

How hr functions work in the valspar corporation

[Business](#), [Management](#)



Compensation: Communication Strategies based on Organizational Behavior

Jason Vislosky stepped into Greg Niederst's office on a Monday morning for his year-end performance review. Greg shut the door and asked Jason to take a seat. Greg looked across the table and began going through Jason's performance throughout the past year. With many positives and few negatives to share about Jason's work habits, Greg concluded the review within ten minutes. Jason listened, waiting for a chance to jump in. Before Jason had a chance to bring up his goals from the past year, Greg moved the discussion to Jason's compensation. The timing of the company's merit increase and bonus differentiation processes had recently been adjusted to coincide with the year-end performance review period, so that managers could connect compensation with performance during the review. Greg told Jason his merit increase was competitive with the market at 2.5% and he would receive 100% of his annual bonus. Jason thanked Greg for sharing the information, but raised a concern that even though his review was very positive, his compensation and rewards were average. Greg said that, as Jason's friend and advocate, he understood and would demand an explanation from HR about why Jason's increase and bonus were not higher.

After fumbling around the issue, Greg concluded the meeting. Flustered, Greg called Jon Benson - the corporate HR Manager - for answers. Greg described how the review went and expressed his dissatisfaction with how HR had prepared him for the conversation. All compensation decisions, including merit and bonus, are processed through each level of management up through the CEO. Somewhere during the process, Greg's proposed

increase of 5% for Jason had been cut to 2.5%. Jon had made Greg aware of the change through email and sent some of the rationale, but Greg did not see the email. Greg finished his conversation with Jon, hung up the phone, and thought to himself that the process needs to be overhauled.

The Organization

Greg is a manager within the 120-employee finance department of the Valspar Corporation, which is a global manufacturer in the paint and coatings industry. The company is known in North American markets for bringing customers the latest innovations, the finest quality, and the best customer service in the coatings industry. However, with over 10,000 employees in more than 25 countries, the company utilizes processes that apply in a wide variety of organizational and cultural contexts. Among those processes are HR processes like performance management and compensation management that occurs globally on the same calendar. During that time, all of the company's 1,200 managers are responsible for communicating with employees about their performance and compensation. Jason, who is an analyst at the company's corporate headquarters in Minneapolis, participated in this globally coordinated communication effort.

After receiving similar calls from other managers about their compensation discussions going poorly due to lack of preparation and other factors, Jon Benson put together a meeting with the company's compensation manager Barb Miller. The purpose of Valspar's compensation function is to provide specialized support to the company's generalists, including not only administering the company's compensation programs but also empowering managers to leverage compensation to motivate, attracting, and retaining

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their employees. During Jon and Barb's meeting, Jon brought case examples of high-performing employees leaving the organization for competitors across different industries in the Minneapolis area due primarily to their lack of understanding of Valspar's overall compensation offerings. Jon surmised that may be due to poor communication from managers and a general incompetence about setting goals. Barb agreed fundamentally and pitched the idea of creating a training to help.

Communication Breakdown

Compensation is a gauge that employees use in a variety of contexts to develop their own self-perceptions regarding their worth to the organization. To a degree, a manager's communication style about compensation supports employees' self-perception. A communication style is the way in which the manager communicates " a pattern of verbal and nonverbal behaviors that comprises our preferred ways of giving and receiving information in a specific situation" (Hofner Saphiere, Kappler Mikk, & Ibrahim DeVries, 2005). In situations where a manager delivers communication related to compensation in a way that exploits the positives of a compensation package (for example, that it is externally competitive with other companies) versus the potential negatives (for example, that it is lower than one's peers on the team), managers have the opportunity to leverage compensation as a tool for improving employees' self-perception. However, the opposite effect can also be clear - that by delivering a contradictory and unorganized message - employees walk away feeling suspicious or distrustful of the manager and the organization.

Managerial communication styles contribute much to whether compensation is perceived in a positive or a negative light, and in organizations like Valspar, opportunity exists for improvement. Without training, managerial discussions with employees about compensation tend to be person-focused and subjective. In that situation, a manager will deliver compensation-related decisions based on a person's work style and habits, rather than addressing objective goals set at the beginning of the year; disagreements are leveled at the employee personally rather than the objective criteria. Additionally, because managers recognize the emotionality and self-perception tied to rewards, managers untrained in effective communication may convey issues as an employee's friend, rather than as a supervisor.

Breakdowns in the effectiveness of communication regarding compensation, like the one between Greg and Jason, occur primarily because of communication styles – particularly those that are weak in organization/forethought and credibility (Hydrie, Individual Differences at Work, 2014). To address these common issues in the organization, Barb Miller designed the first of three sessions of a training program to shore up managerial competencies in talking to direct reports about compensation. Managers would be trained on how to organize and prepare for conversations like the year-end review and compensation discussion, both in terms of how to structure the discussion and the resources that would be made available. For example, the manager receives a sequential order of topics to discuss annual goals, employee progress, how goals connect to compensation, and any increases or bonuses from the year; thus, the company could cut down on the number of discussions where managers

forget topics and become uneasy when attention is drawn to uncomfortable topics. Additionally, to support the connection between goals and compensation, all managers would be provided a total compensation report for their employees and print-outs of written reviews, as a way of keeping the discussion focused.

As a result of this training regarding preparation, one would expect that managers become more organized and thoughtful about what to share with employees – but, more than that, managers would become more credible and authoritative in their conversation. By focusing on facts like those in the total compensation statement and the written review, rather than trying to convey information as a confidant, managers could avoid the easy way out by creating an “us versus them” mentality with senior management or HR. As a result, employees are able to see compensation as a company decision and as one that is good for the organization rather than good just for the manager. Employees tend to respect the decisions more knowing they were made within the context of the broader organization, since that is how they form a perception about the value of their position.

Managing Conflict

Barb Miller’s proposed first session of the management communication training attempted to address all of the problems that occur as managers go to prepare and think about what they will say to employees about compensation. But Barb realized that solving the issue would not be so simple. Although some managers are gifted communicators, not all are skilled at creating engagement from employees during their interactions or at handling tough issues. Particularly with compensation, there is a great

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potential for conflict between management representing the interests of the company versus an employee representing his or her own interests – such as when an employee feels he or she should be paid more.

To address concerns that managers like Greg Niederst are not competent at managing conflict, Barb felt it was important to design a second session dealing with difficult conversations. She set forth three broad guidelines that could apply to any tough situation, not just those in the people management context. The first guideline recommended that managers respond positively to the other side's concerns, rather than reacting imprudently or getting defensive, in order to build trust and rapport with the other side. The second guideline was that managers would take a balanced view and try to see the review or compensation from the employee's perspective. By following this advice, managers would listen to concerns and weigh those concerns against those of the organization – particularly as they relate to how performance rating and compensation decisions are made. Basic questions would need to be answered during the meeting or shortly after it, which gets back to the need for good preparation and organization. The third guideline advised managers to understand and control feelings, which would not only be accomplished by adequately preparing but also by practicing the art of handling difficult conversations by taking person-focused, subjective points out of the picture (Crawley, 2000).

Aside from that basic groundwork regarding managing difficult conversations, Barb included principles surrounding active listening skills. Active listening is comprised of two components – attending while the other

person is talking and responding when it is one's turn to speak. High performance on the attending component is comprised of paying attention to posture, eye contact, gestures, environment, and interested silence (Hydrie, *Managing Conflict. Difficult Conversations.*, 2014). Rather than interrupting or conveying disinterest with body language, managers would be trained on how to show employees that the topic is not uncomfortable and not something to be disregarded as unimportant. Again, because employees see their compensation as a proxy for their own value to the organization, an uncomfortable or disinterested manager regarding compensation is a signal that the employee himself or herself is not a significant concern. Therefore, managers would participate in practice compensation discussions with peers in the session (where one person played the manager and the other an employee). In addition to going through preparation, managers would practice principles around attending.

The focus of the management training would not just be on attending, but responding as well. When managers would respond to their peers' (who pretend to be employees) concerns in the practice conversations, they would be expected to follow best practices regarding responding, such as giving acknowledgement of those concerns, asking open-ended questions, reflecting and summarizing when important, and agreeing with employees' feelings and values. Thus, rather than following the example of managers sidetracking a conversation that was still developing in a good direction, managers were expected to summarize the topics already covered and stay on those topics that required further development. Provided the topics to cover as preparation, managers would be fully aware of what to do, and they

would be well-prepared to acknowledge employee concerns about self-worth and engagement tied to compensation.

Setting Goals

A third session, the last of those in Barb Miller's proposed managerial training, dealt with setting goals. Having trained managers in communicating about sensitive topics, Barb thought managers would then to be trained on constructing goals with employees. After all, the previous sessions had built a knowledge base regarding to how to frame and address goals and compensation, but if the goals themselves are ineffective and the compensation misaligned, then communication alone would not make a difference.

Goal-setting as a performance driver is effective because goals mobilize effort, direct attention, and encourage persistence and strategy development (Hydrie, Motivation, 2014). To be effectively motivating for employees, goals must be appropriately specific and not vague to the point where the connection with overall business objectives are lost. In addition, to be effectively motivating, goals cannot be too challenging to the point where they are unachievable or not challenging enough to the point where they require no effort to achieve. Therefore, some balancing must be achieved by managers when working with their employees on creating effective goals. Achieving the balance would be covered within the training by continuing managers' practice with their peers in a role play where they created fictional goals. Otherwise, they would be given both solid and questionable fictional goals to communicate and potentially reword as necessary. If a discussion during the training became sidetracked about person-focused,

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subjective characteristics of employees rather than goals during the review, managers would be instructed to return the discussion back to goals as a primary topic of any employee review - both backward-looking at the past year and forward-looking at the new year.

The challenging aspect of devoting much of the attention of the year-end review discussion on goals has to do with how those goals are connected to rewards. First, managers have to know which rewards are relevant to each individual employee (Hydrie, Motivation, 2014). Perhaps one employee values the work itself and recognition from peers while another values advancement, growth, and additional responsibilities. Second, managers have to link the attainment of goals with rewards in a timely and honest manner. While a growing amount of attention is growing with regard to what intrinsically drives employees to learn and perform their work, extrinsic rewards still play an undeniable function in guiding the achievement of goals in the workplace. Effective managers leverage goals as a way to reward employees for their contributions, which in turn increases employees' perceived worth to the organization and therefore their engagement in the work that they perform.

Conclusions

The Valspar Corporation's HR function utilized training to deal with a fairly common problem, which is a lack of managerial competency related to discussing difficult topics with employees. In the process, managers became more organized and thoughtful about preparing for their reviews, better listeners and more engaged in those conversations, and more effective at facilitating their employees' goal-setting. Fewer employees left their year-

end review meetings dissatisfied with their managers' feedback and ability to connect progress on goals with their compensation; therefore, fewer employees resigned because they lost trust in their manager or became disengaged from their work. Rewards are a lever that any organization can use to motivate and retain employees, but only if managers and supervisors are adequately prepared to create and deliver the message at the right time.