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# **Setting your compensation strategy to enhance the employee work “experience”**

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# **COMPENSATION PROGRAM DESIGN & ADMINISTRATION: THE BASICS**



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# Total Rewards "Tools"

| External Position Equity   | Internal Position Equity   | Employee Pay and Recognition Equity  | Total "Non-Cash" Compensation – Benefits/ Retirement   | Ability to Fund all Aspects of the Program   |
|--|--|--|--|--|
| <ul style="list-style-type: none"> <li>• <b>Competitiveness in terms of Geography.</b></li> <li>• <b>Competitiveness in terms of industry.</b></li> <li>• <b>Level of competitiveness by organization and position.</b></li> <li>• <b>Recruitment and Retention Trends.</b></li> </ul> | <ul style="list-style-type: none"> <li>• <b>Determine organizational value of positions regardless of market value.</b></li> <li>• <b>Determine value of positions not matched to the market.</b></li> <li>• <b>Determine the differences among "families" of jobs.</b></li> </ul> | <ul style="list-style-type: none"> <li>• <b>Determine internal pay levels of employees based on seniority, performance, or other methods.</b></li> <li>• <b>Determine appropriate methods to recognize employee performance and contributions.</b></li> <li>• <b>Understanding the impact of "Generations" in compensation decisions.</b></li> </ul> | <ul style="list-style-type: none"> <li>• <b>Addressing the rising cost of insurance in plan design.</b></li> <li>• <b>The need to have more employee cost sharing.</b></li> <li>• <b>Understanding pressures from organized labor.</b></li> <li>• <b>The need for flexibility in addressing "generational" differences in both benefit and pension design.</b></li> <li>• <b>Impact of fluctuating stock market on pension design strategies.</b></li> </ul> | <ul style="list-style-type: none"> <li>• <b>Funding all aspects of the program understanding the impact of current industry trends.</b></li> <li>• <b>Determining the "ROI" of all programs to demonstrate the impact on effective recruitment and retention of staff required for the organization to succeed.</b></li> <li>• <b>Proactively developing strategies that reduce cost impacts while remaining effective.</b></li> </ul> |

# Total Rewards Strategy

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**A strategic plan for employee compensation determines how much you want to pay employees and what type of employees you want to attract.**

**Your compensation plan entails a variety of aspects including pay scales, reward programs, benefits packages and company perks.**

**A successful strategic compensation plan allows your business to compete in the market for the best employees in your industry.**



# Attracting Quality Employees

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- **Your strategic plan for compensation plays a large role in attracting competent employees.**
- **Paying wages at or above the prevailing wage in the market for your company's industry allows you to demand workers with more experience and positive work histories.**
- **Employing more qualified workers leads to better results, including higher productivity and customer service interactions.**
- **This can increase your company's revenue and help your business establish its identity with consumers.**

# Rewards for Performance

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- **A compensation strategy may also include rewards for employees based on workplace performance.**
- **This may include a commission-based system that rewards employees for total amount of sales or for consistent positive feedback from customers.**
- **A reward system should be easy for employees to understand and attainable enough at its lower levels to encourage employees to work harder to reach higher goals.**
- **A reward system with performance levels too high for employees to reach early on in the process won't encourage harder work because employees will simply ignore it.**

# Encouraging Employee Retention

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- **Retaining quality workers requires a strategic plan for compensation that rewards employees for company loyalty.**
- **Compensation based in part on seniority with the company shows new employees that your business values workers who choose to remain with the company long-term.**
- **This encourages new employees to make a commitment to build a career with your business and deters established employees from jumping to other companies.**
- **Experienced workers will think twice about pursuing another opportunity if the new job also comes with a pay cut.**



# Who Are The High Performers?

## Korn Ferry Hay Group Workforce Effectiveness Study

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- **Customer Dedication:** Is committed to meeting/exceeding customer expectations and establishes and maintains strong customer relationships.
- **Results Oriented:** Isn't happy until the job is done and goals are met and usually exceeded; motivates self and others to get needed results; pursues results relentlessly.
- **Technically Competent:** Has technical know-how to get the job done; problem-solves and analyzes complex issues with ease; continuously picks up and integrates new knowledge and ideas; has intellectual inventiveness.
- **Aptitude for Learning:** Learns new skills and competencies quickly and assimilates learning to fit potential organization/client needs; is open to change and versatile in the midst of changes; enjoys learning and seeks to learn from experience.



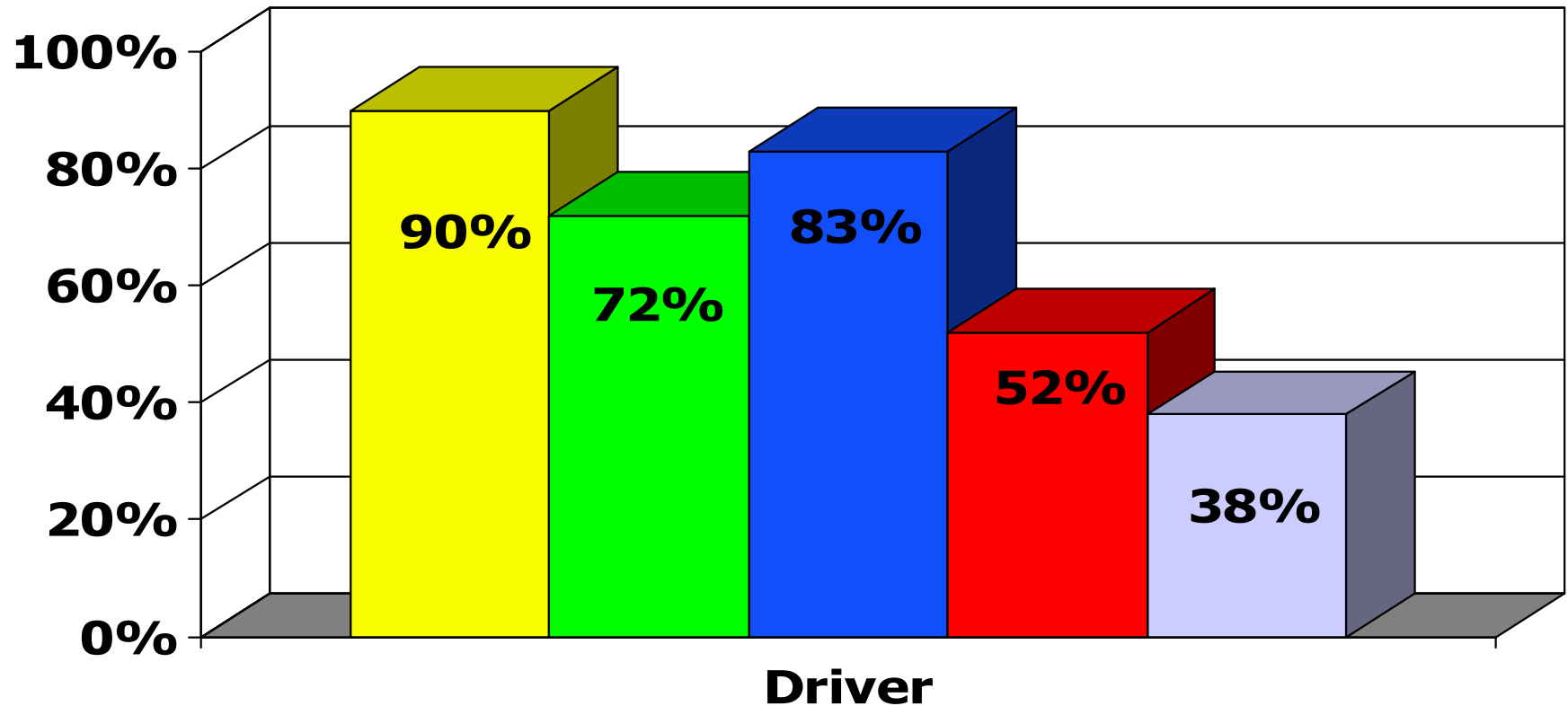




# Employee Engagement Studies



# Top 5 Drivers to Attract Employees of Choice (Willis Towers Watson)



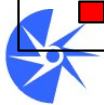
 Career Advancement

 Work-Life Balance

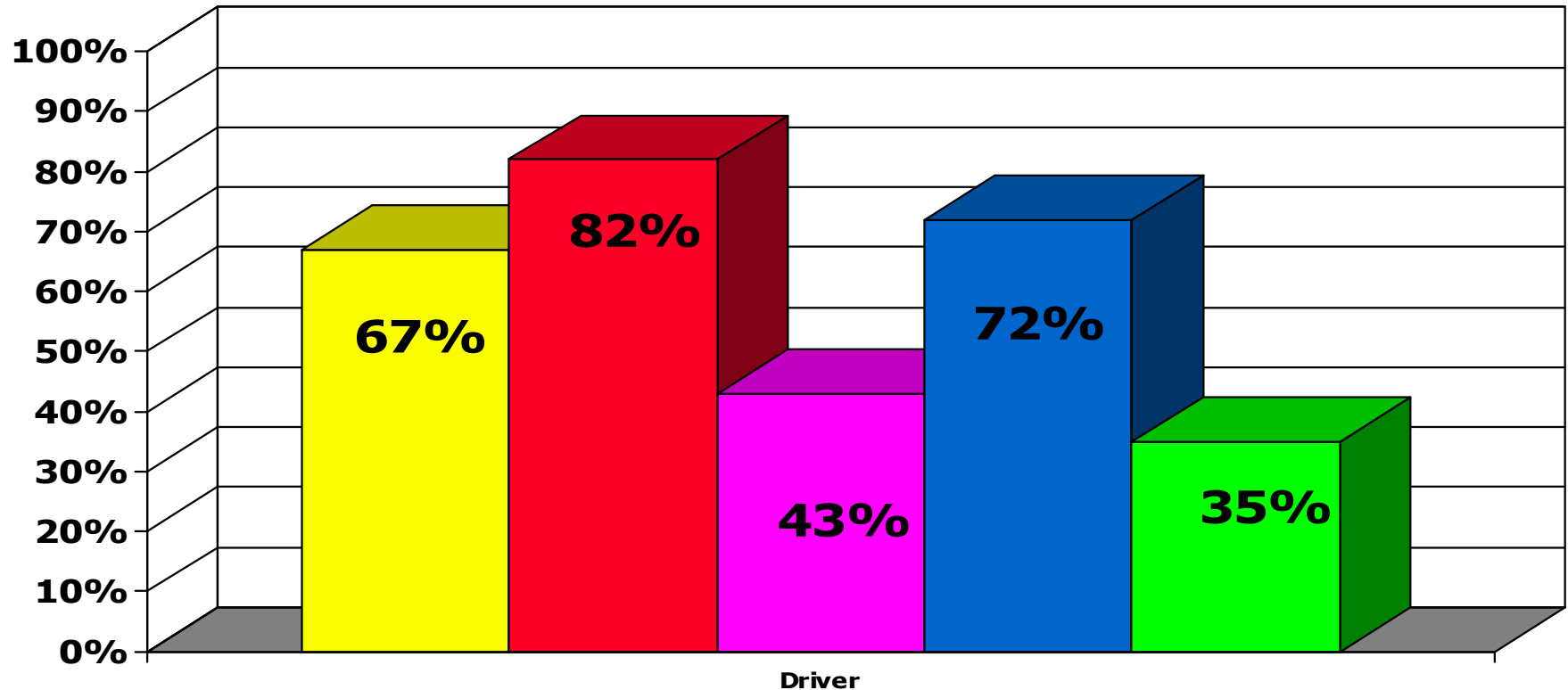
 Pay for Performance

 Starting Pay

 Health-Care Benefits



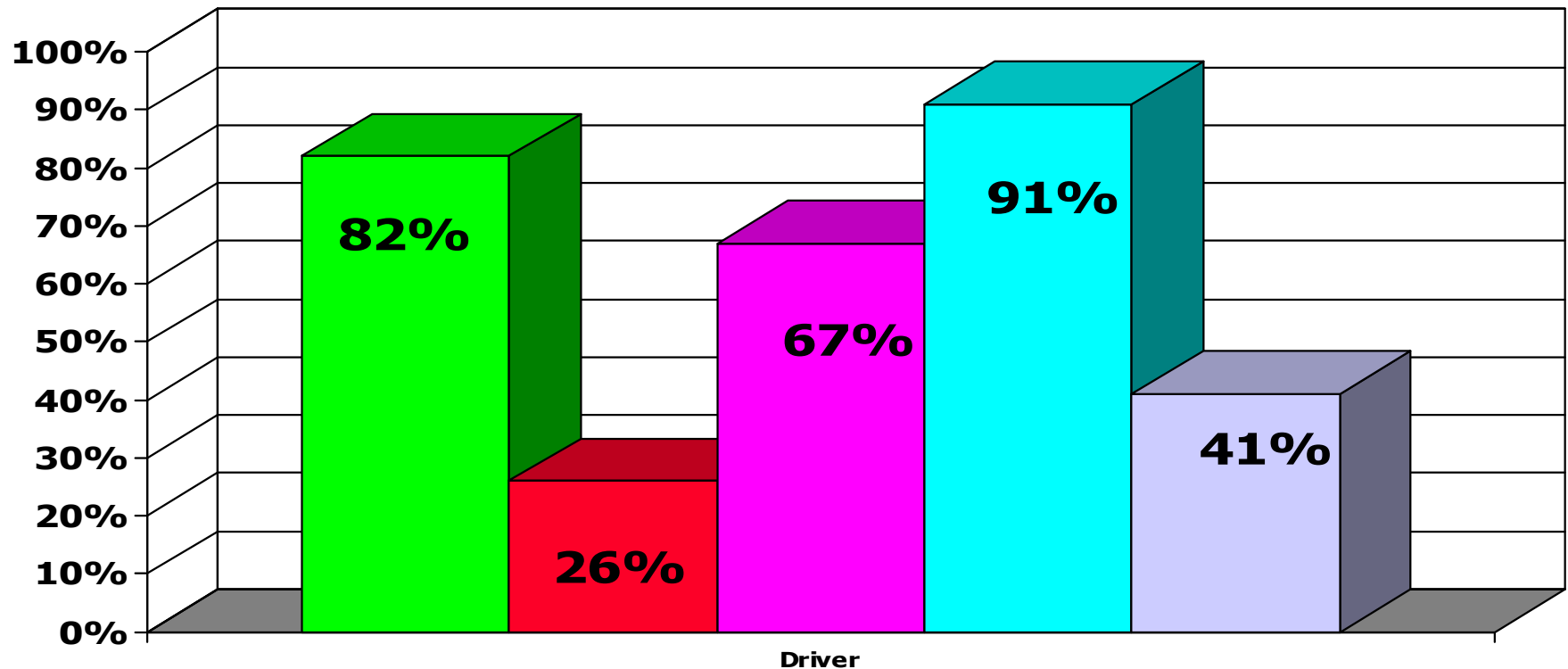
# Top 5 Drivers to Retain Employees of Choice (Willis Towers Watson)



- Effort of Organization to Retain Quality Staff
- Reputation of Employer
- Fairly Compensated for the Work
- Manager Motivation
- Opportunities to Learn



# Top 5 Drivers of Employee Engagement (Willis Towers Watson)



- Improve My Skills
- Reputaion of Employer
- Management Interest in Employees
- Delegated Decision Making
- Consistent Salary Criteria



# Deloitte University Press 2017 Engagement Study

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- **Organizational culture, engagement, and employee brand proposition remain top priorities in 2017; employee experience ranks as a major trend again this year.**
- **Nearly 80 percent of executives rated employee experience very important (42 percent) or important (38 percent), but only 22 percent reported that their companies were excellent at building a differentiated employee experience.**
- **Fifty-nine percent of survey respondents reported they were not ready or only somewhat ready to address the employee experience challenge.**

# Go beyond compensation and benefits to a total rewards mindset-Korn Ferry Hay

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- **Understand that rewards extend well past compensation and benefits and build the core organizational messages, such as an employment value proposition or employer brand, around total reward offerings.**
- **Develop tools for managers so they can effectively reward employees beyond the confines of compensation and benefits and develop and reinforce communications around total rewards.**





# Potential Alternative Reward Solutions

# Gamification Defined

## (Wikipedia)

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- **Gamification is the use of game thinking and game mechanics in non-game contexts to engage users in solving problems.<sup>[1][2][3]</sup> Gamification is applied to improve user engagement, return on investment, data quality, timeliness, and learning.<sup>[4]</sup>**
- **A core gamification strategy is rewards for players who accomplish desired tasks. Types of rewards include points,<sup>[5]</sup> achievement badges or levels,<sup>[6]</sup> the filling of a progress bar,<sup>[7]</sup> and providing the user with virtual currency.<sup>[6]</sup>**
- **Competition is another element of games that can be used in gamification. Making the rewards for accomplishing tasks visible to other players or providing leader boards are ways of encouraging players to compete.<sup>[8]</sup>**
- **Another approach to gamification is to make existing tasks feel more like games.<sup>[9]</sup> Some techniques used in this approach include adding meaningful choice, onboarding with a tutorial, increasing challenge,<sup>[10]</sup> and adding narrative.<sup>[9]</sup>**





# Salary Based Reward System – Shanda Interactive Entertainment

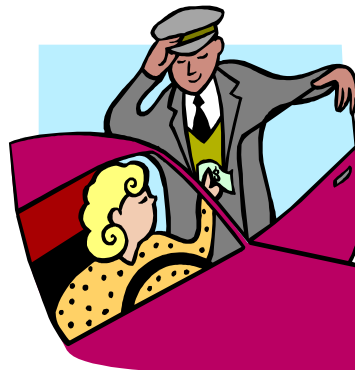
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- **The heart of Shanda’s employee reward system is that employees earn points for day-to-day achievements and the accumulation of those points is what drives salary increments.**
- **There are two kinds of points: ordinary points for performance of their regular job and extra points for taking on special projects.**
- **Employees can also lose points if they make a mistake—instead of spending a year wondering how the mistake will affect their progress they are docked the points right away and they can set about earning them back.**
- **When employees have earned enough points, they go up a level and get the associated salary increment. The system is designed so that the average employee can go up a level each year based on ordinary points. Star employees go up much faster.**



# Looking Outside the Paycheck (Caution-Potential Income Tax Implications)

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# Alternative to Base Adjustments-Astron Client

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- **Client had an issue with over 30% of long term employees over the maximum of the pay range. Concern that these are the role model employees in customer service.**
- **Client decided to freeze base pay at or above the maximum.**
- **Astron conducted focus group sessions with all employees with more than 25 years tenure to ascertain potential reward alternatives.**
- **The following were suggested by employees and approved:**
  - **Valet Parking Available**
  - **On key anniversaries (25<sup>th</sup> – 30<sup>th</sup> – 35<sup>th</sup> etc.) an additional 5 PTO days to be taken together.**
  - **No payment for any employee share of the individual healthcare premium.**
  - **Special recognitions on the employee ID badge.**



# Sample Programs

# Trend #1: Decentralization of Total Rewards

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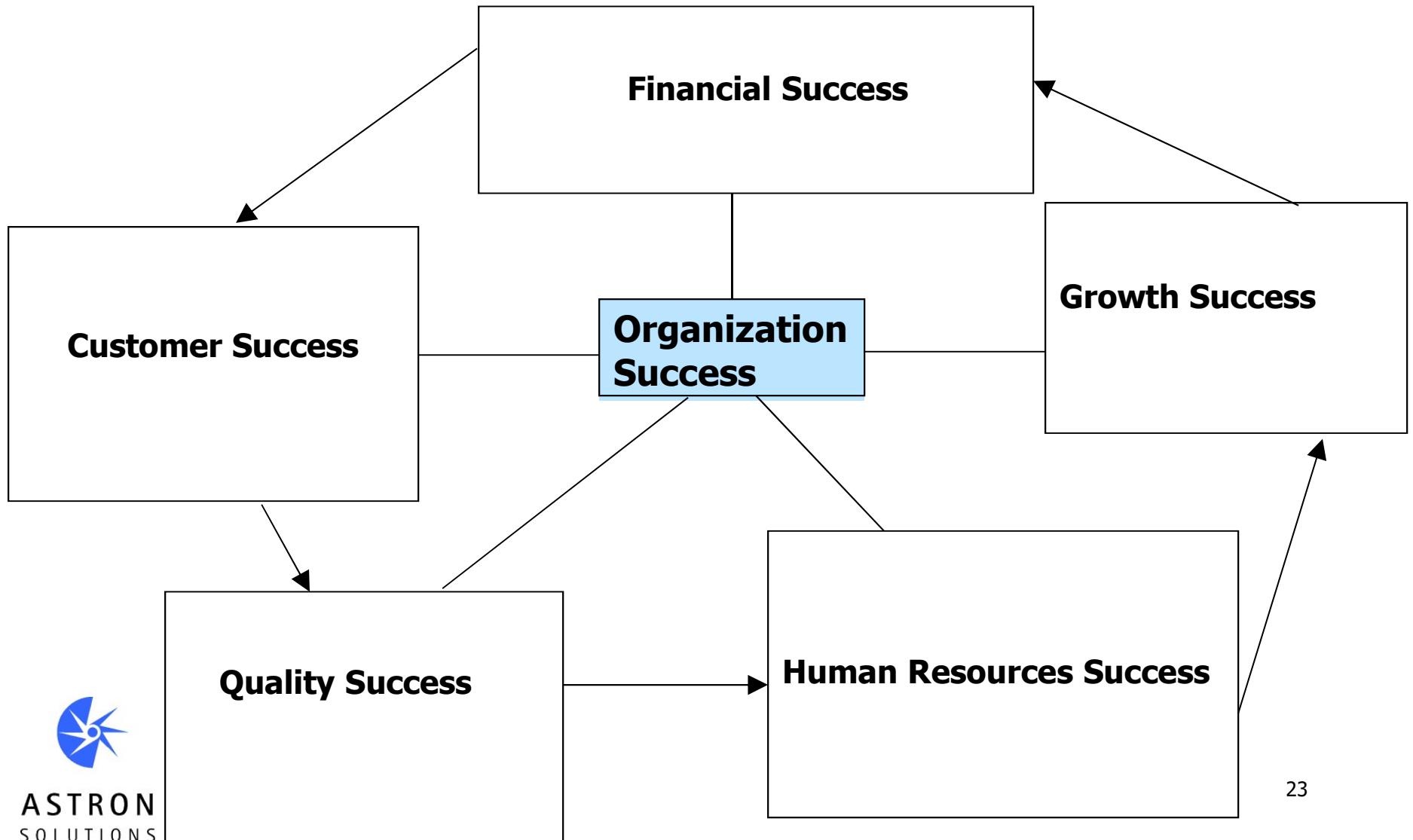
- **By Generation**
- **By Profession**
- **By Market**
- **By Strategic Contribution**
- **Implications for the HR Professional and Employee Morale**



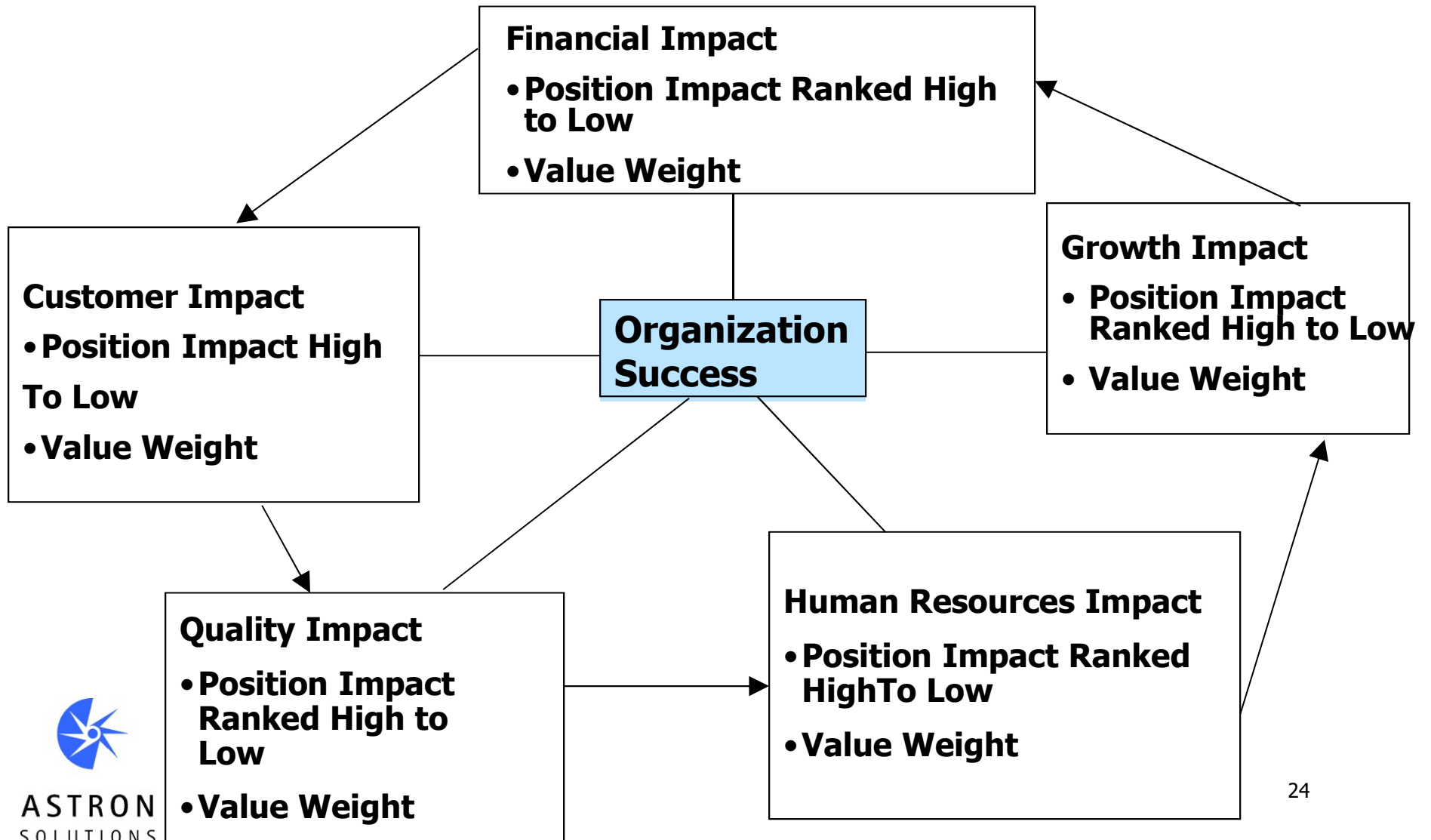
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# **Trend #2 : Return to the Balanced Scorecard**

# The Balanced Scorecard Strategic Plan

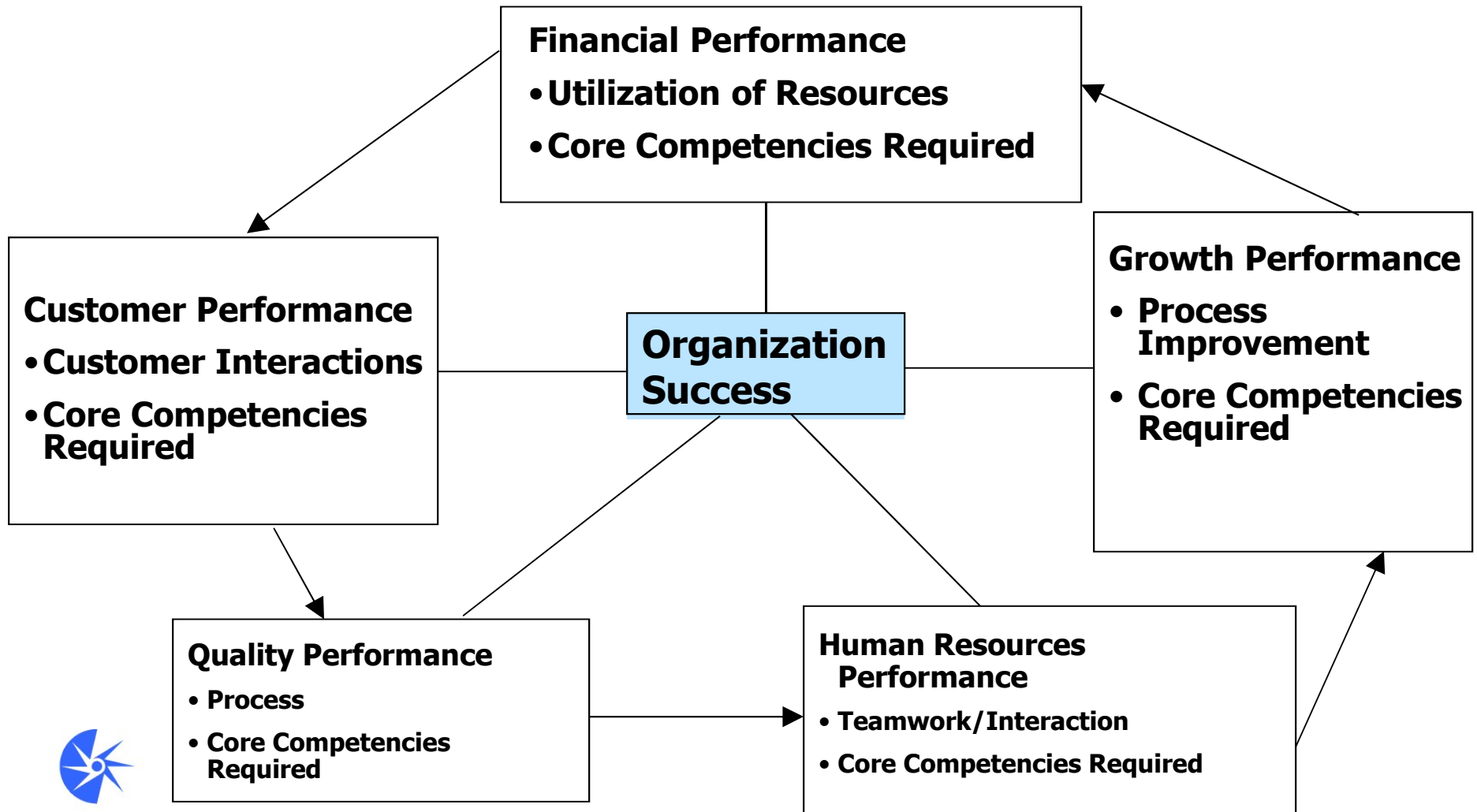


# The Balanced Scorecard Job Evaluation System

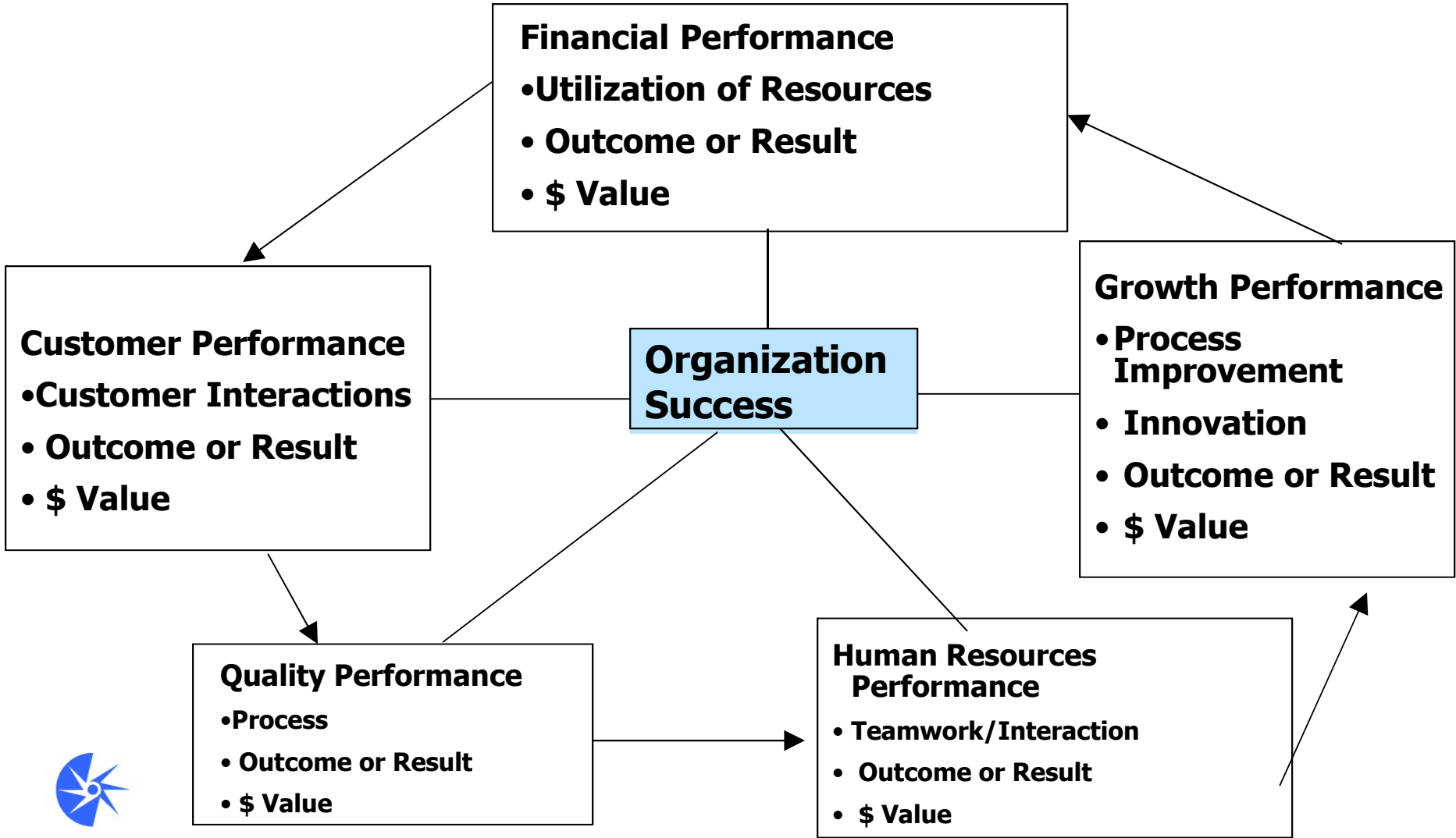




# The Balanced Scorecard Competency Based Performance Management Model to Identify High Performers



# The Balanced Scorecard Individual High Performing Incentive Model



# Skill Table Example

Form to Filled out for Each Position – Combination of Roles, Technical and Behavioral Competencies (Strategic Score Card Sample)

| Scorecard Element                          | Department Expected Outcomes                          | Role of Position   | Technical Competencies Required  | Behavioral Competencies Required   |
|--|---|--|--|--|
| Customer Expectations                      | Define the scorecard in specific "departmental" terms | Define the overall responsibility of the position in achieving the scorecard element | Define the technical skills (communication /knowledge etc) required to achieve the scorecard element | Define the behavioral skills (compassion/commitment etc) required to achieve the scorecard element |
| Quality Expectation                        | Define the scorecard in specific "departmental" terms | Define the overall responsibility of the position in achieving the scorecard element | Define the technical skills (communication /knowledge etc) required to achieve the scorecard element | Define the behavioral skills (compassion/commitment etc) required to achieve the scorecard element |
| Growth/Competency Improvement Expectations | Define the scorecard in specific "departmental" terms | Define the overall responsibility of the position in achieving the scorecard element | Define the technical skills (communication /knowledge etc) required to achieve the scorecard element | Define the behavioral skills (compassion/commitment etc) required to achieve the scorecard element |
| Financial Expectations                     | Define the scorecard in specific "departmental" terms | Define the overall responsibility of the position in achieving the scorecard element | Define the technical skills (communication /knowledge etc) required to achieve the scorecard element | Define the behavioral skills (compassion/commitment etc) required to achieve the scorecard element |
| Human Resource Expectations                | Define the scorecard in specific "departmental" terms | Define the overall responsibility of the position in achieving the scorecard element | Define the technical skills (communication /knowledge etc) required to achieve the scorecard element | Define the behavioral skills (compassion/commitment etc) required to achieve the scorecard element |

# Trend #3: Link Base Pay Adjustments More to Competency

| Pay Range Position:    | Q1             | Q2             | Q3                                  | Q4               | Q5               |
|------------------------|----------------|----------------|-------------------------------------|------------------|------------------|
| Competency:            | Minimum        |                | Midpoint<br>(P50 Market<br>Average) |                  | Maximum          |
| Expert/Role Model      | Budget<br>+ 6% | Budget<br>+ 4% | Budget<br>+ 2%                      | Budget           | Budget<br>-2%    |
| Fully Competent        | Budget<br>+ 4% | Budget<br>+ 2% | Budget                              | Budget<br>-2%    | No<br>Adjustment |
| Learning/Developmental | Budget<br>+2%  | Budget         | Budget<br>-2%                       | No<br>Adjustment | No<br>Adjustment |



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# **Final Thoughts: Reward Strategies for Employee Engagement**



## Tailor total rewards to workforce segments.

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- Recognize that **different employee groups value different rewards** and build managers' rewards tool kits based on this understanding.
- Focus on the ways in which managers can **use career development, organization and job design, non-financial recognition programs and organizational work climate to reward employees** in different roles and different stages of their careers.



## **Communicate the value of what you have.**

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- **Total rewards statements are powerful tools for communicating rewards offered by the organization.**
- **The HR function should be actively involved in helping line managers understand and communicate the value of both tangible and intangible rewards.**

## **Include employees and managers in rewards design and launch.**

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- **Reward programs are most successful when they effectively balance the needs and wants of the organization and its employees.**
- **Reward professionals indicate that engagement is enhanced when employees and managers are involved in the design and launch of reward programs, despite the fact that they seldom are in practice.**



# Clearly Define What is Expected

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- **Define clear goals around what type of corporate culture you wish to achieve.**
- **Recognize efforts that reflect your company values and strategy.**
- **Create a common language of recognition by requiring all employee behaviors, actions or attitudes that are recognized be tied to your company's values and strategic goals.**
- **Secure executive sponsorship of your recognition program. Use the global reach, influence and visibility of a senior executive to promote the recognition program across the company and secure buy-in across divisional leadership.**

# Potential Reward Strategies

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- **Frequently recognize contributors in a timely way.**
  - **Make appreciation a habit and recognize deserving employees “in the moment” so the reason for recognition is at top of mind.**
- **Offer peer-to-peer recognition opportunities.**
  - **Give all employees individual ownership of bringing your company values to life by allowing employees to formally recognize each other.**
- **Foster recognition across global teams.**
  - **Make it easy for team members to thank each other in their own languages. Also, ensure rewards are equitable across your global workforce so team members are rewarded fairly.**

## Potential Reward Strategies

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- **Broadly communicate recognition achievements.**
  - **Spread a culture of appreciation by regularly highlighting recognition recipients in common mediums such as departmental meetings and newsletters.**
  - **Encourage senior leadership to congratulate recipients.**
  - **The communications help to continuously reinforce your corporate values and strategy.**
- **Measure program outcome and success.**

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# Thank You

# Questions