

# Tailor Compensation Offers By Using Employee Data

**I**f you're a CEO, VP, manager, supervisor or any other entity in the chemical industry responsible for managing employee satisfaction and driving results, ERM is a term you need to be familiar with.

Employee relationship management, otherwise known as ERM, is the process of collecting employee data and then using that data to create tailored offerings for compensation, benefits, training and management. It has become one of the hottest management trends in the industry and has spurred a recent explosion of ERM software solutions. But where did ERM come from, how do you know if you need it, and if so, how do you pick a system that works for you?

In 1993, Don Pepper and Martha Rogers introduced the concept of one-to-one marketing. Their theory was simple yet powerful: to maximize revenues, treat customers as individuals. The one-to-one marketer crafts unique offers based on specific information learned about each customer and each customer's potential value to the organization. In time, one-to-one grew into the field of Customer Relationship Management (CRM).



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From the Fortune 500 to the Inc. 500 and even government agencies, organizations have embraced the concept of customer relationship management, investing millions to maximize the lifetime value of customer relationships. Yet when it comes to managing relationships with employees, until recently, these same companies relied on systems that were hopelessly outdated and impersonal.

## Time for ERM

How much do you know about your employees? Do you regularly discuss their challenges and concerns? Are you using that information to tailor compensation and development programs? Like one-to-one marketing, you can maximize the value of employees—and improve job satisfaction—by treating people as individuals. Call it “employee relationship management (ERM).” In fact, some of the major CRM vendors have added modules for ERM in the past year (although this article is not about the features and functions typically associated with ERM applications).

For the chemical industry, the implications are significant. Qualified, intelligent people are always a challenge to hire, motivate and retain. In our industry, the challenges are far greater. We are facing a near epidemic talent gap thanks to a combination of wide-spread succession issues due to the impending retire-

ment of the baby boomers and greater than average difficulty in attracting new talent. As an industry, we must find better ways to attract, retain and grow executive leadership and technical professionals.

ERM can offer a solution to these challenges, and in the process, improve productivity, streamline performance management, and enhance communication between employees and departments. Employers who implement an employee relationship management program see a rapid rate of return, and in the process, can reduce overall operating expenses.

## The ERM Process

The steps in the process are as follows:

**Step 1: Define Objectives.** The first step in developing an ERM program is to define measurable objectives for the project. Goals may include:

- Reduction in turnover rates;
- Improvement in productivity metrics;
- Increase employee motivation and innovation;
- Improvement in employee satisfaction scores;
- Create opportunities for staff training and development;
- Reduction in benefits cost (by eliminating benefits that are not valued by employees);
- Improvement in customer satisfaction ratings;
- Improvement in inter-departmental communication; and
- Reduction in error rates and cost overruns.

For many organizations, the goal setting process begins with an analysis of the status quo. This may involve surveying employees and customers to determine satisfaction levels, and measuring productivity, turnover, and referral rates.

**Step 2: Audit Your Options.** In a recent survey, the Society for Human Resource Management identified a list of 160 commonly provided employee benefits. Compound these many options with multiple compensation models, professional development alternatives and management philosophies, and it's easy to understand why most companies settle for a "one-size fits all" approach to employee management.

Before you can personalize offerings, you must first be aware of all that you have to offer. Create a list of the benefits and services you already offer, which may include:

- Compensation alternatives;
- Benefits options;
- Management and evaluation systems; and
- Training and professional development.

**Step 3: Get Input.** ERM is about building employee relationships, so get out there and talk with your employees! Through both formal and informal communication gather data that can be used to create personalized offers for each employee. Items to discuss can include:

- Preferred method of pay. Do your employees want a steady paycheck or would they prefer to share in the risk and reward? In many cases, employees may prefer non-cash rewards, such as time off or paid education, to incentive pay.
- Ideal work environment. Ask your employees how you can improve the corporate culture. The suggestions you receive may help shape policy decisions.
- Desired benefits. Ask about standard health and retirement interests plus quality of life benefits like flextime and telecommuting. Some companies go so far as to provide all new employees with a complete list of potential benefits and then ask for feedback on the desirability of each alternative.
- Goals and interests. Discover each of your employee's dreams and ambi-

tions. When feasible, use those as the basis for creating incentives and recognition. For example, a technology company had a sales rep who was an avid golfer, so they created a comp plan that included the opportunity to earn a trip to Pinehurst, NC.

- Preferred management style. No two people respond to management in exactly the same manner. To maximize productivity and morale, find out how people like to plan their work, receive feedback and be coached. Ask people about the types of accomplishments they like to be recognized for and how they want to be rewarded.

**Step 4: Create Equitable Packages.** Here's the hard part of ERM—maintaining equity. The more you personalize, the greater the opportunity for inequity. One technique for achieving parity is to assign a monetary value to all non-cash benefits and incentives. For example, a day off may be equivalent to one-half percent of the person's salary.

Another alternative is to expand the typical cafeteria benefits program to include all compensation and benefits options. Each option is assigned to an appropriate category, and employees are allowed to make selections from each category.

When designing one-to-one compensation plans, total the value of all cash and non-cash benefits to ensure that the overall package is in line with corporate standards. After all, ERM is intended to reduce waste not increase expense!

**Step 5: Review and Revise.** ERM is not a one-time event. People's needs change and so will their preferences. To maximize employee relationships, develop a process for collecting feedback, reviewing programs for compensation, benefits, professional development training and making revisions as appropriate.

## Software—The Final Frontier

Once you've decided that implementing an ERM program is right for you, the next step is to decide if you can benefit from one of the many software packages on the market. ERM can be very complex and having a system to manage all aspects of the process may help ensure its success. However, buyer beware—do your research, some are more complex than others, and many may have bells and whistles you don't need. The software for this market is ever evolving. Below are some options that more modern ERM systems are offering:

- A portal for 360 degree performance feedback;
- The ability to run online training and seminars;
- Management-run forums that help shape a more cohesive workforce between field and office personnel;
- Systems that facilitate efficient project management; and
- Management coaching techniques and programs for goal setting.

## Be Creative

ERM is anything but standardized. Be creative. Have fun. And invest the time to get to know your employees. They'll tell you exactly what it takes to get the results you want—if you ask!