

Strategic compensation henderson printing essay sample

[Business](#), [Employment](#)



As a component of the structural variables in the organization of Henderson Printing the reward system is archaic and ineffective at best, it is therefore important to understand the contextual variables affecting Henderson that will determine the most appropriate managerial strategy for this organization. Of the five contextual variables, Environment is the most critical. Henderson Printing is operating in an environment that is stable, their technology is not changing rapidly, they do not have an unpredictable regulatory environment, the life cycles of their products are long term, and demand for their products is not volatile. Henderson operates a defender corporate strategy as they are the manufacturers of high quality business products catering to a relatively narrow client segment where they excel in both product quality and price, although recently high production costs and prices have become an issue.

Although there is currently no system for scheduling production runs at Henderson, the firm operates between a routine technology and a unit/small batch technology. Routine where there are moderately few exceptions to the standard work processes for the majority of their customer orders and unit / small batch technology when they are producing small runs of customized products that need considerable additional time. Henderson Printings organization size is classified as small to medium which would in the future make it a prime candidate to implement a High Involvement Strategy. The work force at Henderson Printing is primarily moderately skilled and from a region of good economic circumstances.

Currently there is great disarray amongst all forms of compensation from base pay to indirect pay and performance pay, all facets of compensation appear to be spur of the moment or reactionary rather than strategically formulated. Although current compensation practices are well intentioned, distributive justice is highly lacking throughout the organization. Further to this, compensation practices are failing to produce the desired behavior of the organization as many new employees leave and reward outcomes are not quantifiably based on performance. The objectives of a modern strategic compensation plan should be to increase the tenure of new employees, control the indirect compensation costs associated with annual bonuses, long term disabilities and the direct costs of immediate and permanent pay raises.

The management component is already light; therefore moving to a high involvement strategy on the production floor would not necessitate the elimination of any supervisory personnel. Henderson Printing is a prime candidate for a Pay for Knowledge system where base pay for individuals is based upon their capabilities rather than on characteristics of the job. Current practices have everyone seeking the assistance of the company president for job related matters that they themselves could easily rectify in an appropriate and effective manner. Henderson Printing as noted earlier is experiencing tighter margins on its products as a result of high production and materials costs. Using a Pay for Knowledge strategy that is supplemented with a Gain Sharing Plan where employees will share with the organization in the savings of quantifiable increased productivity, and

reduced production costs, will lead to significant economies of scale and effective deployment of the financial resources of the organization.

A Gain Sharing Plan is most appropriate for Henderson Printing as they are a stable organization. Implementing a High Involvement Strategy will benefit customers and employees alike, as communication between the production floor and sales staff will become a key component associated with the Gain Sharing Plan whereby all employees will participate. Furthermore Gain Sharing will be reflective of the organizations ability to pay, no gain, no savings, no pay. This will not only foster task behavior but membership and citizenship behavior as well. Base pay will be determined according to the value of the skills and competencies an employee has acquired on the production floor, there will be the incentive for skill development as employees base pay will increase as their skill proficiencies enlarge. This will also create mobility between jobs in the organization as many members will be proficient in numerous jobs.

Compensating the organizations sales staff through the use properly designed performance pay will lead to profitable sales for the organization. Once again linking compensation to performance will benefit the organization in its ability to pay. It is important to design the compensation of the sales staff in a manner that encompasses all of the organizations goals as communicating with production staff will be a key component of the High Involvement Strategy, and it is important for the organization to demonstrate a commitment to the sales team that the relationship is not just purely

financial. Therefore direct compensation for them should consist of a minimum base salary upon which their commissions are added.

Henderson Printing conducts its business in the province of Nova Scotia therefore they are obligated to provide: A vacation of two weeks after 12 months of service and within the following 10 months or, if the employee has been employed with the same employer longer than 8 years, a vacation of at least three weeks

Vacation pay of at least 4 per cent of gross wages (6 per cent for employees after 8 years), of which the employer is obligated to pay at least one day before the vacation begins.

The Nova Scotia Labour Standards Code provides employees who qualify five holidays with pay: New Year's Day, Good Friday, Canada Day, Labour Day, Remembrance Day and Christmas Day.

The Nova Scotia Labour Code requires employers to pay female and male employees equal pay for equal work.

Parental and Pregnancy leaves can last up to 17 and if taken together can last up to 52 weeks.

Other forms of leave minimum leave covered under the Nova Scotia Labour Code include, Bereavement, Reservist, Court, Emergency Care, Compassionate Care, and Sick Leave

Henderson Printing is further obligated to contribute for each employee to CPP, Employment Insurance, and Workers Compensation premiums. These additional commitments can add up to as much as 10% of total compensation for some employees.

In conjunction with the minimum required benefits as mandated by law Henderson Printing will need to provide additional benefits that will enhance either their employees immediate quality of life such as Dental Care, Life, Accidental and Dismemberment or Disability Insurance, Health spending or their long term goals such as Retirement Income. Economies of scale will be of some importance here as Henderson will benefit most from the use of Group plans as a pose to a flexible benefits plan. Henderson does not currently possess the administrative infrastructure to accommodate a complex detail oriented Flexible plan, therefore the use of Group plans will provide useful and needed benefits to employees while at the same time Henderson will benefit from the ease of application.

A further review of indirect pay can be accommodated at a later date to determine whether it is viable to move to a flexible plan or to migrate to a semi flexible plan where employees add on to a core set of benefits at their own expense. In determining the mix of direct pay, incentives and benefits Henderson will be looking to provide a just noticeable difference in incentives, in order to encourage the organizational task behaviour needed to for participation. Research has shown that benefit costs for medium sized firms were about 15% of total compensation in 2004 which was only a modest increase over the start of the decade. As such we would not expect

there to be a significant change in this allocation of compensation dollars today.

If an organization is going to modify the way it rewards its employees then they must make a concerted effort to be comprehensible in their development, their communication with employees and their follow up processes in advance of any release of the planned changes to the organization. Prior to making an effort to engage in the behaviours required by the organization employees must first perceive that there is adequate organizational support to ensure successful performance of the behaviour. At Henderson Printing support will need to consist of the correct resources, tools, and training in order for successful job performance to occur. In the meantime we can hope George Henderson has an untapped line of credit at the bank.