

Strategic compensation

Business



Write a 1200-1500 word paper that describes a strategic compensation plan for machine operators at Plastec Company.

Refer to the description from the week 3 assignment. Include at least 3 referenced articles and cite them as appropriate. This paper should at a minimum address the following: * What should Paul do to determine how Plastec compares with other area employers in terms of wages and benefits? * How could Plastec motivate its machine operators to stay? To increase their productivity? * The majority of the machine operators are in their mid to late forties, some with families, some without. What types of benefits would you suggest offering? Please submit your learning team paper: Strategic compensation here. Note this and all papers in this course should use APA format. This Powerpoint file on APA gives a brief overview.

Please submit your assignment in Microsoft Word. If you are using Word for Vista (.docx file extension), be sure your instructor is able to view this file type. If your instructor is not able to view .

docx files, save your paper as a .doc file. If you are not certain how to do this, contact the Help Desk. Please include your team members' names on the first page of your paper for the grading purposes. Recently orders have been much slower due to a recent downturn in the overall economy, and there have been a few layoffs.

Paul was directed by the owners to “keep good workers who will stay” and to “keep us out of court.” The company has a single location which is in an industrial park outside a major metropolitan area. Until recently turnover was very high although Paul had been able to reduce it some since he arrived.

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Right now there are a couple of openings in several job classifications.

Although hiring is limited at the present time, the owners expect business to pick up soon.

When it does, Paul needs to be ready to hire additional workers. Before Paul's arrival, department managers did their own hiring. Since he arrived, Paul has gradually taken on more of the tasks associated with hiring, and the managers have been ok with this. The main job classification with openings is for machine operator. This is a semi-skilled job.

While some English is required in order to communicate with the supervisor and to understand safety standards, the actual job itself is very routine and does not require much communication with other people. Paul's initial review of existing position descriptions led him to conclude that most of the entry level position descriptions were up-to-date, but the management positions were quite outdated because the education requirements were just a high school diploma or GED, and no skill requirements were listed. Today there is a lot of talk about compensation, its cost to the organization and the company's return on its compensation investment. As a result, a variety of new pay systems have been developed, each with its own objectives, benefits and risks. Some companies have already installed new pay plans, and many more are considering it.

Many companies that have implemented various new Pay Plans find that plan objectives become disconnected from the larger picture; they have been designed with a local rather than a global view. These companies are looking for a way to integrate their pay systems into a cohesive whole so the

plans drive the company objectives. Other companies are beginning to look at new plans, wondering how these plans will fit into the current pay system. Often, there is little connection between the new pay systems and the overall business plan of the organization. New pay systems are designed to achieve specific, departmental objectives or, worse, they are because “ everybody is doing it. ” The traditional function of pay to attract, retain and motivate employees has not changed with the introduction of new pay systems; but the emphasis has shifted from the attraction and retention functions to the motivation function.

Plastec is a small parts corporation that has been experiencing turnover issues. The organization is seeking to implement a strategic plan to determine, how they compare with other area employers in terms of wages and benefits, increase productivity and retain employees. They are thinking of implement a strategic compensation plan as well as various other options that will allow its organization to focus on its strategic objectives and develop a comprehensive plan, considering base pay, short- and long-term incentives, benefits and growth opportunities. This kind of planning helps ensure that the compensation system will support the organization’s long- and short-term objectives without overlap, which would have more than one pay plan driving the same objectives. The ultimate objective of this process is to ensure that the compensation system and ther important facets attract and retain the desired employees and that it motivates them to do those things that support the business plan. Plastec needs to assess its current compensation system and identify its business objectives.

By taking a look at the current pay system and assess the level at which it supports the objectives and the personnel necessary for the business. Some specific objectives can be extracted from the strategic plan such as quality productivity, service, team-work, cost reduction and so forth. After completion of their own internal review Plastec needs to compare its reviews against other competitors in the business. Various other organizations have fairly decent compensation packages such as merit pay systems, executive stock options and productivity-oriented management incentives. All of which are extremely competitive in the industry's market.

In addition, other organizations offer medical and dental coverage, pension, life insurance, disability coverage and paid time off, which are also extremely competitive in its market. Plastec seems to be trailing its competitors in the compensation package arena. They need to make some vast changes if they would like to maintain its employees as well as its customers. They need to focus on implementing additions to its compensation package such as: a.) Merit pay – The merit pay system is implemented because it adds to base pay and matches the market.

b.) Stock options – The options are more generous than those of the competition and have longer vesting requirements. c.) Management incentives – . The management incentives has assisted in retaining managers who are proficient at making their departments more productive.

This productivity was achieved largely through increased output. d.) Medical and dental coverage, retirement, life insurance, disability coverage and paid time off – All of these plans are competitive in the market, thus assisting in

attracting and retaining employees. e.) Day care – This has been an invaluable tool in recruiting and retaining employees with young children. Turnover within this group has decreased significantly since day care was offered.

f. Flexible work hours – Since the introduction of flexible work hours organizations have found that it can easily recruit all levels of employees and that turnover has decreased significantly. g.) Self-managed work teams – This work structure is a strong element in the organizations ability to retain those employees who are involved in the teams. In addition, the teams contributed to cost reductions, because the first layer of supervision was absorbed into the teams.

This will intern assist the organization in attracting newly skilled employees, it will also retain and motivate current employees thus, increasing productivity. The potential list is long and different for each organization.

Step , 1: Identify business objectives. ABC Company has a strategic plan that calls for increased profitability while maintaining market share. To do this, ABC has decided that for the coming year, it will focus on customer service, quality, productivity and cost reduction. Step 2: Assess the current compensation system.

ABC currently has base pay that is at the 50th percentile a merit pay system, executive stock options and productivity-oriented management incentives. All of these are competitive in the industry's market. In addition, ABC offers medical and dental coverage, pension, life insurance, disability coverage and paid time off, which are competitive in its market. Two years ago, ABC

decided to offer on-site day care and flexible work hours for its employees. Last year ABC began to implement self-managed work teams in its operations area. Exhibit 1, page 61, a strategy planning chart, allows ABC to evaluate how well its current pay system helps to attract, retain and motivate its employees.

Down the side of the chart are elements of the compensation system: direct pay, indirect pay (benefits) and several nonpay elements of the employee “contract” that differentiate this company from competitors. To identify these elements in your organization ask: “ Why would someone come to work here instead of for the competition, if pay and benefits were the same? ” The answer may be such factors as career opportunities, a participative culture, promises to reduce staff only through attrition, or flexible work hours. Across the top of the chart are the functions of pay: attraction, retention and motivation. The motivation column is further divided into the specific objectives identified in Step 1. In assessing its current pay system, ABC used a simple code in which XX means that the current system is sufficient to produce the desired objective; X means that the current system will support the achievement of an objective, but is not strong enough to produce it alone; and minus (-) means that the current system works against achieving the objective. In assessing the ability of pay elements to attract or retain, ABC compared its systems to those of its competition.

In assessing the ability of its pay system to motivate employees, ABC considered both the objectives and the results of the pay system. Where possible, operational data (such as turnover or productivity reports) were used. From the step-by-step analysis, ABC executives realize that the current

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pay systems are doing a fine job of helping to attract and to retain the kinds of employees ABC needs to do business. The management-productivity incentive is also producing the kinds of productivity improvements that will be required to increase profitability. However, as a result of those individual incentives, quality has suffered, and the managers' push for production has harmed customer service. ABC would like to devise a pay plan that will help it to reward profitability, customer service, quality and cost reduction. This plan will have to either be integrated with the current productivity incentive or replace it.

Step 3: Identify potential plan types which can close the gaps. Three factors to consider in choosing any new pay plan are the objectives of the plan, the type of work processes in the organization and other programs in place. The objectives for the plan have been identified in Step 2. They are profitability, customer service, quality, cost reduction and possibly productivity. By looking at general categories of new pay plans available, we can find the ones that might produce these objectives. Exhibit 2, page 61, shows four general categories of new pay plans and some of the possible objectives that they can help to achieve.

(Neither list is exhaustive. ABC company discovered that group incentives, individual incentives and gainsharing can all help to achieve its objectives. Exhibit 3, page 62, shows how different types of new pay systems support different work characteristics. Since most of ABC's work is done by interdependent, self-managed teams of eight to 10 employees, group incentives seem to be a good choice. Exhibit 4, page 62, shows how some other programs can help to support different types of new pay systems.

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ABC has a good system of work measurement at the team level. Considering the other programs in place, group incentives still seem to be a good choice for ABC. Based on this analysis, ABC company decided to implement group incentives for their self-managed teams. The targets for these group incentives are profitability, quality, customer service, productivity and cost reduction. While some of the plans may not target all of these objectives, all plans must target some of them. In addition, ABC company has decided to change its management-productivity incentive to ensure that the managers are working together as a team.

Consistent with their organizational culture, ABC company will have the teams themselves, in consultation with a representative from HR, design the plans. One potential funding source is productivity increases from the teams, but ABC is also investigating the possibility of diverting some of the merit pool into the team incentives. Taking the time to work through this planning process helped ABC to clarify which portions of its compensation package were attracting and retaining their employees. This understanding allowed them to identify gaps in their system and then to design new pay plans that will fill those gaps. ABC company has used the strategic compensation planning process to help strengthen its total pay system and position itself for the future.