



## What does compensation have to do with great hiring?

As a business leader, are you highly confident that when you pay your employees a significant flat salary, that you will receive significant performance from each and everyone of them? Are you just as confident that when you hire them, they will know exactly what to do in their role as a new member of your company? Shouldn't a compensation process be in place to acknowledge and reward for outstanding performance that would also serve as a motivator?

**Today's hiring process is broken** and there is no reason to think that things will immediately change in 2018. Employers will continue to be bombarded with a deluge of quick hiring snake-oil propositions and job seekers will continue to think that if they submit their resumes to job boards and recruiters that the perfect job will arrive on their doorstep.

Employers repeatedly overlook the most complicated and complex component of business today which is the people who work for your business and the people who your business wants to hire.

Great hiring requires an appreciation for the talent including an appreciation for measuring and rewarding performance.

It has been recently reported that we have reached a 17 year low in the unemployment rate. Therefore, employers will need to implement a true hiring process more than ever in order to identify, attract and hire the right talent. Once they have completed that achievement, employers need a process for rewarding and retaining the talent they have worked so hard to recruit.

So, what does compensation have to do with great hiring? No, it is not all about the money. The best hire is not necessarily the highest paid. But it is about measuring and rewarding an employee for their efforts and for their performance.

Let's discuss the compensation disconnect and a path forward.

### Why is there a compensation disconnect?

The compensation patterns that I have seen most commonly involve the company's profitability being shared with the employees. "When the company is profitable, employees will receive a bonus". This is a very easy model to establish. It is a model that does not require much time to measure or implement and therefore consumes a minimal amount of managerial

resources. It is a model that serves the executive leadership well.

As for the employees, this is a model that makes them uncomfortable and does not measure or reward them for their individual contributions to their employer.

The disconnect occurs thanks to the blind spot that many CEO's have when it comes to compensation. They feel that what is good for them (profitability) is also good for their employees. Only a small percentage of the members of any company are decisions makers of the company's true profits after operating expenses. The remaining employees are at the mercy of what they perceive to be an arbitrary compensation bonus.

### How to compensate for great hiring during a low unemployment rate

Compensation is another word for reward. In the simplest of terms, as a business leader, aren't you rewarding your employees for delivering value to your organization by their doing their job well?

A few key points:

- 1) Compensation for great hiring should involve the development of a process that works during all times. Define the specific objectives or goals the employee will accomplish. Assign a defined value to the goals and reward the employee when the goals are met. Establish a rolling 3-6 month cycle when the goals are revisited and refreshed.
- 2) Yes, clearly defining the specific roles and responsibilities of each employee is a time-consuming step that demands focus, but then no one said that running a successful business and hiring great talent was easy.
- 3) If your hiring process is influenced by the unemployment rate, then you are focused on hiring active (or unemployed candidates) versus hiring passive (or actively employed candidates). These represent two



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very different audiences. In general, it is much more time consuming to pursue, attract and hire employed candidates and they generally make a better hire.

- 4) Rewarding employees for their performance does not have to be limited to monetary rewards. Rewards can also include simply the recognition that the employee has delivered outstanding value to the company. A simple "thank you" can go a long way as a recognition of good work.

In summary, compensation is the result of either a well-constructed, process-oriented rewards program or it is an ineffective, loosely defined employee payout plan that promotes mediocre performance.

It is hard to attract and retain great talent without clearly defining their role and clearly rewarding their efforts.

What is your business doing today to attract and retain top talent while focusing on outperforming your competition and over-delivering to your clients or customers?

Good hunting

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