

**Compensation Connections is a periodic publication from Columbia Compensation Consulting for those interested in total rewards, compensation and related topics.**

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## PORTLAND AREA CAREERS



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## Segmentation to Accelerate Strategy



**D**oes pay-for-performance work? For all the time, analysis and effort put into trying to create differentiation in results in rewards program designs, you might wonder.

**M**aybe you think it's working, but is that only in a vacuum? There are opportunities for connectivity to not only improve your reward program outcomes, but improve employee engagement, productivity and support critical talent

strategies. If you're curious, read on.

**T**he great majority of companies that embrace a pay-for-performance philosophy use the same approach for all their employees (excluding organized labor or countries that have mandated increases). Everyone has the same merit matrix? I'd have to think that there may be some key or critical function that might merit special consideration though, those "enablers" of business success, like engineering in high-tech or sales associates in high-end retail. And I might also posit that it's typically those who are more seasoned in their careers who have the opportunity to create the most value, and have been able to prove that over the span of their career. They are typically your employees who've been trained in your methods and processes, and may be mentoring the next generation of the workforce. You've invested a lot in them. Will 1.5% more in the merit matrix be enough to reward their efforts and results?

**O**ne way to better align pay for key employees such as this with their results is to differentiate in your pay strategy at a higher market reference point, such as the 75<sup>th</sup> percentile. Too often decisions on compensation philosophy and strategy are made too broadly, whether for internal equity or because it just isn't given a lot of thought. Consider anchoring a pay structure at the 50<sup>th</sup> at the bottom or entry-level and 75<sup>th</sup> at the top where your more seasoned or valuable employees will move over their careers. This will also assist in anchoring those long-term top-performers to your company, making it more difficult for your competitors to pry them away. Now you're looking at 1.5% differentiation on top of a premium market position – a much more effective definition of differentiation for performance.

**C**ould strategy segmentation like this work for you? If you haven't had a discussion about your key talent or what functions create value, it's hard to say. But consider embracing alternative models like this and assessing the fit to your culture and operations. Like most changes in pay you can expect some noise, but it may just be what makes the difference to your top performers.

At **Columbia Compensation Consulting**, you are working with someone with over 30 years of expertise in executive, equity, incentive, sales and base compensation. My consultative style includes a D-T-S approach to working with clients: D for Do, since most clients have already identified the need and are looking for specific deliverables; T for Teach, where those opportunities present themselves and transferring knowledge to the client can enable self-sufficiency in the future, and S for Support either through ongoing retainer support or coaching of those then delivering. Go to [www.columbiacomp.com](http://www.columbiacomp.com) for more information or to request a contact.



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companies in the formulation and  
execution of their rewards strategies  
in support of business objectives.  
His global work experience and  
collaborative reputation includes  
translating business needs and ideas  
into tangible and measurable  
deliverables, and a hands-on results-  
oriented attitude with a strong track  
record of driving large-scale projects  
through to delivery and  
implementation.**

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## Business Acumen

Those of you in the Compensation profession and following the WorldatWork certification path have probably heard of the new certification requirement "Business Acumen for Compensation Professionals." I have the privilege of being asked to be an instructor for this new class beginning in 2015, and have met the rest of the cadre, a very seasoned and experienced group.

I've spent some time reviewing the material, and I can tell you it is unlike other W@W courses you may have taken. This is more of a discussion around the role compensation can and should play in the success and strategy of your company. There are few formulas or "the W@W method" to learn; the focus is applying the knowledge you have. For me, it'll be different from teaching C2 and C4, and I expect you'll have quite a different experience as well.

## Deep Thoughts...

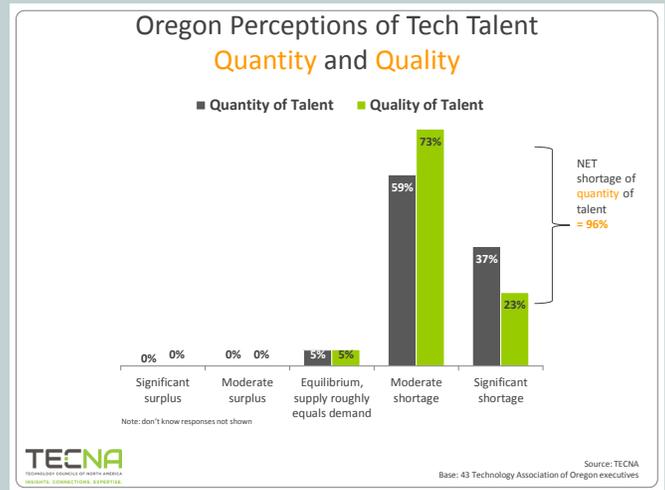
"Benchmarking is the anti-matter of strategic thinking. It asks how can we look like everyone else. Strategic thinking asks how can we gain strategic advantage by being different."

- Gerry Ledford

### Are You Making Plans for Another Technology Employee Shortage?

Whether you consider yourself a high-tech company or not, chances are you have employees who have technical skills that are in short supply such as one might find in IT departments. Tech talent — a constant challenge to be able to attract, retain and pay competitively to enable the business.

Take a look at the graphic to the right. Ninety-six percent of surveyed Oregon Tech executives, a group one might consider "uber" sensitive to the talent wars indicate in this recent survey that they see not only a moderate to severe shortage of the quantity of tech talent, but a 96% moderate to severe shortage of the quality of that talent as well (results for Oregon were significantly greater than the rest of the country).



When your product development depends in large part on the creativeness of tech talent, you cannot afford to ignore this. If you aren't getting out in front of a wave like this you are already behind. But any other industry may have similar cause for alarm as changes in technology are blending the lines between people with these technology skills. One local HR Director and I batted this around a year ago, discussing the escalation of IT salaries in non high-tech companies. Our quick conclusion was Tech Talent Quantity was already seeing the effect brought about by high demand and low supply. The additional element of Tech Talent Quality though becomes something for which smart companies will initiate additional thought around retention and segmentation strategies for compensation.

Barry Goldwater once said, "Extremism in the defense of liberty is no vice." I've always said, don't lose a good employee because of compensation.

Source: TECNA 2014 National Survey of Technology, Policy and Strategic Issues for TAO