

Market compensation

Business



Step 1 Synopsis: (A) Strategies for Executives: 1. Nike: The compensation strategies of for overall executives in Nike are based on “ Total Compensation Program”. The stated program of Nike is aligned and consistent with their business strategies as well as their culture.

The compensation program is aimed to retain the talent in the organization along with performance based reward system including individual performance and overall business results. The total compensation strategies of the selected company have underlying philosophy of “ Pay for Performance” (Ullman, 1992). Firm’s emphasis is mainly move around compensation components, including: 1. Executive Performance Sharing Plan. 2.

Long-Term Incentive Plan. 3. Stock awards. Basis for compensation plan is to make the executive interest align with that of shareholders and motivate them in order to maximize the return of shareholders. The plan includes the retention benefits along with the stock awards and basic salary.

One of the positive element of compensation strategies prevailing in Nike include the committee, focusing on determination of appropriate mix for compensation including elements for each executive separately rather than depending upon fixed formula or the ratio and solely depending upon the market practices and quantitative measures (Ullman, 1992). While allocating the compensation among various elements included in strategy, committee considers: 1. Any Estimated and Anticipated Additional Responsibilities of Executives. 2. Equity Of Internal Pays and Salaries for Positions Comparable.

3. Expectations Regarding Future Performances. 4. Experiences Associated with each Individual. 5.

Market Data. 6. Past Performance Record of the Individuals. 7. Performance of the Company and Available Budgets. 8.

Strategies for Succession Planning. 9. The Impact of Position of an Executive in the Company (Ullman, 1992). Moreover the compensation plan of the company includes: 1. Long-Term Plan in the form of cash, which are performance, based in order to motivate the employees to attain the long-term financial and non-financial objectives. 2.

The time vested options of stocks in order to comply the interests of executive with that of shareholders. 3. The awards based on restricted stocks, which are consistent with the returns of shareholders and supply of retention incentives (Ullman, 1992). 4. Benefits provided include sharing of profit under the contribution retirement plans.

5. Benefits based upon the post termination payments with respect to non-competition agreements and employment agreements (Ullman, 1992). 2.

Reebok: The compensation strategies for the workers in Reebok are mainly based on their “ Total Compensating Plan or Strategy”. Basis for their compensation plans include to make the compensation consistent with the market and competitors in order to attain the overall financial goals of the organization. Main features of their compensation plan includes Any Estimated and Anticipated Additional Responsibilities of Executives, Equity Of Internal Pays and Salaries for Positions Comparable, Expectations

Regarding Future Performances, experiences Associated with each Individual, Market Data (Moddox, 1991).

The Long-term strategy in order to maintain their staff motivated based in order to motivate the employees to attain the long-term financial and non-financial objectives (Moddox, 1991) The time vested options of stocks in order to comply the interests of executive with that of shareholders. The awards based on restricted stocks, which are consistent with the returns of shareholders and supply of retention incentives. Benefits provided include sharing of profit under the contribution retirement plans. Benefits based upon the post termination payments with respect to non-competition agreements and employment agreements (Moddox, 1991). The basis being used by the company for total compensation strategy is the annual recalibration to the target of competitive position. The firm adopted competitive positioning strategies for instance 75th percentile compensation.

Each year the firm recalibrates the salaries and bonus targets at the targeted percentile. The company can use the single percentile in order to target the base salaries and the cash compensation in order to generate the greater leverage. The mix of salary and pays is more attractive for the management and to that of directors. The total compensation strategy of the company can be summarized as the company is using the fiftieth percentile for base salaries, sixtieth percentile for cash compensation while it is using seventieth percentile for total compensation. While the target percentile is providing the 30% pay mix, while it is providing the 20% bonuses and stocks options of 50%.

<https://assignbuster.com/market-compensation/>

The recalibrating of total compensation plan each year require the adjustment of bonus plan performance plan which in turn represents the current expected performance (Medoline, 2007). Step 2 Analyses: (A) Ethical issues in Compensation Management. The ethical issues in compensation plans and strategies in various companies is considerably ignored in recent era (Medoline, 2007). Various ethical issues or dilemmas are observed in compensation strategies discussed above and three distinct ethical approaches including “ Utilization”, “ Justice” and “ Moral rights” are pointed out to resolve these issues. Practically, in fields and work places, many decisions and steps taken regarding the compensation are not based upon the ethical standards and professional standards (Medoline, 2007).

The practical approach used in this regard is based upon past practices, including the women are not allowed to be worked overtime, and not giving the family holidays and leaves. Various ethical issues includes: 1. The Standards, Rules, and the codes, which are governing individuals. 2. Moral values and principles, which are developed over lifetime.

3. What is wrong and what is right in various situations. 4. Telling Truth. 5.

Different compensation packages for two persons or individual serving at similar posts and having same performances i. e. injustices. 6. During recession, the salaries based upon the market compensation decreases.

7. The rewards should be performance based when the performance dropped the salaries and compensation should be accordingly. 8. In the case if the employees are thinking that their compensation is not just and equitable as it should be, the managers and the compensation management should make

<https://assignbuster.com/market-compensation/>

them realized about the fact. 9. The compensation should be Just and Equitable that no one in the organization de-motivated or think negative.

10. The periodic growth in the salaries and compensatiion should be according to the performance and expectations of the employees so that they remain motivated. (B) Internal Controls Utilized in Compensation Management: Various internal controls which are utilized in compensation management includes: 1. The businesses and the organizations in the industry today, needs the competitive advantages in order to derive the profitability including creation in leverage in compensation plans. But in the finance departments, even the compensations as per sales are increasingly strategic in the firms; it is becoming more tough and complicated task to adjust the compensations according the increase in sales volumes and revenues (Medoline, 2007).

2. It is very tough to manage the sales compensation processes in the organization and many organizations are challenged while doing so. Main reason behind this fact is that the sale staff is no so much motivated as they should be, or infect it is difficult to generate the sales as they are targeted (Medoline, 2007). 3. In many companies and organizations, it is difficult to align their on goals with that of the goals of the organization and hence it creates the difficulties for the finance department to find that how well the sales staff and team is contributing towards the overall financial objectives of the organization. Similarly, it is the task of same difficulty for the sales department and staff to design the plans that properly fit with these objectives (Medoline, 2007).

4. There is also the possibility to have disconnections between the sales representative and his or her compensation. This in fact has impact of the compensation of staff and the bottom-line of the firm. These are the some problems that the company or its management may face but may possibly be eliminated with the help of real-time visibility in order to align the sales and the finance. It is very much difficult to manage what it is planned or measured.

Similarly, it is difficult to measure what we see. This problem can be overcome by successfully align the sales with the overall financial objectives of the corporation (Medoline, 2007).

(C) Fair Labor Standards Act and Prevailing Wage Laws: The relations between the compensations strategies of the selected companies and Fair Labor Act or Standards is elaborated as:

1. Minimum Wage: As per the Fair Labor Act, the minimum wages rate for non-exempt workers should not less than that of \$4. 25 per hour. The compensation plans and strategies of the selected companies i.

e. “ Nike” and “ Rebook” are following the minimum wage rate as per the Labor Wages Act. Both of the companies are following the “ Total Compensation Strategies or Process”. 2. Child Labor: The child labor provisions of both the companies selected under the subject report includes the prohibitions of minors in jobs in order to protect their educational opportunities and the provisions includes restriction of hours the minor works in the organization and the level of difficulty in both the farm and non-farm jobs.

3. Hours of Work: Both the firms selected are following the standards set for the number of hours the employee's works. The standard maintained by the firms is 50 hours per week with minimum regular wage rate of \$ 6 per hour and accordingly the rates for overtime, which would be about 100% to 150% of regular wage rates.