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Pay for Performance dan Insentif



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Uang dan Motivasi




- Insentif untuk memotivasi pekerja
- Th 1800-an – Frederick Taylor mempopulerkan penggunaan insentif finansial – imbalan uang untuk pekerja yang dapat berproduksi melebihi standar yang ditetapkan.
 - “systematic soldiering” → kecenderungan karyawan untuk bekerja lambat dan berproduksi pada level minimal yang bisa diterima → alasan menghemat tenaga untuk pulang ke rumah dan bekerja di rumah, meskipun setelah 12 jam kerja sehari
- Taylor menstandarisasi *fair day's work*
- yang mengarah pada gerakan *scientific management*
- Which in turn led to modern day HR practices

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Kinerja dan Upah




- Persaingan, shareholder value (eg. superior performance and value creation), dan turbulence (termasuk pengurangan tenaga kerja, penjualan asset, akuisisi oleh perusahaan lain, merger, joint ventures, dan takeovers).
- Businesses need an edge
 - **Question:** What do you think that edge is?
- Pay attention - insentif difokuskan pada perhatian manajer terhadap kinerja

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Tipe-tipe Insentif



- **Individual**
- **Kelompok**
- **Profit sharing** – organisasi
- **Kelompok karyawan** (*employee group*)
misal insentif untuk karyawan operasional, karyawan penjualan, atau manajer
- **Variable pay**
 - setiap rencana yang mengkaitkan upah dengan produktivitas atau profitabilitas, biasanya dalam bentuk pembayaran sekaligus pada suatu waktu
 - semua insentif adalah pay for performance

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Insentif untuk karyawan operasional

Piecework

- **Straight piecework plan:** upah berdasar jumlah produk yang dihasilkan
- **Guaranteed piecework plan:** jumlah upah per jam minimum ditambah dengan insentif untuk setiap produk yang dihasilkan

Standar per jam

Insentif variabel berdasar tim atau kelompok

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Insentif untuk manajer dan eksekutif

1. Insentif jangka pendek: bonus tahunan
2. Insentif jangka panjang
 - *Stock options, other plans, performance plans*
 - Insentif jangka panjang: tunai vs *stock options*
 - Insentif jangka panjang untuk eksekutif ekspatriat
 - Menghubungkan strategi dengan kompensasi eksekutif

Insentif untuk salespeople

➢ Gaji, komisi, kombinasi

Insentif untuk profesional dan karyawan

- *Merit pay* sebagai insentif
- Insentif untuk karyawan profesional

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Pay plan organisasional

1. Profit-sharing
2. Employee Stock Ownership Plan (ESOP)
3. Scanlon plan
4. Gainsharing plan
5. At-risk variable pay plans

Penyusunan rencana pemberian insentif yang lebih efektif


- Kapan sebaiknya insentif diberikan
- Bagaimana mengimplementasikan paket insentif
- Mengapa insentif tidak efektif?

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Insentif untuk karyawan operasional

- ♦ Piecework
 - *Straight piecework plan*: upah berdasar jumlah produk yang dihasilkan
 - *Guaranteed piecework plan*: jumlah upah per jam minimum ditambah dengan insentif untuk setiap produk yang dihasilkan
- ♦ Standar per jam (*standard hour plan*)
- ♦ All must guarantee minimum wage
- ♦ Can create quality problems




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Insentif untuk karyawan operasional

- ♦ Insentif untuk team atau kelompok
 - All members receive the pay earned by the highest producer
 - Members receive pay equal to the average pay earned by the group
 - All members receive the pay earned by the lowest producer

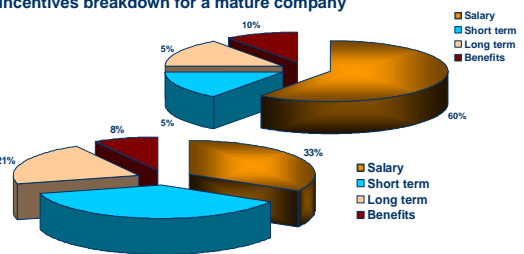


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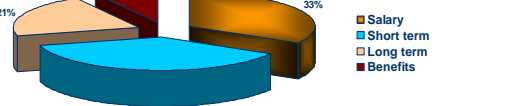
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Insentif untuk Manajer dan Eksekutif

Incentives breakdown for a mature company



Incentives breakdown for a startup company

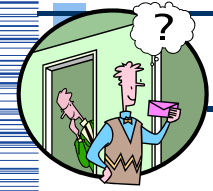


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Bonus Tahunan

- ♦ A bonus is aimed at motivating short term performance with three issues to consider when awarding them:
 - Eligibility – based on job level and salary
 - Fund size – use a formula
 - Individual awards – based on performance



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Bonus Kinerja Manajer


- ♦ Bonus for managers is either individual or corporate performance based or both
- ♦ Split it with part based on individual performance rest on corporate performance
- ♦ Never give outstanding performers too little
- ♦ Never give poor performers normal or average awards

Multiplier approach for bonus →

Company Performance (based on sales target, weight 30%)					
		Excellent	Good	Fair	Poor
Individual Performance	Excellent	1.00	.80	.60	.50
Performance	Good	.80	.70	.60	.50
Based on average weight (50%)	Fair	0.80	0.60	0.60	0.50
	Poor	0.50	0.50	0.50	0.50

Note: In addition to dollar amount of a manager's award, multiply the maximum possible target bonus by the multiplier factor in the table.


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Insentif Jangka Panjang

- ◆ Stock options
- ◆ Different stock option plans
- ◆ Performance plans
- ◆ Cash plans
- ◆ Other plans




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Insentif Jangka Panjang (Cont.)

- ◆ Other Plans
 - Stock appreciation
 - Performance achievement
 - Stock options
 - Phantom stock
- ◆ Performance Plans
- ◆ Cash Versus Stock Options




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Stock Options

Definition

- ◆ A **stock option** is the right to purchase a stated number of shares of a company stock at a preset price at some time in the future
- ◆ A **mega-option grant** is a large, upfront stock option grant in lieu of annual grants
- ◆ Some stock plans are different for each employee
- ◆ A **restricted stock option** is an option grant which has constraints on its use




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Performance Plans


- ◆ Executives do not prosper unless the company does
- ◆ Executives have some “skin in the game”
- ◆ Value is contingent on financial performance



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Cash Versus Stock Options



Which do you think is a better motivator?

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Insentif jangka Panjang untuk Overseas Executives

- ◆ Tax implications can be tricky
- ◆ May be responsible for both US and foreign taxes – may defeat the incentive
- ◆ Plans must consider various factors:
 - Tax treatment
 - Regulatory environment
 - Foreign exchange controls



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Strategi dan Kompensasi Executive



- ◆ Long-term incentives have a profound impact on strategic success
- ◆ When designing a compensation plan, 1st define strategic context
- ◆ Create package
- ◆ Ignore firm's strategy at your own peril



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Langkah-langkah untuk Paket Kompensasi



- ◆ Include external and internal issues
 - What are our long term goals?
 - How can compensation support them?
- ◆ What defines the work culture and how can the package be molded to it?
 - What are our competitive challenges?
 - What are our specific business objectives?

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Langkah-langkah untuk Paket Kompensasi(Cont.)



- ◆ Shape components into balanced plan
- ◆ Meet unique company and strategic needs
- ◆ Legal and tax effective
- ◆ Install a review and evaluation process

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Insentif untuk Salespeople - Gaji




- ◆ Sales compensation can be salaried, commission-based or hybrid
- ◆ Salaries make sense when job is primarily prospecting or servicing clients
- ◆ Useful when relocating to new territories
- ◆ Can de-motivate very productive workers

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Insentif untuk Salespeople - Komisi




- ◆ Pay only for results
- ◆ Easy to understand and compute
- ◆ Focus only on high volume items
- ◆ May ignore non-selling aspects
- ◆ Performance is a product of ability
- ◆ May result in high turnover


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Riset mendalam – hanya komisi




"If I go on vacation, I lose money. If I'm sick, I lose money. If I'm not willing to drop everything on a moment's notice to close with a customer, I lose money. I can't see how anyone could stay in this job for long. It's like a trapeze act and I'm working without a net!"



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Insentif untuk Salespeople - Kombinasi



80/20 70/30 60/40

- ◆ These are the 3 most common salary/commission ratios
- ◆ All cushion downside risk while also limiting upside reward
- ◆ Next slide shows a more complicated formula

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Insentif untuk Salespeople - Kombinasi



- ◆ Sales:
 - Up to \$18,000 a month = base salary + 7% of gross profits + 0.5% of gross sales
 - From \$18,000 to \$25,000 a month = base salary + 9% of gross profits
 - Over \$25,000 a month = base salary + 10% of gross profits
- ◆ All three steps include an additional amount of 0.5% of gross sales

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Auto Dealer Commissions

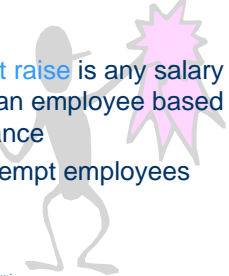


- ◆ Insight into why auto salespersons behave the way they do
 - Some are 100% commission based
 - Others get commissions and small base salary
 - Net profit of car
 - Slow movers may get "spiff"

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Definisi Insentif Profesional dan Non-manajerial




- ◆ Merit pay or a merit raise is any salary increase awarded an employee based on individual performance
- ◆ Usually granted exempt employees

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Pilihan Merit Pay



- ◆ Lump sum raises are not cumulative; traditional raise is
- ◆ Lump sum can be a bigger motivator

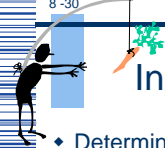
Lump sum award matrix based on individual and organization performance

The Employee's Performance (Weight = 0.55)	The Organization's Performance (Weight = 0.55)			
	Outstanding (1.00)	Excellent (0.80)	Competitive (0.60)	Marginal or Unacceptable (0.40)
Outstanding (1.00)	0.50	0.80	0.90	0.70
Excellent (0.80)	0.30	0.80	0.70	0.60
Competitive (0.60)	0.60	0.70	0.60	0.50
Acceptable (0.40)	---	---	---	---
Unacceptable (0.20)	---	---	---	---


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Insentif untuk Profesional



- ◆ Determining this type of incentive is challenging
- ◆ Professionals are well-paid and driven
- ◆ Keep highly motivated professionals by using:
 - Stock options and profit sharing
 - Better vacations
 - Home offices
 - Improved pension plans

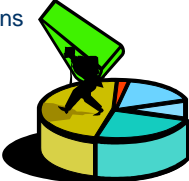


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Organization Wide Variable Pay Plans


- ◆ Variable pay plans include:
 - Profit sharing
 - Employee Stock Ownership Program (ESOP)
 - Scanlon or gain-sharing plans
 - At risk plans



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Profit Sharing




- ◆ Employees share in some part of profits
- ◆ In cash plans
- ◆ Lincoln incentive plan
- ◆ Deferred plans

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ESOP




- ◆ Builds a sense of commitment and ownership in company
- ◆ Positive tax advantages for company and employee
- ◆ ERISA allows firm to borrow against stock held in trust

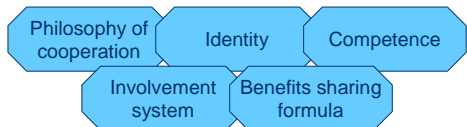
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Scanlon Plan




- ◆ An incentive plan developed in 1937 by Joseph Scanlon and designed to encourage cooperation, involvement, and sharing of benefits



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Gainsharing




- ◆ A modern Scanlon type plan where cost savings are shared
- ◆ Eight basic steps:
 - Method for distributing share of gains
 - Develop an involvement system

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Making Gainsharing Work

- ◆ Use multiple measures
 - Productivity cost performance, product damage, customer complaints, shipping errors, safety, and attendance
- ◆ Committed managers
- ◆ Straightforward formula
- ◆ Employee involvement



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At Risk Plans

- ◆ Some portion of weekly pay at risk
- ◆ Exceed goals and get extra pay
- ◆ Miss goals and lose some pay
- ◆ Employees become committed partners
- ◆ Relies on trust, respect, communication and opportunities for advancement

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Why Incentive Plans Can Fail

- ◆ Performance pay can't replace good management
- ◆ You get what you pay for
- ◆ Pay is not a motivator
- ◆ Rewards punish
- ◆ Rewards rupture relationships

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Why Incentive Plans Can Fail

- ◆ Rewards can unduly restrict performance
- ◆ Rewards may undermine responsiveness
- ◆ Rewards undermine intrinsic motivation
- ◆ People work for more than money

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Implementing Incentive Plans

- ◆ Use common sense
- ◆ Incentive linked to strategy
- ◆ Effort linked to reward
- ◆ Easily understood
- ◆ Set effective standards
- ◆ Standard is a contract
- ◆ Get support
- ◆ Use accurate measurement
- ◆ Long and short view
- ◆ Consider corporate culture
- ◆ Comprehensive commitment oriented approach

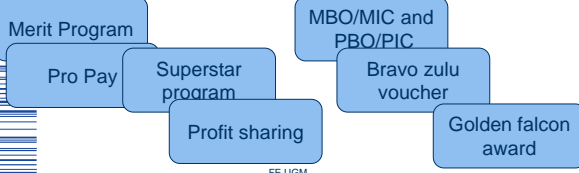
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Incentive Plans in Practice - Insight

- ◆ FedEx's pay plan illustrates how firms use innovative incentive plans to boost quality and productivity
- ◆ Uses quarterly pay reviews
- ◆ Has a strong emphasis on pay for performance



Merit Program

Pro Pay

Superstar program

Profit sharing

MBO/MIC and PBO/PIC

Bravo zulu voucher

Golden falcon award

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