

EDITORIAL

Summer is a great time to relax, take a step back, and catch up on all those things you were too busy to do during the year, including some reading. That is why we have devoted this issue to compensation and mobilization. Quite often, people ask why surveys on mobilization like the OMI do not contain questions addressing the issue of compensation. The answer to that is both simple and complex.

Before we go into the more complex aspects of the issue, let's sum up the simple ones:

- a) a salary explains why we must and do go to work, but not why we concentrate on our work and stay focused on our objectives;
- b) compensation is a factor in avoiding dissatisfaction but not a factor in promoting motivation;
- c) it is equity and fairness in the procedures of compensation that affect people's mobilization;
- d) finally, specifically tailored compensation surveys are more reliable sources for gathering compensation information than organizational surveys.

If this month's issue is too technical for you, switch to that detective novel you were reading but remember, private detectives and policemen are very motivated, even though they are not well paid!

Enjoy the rest of your summer and happy reading!

Philippe Collas and the Editorial Board

SUMMARY OF THEORY FUNDAMENTALS

As we know, mobilization is not a synonym for motivation. Motivation is an internal psychological process that:

1. Elicits behaviour,
2. Directs the said behaviour,
3. Determines the intensity of the behaviour,
4. Re-enforces the consistent behaviour.

Can compensation be a motivating factor that generates performance-oriented behaviour? That is a question that intrigues HR professionals and researchers.

Our main finding is that there is a "plethora of theories about work motivation" (Toulouse and Poupart); in fact, we have found over 140 definitions.¹ However, we believe there are three important theories that require further exploration.

1. The Herzberg Theory

While well-renowned, this theory is often poorly understood. Let us look at the context in which a study carried out by Herzberg, Mausner and Snyderman took place on a population of accountants and engineers, in other words highly-paid jobs.

The main finding: the distinction between motivation and hygiene factors.

¹ Kleinginna A.M. and P.R.

Intrinsic or Motivation Factors	Extrinsic or Hygiene Factors
If present = satisfaction If absent = neutral state	If present = neutral state If absent = dissatisfaction
<ul style="list-style-type: none"> ▪ Achievement ▪ Recognition ▪ Work itself ▪ Responsibility ▪ Advancement 	<ul style="list-style-type: none"> ▪ Company policy ▪ Supervision ▪ Compensation ▪ Interpersonal relations with boss ▪ Work conditions

Other studies have shown that compensation does not automatically become a factor.

2. Theories on equity and organizational justice (Adams and Greenberg)

These theories hold that individuals evaluate their contributions and advantages that they extract through the computation of an advantages/contributions ratio. From there, they do a three-step evaluation:

- (i) personal equity (am I paid for what I do?);
- (ii) internal equity (am I properly compensated compared to the compensation ratios that I perceive other employees of the company are getting?);
- (iii) external equity (am I properly compensated compared to the compensation ratios that I perceive employees of other companies are getting?).

From the Adams study, Greenberg² draws the two concepts of distributive justice and procedural justice:

Procedural Justice	Processes or procedures that define performance evaluation and/or compensation (example: maintaining productivity).
Distributive Justice	Awarding compensation and the kinds of recognition afforded (salaries, promotions, responsibilities, etc.).

SECOR's point of view: both forms of justice are important mobilization components that are measured in the OMI survey such as performance criteria, perception of the manager fairness in the treatment of subordinates and so on.

3. Locke and Latham's Theory

The third important theory is that of Locke and Latham³: the goal-setting theory, which tries to answer the question of **how to motivate people**, rather than identify **what motivates people**? The authors start from two assumptions: (a) the individual has goals that he or she consciously tries to reach and (b) individuals act rationally and deliberately.

Setting goals improves performance when:

- i) individuals believe they have the ability to reach their goals,
- ii) a feedback process is in place,
- iii) there are rewards for reaching the goals,
- iv) the organization supports people in attaining the goals,
- v) employees accept the objectives.

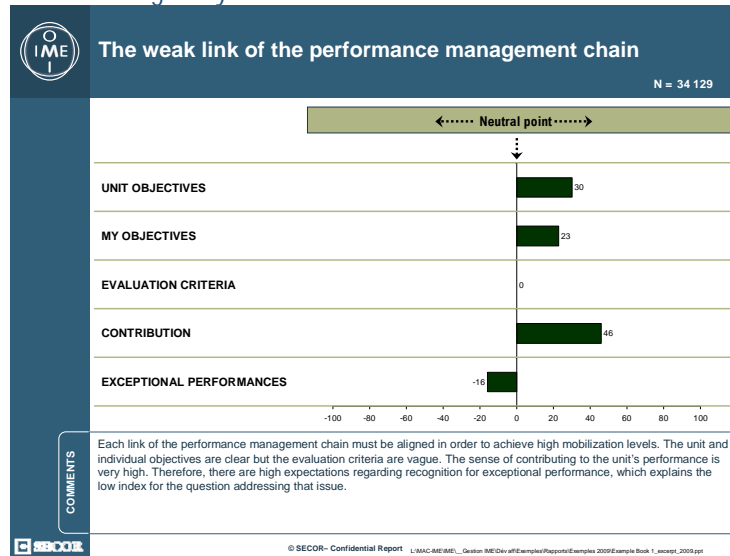
² Greenberg, J. (1990) "Organizational Justice: Yesterday, Today and Tomorrow" Journal of Management, vol.16, N° 2, p.399-432.

³ Locke and Latham (1984) Goal Settings – A Motivational Technique That Works! Englewood Cliffs, N.J., Prentice Hall.

To kick-start motivation, the objective must have 4 qualities:

- a) attractive: it must attract the employee's attention,
- b) mobilizing: it must focus the efforts on tasks aimed at achieving the objective,
- c) durable: to sustain effort over time,
- d) developmental: helps develop new ways of thinking and doing things.

SECOR's point of view: setting objectives and managing performance can play a greater role than compensation when mobilizing employees. This reminds us of the lessons learned in the 2008 benchmarking study.



For exceptional performance to be recognized, clear performance criteria and objectives must be established.

Compensation: a mobilization factor

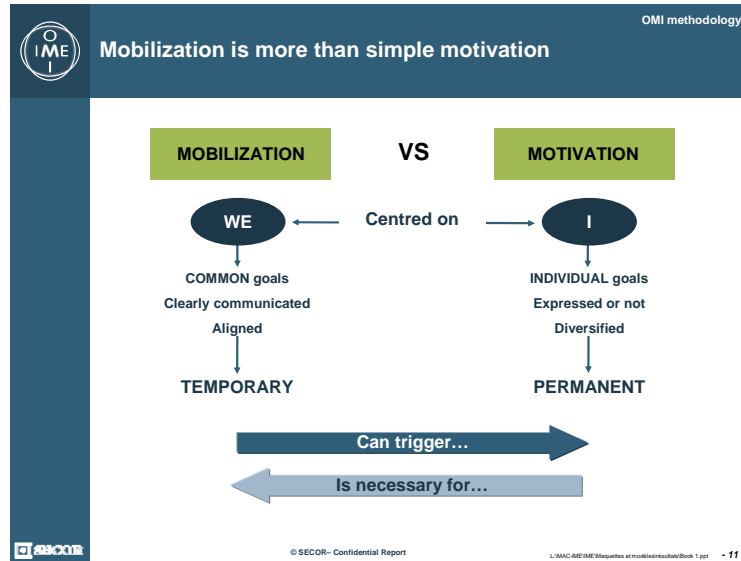
Drawn from:
Compensation: an important strategic mobilization factor ... among others,
 Emmanuelle Gril,
Effectif, volume 7,
 number 1, January /
 February / March
 2004

Compensation is at the heart of the employer-employee relationship. Without it, very few companies would be able to find the resources to run their operations. However, very few companies would say that compensation is the main mobilization lever. Rather, they consider compensation as a contributing factor to mobilization, more specifically to motivation.

At SAQ, compensation is a strong lever used to attract, retain and motivate employees. To accomplish those things, the company has a logical salary structure linked to career development. Moreover, the comprehensive performance evaluation system in place is aligned with contribution reward tools. However, the payroll manager states: "although compensation is one of the factors driving mobilization, there are other ones such as valuing individuals, making a point of recognizing good team initiatives, coming up with interesting and motivating projects, etc. that also play a role" Compensation is seen as a tool to reinforce mobilization in that it motivates individuals and teams. "Salary is an issue relating to individuals, whereas mobilization is fundamentally a collective notion, and I think that what is more mobilizing for the employee is what it can do to help the company reach its goals."

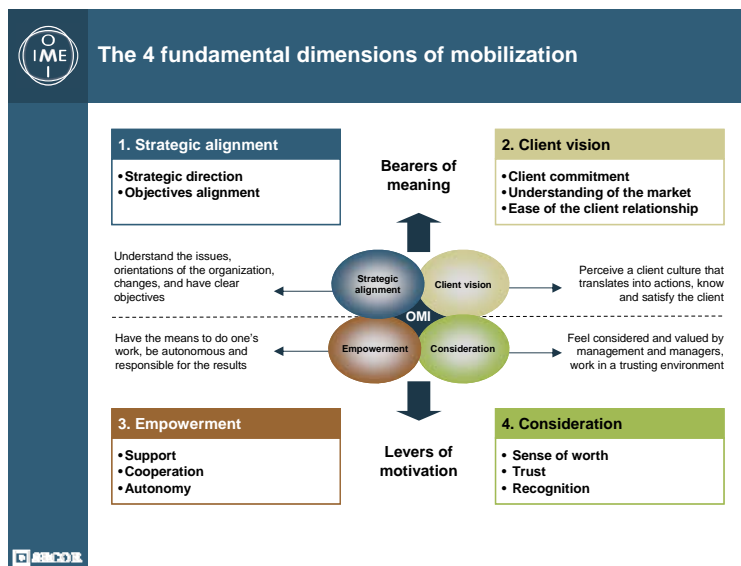
This view of mobilization is shared in many ways by National Bank Financial. For this

company, compensation is an important mobilizing tool, particularly for the sales staff. However, to engage its employees, National Bank Financial relies on several other factors as well: recognition practices, coaching, management leadership and a work environment that fosters personal and professional development. Which is why the author of the article says that, when it comes to mobilization, “money isn’t everything”.



This perception is in line with the OMI model. In it, compensation is centred on the “I” and therefore on motivation, whereas mobilization is centred on the “We” and therefore on common goals. Therefore, to induce an effect on mobilization, you have to work on motivation, but within the larger framework involving four dimensions: strategic alignment, customer orientation, empowerment and esteem.

Of course, collective compensation issues can enhance and accelerate mobilization, but the following article sets forth the pitfalls that should be avoided.



The piano movers' dilemma or how to discourage the best people

Taken from chapter 2 of Maya Beauvallet's book entitled *Les stratégies absurdes* (Seuil, janvier 2009, ISBN 978-2-02-098568-0)

This 147 page book analysis, in 12 chapters and an epilogue, describes a series of absurd strategies defined as "how to make a mess of things while trying to do them better" (which is also the subtitle of the book).

Chapter 2 is extremely relevant to the issue we have raised here, as it lays out the pitfalls of group incentives.

According to the author, there are two types of companies: those where people work alongside each other, and those where people work with each other (can you guess which type of company you are in?). Piano movers live in a universe where you have to work in pairs and work together, without which the piano, the customer, the company and the movers are running serious risks.

The Stowaway Theory

Individual performance indicators present various drawbacks: (i) they are hard to measure because they only work in a framework where tasks are very clearly defined, (ii) they ignore the true extent of collective work and do not create a setting that fosters cooperation between individuals. In contrast, group incentives have two symmetrical advantages: (i) they develop cooperation and (ii) they focus on objectives that are easier to measure.

But there is another side to this story: the stowaway is the person who does nothing and takes advantage of other's efforts. If everyone pulled the same stunt, group performance would suffer. In practice there are very few stowaways, and it is actually their own team, rather than management, that puts pressure on them to perform. Nonetheless, if too many people are coasting, the others will feel that they are being taken advantage of.

The Best Men Blues

This is drawn from a study by Andrew Weiss on an electronics company. The company starts out by paying people according to individual merit for the first few months, and then according to a group indicator. Its goal is to identify individual performance before measuring cooperation. What happens when moving from one system to another? The best people slow down more than the poorer ones (among the 208 salaried workers who had a 10% better-than-average performance, only one improved his sales). The group indicator leads to normative behaviour: the best workers slow down and the poorest are under pressure not to be stowaways. You could say that group indicators hurt the performance of the best workers. However, the same study indicates that that is not true. In another example, employees are paid a set wage.

The best = the top 10	Produce twice the indicator
The poorest = the bottom 10	Are at 80% of the indicator

Should group incentives be dropped?

No, according to a study by D. Hansen at American Express. Group incentives are viable "when the group is made up of individuals who are alike". Such is the case on a production line. In fact, the company does not gain by having a highly productive employee if he creates a bottleneck on the line.

Conclusions: group incentives work in an environment where people have similar jobs and their work is team-dependent.



***Money's Nice, but
a Good Boss is
Better!***

Drawn from: *Money's
Nice, but a Good Boss
Is Better*, Steve Vogel,
Washington Post Staff
Writer; Wednesday,
May 20, 2009

When asked to assess the quality of their work environment, guess what federal workers mention the most?

Strong leadership and straight answers from their boss!

Yes, indeed, and they prefer that even over their salaries and benefits!

That is what was revealed by the latest survey of federal workplaces carried out by the Partnership for Public Service, a non-partisan group devoted to improving public service in the United States. Last summer, 212 000 federal service workers across 260 departments, agencies and offices responded to the survey.

Managers: value your employees

Beyond improvements in the workplace, the study reveals who the best employers are among federal agencies. At the top of the list is the Nuclear Regulatory Commission (NRC). Other top performers are the Government Accountability Office, NASA, the Intelligence Community and the State Department.

The main finding highlighted by the comparison of federal agencies: management style is what makes all the difference!

At NRC for example, managers value their employees and systematically consult and listen to them, which explains the NRC's position atop the ratings of best places to work. When asked about the results of the study and NRC's performance, Jim McDermott, the agency's HR Director stated: "They are the real human resources managers. I lead a lazy life."

Senior executives: communicate!

Some agencies, such as the Department of Transportation, the National Archives, the Department of Homeland Security and the Education Department, received the lowest ratings regarding healthy and mobilizing workplaces. The main reason given: the leadership of senior executives, who don't share information on strategy, company direction or organizational changes with employees. The lack of training and development opportunities in federal agencies is also mentioned as a source of dissatisfaction.

The study also reveals that the federal government often lags behind the private sector for leadership, listening, availability and willingness to help their employees advance their careers.

For example, 48% federal government employees work in an environment that encourages the sharing of information regarding the organization's strategies compared to 66% in the private sector. Also, 66% of public sector employees are satisfied with their managers compared to 74% in the private sector.

Mobilization in India

Sources :

- *Inde : quelles règles sociales dans une économie émergente, (what are the social rules in an emerging economy)* informational report N°416 (July, 2007) done for the Commission des Affaires sociales – France
- World Report Mercer 2008

Based on a world report carried out by Mercer in 2008, it was discovered that Japanese employees were first and foremost mobilized by recognition of exceptional performance (a similar situation that is prevalent in most Asian countries: China, Singapore, South Korea). That is not at all the case in India, where employees are mainly mobilized by opportunities for personal development. The three most important elements for them are: the type of work done, opportunities for advancement and long-term career potential. You might think that Indian culture is still influenced by the teachings of Mahatma Gandhi: Satisfaction is found in the effort and not in success. "Satisfaction lies in the effort, not in the attainment, full effort is full victory" — Gandhi, from the letters to the Ashram. And apparently, it works: India bases its current economic development on a major mobilization of its human resources, particularly in the largely export-oriented services sector. In the computer and management support sector alone, India employs over 700 000 people and trains 450 000 new engineers and computer specialists each year! Not only are these employees working for much lower salaries than those in North America or Europe, but they are still mobilized to grow within the firm... they can continue to foresee the future!

Employee attachment in call centres – the role of compensation

Drawn from:

- Linking rewards to commitment: an empirical investigation of four UK call centers*, by *The International Journal of Human Resource Management*, Dec. 2007

Human resource management practices in call centres are not seen as too generous. Call-centre employees regularly live through high-stress situations, have inadequate or limited training, get very little recognition for their work and are often poorly paid. High employee turnover only magnifies the above problems.

To describe this phenomenon of high labour turnover, the authors explore three types of engagements. Affective engagement (or emotional attachment to the organization), seen by the employee's desire to contribute to the development of the organization because it gives them personal satisfaction. Continuance commitment (or attachment through constraint) whereby the perception employees have of the costs of leaving being greater than the benefits that might be gained. Finally, a normative commitment toward an enterprise is a sense of moral obligation to the employer developed by normative pressures before or after entry into the company. "So, affective attachment means an employee stays with the firm because he or she wishes to, continuance attachment stay because they feel constrained to, and normative attachment stay because they feel obliged." (Bentein, Stinglhamber and Vandenberghe, 2000).

The types of commitment that employees have to their call centre are based on different levers. In other words, a manager will not use the same levers to develop an employee's emotional commitment as he or she would to develop that employee's normative commitment.

Emotional commitment	<ul style="list-style-type: none"> ▪ Career opportunities ▪ Clarity of roles ▪ Participation (involvement) ▪ Autonomy
Normative commitment	<ul style="list-style-type: none"> ▪ Fringe benefits ▪ Autonomy ▪ Feed-back ▪ Training
Continuance commitment	<ul style="list-style-type: none"> ▪ Compensation

Although these different types of commitment are complementary, meaning that they reinforce each other, it is interesting to note that compensation is primarily a continuance issue. Therefore, when a call centre employee is satisfied with his or her salary, their “need” to stay with the company is reinforced. The employee then sees the cost of moving to another company as being higher than the benefits that could be gained from leaving.

A firm that bases its employee commitment only on compensation seriously exposes itself to the loss of some of its key resources. In fact, all a competitor would have to do to hire away employees would be to offer higher compensation. Therefore, leveraging emotional commitment seems to be a more durable performance and retention factor. The emotional costs of leaving an organization are often higher than the monetary costs, and, when leaving an organization, it can be perceived as risky as the emotional equivalent of jumping off a cliff!

Satisfaction and compensation go hand in hand!

Drawn from:

2009 Employee Job Satisfaction.

Understanding the Factors That Make Work Gratifying

By the *Society for Human Resource Management*

June 2009

Compensation, one of the motivation levers, seems to play a role in employee mobilization. The most recent study by the *Society for Human Resource Management (SHRM)* on compensation shows a link between compensation and motivation, but primarily between compensation and work satisfaction. However, an analysis of the results reveals that five of the ten main satisfaction factors are directly linked to OMI mobilization factors.

It comes as no great surprise to learn that the economic situation of recent months has influenced the results. As a matter of fact, in 2002, 2008 and 2009 (during economic slowdowns), job security was at the top of the list of aspects influencing job satisfaction. One finding has been consistent throughout the latest survey: compensation and fringe benefits are regularly among the top three factors affecting employee job satisfaction. So it would seem that to have a positive influence on employees’ job satisfaction, it would be best to offer them a competitive salary and benefits, or reduce the gap between employees’ salary expectations and employers’ offers. Anecdotally, in August 2008, a Gallup poll indicated that 51% of Americans felt they were underpaid.





However, beyond overall compensation and job security, the study showed that by working on resource mobilization, satisfaction was also affected. Again, of the ten most important factors related to satisfaction, five are directly related to mobilization issues. The opportunity to use one's abilities and skill-sets, the relationship with the immediate supervisor, recognition of one's performance by one's immediate supervisor, communication between senior executives and the employees, and lastly, employee autonomy and empowerment are all factors included in the OMI.

In conclusion, offering competitive salaries does not guarantee employee satisfaction, or retention, for that matter. Why not kill several birds with one stone by developing a mobilization process that will have a long-term impact on employee satisfaction? Of course, compensation, as a motivational lever, will have to be considered.

A few kickers

In 2006, the Conference Board listed 26 mobilization levers in 12 mobilization studies, Compensation and fringe benefits were identified as mobilization levers in only two of the studies: Bates (2004) and Gubman (2004). *Source: Employee Engagement: A Review of Current Research and Its Implications, by The Conference Board, 2006.*

Did you know that ...

- At the height of the stock-market crisis, the amount of bonuses given to Wall Street financiers reached \$18.4USD billion in 2008, or \$112 000 per person on average *Source: Les Affaires, February 28, 2009.*
- According to a study by the Canadian Centre for Policy Alternatives published at the beginning of 2008, compensation for a CEO was 218 times that of the average employee salary (ten years ago it was 104 times) *Source: Le Devoir, June 18, 2009.*
- In Canada, the average weekly wage (including overtime) of salaried employees was \$820.53 last April, or a 1.4% increase over April 2008. At the provincial level, the greatest rise in average weekly compensation over April 2008 was seen in Prince Edward Island (+5.8%) *Source: Payroll employment, earnings and hours, April 2009.*