



Performance 2020 – reward innovation in action

Baker Hughes a GE Company

Ishbel Inkster, Total Reward Global Leader, BHGE

November 23, 2018

Confidential. Not to be copied, distributed, or reproduced without prior approval.

© 2017 Baker Hughes, a GE company, LLC - All rights reserved.

Who we are

**BAKER
HUGHES**
a GE company



Confidential. Not to be copied, distributed, or reproduced without prior approval.



+



GE Oil & Gas

=

**BAKER
HUGHES**
a GE company



~64,000 employees

120 countries

The first and only **fullstream** company



We invent smarter ways
to bring energy to the world.

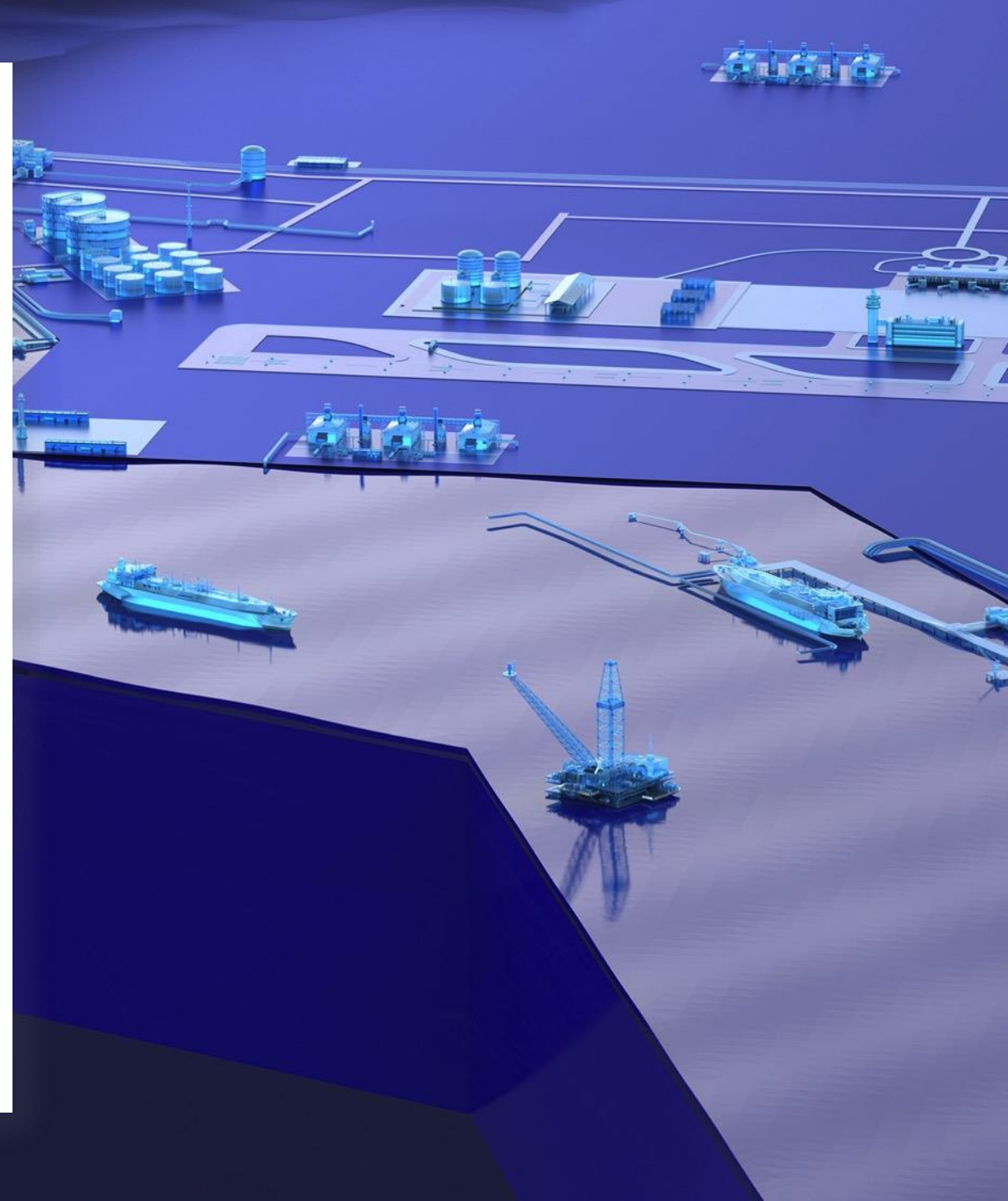


Fullstream

Deliver on your business goals, no matter where you play in the hydrocarbon lifecycle –developing, producing, transporting, or processing.

Your single source for integrated products, services and digital tools that optimize productivity, minimize risks and lower costs at every stage of the value chain.

From reservoir to refinery. From the depths of the sea to the cloud



Fullstream

Rely on cutting-edge technology, digital solutions, and expert service across every segment

Upstream

Evaluation

Drilling

Completion

Production & optimization

Midstream

Pipeline & storage

LNG

Downstream

Refinery

Petrochemical & fertilizer

Industrial power & processing

Digital

Our culture

**BAKER
HUGHES**
a GE company



Confidential. Not to be copied, distributed, or reproduced without prior approval.

Our Culture Pillars

WE DRIVE **CUSTOMER OUTCOMES** IN EVERYTHING WE DO

A trusted partner to our customers, we look for ways to improve our journey together. We take pride in getting the job done well, while taking care of people and the environment. Doing the right thing always comes first.

WE **CONNECT AND INVEST** IN EACH OTHER

We recognize what matters most — our people. We bring out the best in each other, building trust and celebrating failure and success as opportunities to grow. Our people set us apart.

WE **LEAD** IN ALL WAYS

Working together, we pursue every challenge with courage and a winning mindset. We are each responsible for how we shape our shared future.

WE ARE **INVENTORS** WE **COLLABORATE** WITHOUT BOUNDARIES

We put our entrepreneurial spirit to work toward new ideas and better performance. Our original thinking and practical know-how drive our advantage.

We build effective teams that collaborate to share resources and knowledge seamlessly. We learn from those who have different perspectives to offer, expanding our expertise.

HOW WE **DO IT**

LOOK FOR THE LEARNING

Challenge the status quo | Be open to change | Don't be afraid to fail

FOCUS ON THE SOLUTION

Prioritize outcomes over outputs | Work across boundaries | Fail fast

MAKE IT HAPPEN

Be accountable | Deliver on promises | Value speed and quality of execution

TAKE CARE

Be team orientated | Acknowledge effort and learning | Do the right thing

Driving a holistic approach to how we engage BHGE employees

Culture

BHGE culture ambition – culture pillars, diversity and inclusion ... intersectionality
Behaviors
Operating rhythm
People
Place

Engagement

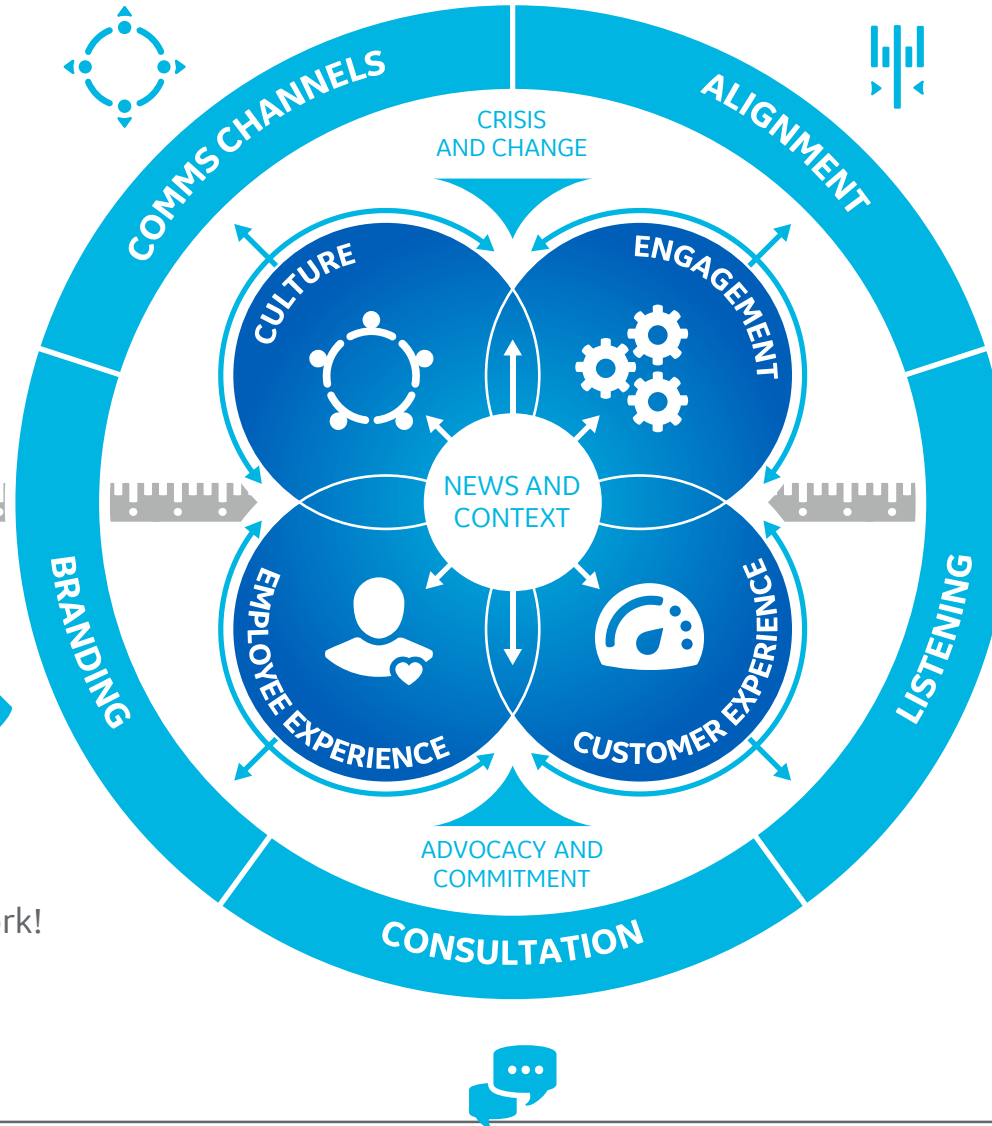
BHGE strategic narrative – who we are, our purpose and our strategy
Engaging people leaders
Employee voice
Grassroots mobilization
Organizational integrity

Employee experience

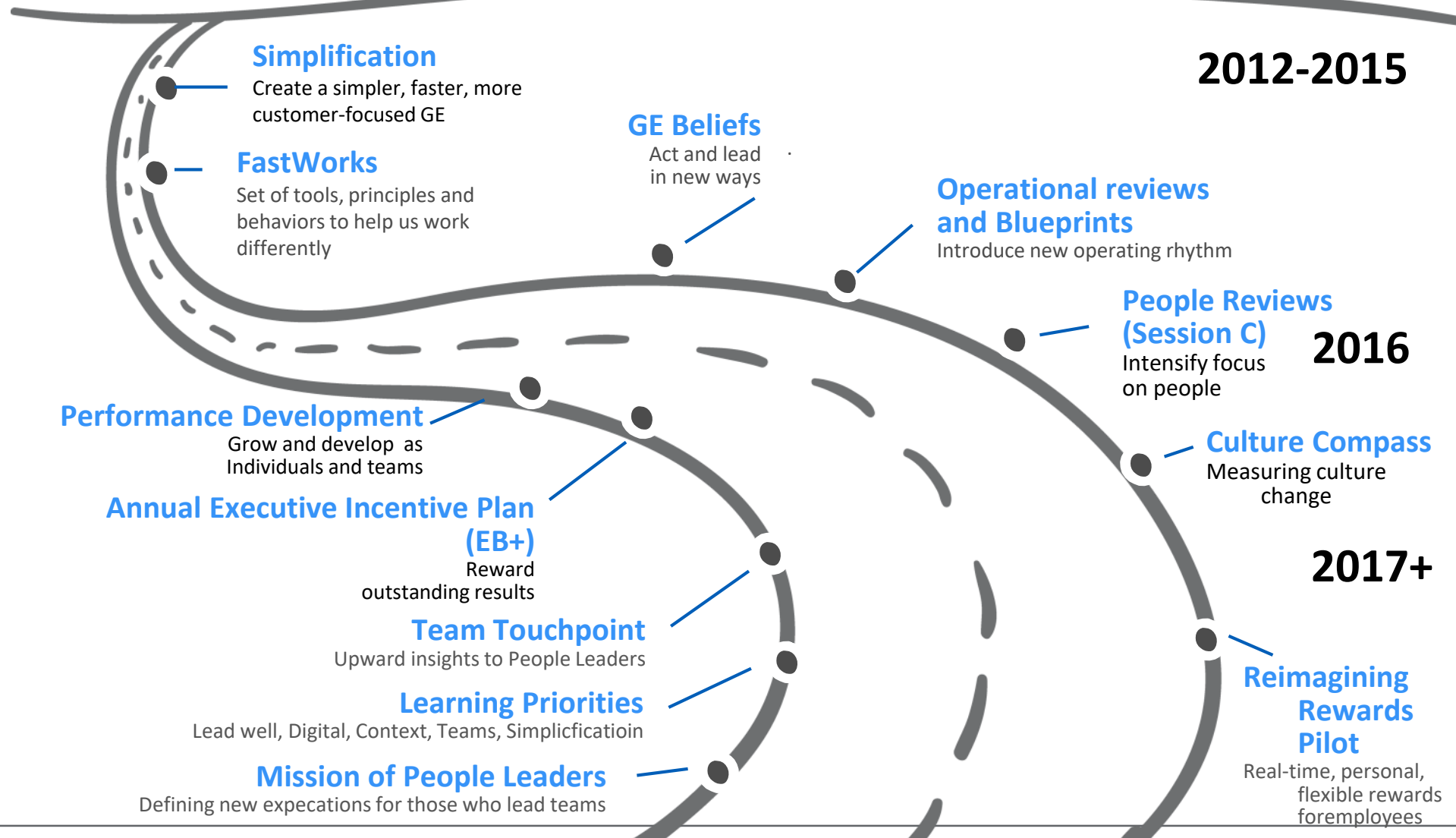
Employee journey
Daily interactions
Job satisfaction – BHGE is a great place to work!
Professional development
Work-life balance and flexibility
Leadership touchpoints

Customer experience

Customer journey
Touchpoints
Ecosystems
Customer feedback – what they say it's like working with BHGE



Culture Transformation Roadmap



PD@BHGE

**BAKER
HUGHES**
a GE company



Confidential. Not to be copied, distributed, or reproduced without prior approval.

A woman with dark hair, wearing a light blue ruffled shirt and a necklace, is looking upwards with a smile. In the background, a person is walking on a staircase, and the scene is lit with warm, yellow lights.

Performance Development

The way we grow and
develop

Performance Development



Priority
setting

Flexible and dynamic

Focus on customer needs
and impact

Doing fewer things better



Giving/
receiving
insight

Creating a more
open and trusting environment

Encouraging peer-to-peer,
colleague-to-colleague, and
employee-to-manager
sharing of insights



Coaching &
ongoing
touchpoints

Managers as performance coaches,
investing time in each team member

Optimizing natural rhythm for more
timely insights and ongoing discussions
to help employees learn in the moment,
grow and drive better results



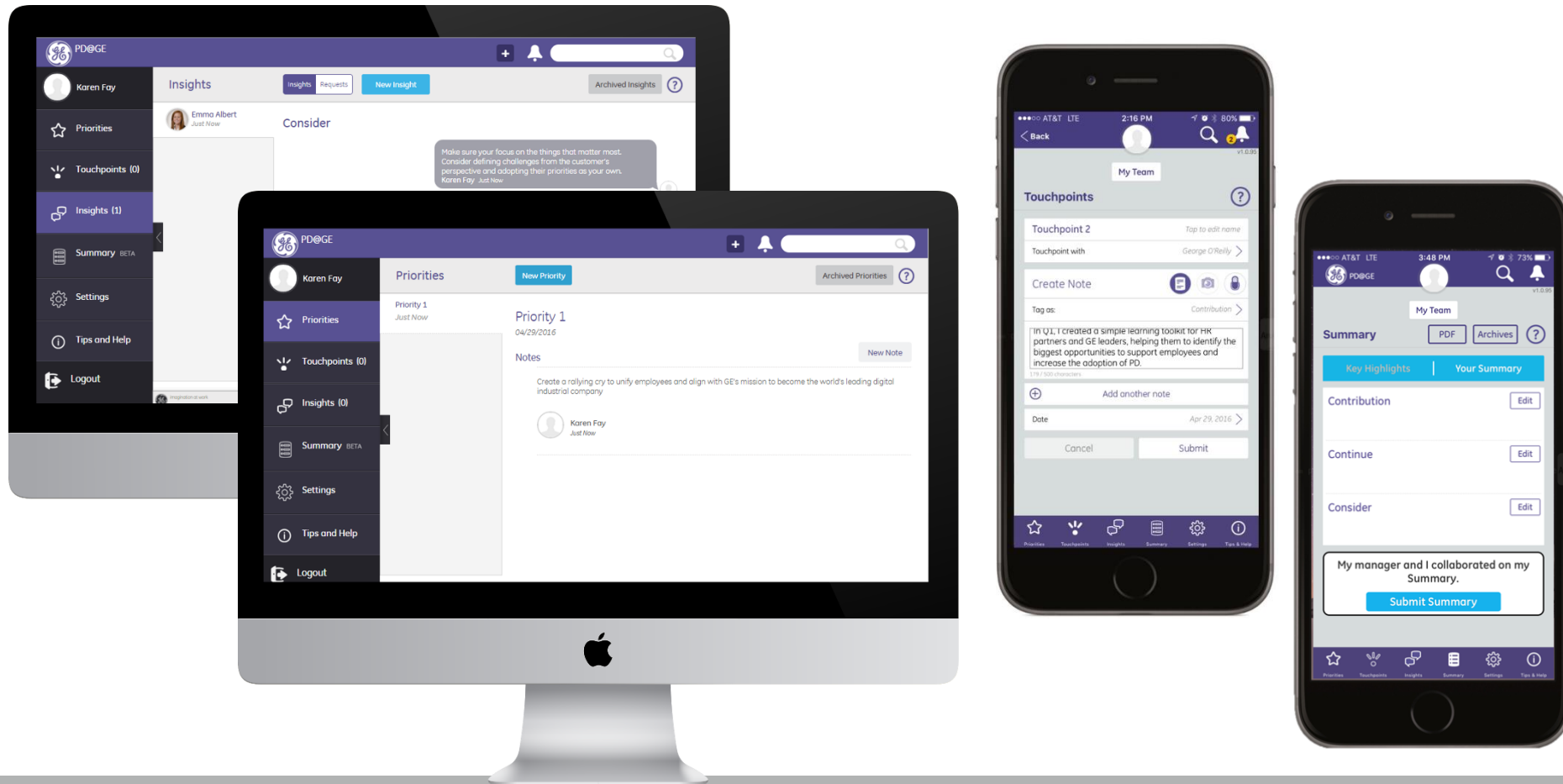
Career
dialogue/
navigation

Conversation(s) at a time it makes
most sense

Support to navigate through
constant change

Company and employee roles

From long, formal forms to a simple App



Digital tools as enabler (not the workflow!)

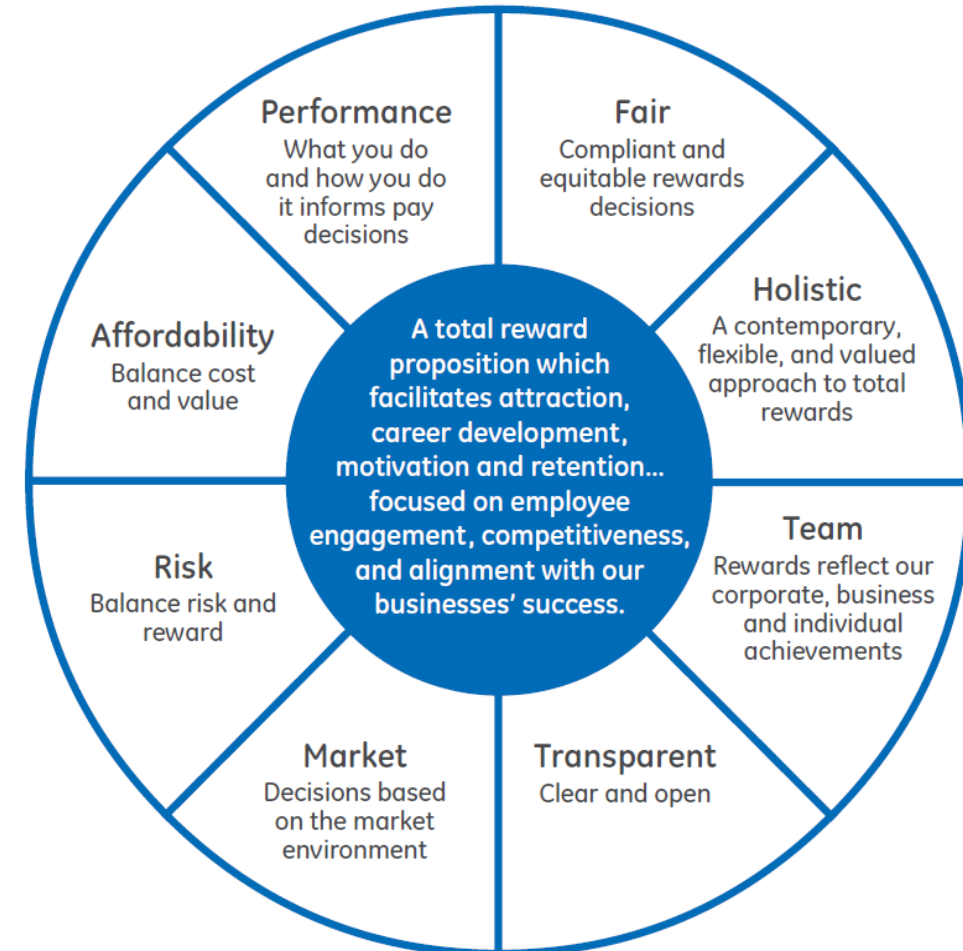
No Ratings and Reward Contemporizing Reward

Compensation Philosophy in BHGE...

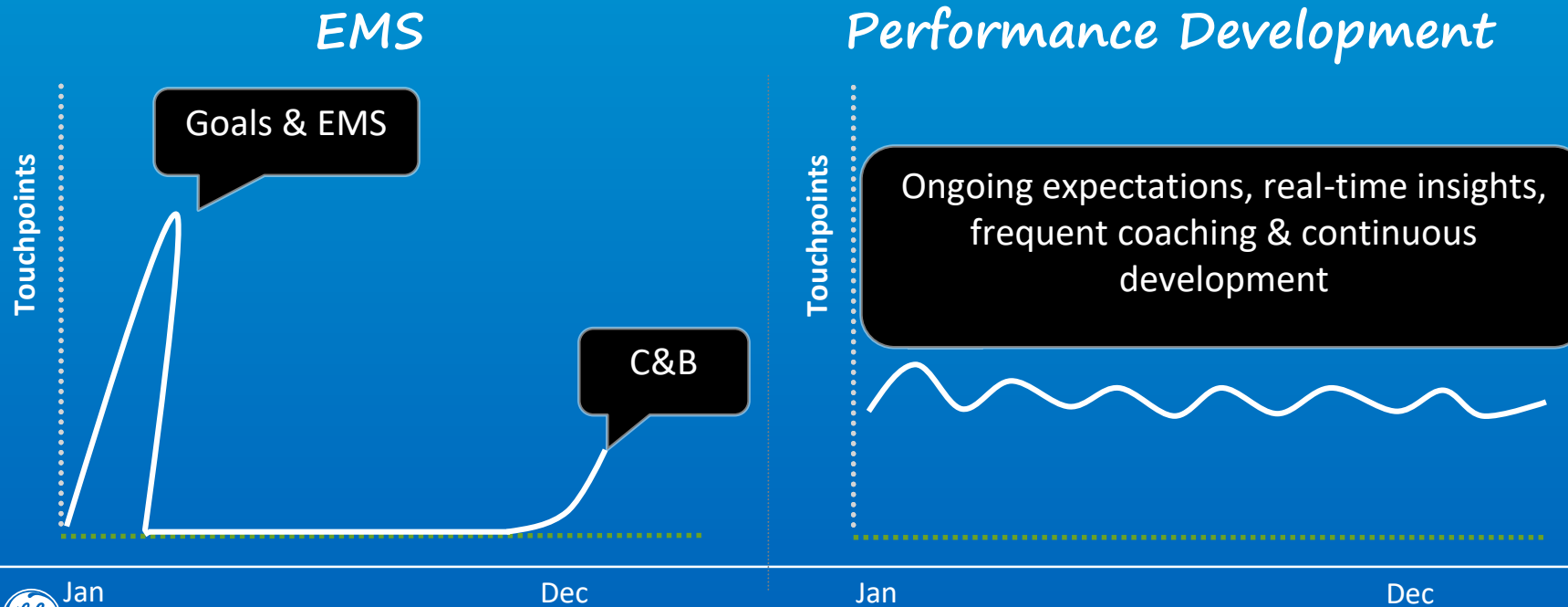
The most important part of the philosophy is that it is focused on **outcomes**. Managers are expected to reinforce this philosophy by differentiating rewards given to employees

Compensation decisions “continue” to

- be founded on **Meritocracy...differentiation** at the core
- be **market competitive**, reflective of **internal equity**, position within relative **pay reference range, individual impact & industry specific pressures**
- reward the most those who deliver **greatest impact** for our customers
- consider that **people value lots of different things, rewards can and should be diverse**
- Empower managers to **recognize impact throughout the year**



Rewarding with PD@GE: We are a Meritocracy



So... How will my performance be rewarded?



Salary & Bonus Planning

30,000 Employees Tested No Ratings in 2015

77%

Managers' self-reported ability to differentiate as well as, or more simply than, the previous cycle



77% of managers who planned in both 2016 and 2015 were able to differentiate in their salary planning either the same, or simpler, than the previous cycle. 23% found the experience more difficult.

Findings are **the same** for those with ratings/impact indicators, and those without.

THE SAME

Average Merit and Bonus increase between impact indicator and no rating populations



The **average merit planning** increase for those on no ratings and those labeled "meaningful impact" was **the same, 1.07 xEOP**. (Extraordinary impact = 1.51, and Limited impact = 0.53).

The **average bonus planning** for the top 20% was 1.25x (impact indicators) and 1.20x (no ratings); and for the bottom 20% was 0.78x (impact indicators) and 0.79x (no ratings).

70%

Managers' self-reported ability to connect performance with salary planning



70% of managers believed that they were able to connect performance with salary increases **very well**.

28% found it difficult (half of the comments referenced lower EOPs and/or budget issues as the leading factor).

2% did not link the two.



+ gather employee voice to understand their experience

Results from 2016 Process

Reward Planning



Salary & bonus differentiation the **same** in 2017 as 2016 (~ same last 3 years)



81% of People Leaders found reward planning the same or easier as previous year



23% increase in employees saying "I trust my immediate manager to act in my best interest" in 2017 over 2016

Reward Conversations

80%

People Leaders could clearly explain the rationale for the planning decisions

However...

50%

Employees said their People Leader clearly explained his/her rationale for the merit/bonus received

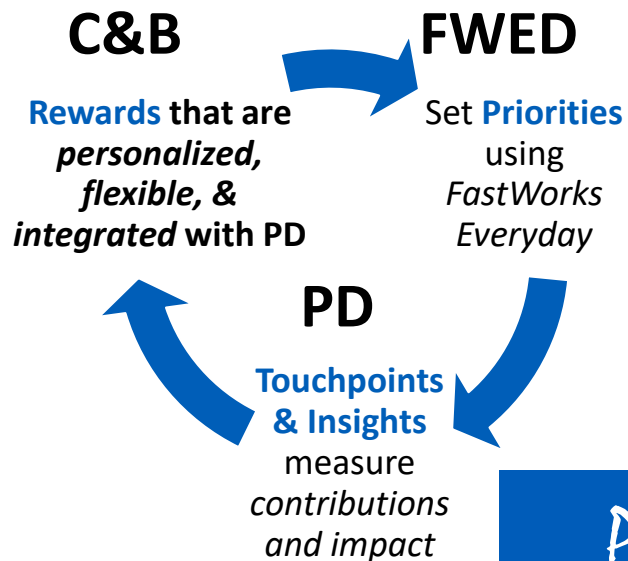
Introduction of new process happened **over time** (3 yrs.)
Proved that leaders **could apply differentiation** without ratings...
...However we have noticed some **loss of rigor** in the overall ecosystem that we need to address

Contemporizing Rewards@GE

Introduction of Performance Development (PD) triggered repositioning of GE's reward offerings in a Digital Industrial. We asked Employees , Managers & HRMs:

- How do our C&B practices compare to the new PD process?
- How we can better integrate our reward practices with PD to get optimal impact?

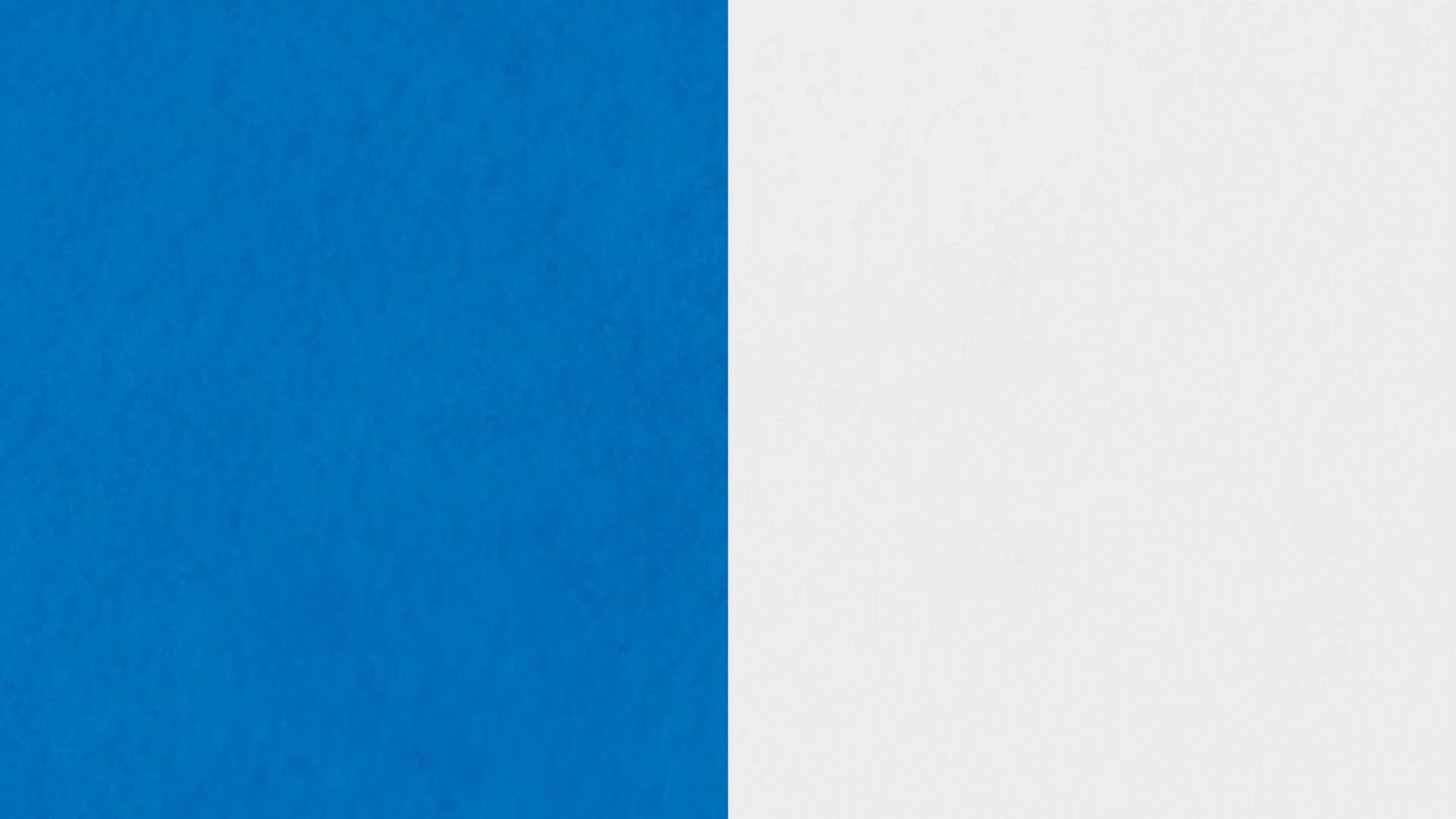
Connecting Total Rewards with GE's Cultural Transformation



Why? To **drive better value** and impact for employees and the organization by changing the way we deliver rewards

How? By learning from our customers, we will discover ways we can deliver **rewards that are aligned with their needs** and the PD approach

Personalized → Flexible → Integrated = How we reward in a Digital Industrial







Ishbel Inkster



Priorities



Touchpoints (0)



Insights (15)



Impact Awards



Summary



Team

Team



Carole Ellenberg



Ryan Hill



Sandra King-Hutchinson



Casey Makel



Shannon Reid



Louise Schofield



Magdalena Vintrova



Carole Ellenberg

Senior Global Mobility Design Staff Manager

New Touchpoint

Archived Touchpoints

Priorities

Touchpoints

Insights

Summary

Touchpoint 4

10/17/2018, 11:30 PM

Touchpoint 3

08/07/2018, 11:22 PM

Touchpoint 29 March 2018

03/30/2018, 5:23 PM

Touchpoint 5 December 2017

12/05/2017, 2:13 PM





Ishbel Inkster



Priorities



Touchpoints (0)



Insights (15)



Impact Awards



Summary



Team

Team

Enter name



Carole Ellenberg



Ryan Hill



Sandra King-Hutchinson



Casey Makel



Shannon Reid



Louise Schofield



Magdalena Vintrova



Carole Ellenberg

Senior Global Mobility Design Staff Manager

New Touchpoint

Archived Touchpoints

Priorities

Touchpoints

Insights

Summary

Touchpoint 4

10/17/2018, 11:30 PM

Touchpoint 3

08/07/2018, 11:22 PM

Touchpoint 29 March 2018

03/30/2018, 5:23 PM

Touchpoint 5 December 2017

12/05/2017, 2:13 PM



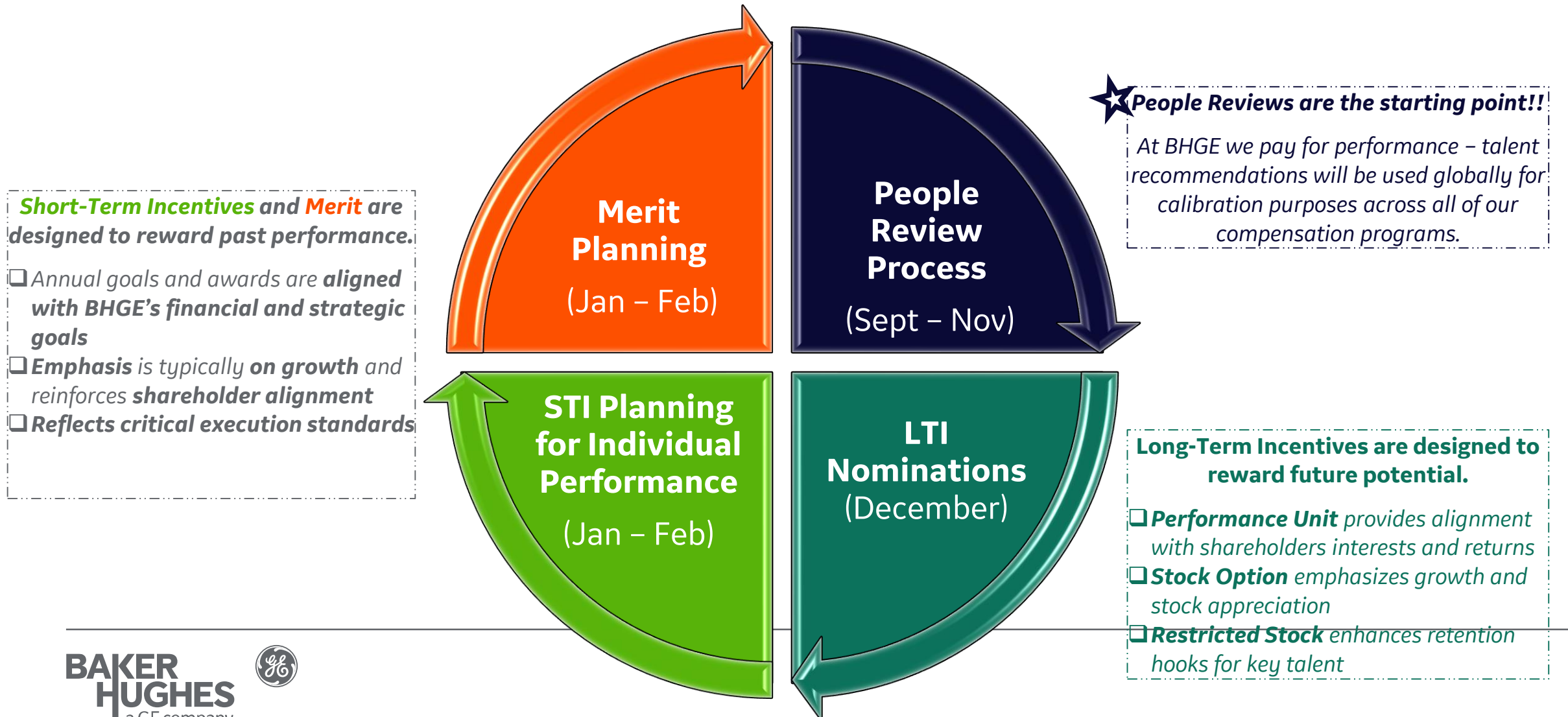
more to come



Annual Cycles – realtime rewards

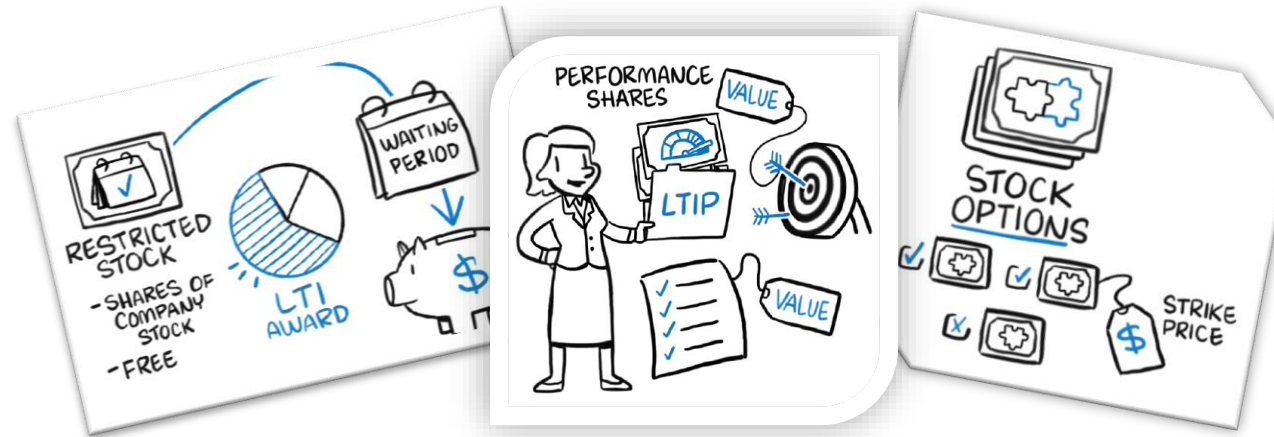
The Link Between People Reviews & Compensation Programs

How are we differentiating rewards for key talent?



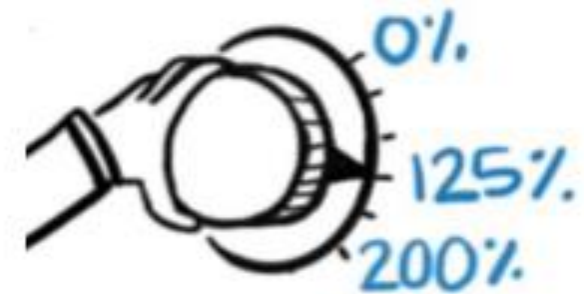
Long-Term Incentive Program

Designed to link individual performance with the Company's long-term business objectives

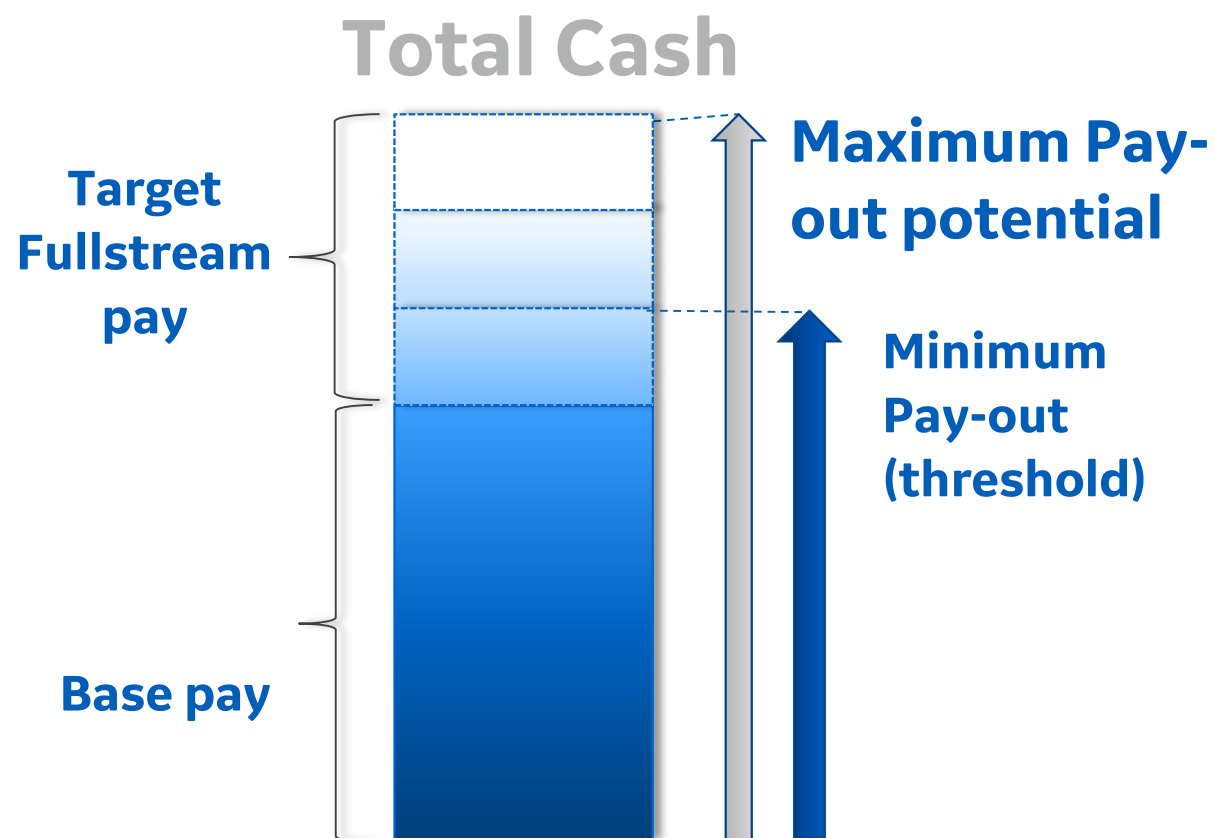


Short Term Incentive Program



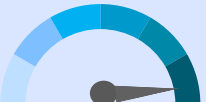
Near term reward



BHGE Total Compensation Philosophy



Total Compensation

Component	Factors	Opportunity to differentiate
Annual Salary Increase	Low budget (<3% in US/ EU); Inflation; Position in Salary Range	Low  High
Bonus	70% ->BHGE financials; 30% ->BHGE priorities & Individual performance	Low  High
LTI	Increasingly selective below EB	Low  High

BHGE approach

- Focus on bonus and LTI as key performance drivers that align with business goals
- Ensure market competitiveness through base pay

Base Pay Management

Market Insights

- *At Annual Salary Review differentiate only top 15-20% performers, no differentiation on rest*

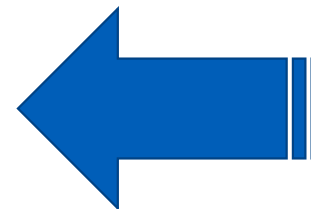
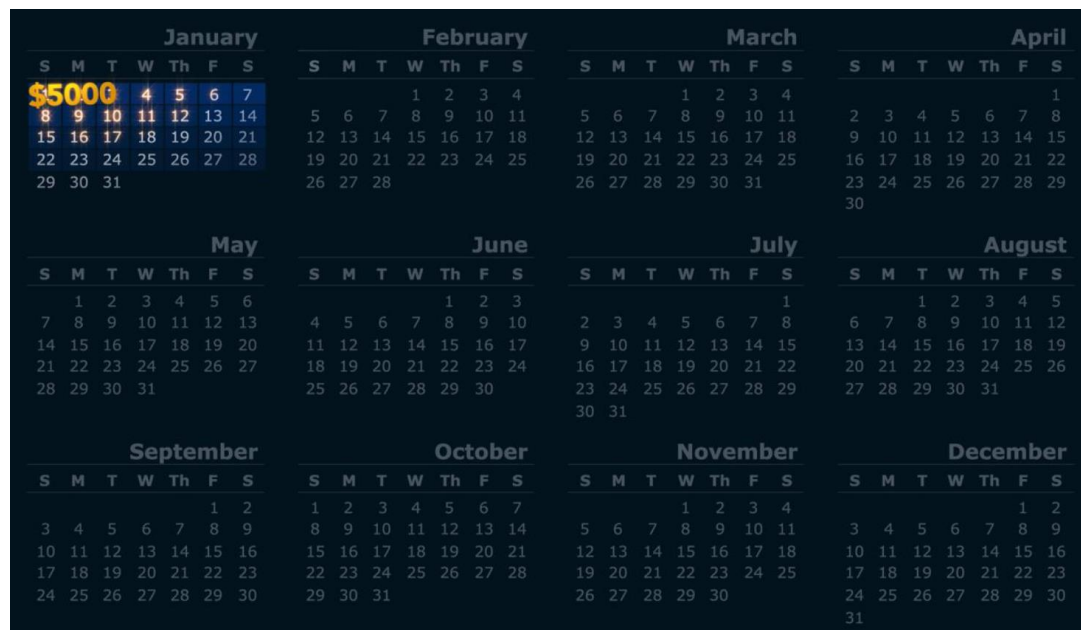
Differentiation via bonus

- *Reward previous year Performance through bonus*
- *High performers receive a minimum 1.5% more than the others*



What's more meaningful?

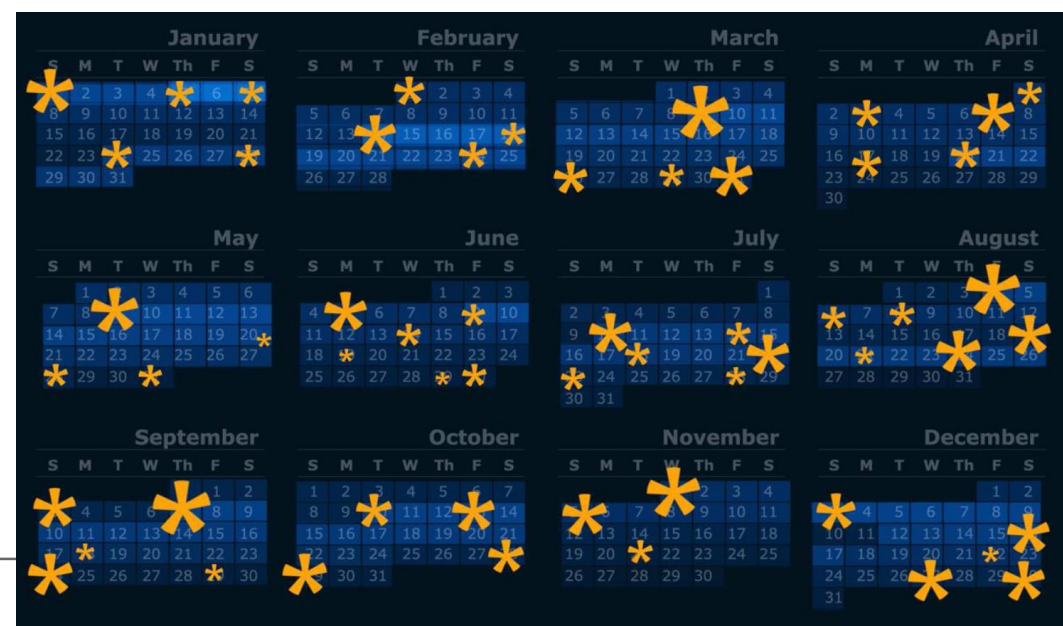
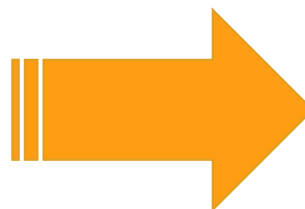
*University of Toronto Rotman School of Management and Evolv Inc.



Studies show that employee happiness resulting from a pay action only lasts 1 to 4 weeks.*

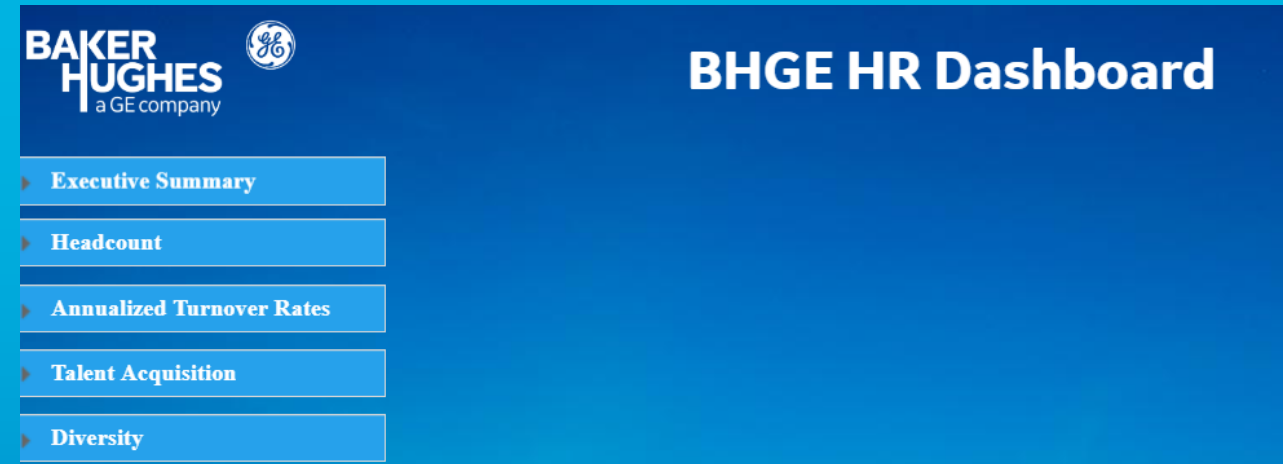
If you think about the typical bonus payment. . .that happiness incentive doesn't last too long!

By utilizing our recognition program in combination with PD and annual incentive programs **you can create sustained engagement** and **reach more employees** throughout the rest of the year.



Real time rewards?

*Instant rewards v's
Annual cycle*



- ✓ Controls
- ✓ Equity/pay gender
- ✓ Budget management
- ✓ Decision points



**Reward needs to be more flexible,
and holistic, reflecting the future
of work and promoting choice**