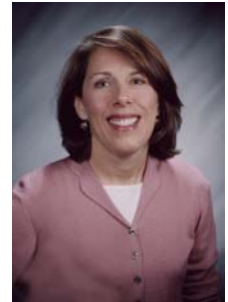


Included in this issue:

- **Article – Compensation Makes A Comeback**
- **Enterprise Performance – Prime Reason for Failing to Meet Organizational Performance Expectations**
- **Bergeron Associates – Celebrates its 8th Anniversary & Recap of Recent Projects**
- **Happy Thanksgiving!**

COMPENSATION MAKES A COMEBACK

By Carol Bergeron



What's happening in compensation now that more companies are in hiring mode? On the rise are salary increase budgets and salary adjustments to market rates, use of variable pay and bonus programs and the number of companies making use of compensation programs designed to reward specific segments of the employee population.

1. Get More of Your Salary Increase Dollars to Top Performers

Salary survey companies like Mercer and World at Work have reported salary increase budgets for 2007 are up from those in 2006 and 2005. They are moving from 3.7% in 2005 and 3.8% in 2006 to 3.9% - 4.2% in 2007. Compare those budgets to the double digit increases in the early 1980s and the lowest of lows in 2003 to 2004.

Salary structure movement is on the rise too. 2006 structure adjustments ranged 2.4% to 2.7% while for 2007 they are expected to be 2.6% to 2.7%.

Recommendation: Do grant your top performers significantly higher pay increases than others (2 times as much if your budget can handle it) to encourage repeated levels of high performance. Make it worth their while for going the extra mile. Don't over-reward mediocrity unless you want more of the same.

2. Use Variable Pay and Bonus Programs when it Makes Sense

More firms are making use of variable pay programs such as individual or team recognition or incentive programs, spot bonuses, division/business unit performance based programs and organization wide plans such as profit sharing. *Recommendation: Deliberately link individual and group variable pay goals to the achievement of strategic goals of the organization. When it's important to the organization then it becomes more important to employees. It's a win-win.*

3. Special Compensation Earning Potential for Targeted Employees

The most valuable players are receiving larger pay increases and more bonuses from their employers. Why? Because these employees are contributing most to meeting important business goals and are the targeted darlings by your firm's competition. The ways companies go about paying MVPs varies. Some companies identify and reward the MVPs regardless of the job they perform or their level in the organization. While others determine which jobs are most critical to business success and develop special pay programs for incumbents. *Recommendation: Do reward employees who repeatedly make contributions that truly make a difference to the company scorecard; people that you would have a difficult time replacing.*

4. What does all this mean?

World at Work reported that 80% plus companies in their survey adopted a compensation philosophy to pay at the market rate. Why? Because competitive pay is your entrance fee. As an employer it is the bare minimum for getting into the game. You needn't be the highest paying firm, so long as you have other value to offer, but you do need to be competitive.

Given the past years of small salary increases and the recent upturn in sign-on and retention bonuses and variable pay programs, what can you expect?

- More salary compression issues.
- The need to revisit your compensation philosophy. (Read Nov. 2003 Newsletter for a step by step process.)
- Redesign of compensation programs and pay practices.
- Be sure to address if and how sign-on / hiring and retention bonuses fit into your pay philosophy as they too are growing in popularity.
- Once a competitive pay position is secured, don't stop there. Leverage less costly tangible and intangible initiatives that set the employment experience with your firm apart from others for more effective retention power.

Recommendation: Be proactive about changes in compensation practices. The alternative is to establish your practices on a case by case basis. Such an approach can lead to loads of employee relations issues that take up far more management time.

ENTERPRISE PERFORMANCE

Prime Reason for Failing to Meet Organizational Performance Expectations

Nearly two thirds of companies in our study did not meet all or most of their strategic goals in the categories of finance, customer and core processes / operations. Of those firms, **over half cited Poor Execution as the primary reason** for not meeting performance expectations.

Bergeron Associates and Insight Management Group conducted a study on Enterprise Performance Management. The study probed practices used and their effectiveness in managing enterprise-wide performance and aligning the workforce and large projects to the strategic goals of the organization. Over 100 executives representing over 20 states participated through an on-line survey or one-on-one in-depth interview.

UPCOMING EVENTS & INTERESTING RESOURCES

2006 Schedule for Educational Workshops at www.bergeronassociates.com/calendar.htm.

Resource for Workforce Effectiveness Information

Articles and electronic newsletters filled with practical tips on how to enhance the performance of people and organizations. Explore our publications: www.bergeronassociates.com/publications.htm

ABOUT BERGERON ASSOCIATES

Bergeron AssociatesTM, a human capital management and organizational performance improvement firm founded in 1998, provides leaders practical, customized workforce and organizational improvement solutions so that companies and the people in them achieve their goals.

Bergeron Associates
101 Middlesex Tpke, Ste 6, PMB 326
Burlington, MA 01803-4914
781-376-4071

carol@bergeronassociates.com
www.bergeronassociates.com

We are pleased to announce that this month Bergeron AssociatesTM **celebrates its 8 year anniversary**. We have had the pleasure to work with clients across a broad range of businesses. Here is a sample of a few recent projects. We look forward to working with you on future talent management challenges.

Recent Projects

- For two clients, **redesigned performance management system** to: link individual and team goals with those of the organization, support development of employees so they better perform their jobs, foster ongoing coaching and feedback and provide a basis for distributing rewards. Researched **human capital management software** for increased efficiency of the new performance review process. Next step: educational workshops with users of the new system.
- Assessed how closely aligned employees' goals were with those of the organization. Narrowed the gap by: **cascading goals down** to teams and individuals, **clarifying roles and responsibilities**, designing and implementing a **performance review process** jointly owned by managers and employees, developing **core values** to guide actions and behavior, **creating a compensation plan** to ensure competitive positioning and reward achievement of desired outcomes.

NEWSLETTER SUBSCRIPTION

If you want to automatically receive future newsletters then subscribe at: www.bergeronassociates.com. Your contact information is stored confidentially and will not be shared with anyone outside of Bergeron Associates. Unsubscribe at any time.

© Copyright 2006 Bergeron Associates. This publication may be redistributed in full or in part provided full attribution and our contact information (company name, phone number and email and web site addresses) are included.