Partial Final Draft (Introductory Section, Conclusions, and Recommendations)

ANALYSIS OF TEAM-BASED COMPENSATION PROGRAMS

INTRODUCTION

Since the 1960s, the world of business has been constantly evolving. Teams have become the latest management trend in North America as companies try to increase their flexibility so that they can survive in the new environment. Teams come in all shapes and sizes, the main determinate being the goals to be achieved. Not all team efforts succeed equally well, however, and simply having employees form into teams won't help a business reach its objectives. Employee cooperation is extremely important, as is determining the type of team approach to use for the job at hand. One element that has been found to make a team effective is compensation. Compensation affects everyone in an organization so studying its use, particularly in relation to teams, is crucial. (During this report, the terms "compensation programs" and "pay systems" will be used interchangeably.) With financial and other incentives in place, companies are finding many unexpected benefits such as reduced employee turnover and increased job satisfaction. Different reward programs are being applied to different types of teams to find the combinations that are most effective. This report will be an analysis of teams, reward programs and how best to implement them both.

BACKGROUND

This summer, Core Design lost three of its key employees – two Account Directors and a Creative Director. Not only has this left holes in the organization that has affected the company's performance, but there are increased concerns that a high rate of employee turnover is likely to follow. For this reason, recruitment is a big challenge, particularly the recruitment of high caliber employees.

PURPOSE OF THE STUDY

For Core to remain competitive, it must attract and retain high quality employees. Core has chosen to do this by the implementation of a team-based compensation program to increase motivation and thereby reduce employee turnover. A successful program can do exactly that. To this end, Core has granted this research report in hopes of finding and putting into place a program that will have a positive impact on their current situation.

SCOPE OF THE STUDY

This report will analyze various difficulties that companies can expect to face in implementing team based compensation programs. The analysis will look at why compensation is important, as well as the various categories of programs, the focus levels of compensation, and the responses employers can expect from their employees. Unfortunately, exact data weighing the pros and cons of each of the two focus levels is not available. For this and other reasons, a detailed analysis of the costs involved in the various compensation programs will not be included in this report.

LIMITATIONS OF THE STUDY

There is relatively little data available regarding what elements are necessary for successful pay programs. Therefore, although the sources that are used in this report are several years out of date, they nevertheless reveal the essence of team-based compensations, and various pay programs.

METHODOLOGY

The data in this report is mostly based on the book, Compensation for Teams: How to Design and Implement Team-Based Reward Programs, as well as two academic journals, The "ideal" team compensation system – an overview: Part I, and Part II. Other books and academic journals are also used as sources for this report and will be referenced as they are used.

CONCLUSIONS

Based on the findings of team-based compensation programs from all the various surveys, the following conclusions can be drawn:

1.Teams are widely used in North America, and three types have been identified : parallel, process/work, and projects.

2.Compensation is effective to ensure teams work together toward a common goal.

3.There are two levels of compensation: individual and team. Successful pay programs have a balance between both levels.

4.There are three categories of compensation: base pay/base pay adjustment, other financial rewards, and non-financial rewards. Incorporating all three categories will yield the maximum benefits.

5.Rewards are based on the types of teams.

6.Compensation is important and serves three functions: as a motivator, communicator, and a device that shapes and influences a culture of cooperation.

7.Employees' responses mostly concern pay, an understanding of which is important in implementing and maintaining team pay systems.

RECOMMENDATIONS

After a thorough research, findings and conclusions suggest the following recommendations:

1.Identify the business characteristics that impact compensation.

2.Create teams for employees to carry out the work or process, preferably on a full-time basis.

3.Identify clear objectives and goals of the team that relate to Core's culture.

4.Get employee opinions on current processes that relate to the successful implementation of a pay system.

5.Define the specific characteristics of the performance-reward structure – its criteria, goals, and timing.

6.Keep down base pays costs, and reward outstanding team performance.

7.Slowly integrate the recommended compensation plan within the existing reward system.