

Talent Management Excellence

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- 07 Are We Managing Talent or Stifling It?
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By Chris Crawford and Josh Henke

ARE WE MANAGING TALENT OR STIFLING IT?

Retaining talented people is most important
Bob McKenzie



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Are We Managing Talent or Stifling It?

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I am sitting on the 10th floor of our office building in the middle of downtown Boston; To my left is the Boston Harbor and to my right is the Boston Tea Party museum. It is beautiful; The sun is setting, the water calm, a few barges putting by, and a busy street below – ah, what an evening! I don't think I could tell you the last time I just sat and looked outside and soaked it all up. If I glance to my right, I can't help but think about how individuals can be truly revolutionary.

In this month's issue of *Talent Management* we have the opportunity to sit back, and soak up great articles from thought leaders in integrated talent management. You might find yourself getting riled up over the first few sentences in Chris Crawford and Josh Henke's article on justifying pay. Stay calm. I assure you, they take a deep dive into justifying the value and measurement of a person's internal and external value to the organization. How easy is it to just look at the dollar signs as an expense rather than a key investment decision for the single most important asset to your organization? How do we fight against this impulse?

You might find yourself going back to your team to rethink your onboarding process after reading Timothy Schaffer's article on patiently hiring and decisively firing. The article is an overview that challenges you to think about the speed with which you hire and the detail in which you onboard. He guides you towards creating realistic metrics to assess your process, ensuring you are getting the ROI and engagement you need for long term success.

While reading Bob McKenzie's insight on managing talent versus stifling it, I can honestly say I found myself laughing. Bob pokes fun at the newest corporate fads and buzzwords in the market. Then, he encourages you to question surveys that ask you to rate someone as being "excellent", when they are just doing the job they are suppose to do, in the way they are supposed to do it. To top it off, McKenzie gives an example job posting that when you really get to the heart of it, is what most should read, but never will. Be sure to take a look.

I am passionate about team building. Louellen Essex suggests taking a step back and making sure you are doing it for the right reasons, focused on actual work, and with a follow up plan that includes action items. It made me think -- what if we incorporated team building into every day activities rather than once a quarter? Think how much stronger we could be. Is this possible with your team?

Whether you consider yourself an expert human resource professional, or someone that is just getting into the field, this issue has something for you. These articles will challenge your preconceptions and inspire you to improve your environment. Remember, individuals can be truly revolutionary.



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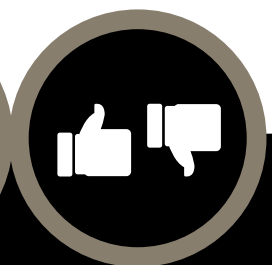
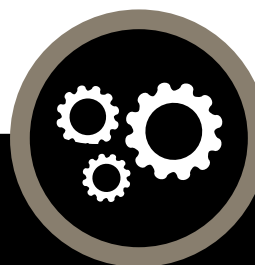


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Are We Managing Talent or Stifling It?

Retaining talented people is most important

 By Bob McKenzie



Many of you know that I am not a fan of buzz words or the latest corporate fads. The term “Talent Management” falls into this category. More and more companies are hiring Managers of Talent Management which is just another term for recruitment. Talent management refers to the organization’s commitment to recruit, develop and retain the most talented employees available to form a high performance workplace. This sounds wonderful in theory.

The problem with this statement is that the *most* talented people are not interested in being “managed”. They are not interested in spending 45 minutes to an hour completing an on-line application (read an article by Liz Ryan, [Why HR Can't Innovate](#)) They are not interested in working in a cubicle. They are not interested in having their mind taken over by most corporate managers. Organizations spend a lot of money hiring the most talented employees, and then quickly work to stifle that talent.

Regardless of what business you are in, providing top notch customer

service is paramount to your success. The first contact a customer has with your company will make a lasting impression on them. Therefore, a very important “talent” is someone who will provide a great customer experience. Let’s talk about the company that recently changed all employees’ telephone extension numbers. When employees told top management about complaints from customers who were having trouble getting through to the people they needed to speak with, management’s response was “the system was installed by a highly regarded communications company so there could not be a problem”. So much for talent management – the talented people who wanted to do a good job were shot down when a customer service problem was brought to management’s attention.

Is Talent Management Real?

I recently went into my bank because I mistakenly wrote my business account number on the back of my personal paycheck. I asked the teller what to do. She crossed out the business account number and wrote my personal account number on the check. The deposit

into my personal account went through with no problem in about 30 seconds. I thanked the teller and left the bank. A couple of days later, I received a call from someone performing a survey. He started asking me questions about the level of service I received from the teller. "Would you say your customer experience was poor, fair, good, excellent or outstanding?" My first question was, "What is the difference between excellent and outstanding?" By the time he got to the fourth question, I interrupted the poor guy because I noticed that this was going to take more time than I had available. I told him the teller did her job well. I apologized to him for cutting off the survey because I knew he was just doing what he was told to do and trying very hard to do it well. It had to be the most inane survey I have ever taken.

It seems that all of the telephone customer service lines want the caller to complete a survey after the call. What is troubling is the customer service rep (CSR) has to remind us to rate him or her straight 10's on a 1 to 10 scale. Otherwise the rep won't get credit for a good call. I am sorry to say, but I have to respond to the CSR that doing what you are supposed to do does not equate to excellent or outstanding service. In most cases, we don't need excellent customer service. We just need the people to do what they are supposed to do. Another problem is they are often stifled by company "policy". Instead of doing something to help the caller, these people are stuck with a script they cannot deviate from. Any deviation will result in being "written up."

In other cases when completing customer service surveys, we are asked to ignore whether the problem was solved and just rate how the representative handled the situation. **Message to Corporate America – the two cannot be separated!!** If I call with a problem and it is not resolved by the customer service rep, who treats me with empathy and kindness, the problem still exists and your organization has failed to remedy the problem. If your customer service rep does not have the authority to solve my problem, you have made this person a useless voice on the phone.

Worse yet are the automated attendants that are supposed to be able to recognize the English language but cannot understand the words, "Speak to a human being."

We don't see ads stating, "Immediate need for someone who will blindly follow orders, perform mindless duties and immediately jump when the boss speaks. Qualifications include graduation from an accredited dog training institute, the ability to sit and roll over when ordered, speak on the telephone, sit at a computer all day and have a strong bladder as there will only be one bathroom break per 4 hour shift."

How is Talent Measured?

So is talent defined by the service the person who has the first contact with a customer offers or by the practices instituted by management? Is talent measured by stupid surveys or when the employee tells the customer to rate them high so they get a bonus – even when the customer got nothing out of them? If talent management is not measured by increases in revenue and profits than talent is not being managed properly. It is pretty simple.

Attracting Talent

Getting back to the purpose of this article which is to figure out best ways to manage your talent, people want to know they are making a contribution to the organization. They want meaningful and challenging work. They want to be treated with respect. They want to be trusted to do their job without being micromanaged. They want to deliver a high level of service. They want to work in a strong team environment and have some fun. They want to be recognized for doing

their job well. They also want to be paid fairly. This is not complicated.

The culture and reputation of the company will either attract or repel talented people. The competition for talent will get tougher as the economy comes back. If you are stifling your talented people with your own absurd practices, you will not attract the best and the brightest.

Commitment to Talent Management is a Cultural Thing

If there really is a commitment to "Talent Management", managers would listen to their employees. Creating an organization that is team driven and customer focused through enhanced communications and empowerment would be the norm instead of the exception.

The fact is, most people want to deliver a high level of customer service. If the internal processes do not allow employees to provide high service, the most talented will leave the company. The mediocre will remain and mediocrity will become the norm in the organization.

Is This an HR Function?

Some of you will say this is not an HR function; this is a function of the operation or customer service department. My response is, as the keeper of the culture, this is **definitely** a Human Resources function. In fact, it is probably the most important areas HR should be involved with. There is nothing more important than keeping talented people.

What are you doing to keep your best talent? Have you asked them how they would like to be treated? **ITM**



Bob McKenzie is the President, McKenzieHR. He is the winner of the 2012 Ultimate HR Executive by the Jacksonville Business Journal and the Man of Steel Award from Entrepreneurial Anchor Magazine. Email potential@mckenziehr.com

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Integrated Learning and Talent Management

Five tips for integrating learning and talent management

 By Rob Caul



2014 has brought fresh challenges to organisations, but none as great as attracting, developing and retaining talented employees. As the economy continues to strengthen, investing in learning and talent management remains critical to improving business performance and outperforming the competition.

Yet L&D budgets are likely to remain tight over the next 12 months and research shows that many organisations don't have a talent management strategy in place. With HR and L&D initiatives needing to remain firmly focused on the bottom line, integrating learning and talent management makes greater business sense than ever.

The importance of an integrated approach is highlighted in the 2013-2014 Towards Maturity Benchmark Study which puts integration of learning and talent centre stage as part of the New Learning Agenda to help businesses, HR and learning leaders prepare for the future and support the priorities of 21st century learners and organisations.

Past research by analysts Bersin by Deloitte also makes a

compelling business case for integrating learning with talent management and shows even greater benefits can be achieved through deeper integration with additional core HR processes too, including recruitment, performance management, succession planning, leadership development and reward.

In summary, the benefits of an integrated approach to learning and talent management include:

- Greater insight to make informed decisions about the management and mobility of talent
- More robust leadership pipelines to support growth today and in the future
- More effective development plans for high performing and other valuable employees
- Ensuring the right training resources are directed where and when they are most needed
- A more engaged, high-performance workforce
- Higher employee retention and recognition as an attractive employer

Five practical tips that work

Here are five practical tips to help you integrate learning and talent management within your organisation:

1. Align with business goals

To deliver high-impact integrated learning and talent management strategies you need to ensure alignment with your organisation's business goals. The very purpose of talent management is to support organisational objectives such as increasing revenue or providing more effective services. Learning programmes prioritised according to business needs have a crucial role to play too in improving business performance.

Research shows that most organisations require greater alignment to realise expected benefits, and buy-in from the board is a must-have. Towards Maturity's latest Benchmark Study reveals that only 36% of organisations are working with business leaders to identify the business metrics that need to be improved through learning, with less than half of those businesses going back to review progress against the agreed metrics.

While short-term goals will always seem more pressing, make sure long-term goals are prioritised too. What will your organisation look like in five or ten years' time? What skills and competencies will you need to thrive? Do you have the right skills in place to drive change? What steps can you take today to develop tomorrow's talent?

2. Know your talent

The demographics of today's global workplace are rapidly changing and talent pools are shrinking so companies need to invest more effort in growing talent from within as well as casting the net wider. With the 'Baby Boomer' generation having led the workplace for the last 25 years now retiring en masse, competition is intensifying for scarce leadership talent among Generation X, the leaders in waiting. Meanwhile, generation Z is beginning to enter the workplace and, by 2025, Generation Y (born between the early-eighties and mid-nineties) will make up nearly 75% of the global workforce.

Understanding what makes different generations tick and what their preferences are for learning is essential. Do you know who your top talent is and what motivates them? Are there clear processes in place for defining and assessing talent within your organisation? How healthy is your talent pipeline? Do you have a clear strategy for managing succession? A deep understanding of today's talent and those individuals who have the potential to create disproportionate value for your organisation will enable you to ensure your L&D resources can be targeted where they can create the greatest impact, keeping you one step ahead of the game.

3. Integrate your learning and talent systems

Today's innovative software systems integrate learning and talent management to provide one common, enterprise-wide view of information – reducing costs and increasing efficiencies. Most importantly they provide crucial insight and metrics empowering you to make more objective decisions about talent, where to direct training resources for maximum impact and how best to close skills gaps.

Such systems help organisations to spot and manage leadership gaps in talent pipelines and plan for the future as well as helping companies to objectively measure ROI and identify possible programme improvements. For employees, integrated learning and talent systems help provide a much needed career planning framework. It is no surprise then that they are fast becoming the hub today that drives long-term performance.

4. Build for the future

If you are replacing or choosing a new learning and talent system make sure the solution is scalable and can support your business needs in the future. A flexible solution which integrates core processes such as learning, talent, performance and succession planning will enable you to add on capabilities as and when appropriate for your business and will allow you to phase the solution as well as your budget. It will also provide business managers, HR and L&D professions with an even more empowering set of tools for identifying, evaluating, developing, engaging, rewarding and retaining key talent.

Learning and talent practices go hand in hand with performance management and succession planning. For example, learning impacts succession planning as individuals start to develop the necessary skills to attain new roles and responsibilities with performance management systems tracking progress. However, only 26% of organisations in the Towards Maturity Benchmark Study currently integrate succession planning into the way they develop their people.

5. Engage from the top down

The successful integration of learning and talent management requires strong buy-in, support and communication from the top down. Also important is a partnership approach between HR, L&D, line managers, employees and any third party service providers. The greater the understanding of the pain points and challenges you face and what you are trying to achieve, the more success you will have in integrating learning and talent management.

Fully engaged line managers who are actively involved in the delivery of the organisation's talent management strategies and that take responsibility for managing performance and identifying and developing talent in their own areas of the business can make the difference between success and failure. For many employees too, line managers are a key source for information on training.

Meeting tomorrow's challenges with today's workforce

If your organisation is looking to achieve new levels of performance in 2014 and beyond, then an integrated approach to learning and talent management can make the difference between growing and surviving. Building a business that is both agile and enduring requires a first-class workforce and a greater focus on the development, engagement, management and retention of talent. Technology is enabling this change. **ITM**



Rob Caul is CEO of Kallidus an award winning provider of learning and talent management solutions.
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Outward Bound Training

Back at work after outdoor training? What now?

By Johann Tambayah

It is not surprising to hear of colleagues who have been on corporate training events which could either have been skill based (e.g. project management training, sales workshops, etc.) or more generic team building events. The latter could involve teams being taken camping, white water rafting or even paint balling. Coined as team building, experiential learning, outward bound training (OBT), outward bound management development, outward bound leadership development, etc. these training courses have been met with either enthusiasm, skepticism and more recently criticism by participants, organizations and the general public.

Having been on many such training courses myself, I was able to observe the impacts of such training courses. While many employees enjoyed the experiences, many of them could not identify how these 'learnings' could be implemented back at the work place. When one returns to work the 'business as usual' modus operandi tends to kick-in with the implementation of 'learnings' being either forgotten or stored away as a distant memory. Other employees did manage to implement their 'learnings' quite easily. There were employees who also did not embrace the experience and would have preferred not to have gone on such a course. As a part of a wider MBA thesis I took it upon myself to determine how one could ensure the 'learnings' from such course are transferred back to the workplace.

My approach involved gathering qualitative information from participants of OBT courses. It involved discussing the courses with the providers of OBT courses. It also involved working closely with the HR function within my organization to determine the corporate agenda behind the training. The results of this study provided me with data that allowed me to propose certain key attributes which would contribute to increasing the probability of the transfer of learning back to the workplace after OBT courses. My suggestions formed part of a model I coined as the OBT TOL Model i.e. Outward Bound Training Transfer Of Learning Model.

This model comprises of three distinctive phases.

Phase 1: Organization Analysis (focusing on what needs to be done prior to the OBT course),

Phase 2: The OBT program (focusing on which guidelines need to be adhered to during the course),

Phase 3: Cycles of review, reflecting and learning (focusing on the post OBT course learning).

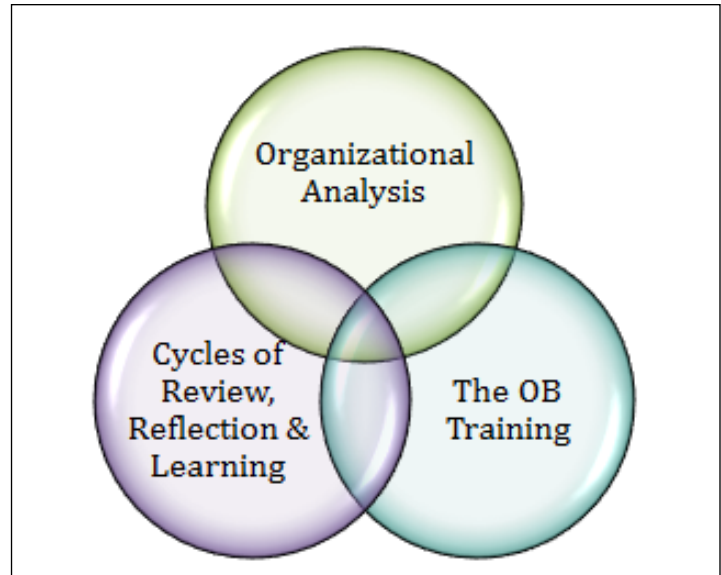
My theory suggests that where these 3 phases overlap the transfer of learning back to the organization is most likely to occur.

The OBT TOL Model

I will describe these 3 phases in further detail.

Phase 1: Organization Analysis.

This is the phase where the HR function of the organization must take a step back and ask themselves – *why are we embarking on this training course?* The HR function must have a clear



mission statement for this training course and set objectives on what they hope to accomplish (using the SMART criteria often helps). It is recommended that the HR function formally document these objectives to senior management / leadership. This is further expanded upon below.

1. Why are we embarking on this training course? What are our SMART objectives?
2. What is the organization structure? E.g. flat, hierarchical, matrix, etc. This would detail the level of interaction between individuals at present
3. What leadership styles are currently displayed within the organization particularly at the top? E.g. dictatorial, participative, charismatic, transformational, coaching, etc.
4. Describe the work environment and employee satisfaction? Is the organization going through a stressful period e.g. high demands, long work hours, unreasonable client, etc.
5. Does the management anticipate difficult days ahead? E.g. recession, cutbacks
6. Will the management be willing to adapt / change after the OBT course?
7. Who are the OBT instructors? Do they have references? What are their safety policies / records? What level of support do they provide after the course?
8. What is the chosen OBT course? Ensure the OBT course fulfils the needs of the organization. Sit down with the instructors to design the course. Determine with the instructors how a particular course would address the issues faced.

Courses that have received positive feedback include:

Raft building and racing – teaches a team to allocate resources (people, barrels, wood, rope, etc.), assign leaders, build a flotation device and race it against competitors. It teaches

project management, communication, analyzing resources, task allocation, motivation, etc.

Blind fold – Guiding a blind folded team-mate through a trekking course using vocal communication. This teaches communication, clarity of commands, etc.

Trust falls – The classic OBT game that teaches members to trust their peers.

9. Educate employees on why they are going on these courses; ask the OBT providers to present the course to the employees. Employees must be allowed to raise concerns and be actively involved.

10. Link as much of the work environment to the OBT course as possible e.g. team structures, leadership, organization structure, roles, etc.

Phase 2: The Training

These are the guidelines to be followed by both the HR function and the OBT instructors during the OBT course. It is important to note that despite the OBT instructors being contracted for the training it is the HR function who should drive the objectives of the course (this should be visible to participants)

1. Instructors should be present at all times as coaches, motivators and safety instructors. Under no circumstance should anyone be in danger nor should safety be compromised

2. The HR function must be completely involved in the facilitation of this program as it involves the training and development of the company's human resources

3. Do not interfere with teams during the OBT course. Present the challenge and allow them to explore/learn. Grant participants responsibility and accountability for their actions and mistakes.

4. The HR function should take 'minutes' of the training i.e. make notes as the course unfolds e.g. conflicts that may arise, mistakes, pressure, successes, confidence boosters, responses, etc. If possible record footage with participants' prior consent.

5. Circumstances where HR should intervene with training include:

- When safety is compromised
- Where criticism must be replaced with encouragement and positive re-enforcement

Phase 3: Cycles of review, reflection and learning

These are the activities to be undertaken after the OBT course when the employees have returned to the work place. This should ideally take place on day 1 back at work. The key driver and owner of these activities is the HR function.

1. The HR function should request individual feedback (anonymous) on thoughts and learning from the participants.

2. The OBT teams should meet up with the HR function for a de-briefing to discuss the course and provide feedback.

- Recorded footage / notes should be reviewed / discussed
 - Individuals should be asked to speak openly on their key learnings
 - The HR manager should make reference to particular situations e.g. challenging situations and request participant feedback
 - Good work should be praised openly
 - Mistakes should be addressed but conveyed as constructive criticism for positive reinforcement e.g. what could have been done differently for a better outcome
 - It is essential to discuss and match Phase 1 with Phase 2.
3. Select 'change agents'. They are to be the drivers dedicated

to the transfer of learning.

- They are to meet up each fortnight with their teams to review / discuss the week's proceedings e.g. stress, constraints, victories, challenges, etc.

- They are to point out and make references to the OBT course

- They are to review OBT course notes as a reminder. The learning is to be cemented into individuals via cycles of review, reflection and learning

- With time and commitment this group should evolve into a self-coaching team (similar to a buddy system) that should:

- i. speak openly,
- ii. discuss issues,
- iii. discuss process improvements,
- iv. discuss work challenges,
- v. speak in a 'safe environment'.

- The groups should meet fortnightly and should be endorsed by senior leadership

4. The HR function should document the above and present to senior management / leadership their findings

The perfect intersection of the above three phases should improve the probability of learning being transferred from the OBT course back to the work place. It is significant to note that the onus of this process must be the HR function of the organization. **ITM**



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Getting the Most Out of Employees

Encouraging employee growth and happiness

 By Ben Baldwin

As a business owner, one of the most important parts of my business is my staff; the hard-working people who challenge me to be the best leader I can be and who drive the company to new levels of success. While developing an environment that encourages employee growth and happiness, I've come across a few rules to work by that help me keep things running.

Understand that each employee is different

Although, it may be easy to paint all employees with the same brush, it is very important to realize that every individual is unique. Rather than thinking of my employees as a single, homogeneous workforce, I make it a point to realize the diversity of my staff and the potential inherent in that diversity. Realizing that my employees have different needs, requirements, expectations and advantages is the first step to realizing their full potential.

Manage expectations

In my years in business, I've found that it's important for any employer to lay out specific business expectations and benchmarks ahead of the game. Sitting down and drawing up a plan of action is a very useful exercise to ensure that you and your employees stay on track. Also, transparency and honest communication will ensure that everyone is on the same wavelength, and it will help you avoid any confusion about expectations and responsibilities.

Utilize development resources

I'm not afraid to reach out and utilize some of the many

development resources that exist out there. Entrepreneurs have a range of options available to them to help get the most out of their employees. While some of these options can be pricey, there are good tools that are easily accessible and won't break the bank. Other ideas include pairing up employees with mentors, creating coaching plans, joining professional networks and inviting industry experts to coach and work with my employees.

Provide a challenging environment

I make it a point to put myself in the shoes of my employees. If I was placed in an unchallenging and monotonous environment, chances are I wouldn't like it either. That said, I try hard to provide a challenging and dynamic work environment that fosters creativity and excitement.

Reward your employees (... and not just with money!)

Even though this may seem like a risky proposition, rewarding employees can be a great motivator in general. Rewards do not necessarily have to be in the form of money. Rewards can include verbal recognition, employee perks such as lunches or even other ongoing incentives like paying for daily commutes to and from work.

Foster strengths, manage weaknesses

It is important that I foster a person's strengths while being aware of their weaknesses. Realizing an individual's strengths will enable me to leverage those strengths into productive and rewarding work. At the same time, managing the person's weaknesses works to strengthen the professional bond between myself and the employee.

Don't be afraid to fire employees

While it is never the intention of an employer to hire someone who doesn't work out, sometimes cutting an employee loose in order to maintain workplace harmony is a necessary part of running a business. As an employer, I can't and shouldn't avoid taking the lead on issues that jeopardize any aspect of my business. The longer I wait, the more damage will be done. We've actually received thank you notes from former employees who have not worked out, but are thankful for our frankness in guiding them towards an opportunity that fits them better.

When it comes down to it, running a company is a lot like reading a bestselling business book—every day is a chapter full of lessons and better business practices. The trick is to absorb as much information as possible and then utilize the tools at your disposal to make yourself—and your employees—better. **ITM**



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Instincts Trump Intention

How to avoid your way to peak performance



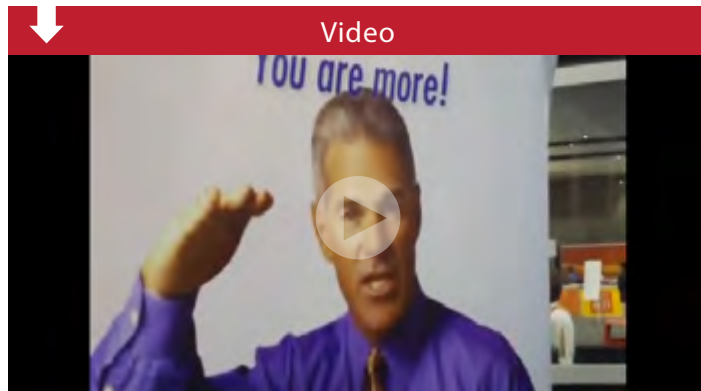
By Bob Davies

My programs are based on scientific principles and the best practices of top performers. The core behavioral principle that I teach is an intervention to the limitations of human nature. The limitation that I am referring to is that instincts trump intentions.

Our basic genetic programming is to recognize our biggest threat, our greatest possible pain and avoid it for the comfort. This is outside of our conscious control. We are genetically coded to non-consciously recognize our greatest threats and again, non-consciously avoid them. This favors survival.

As I speak throughout the USA, it's rare that I come across an individual who doesn't intend to be more successful. However, instincts trump intentions. The industry leaders, including myself, are teaching precise planning, goal setting and making very specific commitments on a weekly basis. The only thing left to do is to go and execute your plan.

That's where the weakness is in training in the USA and world-wide. The non-conscious mind will search like a computer to scan for threats before an individual actually takes the planned action, for example, prospecting for sales opportunities. This activity is the lifeblood of many industries. The individual intends to prospect by making calls to a certain category of potential clients who have a need and problem that you have a solution for.



However, before you make that call your brain searches like a computer for any link of that activity to pain. The hippocampus area of the brain has stored rapid pathways called cortical limbic loops that immediately engage this search for any previous exposures of the intended activity and life threatening pain.

Sure enough, this non-conscious process is 400 times faster than your outer cortex which is your planning area of the brain and has made the analysis that you need to take this action. In other words, if you find a link to pain your intentions will be overridden by what is referred to as the "survival mechanism" and you will avoid the intended action. You will follow that by rationalization and never realize that this is what is happening. You will instead think that you are just too busy to take the intended actions.

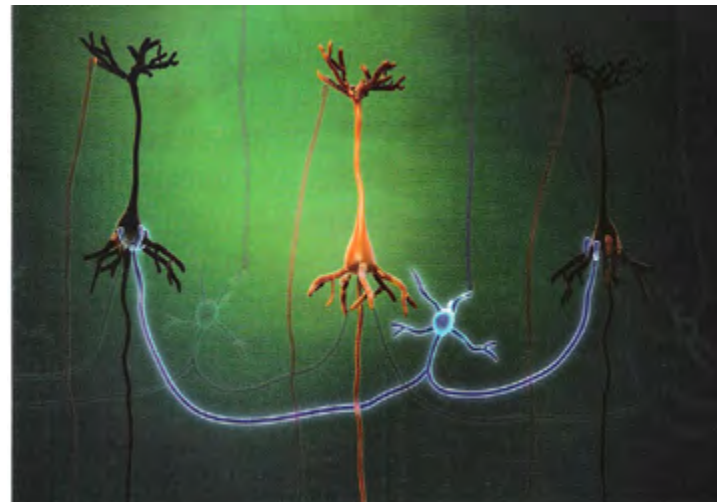
What's going on behind the scenes is that there was a time in your life when you prospected and were rejected. The rejection was severe and you formed a neural network that tagged this rejection as a life threatening action that is to be avoided at all times.

Millions of years of evolution have coded this behavior as an instinct. This is beyond our conscious control. To consistently execute a behavior that is tagged as a threat you will need to "re-tag" this. You will need to tap into the human instinct of avoidance of the highest perceived threat. Here is how you do that.

Use a behavioral contract. A behavioral contract has two parts. The first is the specific commitment. This should be short term, one week, and very precise. For example, I will make 100 calls to broker dealers this week. This is easily observable, you either did it or you didn't. Now the second part of a behavioral contract comes into play. This is also the most important. It has to do with the cortical limbic loop that your brain automatically activates. Since our instinct is to avoid the highest level of perceived pain, we must link a high level of pain to this activity that will be activated for non-performance.

For example, I will make 100 calls this week or pay a \$100 fine. My genetically coded instinct never changes. It is to recognize the highest level of perceived pain and to compel avoidance. When I consciously think about making the calls there is a natural wiring that leads to the emotional area of the brain called the limbic system. There is also an extension of the neurons stored past experiences with this type of activity and probably drama, particularly rejection.

However, since in this case I have a higher level of pain, I override this neurological wiring because I have manufactured a higher level of pain, the \$100 fine. Here is a picture of what happens in the brain with the behavioral contract;



When something grabs your attention –say you spot a friend across the street–the specific neurons governing perception of that region of visual space (orange) becomes activated. Simultaneously, inhibitory neurons (blue) suppress the nearby brain cells responsible for perceiving surrounding areas (dark brown). Thus paying attention to one thing makes it harder to notice what is around it.

Attention neurons are projected to inhibit the thoughts the neural networks that are associated with avoiding the desired activity. This enables you to focus on executing the action, in this example making

the prospecting calls, and inhibiting the already existing networks that are associated with the rejections from previously making calls.

You are going to focus on one thing and inhibit conflicting thoughts. You will either focus on rejection and inhibit the positive that comes from prospecting or you will focus on making the calls and inhibit the thoughts of previous rejections. How you manipulate your “pain” perceptions dictates how your attention neurons will respond.

Over time, the networks associated with the rejection will begin to atrophy and will actually disappear, called synaptic pruning. This is how new habits are created. A habit is simply a new neurological wiring of stimulus (make the calls) and response (avoidance of the

highest level of pain). You can now rewire the brain, called brain plasticity, and thought the use of a behavioral contract avoid the penalty by making the calls. This taps into human instincts and will work immediately. **PM-ITM**



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Patiently Hire, Decisively Fire

Know the seven step process

By Timothy Schaffer

In this current business climate, it's important to hire the right person. Too often, we are quick to “fill the empty seat” thinking that productivity (and profits) will be lost. However, this approach has many disadvantages; taking the time to hire the right person is much more beneficial to your bottom line. In the following sections, I have outlined a seven step process to help you patiently hire and know when to decisively fire.

Hire Slowly

First and foremost, do your due diligence and source the resumes for the ideal person for your open position. Mainly, check if *the candidate has the necessary skills, experience, and knowledge to perform the position's essential responsibilities?*

When you have narrowed the resumes down to a select few and bring them in for an interview, pay attention not only to the candidate's answers but his tone of voice and body language. Is he alert and interested or passive and distracted?

It's important to ask yourself a number of hard questions. Yes, this person may have the technical skills you are looking for, but does his personality match the company culture? Could you see yourself working with this person in two years or on future projects?

Resist the urge to hire for the sake of hiring – that decision may come back to haunt you.

Orientation and Onboarding

Congratulations! You've made the offer and your new hire has accepted. Don't let him “sink or swim”. According to The Wynhurst Group, new employees who go through a structured onboarding process are 58% more likely to be with the organization after three years. What does your onboarding plan look like? Is it position specific or a one-size-fits-all?

When your new employee starts, do you thoroughly review the job description, your expectations of him, and the results you would like to see in the first 90 days? By doing this, both of you are on the same page from the beginning and much confusion can be avoided.

You should also decide how often the two of you will meet to review the onboarding plan. Will you carve out time on a daily or weekly

basis? In a new position (even within the same company), uncertainties and questions will come up that need to be explained and answered. By meeting regularly, you can help your new employee navigate the waters in an informal setting.

Another approach is to implement a mentor program. Sometimes its helpful (and less intimidating) to have a peer show the new employee the ropes and answer the majority of day-to-day questions during the training period. If the mentor doesn't know the answer to a question, he should show the new hire not only where to get an answer but also all of the SMEs (Subject Matter Experts) available to him.

Finally, think of your new employee as a guest in your house – show him where he can find the restroom, kitchen, desk, and all other essential items.

90 Days

This is another step where you need to ask yourself some hard questions. The 90- day review needs to be written very critically providing feedback on:

- Successes
- Accomplishments
- Challenges
- Expectations
- Improvements as needed

Do you have a formal document to write down your notes? What does it look like? At a minimum, it should outline the job's responsibilities, state what the expectations are, whether the results were met and have an area for comments.

Remember, you want to see this new employee succeed, so why not be honest with him? The “honeymoon period” is over and deep down, you already know whether he is a fit for the position, department, company or not.

Evaluate

After the 90-day review, you need to evaluate how the conversation went – what was the interaction like? Was the new employee receptive to your comments? And what was the result of the meeting? Ultimately, you need to ask yourself: Did this person accomplish what he was supposed to? Again, it's important to be honest here.

- If yes, set and review new goals for the next 90 days with your new employee
- If no, re-evaluate: Did the company do everything it needed to do to make this person successful?

It is critical at this juncture to have everything documented and placed in the employee's file. Did you finish filling out the 90-day evaluation form? Have you included any and all hand-written or typed notes from your meetings? All documentation needs to be placed in his file.



Fire Quickly

It's decision time. How much more money and time are you going to invest in this person? According to SHRM (Society of Human Resource Management), more than 40% of US employers estimated that a bad hiring decision had cost their companies more than \$25,000 last year.

How are you going to handle this? Plan ahead and create an exit strategy. What are you going to say? Does security need to be present? Will you have the meeting in a neutral conference room? Check with Human Resources and your company policies to make sure you are in compliance.

Remember, this is business, so don't make it personal. The conversation does not need to be ugly – it can (and should be) factual and allow the person to leave with dignity. Sometimes, even when you hire slowly and provide a solid orientation program, it simply is not a match – and that's ok. It's entirely possible that your new employee was feeling the same way and now you've given him the opportunity to be successful elsewhere.

De-Brief

Now that the difficult conversations are over, it's time to evaluate what happened. How did you handle certain situations with this person and what would you have done differently? Hopefully next time, your new hire will be a perfect match. **PM-ITM**



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Developing Organizational Leadership Capabilities	April 1-2/14	April 1-2/14	July 8-9/14
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Integrated Talent Management	June 18-19/14	Sept 22-23/14	Dec 15-16/14
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A Selection of Webcasts	Date	Time	
Strategic HR: What It Is, Why You Should Care, and What You Can Do About It	Apr 2 2014	1:30 PM - 2:30 PM	Register
The "Datafication" of HR: Graduating from Metrics to Analytics	Apr 9 2014	1:00 PM - 2:00 PM	Register
The State of Employee Engagement: Unveiling Research from March 2014	Apr 15 2014	11:00 AM - 12:00 PM	Register
Quality of Hire – Using Technology to Ensure Success	Apr 30 2014	12:00 PM - 1:00 PM	Register
Predictive Evaluation: Ensuring Training Delivers Business Results	May 5 2014	11:00 AM - 12:00 PM	Register
Coaching for Excellence Process	May 5 2014	12:00 PM - 1:00 PM	Register
The End of the Performance Review: A New Approach to Appraising Employee Performance	May 5 2014	3:30 PM - 4:30 PM	Register
Avoid 3 Serious Mistakes That Damage Employee Collaboration and High Performance Team Work	May 6 2014	1:30 PM - 2:30 PM	Register

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Employee Engagement Survey

Is your survey action planning strategic?

By Leanne Buehler

If you talk to most organizations about what happens once they receive their data from their employee engagement survey, they will tell you either:

1. They review the results and then not much happens; or
2. They talk to employees and then create an action plan focused on raising the scores on a few key survey items.



The problem with these approaches is that they are focused on the survey itself and not the end goal. When engagement data is used strategically, insights from the survey are leveraged to identify ways in which leaders can become more effective at accomplishing their priorities.

Take an example of a common engagement driver – recognition. Say, for example, employees indicate on the engagement survey that they would feel more valued and effective if more was done to recognize their accomplishments. Consider two different ways of responding to this feedback:

Strategic Approach to Engagement

- Leaders identify the top 2-3 priorities for the organization or the department
- Leaders and employees work together to determine what behaviors are required to be successful in accomplishing those priorities
- A recognition process is designed to reinforce behaviors that are needed to accomplish the priorities
- Success is measured in terms of accomplishing the priority

In the example above, the traditional approach to engagement is to focus on improving engagement scores. However, engagement is never the end goal, but rather a means for motivating the workforce to focus on the right things so that the organization accomplishes its priorities. With strategic engagement, leaders use insights from the survey to be more effective at the work they are already doing. This does not require a survey-related action plan and additions to a manager's already long to-do list. Instead, it is a way of improving execution by removing roadblocks and listening to new ideas.

Take another example from a retail client in which survey

results revealed that “Trust in Management” was a key driver of engagement. Rather than rolling out a trust building program, senior leaders talked to employees about why they did not trust management. They learned that a key reason was that employees felt management was not trusting of employees; in return, they did not trust management. Senior leaders then asked for specific business examples in which employees did not feel trusted. One example that emerged was that there was only one person in the organization that was allowed to approve pricing decisions, leaving employees feeling like their expertise and decision making skills were questioned by senior managers. In response, senior managers embarked on defining a process in which employees could have autonomy in pricing, thereby improving the time it took to respond to customers and ensuring consistency in the pricing process.

In this example, the concern over “trust in management” was addressed strategically by relating the survey feedback back to the business in a way that would accelerate the mission of the organization.

Engagement survey data can provide powerful insights, but it is only truly valuable if it is used as a tool to improve the business (not just engagement). Through this paradigm shift, leaders are armed with information that will make them more effective, rather than bogging them down with a long action planning to-do list that takes months to implement. Using engagement survey data strategically makes the lives of managers easier, and subsequently puts acceleration behind the organization's mission. **PM-ITM**




Dr. Leanne Buehler is VP Consulting Solutions at Newmeasures, Inc. Leanne is responsible for helping organizations achieve results through innovative survey tools that align stakeholder experiences with business objectives.

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Team Building

How to do it the right way?

 By Louellen Essex

Countless staff members have been exposed to team building sessions gone awry. Some describe outdoor challenges designed to build trust that only served to embarrass those on the team who were not physically agile. Others have recounted incidents of poorly designed critical feedback activities resulting in hurt feelings and damaged relationships. Many have concluded that the activities had nothing to do with the work their group was actually doing. Bad experiences like these have resulted in widespread cynicism, which may be why your staff cringes when you mention “team building.”

So, why bother with it if so many undesirable results and bad attitudes may be lurking? The problem is with the method of execution, not the idea itself. Tending to the needs of your team with focused time and attention is good leadership. Follow these guidelines to ensure a successful team building experience for your group.

Do it for the right reasons

Team building is best used in three specific situations. When launching a new team, time together to establish goals, roles, and ways of collaborating can jump-start the process. Engaging in relationship-building activities like the Myers-Briggs Type Indicator or DISC Profile, can help team members learn about each others’ preferred way of working.

Another time that calls for a team building session is when the group is stuck in conflict that results in dysfunction. Use your Human Resources partner or an outside consultant, as a neutral third party, to interview team members, summarize the issues, and set-up a problem solving agenda. Then, work through each issue, clarifying differences and creating solutions.

A third reason to gather the team together is for maintenance. If energy wanes because the group is a little stagnant, give them a boost. Acknowledge and reward team accomplishments and refocus on the importance of the group’s mission. Include group learning around a topic of relevance to the team’s work, building a common framework.

Make sure the focus is on the actual work

Skip team-building games that have no connection to the real world. If an experiential activity is analogous to the work the team does, it may be appropriate. For example, I often kick-off a session I am facilitating with an activity that requires team members to work in small groups to complete a task. I watch carefully to see if they will initiate collaboration with other groups, which often they don’t. During the de-brief, I point out my observations, then use them to launch a discussion of cross-work unit collaboration, the issue they are there to address. Spend most of the time, however, discussing actual situations the team is facing, creating a collaborative mindset. One relevant experiential activity is enough!

Make it safe for everyone to participate

Carefully assess how much candor the team can handle. While it may be tempting to be open about interpersonal tensions, the

team may not be ready, nor have the necessary skills. Specific conflict is often best dealt with outside of team building sessions, when a manager gives feedback and coaches individuals, or facilitates discussion between two individuals who are at odds. As a team matures, more openness may come naturally, as members feel more at ease with one another.

Write an action plan and follow-up

Avoid the “so what” factor by ending team building sessions with a delineation of 2-3 action items the group agrees to implement. Assign dates by which each will be completed and who will take the lead in tracking progress. Then, follow-up to make sure the team meets its commitments.

Build team building into every day activities

Team building shouldn’t be deferred to designated sessions alone. Use a segment of meeting time to; for example, cheer-lead by reading customers’ positive comments about the team’s work, announcing the metrics that demonstrate a goal was just attained, or inviting team members to bring up issues for group brainstorming and problem solving.

By doing team building the right way, you will have your group eager to participate. Everyone will reap the benefits of increased collaboration, effectiveness, and productivity as your team blossoms through your guidance. **PM-ITM**



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wins, too. Therefore, interdependence is the principle that is engaged during the breaking down and transformation of organizational silos.

Interdependence is also a strength-based principle. This requires employees and their leaders to be self-reflective and accountable for their limitations. It also paves the way for the development of affinity groups that makes work interesting for employees who want to learn new things as part of their career enrichment. As a result, the coordination of employee strengths for creativity and innovation projects becomes more situational than positional. The result offers a ripe training ground and outlet for employee entrepreneurs whose ideas can be harnessed to benefit the organization.

This is also one reason why company-wide benefits result from managers who sincerely get to know their employees beyond the work tasks they perform. Therefore, it is not uncommon in organizations that value interdependence, to promote leaders into higher positions who have proven their ability to coach and teach employees as well as being competent and skilled in fulfilling job requirements.

In organizations with high levels of employee interdependence, it is common to see profit-sharing or gain-sharing bonuses as part of the compensation system. These benefits usually come with a high bar of goal accomplishment and are paid out to everyone equally and not just for the benefit of the leadership team.

Genuineness

Genuineness is a personal and individual employee principle that must be nurtured and cultivated in an organization. This is because people will often withhold their insights to avoid breaking perceived connections with people in the group. As a high performance workforce principle, Genuineness promotes sincere, honest, and direct communication in an open and responsible way. Obstacles that block genuine behavior stem from both internal and external sources. Internal obstacles include fear of change, fear of crossing someone, and making a mistake. This results in denial, dishonesty, rationalization and performance anxiety. External obstacles focus on fear of repercussion.

Therefore, training in critical thinking and problem solving helps leaders put into place a system for obtaining the most accurate feedback and insights from employees. And, screening for genuineness is important to hiring new employees with the psychological profile to help the organization grow, solve problems and innovate.

Both Genuineness and Trust come into play when culture surveys are conducted. Therefore, it is critical that no one employee response can be isolated and reviewed apart from the whole. Otherwise accurate employee feedback is high risk.

Empathy

Empathy is the ability to understand the feelings and thoughts of another person. It is, therefore, important for resolving conflict in satisfying ways for everyone involved. Empathy is also important for developing a kind workforce culture and is the correction required to counteract workplace bullying and incivility.

Each person has certain rights that are linked to empathy. These include the right to respect, psychological safety, physical safety and the opportunity for recognition and self-satisfaction. Empathy, therefore, has a powerful influence on successful conflict resolution, cooperation, workforce happiness, productivity and harmony.

Risk

Risk is the potential exposure to loss or injury resulting in the fear of the unknown. On the downside, the fear of risk results in stagnation because if people are penalized for calculated risk-taking and critical thinking, they feel vulnerable and become fearful of new ideas and

change. On the upside, risk is the fuel behind change and continuous improvement. Therefore, groups failing to look at mistakes as learning opportunities are often not as responsive to change as work groups that do.

Success

Success means effectively achieving what a group sets out to do. From a principled perspective, getting the job done effectively implies not only completing a job with quality but also with psychological satisfaction and pride. The promise of success is a fundamental reason for why people join groups and select the organizations they work for. For this reason, it is important that group members clearly understand and commit to change and to an organization's mission, goals, culture norms and values. If people resolutely feel that their values clash with how the work culture operates or that a change or a goal will not be successful, they will disengage, demand a change in leadership or quit.

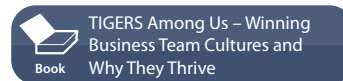
If building organizational collaboration is one of your talent management goals, ask yourself the following four questions:

1. What are our culture behaviors?
2. Do these behaviors support collaboration?
3. Are our leadership and culture behaviors in alignment with our values?
4. Do we train to these behaviors and monitor them on an ongoing way and through a formal process?

From a talent management and leadership development perspective, systemizing desired organizational behavior is important to attracting and retaining the best employees and closing the looming employment gap. **PM-ITM**




Dianne Crampton is founder of TIGERS Success Series, Inc. She helps leaders build loyal and engaged workforces. She licenses HR leaders to deploy principled-based resources. Visit www.CoreValues.com Email info@corevalues.com



Progressive Discipline

Rebranded to structured achievements

 By Larry Miller

I was listening to a manager describe an employee's performance short-comings. The description clearly indicated that the performance was sub-par. "How long has this been going on with your employee?" I asked. The response was, "ever since we hired him 10 years ago!" It was obvious to me that appropriate steps should have been taken long before.

Employees deserve to know how well they're performing by receiving regular and periodic feedback. Often, however, managers overlook performance or behavior discrepancies without saying anything to the employee until their patience runs out. Somewhere along the way, the manager presumed things will work out on their own. Before you know it, one little unaddressed issue adds to another. Then, like the Queen of Hearts in *Alice in Wonderland*, they want to take dramatic, instant steps to remedy the situation immediately. Immediately is too late, however, if progressive discipline has not preceded the urge to fire.

Many managers don't understand that things won't get better on their own without involvement on their part. These timid, ignorant or inexperienced managers shy away from covering minor issues with their staff because they are indeed minor and they fear not knowing how the individual will take the feedback.

Progressive discipline is, therefore, a great way to remedy these common situations. However, the formality of providing an oral warning, followed by a written warning that includes the statement "additional infractions will lead to additional discipline up to and including discharge" only adds more negativity to a situation that was originally intended to improve performance or behavior. The key is to find a way to implement the spirit of progressive discipline while tempering the approach to fit the situation.

Suppose you have a receptionist working for you who misses calls, doesn't take messages consistently and can't remember someone's voice. What if you met with the receptionist privately and reviewed his or her job duties as to what has to get done, how it has to get done and how these activities will be measured. For example, answering the phone in 3 rings is the *what*, with a smile in your voice is the *how*, and that patient or customer feedback is the way performance will be *measured*.

The key is that these criteria must be discussed when they're not being met even if it's done in a very casual but direct manner. The best next step after the discussion is for the manager to send an email "to file," and/or to the receptionist directly, that documents the key points of the discussion that took place with the expressed hope that his or her performance will improve.

Communicating this type of message is one reason why progressive discipline is such a simple concept in principle but not so easy in practice. It's not fun. It's not easy. It sounds like a threat! It doesn't change things immediately. A positive outcome is uncertain. Or, managers think their specific situation is unique and can't be addressed by a simple 1, 2, 3 process.

Let's say, you have an employee who performs a job that's hard-to-fill should the position become vacant. The incumbent

has behavior or performance issues. Regardless of the concern, is there a legitimate rationale for not addressing the issues? A tough-to-fill position doesn't give the incumbent the freedom to underperform or misbehave. Tough-to-fill positions become an excuse that can reach mythic proportions when it's used as a rationale for not addressing performance.

In this situation, the manager has a choice: continue with sub-standard or negative performance or bite the bullet, address the performance issue and/or terminate the employee if the situation calls for it. No performance is better than bad performance. The short-term hassle in replacing a hard-to-fill position is typically cheaper than the cost of sub-standard performance that may drag on for years! There's also the impact on co-workers who are unintentionally taught that sub-standard performance is acceptable which creates an even bigger, invisible, negative impact to the company's bottom line than just the shortcomings of one sub-standard performer.

Progressive discipline when communicated as a series of structured achievements can be at the root of a quality improvement system built to manage good behavior, strong performance and effective teams.

Please note that a change in focus from discipline to feedback is not simply a matter of words. Managers address performance or behavior issues with their staff differently. One might tell the employee that they need feedback, that they are getting feedback, and they had better adhere to it...or else. Another manager may use a different tone by providing feedback on how to improve performance along with why the change needs to take place. This guidance is often reinforced with examples of how the employee has already achieved good performance in other related areas of their job duties. The manager then summarizes the standard that has to be met and within a specific time frame. The goal is for the employee to be supported in a structured improvement process so that a good performance review is the end result of the process—instead of termination.

You can get an adult to achieve acceptable and effective standards of performance if their manager can effectively convey why good performance is important to the organization and important to save everybody's job. This is why it's time to rebrand our thinking and change our view to a process of progressively structured achievement. Time spent guiding your staff toward achievement is easier and less frustrating and expensive than shouldering the burden of a substandard performer for years. Good quality standards that are widely communicated and supported in the workplace can become progressively infectious.

PM-ITM



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Justifying Pay

It's not all performance

 By Chris Crawford and Josh Henke

Not all pay is justifiable. There are a number of examples in corporate America where people still shake their head in disbelief. Consider:

- Nabors Industries' contractual obligation to pay out \$263mm to CEO, Eugene Isenberg when he dies.
- Merrill Lynch's severance package to former-CEO, Stanley O'Neal of \$160mm after an \$8B write down amid the financial collapse of 2009.
- Viacom's payout to former-CEO, Tom Freston of \$78mm for his one year of service in 2006.
- Chesapeake's discretionary bonus of \$75mm to former-CEO, Aubrey McClendon in 2009 after he was forced to sell his 31.5 million shares to meet margin loan calls.

In a post-recession era of heightened sensitivity to compensation, management teams, setting compensation is no longer a check-the-box-process but a dynamic process compelling human resources professionals to justify pay packages, specifically to its senior management.

So where is the line of reasonableness, and how does an HR professional find this boundary line? In short, it is the valuation and measurement of a person's internal and external value to the organization.

While performance at the individual and corporate level is certainly a consideration for determining the compensatory value of a person's internal and external value to the organization, it is not the only factor. There are a number of strategic and tactical factors that can and should be considered to help create the right compensation package. The following is a robust list of non-performance factors for compensation decision makers to consider.

Pay for Market

What other companies pay for similar roles and responsibilities should be the starting point. This scientific analysis is such a critical input to determining pay that WorldatWork has dedicated an entire certification course — Market Pricing: Conducting a Competitive Pay Analysis (C17) — to accredit compensation and benefits professionals. Inputs such as job description, roles and responsibilities, company industry, company size and geography are all key considerations in market pricing.

While critics sometimes scoff at the approach of —keeping up and the seemingly self-inflicted ratcheting effect that occurs, the reality a company faces is if it doesn't pay its people competitively with the market, somebody else will. According to The Carrot Principle, by Gostick and Elton, a rule of thumb for the cost of replacement is 2x – 3x base salary, and the new incumbent will be paid at the market rate regardless of how high or low the exiting incumbent was compensated.

Pay for Retention

Highly competitive industries continue to face retention issues as M&A activity has been heating up through 2012 and continuing in 2013. What some governance experts fail to realize is there is a need for retention in certain industries and will



simply become a cost of doing business in those industries. If a company wants to compete in an industry such as this, pay for retention is a reality. Providing proper handcuffs on key employees through retention grants of restricted stock can and should be considered in high competitive industries. There certainly is a cross-over between pay for retention and pay for performance, and a properly designed compensation program should take into account both as the labor market continues to tighten.

Pay for Investment, Not Pay for Expense

The single-most important asset to an organization is its employees. However some companies fail to realize this is a key investment decision, not simply an expense decision. Just like with any investment, the outcome is uncertain until value is realized. With employees, this often gets manifested through a compensation philosophy that targets total rewards above the market median. What may seem like a larger investment into setting the best compensation structures going forward is much better than the reverse of a high-turnover/cheap work environment where employees are not satisfied.

Pay for the Past

In dealing with justifying pay for highly compensated individuals, sometimes experts are required to justify or uphold compensation decisions made by a company. The Internal Revenue Code has determined under Section 162 that a taxpayer may deduct compensation if reasonable through nine specific factors. A few key factors are the employee's qualifications and work experience, the size and complexity of the business, compensation of comparable positions, and the amount of compensation paid to the incumbent in previous years. The last factor under IRC 162 offers a seemingly simple compensation strategy to reward key employees for all of their years of service. For example, this

is particularly helpful when a CEO has served a company well for a significant number of years, yet has been compensated relatively low versus the market. The resulting compensation for prior years' service analysis offers a board of directors a judicious and reasonable way to compensate the CEO for all of the value created over time.

Pay for Experience

Many times a start-up company will attract a key player from a much larger company. This does typically come at a cost. In order for an experienced executive to make the leap of faith, they command a premium to their existing total rewards package. If a company were to use a traditional approach of normal market pricing based on the start-up size, it may never be in a position to attract that valuable player. One approach is to offer the large company player the—chance to earn significantly more than their existing total rewards package through long-term incentives. How much more? Total Annualized Rewards x 2 is a good starting place.

Pay for Intangibles

Companies continuing to refine their variable pay programs balance the need for formulaic versus discretionary measures. A purely formulaic program may show alignment to actual performance but may not necessarily drive intended results. The use of discretion as a component of variable compensation

allows management teams and compensation committees to align individual performance with the intangibles a formula cannot capture. As accurately stated by one compensation committee chairman, —A spreadsheet at the beginning of the year cannot determine performance better than I can at the end of the year.

Not all pay is justifiable, but there are certainly more factors in the equation than the headlines would lead you to believe. Companies need internal and external factors in making compensation decisions throughout all levels of the organization.

Bottom line: Find the best employees, train and invest in your employees, and the returns will come. **COMP-ITM**



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Disability Plan Choices

And how it can impact employees

 By Alan McEwen

For employers considering short or long term disability plans, there are a great many decisions to be made about plan design, funding and administration. Should benefits be insured, should employees contribute to the cost of benefits, and, if the employer is going to self-insure benefits, how will these be funded and administered?

When making these decisions, employers should know these decisions don't just affect the employer or the disability plan itself. Each of these decisions may have specific employee impacts, in areas such source deductions, employee eligibility for EI and CPP retirement benefits and employee RRSP contributions.

The most fundamental decision employers have to make is whether the plan will qualify as an income tax Wage Loss Replacement Plan (WLRP). For example, the employer may decide simply to provide salary continuance during any claim for short-term disability. Alternatively, the employer may provide disability benefits through an Administrative Services Only (ASO) arrangement, under which there are no contributions to a fund per se, but the employer simply reimburses the 3rd party ASO for any disability benefits paid. Neither of these would qualify as a WLRP (see IT-428), so any benefits paid would be regular employment income and gross benefits would be subject to all normal source deductions.

Alternatively, the plan might qualify as a WLRP, but provide lump-sum, instead of periodic (usually monthly) benefits. The principal impact is on the timing of any taxable benefit from employer contributions to the plan. Where a WLRP provides for the payment of lump-sum benefits, employer contributions to the plan are the taxable benefit. As a consequence, lump-sum benefits themselves are free from all source deduction. By contrast, where benefits are periodic, the source deduction requirements are focused on benefit payments.

This distinction between the right to periodic versus lump-sum WLRP benefits only matters where employees contribute to the plan. Plans may be structured so employers cover all costs, the cost of WLRP coverage is split between employers and employees or employees pay all plan costs. Where plan contributions are made only by employees ('employee pay-all'), no source deductions apply; the same as there are no source deductions on the payment of lump-sum WLRP benefits, since employer contributions are recognized as the taxable benefit.

While receiving WLRP benefits on a tax-free basis maximizes the short-term dollars in employee pockets, there may be some longer term impacts that employers and employees alike should consider. If WLRP benefits are not a taxable benefit, there are no CPP contributions or pensionable earnings while on disability. This may not be a problem for short-term disability, but if an employee remains on long-term disability for an extended period of years, tax-free WLRP benefits may mean a significant reduction in the CPP retirement pension eventually paid.

This is only a problem where employees do not also qualify for CPP disability benefits. When you qualify for these, your CPP retirement pension is based on months other than those for which CPP/QPP disability benefits were payable. If, however, a person is on WLRP benefits, but does not qualify for CPP disability benefits, CPP retirement benefits are effectively reduced for every month the person has no pensionable earnings while in receipt of tax-free WLRP benefits.



There is a similar issue with RRSP contributions. If a person is on tax-free WLRP benefits, these are not earned income for the purposes of creating RRSP contribution room. This limits the RRSP contributions which can be made while on these benefits.

An employee's potential CPP retirement pension may also be affected by WLRP benefits provided under a contract of insurance. If WLRP benefits are provided by an insurance company acting in its own right, under the terms of an insurance policy for the WLRP, any benefits paid are not CPP pensionable. While such benefits may be taxable, if paid on a periodic basis and partly or wholly employer funded, they are not subject to CPP source deductions. The same as with tax-free WLRP benefits, this means an effective reduction in CPP retirement benefits, unless employees also qualify for CPP disability benefits.

Paying WLRP benefits on a tax-free basis may also impact employee eligibility for EI. If WLRP benefits are not subject to source deduction when paid, there are no related insurable hours. For example, an employee could return to work from short-term disability, only to be laid off for other reasons, and not have the insurable hours required to establish an EI claim.

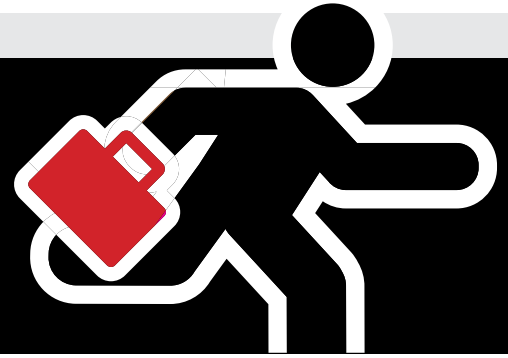
There are two ways these impacts might be avoided. First, employers should consider savings plan options when employees receive WLRP benefits that are not CPP pensionable. Perhaps long-term disability benefits could be structured so that a portion of these are paid di-

rectly into an RRSP, if benefits are income taxable, or into a TFSA, for benefits paid on a tax-free basis. Second, perhaps the government should consider amending the *Canada Pension Plan*, to eliminate the distinction in CPP treatment for WLRPs, based on whether benefits are paid by the employer or a 3rd party. It's not clear why this distinction in how WLRPs are structured should affect their treatment for source deduction purposes. **COMP-ITM**



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