

Fastcat: design merit pay



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It is vital that Fastest employees understand how merit pay works. Ensuring they are educated about the pay system will give them a clear understanding of how each person is paid and will show them that each employee has the same potential to move up the pay scale by attaining more education, increasing their skill level, being accountable and having good communication with customers. During employee orientation, new hires will be provided both verbal and written education with regard to merit pay.

They will be given an opportunity to ask questions to make certain they understand how it works. The merit pay will be discussed with each employee during their yearly review so they know where they stand and give them a clear understanding of how they can move up or earn potential bonuses. It is our recommendation that bonuses be given to employees when they attain additional education. For example, if an employee earns a Bachelor's Degree while working for the company, they will receive a bonus immediately. They would also receive an increase in their base pay at their next review.

Additionally, employees who score well on their performance evaluation would be eligible to receive a bonus and an increase to their base pay. By encouraging Fastest employees to continue to attain higher levels of education, it is more likely employee retention will be high. Because each employee has the same potential to increase their pay, it will serve as a motivation for them to continue to improve their skills. Because the goal of Fastest is to retain their employees, having a merit pay plan will promote a

culture where accountability from both the management and entry-level employees is key.

Positive incentives will foster individual motivation and a strong work ethic. It is our recommendation that Fastest have a cap of 5% for the merit pay. This may seem high, but it will increase the potential to retain employees and give them a sense of ownership within the company, which will ultimately mean having the best employees in the business. At the end of each performance year, employees will be evaluated on their performance for the previous year. The performance ratings will go from 1 being the lowest to 5 being the highest.

How they rank for the year will determine bonuses, if any, as well as any increase to their base pay. The following table illustrates how the performance rating is distributed.

Rating	Rating anchor	% employees receive
5	Far exceeded requirements	25%
4	Exceeded requirements	55%
3	Met requirements	14%
2	Met some requirements	0%
1	Did not meet some requirements	0%

How an employee performs throughout the year is rewarded each year they remain at Fastest.

This reflects the company objective to implement a point system based on level of education, skills and experience, performance, accountability and customer interaction, which will attract and retain qualified and talented individuals to increase for each year. Though all employees are included in the merit plan, they do not receive the same pay. This plan encourages employees to continue to strive for excellence by attaining higher levels of education and increasing their skills.

If workers fail to meet any requirements in a year, they can see where they need improvement in order to increase their base pay. Those that far exceed requirements during the year have potential to receive bonuses as well as increase their base pay. The ultimate goal is to influence each employee to perform at a higher level. Balanced Scorecard Bonus Plan The balanced scorecard approach will help Fastest to understand what contributes value in the organization.

The balanced scorecard acknowledges that bottom line success depends on satisfied customers buying products and services from effective and satisfied employees, who both serve the customers and produce goods or deliver services in the most operationally efficient way possible. Measurements used to create a balanced scorecard include; customer satisfaction, employee internal growth and commitment, operational efficiency in internal processes, and financial measures. Fastest placed the highest weight on key factors that are vital in achieving Fastest's objectives, strategic plans, and organizational success.

Key factors for Fastest employees: * Innovation- 25% * Customers see Fastest representatives as responsive and knowledgeable-10% * Customers value Fastest solutions-10% * Employees take pride in working for Fastest- 10% * Employees have the tools and support to do their Jobs- 15% * Employees understand how to make teams successful- 10% Key factors that are essential to the company in order to provide bonuses: * Revenue Growth- 10% * Labor Costs- 10% Explanation of weight Innovation: * Fastest places high emphasis on innovation.

Customers are used to products that continually improve and make their life easier. Modern consumers are more informed and have more options in terms of what they buy and who they buy it from. Essentially, customers will not accept mediocrity because they know they can always go somewhere else. Providing new innovative products to both existing and new customers is a primary way to differentiate Fascist's products from those of our competitors and is vital to the success of Fastest. Thus, a weight of 25% was determined.

Customers see Fastest representatives as responsive and knowledgeable: * A weight of 10% was determined for how customers view Fastest preventatives due to the fact that customer satisfaction is of great importance to Fastest. Not only will customers be pleased with our products, but our services as well. The knowledge and responsiveness of our representatives is vital to acquiring new customers, as well as maintaining relations with current ones. Customers value Fastest solutions: * A weight of 10% was determined for customers valuing Fastest solutions.

Customer ensuring solutions to any problem that may arise, will ensure superior customer service. Employees take pride in working for Fastest: * A weight of 10% was determined for the pride employees felt for working at Fastest. At Fastest, we understand that our employees are our greatest asset. We believe that employees who take pride in their Job are more committed, more efficient, and display more innovative ideas. Employees have the tools and support to do their Jobs: * In order for our employees to be successful it is imperative that all employees have the tools and support necessary to accomplish their Jobs.

Thus a weight of 15% has been determined. Employees understand how to make teams successful: * A weight of 10% was determined for teamwork due to the fact that team work is crucial. At Fastest, we believe employee collaboration and teamwork is essential to employee success, as well as organizational success. Revenue Growth: * Revenue growth is a key element in determining the financial success of Fastest. Thus a weight of 10% was determined. Labor costs: * Compensating employees based on the value they provide and their contributions to organizational success is important at Fastest.

Thus A weight of 10% was determined. Scoring Fastest A complete review of Fascist's history and past performance were taken into consideration while determining how to weight each of the following metrics: Revenue Growth: 3 * Last year revenue was at 30. 4, while the current year was at 36. 5 Fastest did see an increase of 6. 1%. However, most revenue is coming from Fastest existing customers (40%). To increase future revenue, Fastest must attract new customers. Labor Costs: 2 * Over the last year productivity decreased by . , while employment costs and total expenses have increased 4% since last year. Employment costs are undoubtedly a large portion of organizational spending. Nevertheless, Fascist's software continues to have a reputation for outstanding quality and high reliability. Innovation: 5 Revenue due to new products decreased by 4% from the previous year. Fastest sees innovation as critical to sustain its advantage over competitors. Several new products that are coming out include: House Calls, Facts at Your Finger Tips and mobile Care. Fastest hopes to deepen its client base with these new innovative products.

Customers see Fastest representatives as responsive and knowledgeable: 3 *

On a scale of 1 to 7, with strongly disagree and 7= strongly agree, Fastest representatives are responsive and knowledgeable scored 5. 9. Employees must be re-energize and refocused on Fascist’s strategic direction.

Employees take pride in working for Fastest: 2 * In a previous survey, 72% of Fastest employees stated they were willing to go above and beyond in their Job to help Fastest to be successful. 50% of Fastest employees stated that felt a strong sense of commitment to Fastest.

Fastest recognizes the importance of building relationships with employees as a key component to future success. Employees understand how to make teams successful: 2 * Many Job descriptions outline the importance of teamwork as a crucial component teamwork is essential to employee success, as well as organizational success. The overall company performance score of Fastest determined the total bonus pool. Fastest received a score of 3. 3, making Fastest eligible to pay the bonus plan. Allocation of bonus pool The total bonus pool amount to allocate equals \$106, 849. 00.

To determine how to allocate the amount each employee was to receive, percentage amounts were determined based on dividing each employee’s salary by the total amount of the bonus pool to be paid out to Fastest employees. In doing so the percentage received equaled the amount of the total bonus pool to be given to Fastest employees. At Fastest, we believe that only the employees who exceed all expectations, should receive a bonus. In doing so, this will also encourage employees to excel at their Job.

Furthermore, we believe that employees making over \$150,000.00 per year will currently be ineligible to receive a bonus.

This is subject to change in the future, based on future growth of revenue and organizational success. Employee name | Bonus allotment's on income |
Sturgeon, K | 1% | Elian, s | Hillman, B | Irvine, P | | Drain, H | Perez, w |
Honorary, J | | Mahoney, T | 9% | Aragua, H | 4% | Bradshaw, F | 3% | Nigh, A |
Chapman, c | 7% | Carson, F | Freeing, J | | Schwab, D | Hernandez, M | 10% |
Madsen, J | 3% | Banana, C | Gilbert, s | Lee, SKI | He-man, H | 10% | Benefits
Benefits are what employers provide their employees as compensation aside from what they are paid for time worked.

The following is a list of benefit examples: health insurance, life insurance, workers' compensation, disability insurance, long term care use benefits to increase employee satisfaction and retention. Employees' willingness to go above and beyond for the additional perks is measurable. Such benefits are offered in addition to base salary, bonuses, and merit pay to entice potential employees to want to work at Fastest. Therefore, it is recommended that all of the aforementioned benefits should be offered at Fastest. A benchmark was calculated in Phase II to determine how competitive the pay level at Fastest would be.

There were six companies used in the prior Phase's survey for Fascist's pay level and the same six companies were used in Phase III to compare benefits. The six companies used were numbers 8 (39%), 10 (31%), 23 (18%), 33 (17%), 47 (30%) and 53 (19%). After review of the six companies, company number 8 had a benefit level of 39%. The 39% as considered an outlier and

was disregarded for this phase of the project so as not to skew the numbers. Five more relevant competitors remained and had an average benefit plan of approximately 29% with a median of 19%.

The recommended pay level at Fastest was to match the market for entry level employees and to lead the market for executives. In order to attract and retain the highly qualified candidates Fastest seeks, the benefit package needs to be appealing. Benefits can be costly. To keep employees happy at Fastest and to help contain costs multiple benefit options should be given to employees. If employees have more benefit options and ways to customize their benefits packages they are more likely to pay an additional premium for the option to choose.

A recommendation to Fastest for a benefit plan is to have an employee benefits-to-base pay ratio of 35%. Having an attractive benefit plan with multiple options for customization would make Fastest's benefits plan lead the market. For cost containment, employees would be responsible for paying a portion of the benefits offered. Benefits are a significant part of the compensation system and making sure it upholds the company's objectives and strategy is essential. Strategy for Managing the System It is recommended that the pay structure Fastest uses be introduced to potential employees during the interview process.

Once hired by Fastest, each employee will be required to attend a three day orientation, during which, the pay structure will be clearly outlined. Each employee will be given an oral and written outline of the pay structure to avoid any confusion. One of the objectives outlined in the beginning of this

process indicates Fascist's Human Resources Department will maintain a close relationship with its employees to ensure they have a clear understanding of the pay Truckee and how it ties in with their Job description.

In order for this to be successful, that objective needs to remain at the forefront of the company. One of the goals at Fastest is to retain their employees and push employees to move up within the company. It is believed that this will create a sense of ownership for each and every employee as well as give them great incentives to work hard and increase their education and skill levels. It was recommended that Fastest use a match pay-level for entry-level positions and a lead pay-level for higher positions. This will give each new hire a clear picture of where they stand when they start.

By clearly showing them how the point system works and how they can advance within the company, they will be able to set goals for the next year. They will be shown how to earn bonuses based on education and skills. Employees should be evaluated once a year on their the results of their performance evaluation to ensure they are clear of where they stand within the company. If the employees have met certain goals throughout the year, such as a college degree or certificate, their base pay level will be increased. They will also have received a bonus upon completion of said education.

If they have not met any of their goals, they will be encouraged to set goals for the next year and formulate a plan on how they will reach those goals. We recommended that Fastest give their employees choices on how they

want to receive their pay with regard to benefits. Some employees with families may choose to have a greater benefit package and a lower base pay or vice versa. It was recommended that Fastest use a 68% base pay and 32% benefit pay for a total package. Each year during open enrollment, employees should be given the opportunity to change their pay mix if they wish.

They should also have a chance to discuss their position within the company with the Human Resources Department, see where they started and how they have improved throughout the year. Each employee will be required to establish goals for the next year, which, if met, will give them a higher score on their performance review. By spending time each year going over their goals and where they stand, this will ensure they are on track for success within the organization. Fastest must keep their focus on 1) controlling costs and increasing revenue and, 2) attracting and retaining their employees.

The management team at Fastest should meet quarterly to ensure those goals are being met and that every employee is on track to move up within the company. The company should be able to benchmark how well the pay system is working each year based on customer satisfaction, employee retention and increased revenues. By promoting a culture of teamwork, Fastest should find their employees are striving to move up within the company and providing the best possible service to their customers from every employee, regardless of where they stand within the organization.