the incentive program, it wasn't clear how much the individual would be rewarded for bringing over business or developing new business. Without this knowledge or any guarantees, the individual declined to continue conversations.

Conclusion: Employees want to know specifically how much they can expect to receive for the results that they produce. In our experience, if the candidates aren't asking, it's a red flag that they might not be as good as they say.

Additionally, it is important to determine the amount of certainty that various types of employees may need. For lower paid, transactional positions, a high degree of certainty is required. For higher-paid positions that deal with a number of unknown variables, it will be less important.

2. **Variety** – When I moved to a new city in my 20s, I worked for a brief period as a car salesperson. Each month, we competed for a fruit basket that was awarded to the dealership with the highest profitability for the month. Everything stopped when the basket came through the door. It wasn't about the fruit; it was about making the immediate call to the Lexus dealership and poking fun at them.

   Conclusion: Never underestimate the power of surprise, friendly competition, and the spouse that says, "Are we going to be able to go on that leadership trip again?"

3. **Significance** – Bringing in someone "cheap" or not giving the title because an employee is "developing" is shortsighted and rarely works. Combining fair compensation practices with effective evaluation and talent management programs sends the signal that your company is willing to invest in employees while pruning out those who are not performing. It may be the single most effective strategy to ensure people stay engaged and motivated.

   Conclusion: People talk and smart people understand their worth. Undermine people's significance and you damage employee engagement, morale, and employer reputation—not to mention increasing your litigation risk.

4. **Connection** – People who have a "best friend at work" are not only more likely to be happier and healthier, they are also seven times as likely to be engaged in their job. This research also revealed that just 30% of employees actually have a best friend at work, leaving companies with a significant opportunity to enhance employee satisfaction, engagement, and retention.

   Conclusion: While compensation plays a role, it is rarely the most important factor when employees make the decision to leave. Find ways for employees to connect even if it's not entirely work related and don't forget your executives. It can be lonely at the top.

5. **Growth** – Opportunities for career growth or advancement is routinely cited as a primary reason for joining or exiting a company. Organizations need a good process to identify and develop talent and make sure that the right conversations are taking place. Recently, I was part of a discussion about two very talented individuals, one male and one female. Management had high hopes for both individuals and saw them as candidates for senior-level positions. I asked, "You expressed this thought

to *him* but have you relayed the same information to *her*?" I received an apologetic downward glance as a response. The female high-potential in question left two months later for a competitor, indicating greater opportunities for career development and growth.

Conclusion: It is time to identify and get serious about developing diverse bench strength. If your company is without the means for a robust internal talent development program, identify good external programs or support high-potentials with a development allowance along with a mechanism for monitoring how they are bringing that knowledge back into their job. Make sure important development conversations are happening, especially when the high potential doesn't look like you. A moment of discomfort is worth the thousands (or millions) of dollars it may save.

6. **Contribution** – As the author of *Start with Why: How Great Leaders Inspire Everyone to Take Action*, Simon Sinek proposes that people don't buy what you do, they buy *why* you do it. Getting employees to embrace an idea and make it their own is powerful and creates a sense of being part of something greater. Empower them with what that means in their role and you have a winning combination.

   Conclusion: Employees want to be proud of their company and their work. Give them a reason.

It takes different thinking to apply the six human needs to your compensation philosophy and employee engagement and retention strategies, but not necessarily more time or resources. Thinking through the "why," keeping compensation programs straightforward, having brave conversations, and creating a culture of professional growth, connection, and greater purpose results in an environment where employees are motivated to do their best work. It's time to say farewell to old-fashioned ARMs.

About the Author

Laura Hay is a managing director at Pearl Meyer, where she leads the National Banking Industry Team. She has extensive experience advising financial institutions on compensation and compensation-related governance and regulatory matters. She advises both public and private financial services companies, including private equity and majority-shareholder owned institutions.

About Pearl Meyer

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Pearl Meyer

NEW YORK
461 Fifth Avenue, 19th Floor
New York, NY 10017
(212) 644-2300
newyork@pearlmeyer.com

ATLANTA
One Alliance Center
3500 Lenox Road, NE, Suite 1708
Atlanta, GA 30326
(770) 261-4080
atlanta@pearlmeyer.com

BOSTON
93 Worcester Street, Suite 100
Wellesley, MA 02481
(508) 460-9600
boston@pearlmeyer.com

CHARLOTTE
3326 Siskey Parkway, Suite 330
Matthews, NC 28105
(704) 844-6626
charlotte@pearlmeyer.com

CHICAGO
151 N. Franklin Street, Suite 450
Chicago, IL 60606
(312) 242-3050
chicago@pearlmeyer.com

HOUSTON
Three Riverway, Suite 1575
Houston, TX 77056
(713) 568-2200
houston@pearlmeyer.com

LONDON
Collegiate House
9 St. Thomas Street
London SE1 9RY
+44 (0)20 3384 6711
london@pearlmeyer.com

LOS ANGELES
550 S. Hope Street, Suite 1600
Los Angeles, CA 90071
(213) 438-6500
losangeles@pearlmeyer.com

For more information on Pearl Meyer, visit us at www.pearlmeyer.com or contact us at (212) 644-2300.