

The SCOOP

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MANAGERS: EDUCATE EMPLOYEES ON COMPENSATION

Talking with employees about their compensation can be uncomfortable, whether for a big promotion or a smaller than expected bonus. Nevertheless, it's a critical part of a manager's job to have direct and transparent discussions with employees about pay. Following are guidelines to create effective conversations about compensation.

TIPS TO CREATE EFFECTIVE COMPENSATION CONVERSATIONS

Clarity. Having periodic, regular discussions about compensation will allow the opportunity to build a good base of understanding and level-set expectations.

- Start the year with a discussion about the year's objectives and how achievement relates to compensation. Explain how raises are handled and how incentives are measured and calculated.
- Then throughout the year have periodic check-in discussions to measure progress and how it ties to pay.

Frequent conversations and confirming expectations will help to avoid any surprises at the end of the year.

Value. At any point when managers talk with employees about compensation, it creates an opening to tell them how important they are to the organization. A nice raise or bonus can show appreciation, however a reinforcing message of why and/or how it was achieved will bring more meaning. Make it clear that their work is appreciated.

Prepare. Even if you're a seasoned leader, make sure you know what you are going to say and how you're going to say it. Take the time to think through the message you are sending, write down your main points, and practice the delivery. While an employee may not like the dollar figure provided, they should feel that the process and decision are fair.



Context. Share the big picture with employees about company objectives and performance and how that relates to the range of raises or incentives the organization is offering this year. Having this perspective is helpful for the employee to understand the alignment between the organization's success and personal achievement.

Also, provide context regarding the variety of factors that impact compensation decisions. That can include:

- Employee performance
- The level of experience an employee has
- Availability of talent in the market place
- The status or authority of the position within the company
- Education and experience required by the position

Emotion. Even if you think you're giving great news, be prepared for some emotion. These are loaded conversations.



If an employee gets upset, acknowledge their feelings, listen to their reasoning, but don't give in. No matter what, don't give a larger bonus or raise to someone who acts out--rewarding bad behavior will cause problems for future compensation discussions.

SUMMARY

Talking about pay may be uncomfortable, but it is also unavoidable. Managers who fail to effectively communicate pay decisions risk contributing to employees' confusion, frustration and demotivation.

When armed with information on the organization's approach to compensation, and the use of the above guidelines, managers can become better, more confident communicators and master the art of tough compensation conversations.

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