

RETAINING TOP TALENT

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How do you attract, hire, and keep the best people? Let's look to what you can do to make yourself a winner in the war for talent.

When your people receive their paychecks, what signals are you sending? If your company is paying people based on obsolete pay solutions, you could be squelching their performance, decreasing motivation, and flattening the bottom line. Are you paying for performance or for something else?

Pay isn't the only factor that motivates people, but it's a powerful way for a company to communicate its values, directions, expectations, and standards of quality and customer satisfaction. Pay must be aligned with the business so it delivers the proper messages.

This strategy of providing total reward—total pay, a positive workplace, individual growth opportunities, and a compelling future—should be unique to your situation. For instance, companies that provide products or services at low cost may offer lower base pay to keep fixed costs low, offer variable pay that optimizes cost and quality, and use ample recognition to celebrate successes. Companies that rely heavily on knowledge workers and fast growth may emphasize variable pay through stock options and invest its cash in product development. Companies focused on fast growth, and speed to market with a unique product or service, may put less emphasis on fixed base pay and benefits.

SIX REWARD PRINCIPLES

Regardless of size or type of business, all companies developing a new reward system should follow six principles:

1. *Create a positive and natural reward experience so employees will accept and support the new reward system.* Involve people in the reward design process through focus groups or design teams.
2. *Align rewards with business goals to create a win-win partnership for both the company and its workforce.* Show how growth and profit benefit everyone. Link rewards to team, site, business unit, group, or company goals and results.
3. *Extend people's line of sight by making their pay the connection to key measures of business success, such as company financial performance and customer satisfaction.* People want to know what the company expects of them and how they fit in the overall plan for success.
4. *Integrate rewards by taking an overall perspective of total rewards, including base pay, variable pay, benefits, exciting work environment, excellent colleagues and leaders, and growth opportunities.*

Help people understand their roles in making the business a success and how they will share in that success.

5. *Reward individual ongoing value with base pay.* To determine a person's value, consider three things: skills and competencies needed by the company, sustained performance or track record, and the person's value in the labor market. Ongoing value takes into account the performance trend relative to current base pay. Current results are better addressed through variable pay because awards can be meaningful in size and do not become an annual annuity. A one-size-fits-all pay solution doesn't work.

6. *Reward results with variable pay, linking employees to customer goals, extending their line of sight to company needs, and sharing in the success of the enterprise.* Variable pay, cash or equity that is re-earned each year, can reward individual and collaborative results and focus on financial or strategic measures and goals. Variable pay is for everyone—not just for executives, managers, and salespeople. Companies focused on rapid growth in tight labor markets might have all employees participate in variable pay for achieving results.

SPOTLIGHT ON INCENTIVES

Here are some tips to help you power your incentives and rewards:

1. *Put everyone on incentives or variable pay.* Get the entire workforce in the performance results game. Everybody should be a stakeholder in company success. Build ownership from top to bottom so company success is broadly shared.

2. *Tie the incentives of everyone to business results.* Make sure people understand how results make the enterprise succeed and grow.

3. *Use incentives for what they do best emphasize measurable outcomes.* Where possible, use shared goals that encourage collaboration and cooperation.

4. *Set challenging yet achievable goals.* Setting unreasonably difficult goals destroys the power of incentives. Achieving stretch goals is a positive force for change and celebration.

5. *Select a few goals for incentives* (no more than five—three is best). Focus on priorities. Choose goals that make the greatest performance difference.

6. *Provide meaningful upside opportunity for exceeding goals.* Encourage people to go beyond goal achievement by increasing the reward for exceeding goals.

7. *Calibrate incentives to ensure a win-win for both the organization and people.* Ensure that the organization gains in performance improvement while people receive a fair reward for their effort.

8. *Keep communications and information high—show progress on goals and what is needed in performance.* Incentives should create excitement. Leaders must be out front carrying the message.

Total rewards are essential to making your company attractive to the best people—and critical to getting everyone to make a performance difference.

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