



## 4<sup>th</sup> Quarter 2014 Newsletter

### How to Keep Your Employees Satisfied With Their Compensation

There is a truism regarding employee compensation that says it is not just the absolute level of compensation that creates satisfaction or dissatisfaction among your employees. Rather, it can also be:

1. The level of compensation compared to their expectations.
2. The relative level of their compensation compared to other similar employees' compensation.

The first point stresses the fact that companies need to be careful about managing employees' expectations concerning their compensation. Never make a promise and then not deliver when it comes to compensation, whether that promise is about a bonus amount, a salary increase, or inclusion in a "special" compensation program, such as a phantom stock plan. Companies also must be careful about what they communicate concerning compensation, but not communicating can be just as problematic. If there is a communication vacuum with your employees, they will fill that vacuum usually with inaccurate, self-derived information. The solution is to communicate often with your employees, and be straightforward and realistic with that communication. On an related topic, discretionary bonus plans often suffer from a lack of transparency and communication. Employees, being the eternal compensation optimists, will then expect the largest bonus amount that they have been paid in the last several years (see above about a communication vacuum). The result of this can be unhappy employees if actual bonus amounts don't meet their expectations, or companies paying bonus amounts based on "last year's bonuses" instead of what is warranted based on profitability.

The second point stresses the fact that employees talk about their compensation even though you tell them that individual compensation amounts are confidential. You may pay a project manager a competitive salary and annual bonus to keep him/her happy. Then that project manager finds out that another project manager with similar experience and credentials is making more compensation. Now that project manager is unhappy and dissatisfied. Companies need to have a good reason for differentiating compensation amounts between similar employees or risk creating dissatisfied employees. The obvious reason for this differentiation is a project manager performing at a higher level than another project manager. If the performance assessments come from a structured performance assessment and rating system using pre-established performance metrics for each position, you are probably in good shape. If the performance assessments come from a highly subjective assessment system based on someone's opinion, you are going to have a hard time defending it. The bottom line is that highly subjective and questionable employee performance assessment systems may result in unhappy employees if you try to differentiate compensation based on their performance.

#### Article Spotlight



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### A Word from Rick Sharpnack



I don't usually plug myself in this newsletter, but I figure every once in a while is okay. I have been selected to present at the 2015 CFMA Annual Conference in Chicago. I will be co-presenting with another speaker on the topic of retaining key employees. We will be discussing monetary and non-monetary techniques to keep your key employees satisfied, engaged with the company, and retained in the employment of your company. The dates for the conference are June 27<sup>th</sup> through July 1<sup>st</sup>. If you are planning to attend, come to our presentation for some very useful information on employee retention.