HIGH-PERFORMANCE PAY

Fast Forward to Business Success

By Patricia K. Zingheim and Jay R. Schuster; WorldatWork, 2007

In the age of globalization, there is greater pressure for businesses and organizations to continuously improve performance, attract and keep the best people, and enhance business results. What many businesses and organizations fail to recognize, however, is that giving the right pay and rewards to the right people can accelerate and ensure high-performance and business success.

"High-Performance Pay" by Patricia K. Zingheim and Jay R. Schuster offers a model for creating a total rewards system compensation, benefits, work-life, performance and recognition, development and career opportunities to help business leaders and HR professionals build a high-performance organization and create a positive, win-win relationship between management and workforce.

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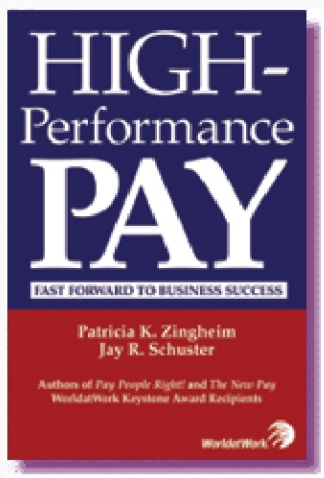

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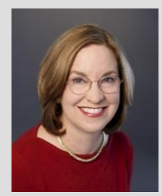

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Inside This Book Summary:

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I. Why Do You Need A Total Rewards System?

Companies spend millions of dollars on HR recruitment programs, and other initiatives. But most companies still don't get to attract the best talent available, fail to reward good performers, or experience fast employee turnover.

This is because, for the longest time, pay design has been structured around entitlement and internal equity. Most companies pay their employees the same, even though some are better performers than others. Job evaluation systems have also failed in the past to recognize higher- from lower- value skills. In short, companies paid for jobs, not people.

This has resulted in underpayment of people with higher-market value skills, overpayment of people with lower-market value skills, misalignment of business needs and employee skills, ineffective utilization of human resources, and employee turnover.

Over time, however, many companies came to realize that the best people with the most important skills work for more than just pay. The best people work for companies with a compelling future to offer, plus the chance to grow as individuals, a place that offers a positive work experience and of course total pay including base pay, benefits, incentives and recognition and celebration. Wise companies combined these into total rewards packages.

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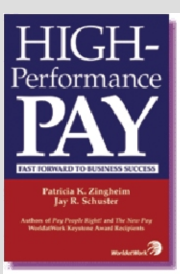

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If your company is still paying its workforce based on obsolete pay solutions, you could be squelching work performance, decreasing motivation and flattening the bottom line. Are you really paying for performance or for something else? The new hyper-fast economy demands new rewards solutions. Pay is not the only factor that motivates, but it is a very powerful way for a company to communicate its values, direction, performance expectations, standards of quality and customer satisfaction. Pay must be aligned with the business so it can effectively deliver the proper messages. In our fast-moving economy, rewards are the critical factor in enhancing workforce performance.

Nowadays, organizations can communicate an integrated package of total rewards with a strong message about rewarding high performance because it is in everyone's best interest.

II. Designing A Total Rewards System For Your Organization

This new business strategy of providing total rewards– which include all compensation, a positive workplace, individual growth opportunities and a compelling future-- stimulates and communicates company excellence to the workforce.

In designing a total rewards system for your organization, you have to think strategic. This means the system you put in place sends a clear message that your organization is focused on high performance and is willing to reward it.

Making a company a best place to work means placing a priority on skill and performance. Your total rewards system should be about results, performance measurement, open communication, skill and competence that add business value, growth of strong and effective talent, opportunities and career paths for growth, and a powerful win-win relationship between the organization and the workforce that creates a clear message about the business focusing on high performance.

Your company's total rewards strategy should also be unique to your company's specific situation and business objectives. A company's organizational design also affects how a total rewards strategy should work. A highly centralized company may need to provide similar types of rewards across business units and variable pay linked to overall company performance. By contrast, a virtual organization, in which there are few boundaries between the company, suppliers and customers, may be able to offer more flexible rewards.

A. Six Principles of a Total Rewards System

A total rewards system should follow six principles:

1. Create a positive and natural rewards experience so employees will understand, accept, support and commit to the new rewards system. It is important to involve the workforce in the reward design process through focus groups or design teams. Companies such as Monsanto and General Electric have incorporated this principle and have successfully won the support of their workforces.

2. Align rewards with business goals to create a win-win partnership for the company and its workforce. The company must provide clear direction to the workforce on how growth and profit benefit everyone. People's rewards must be linked to team, site, business unit, group or company goals and results.

3. Extend people's line of sight by making their pay the connection to key measures of business success, such as company financial performance and customer satisfaction. People want to know what the company expects of them and how they fit in the overall plan for company success. Asking them to focus only on goals that are a few feet in front of them creates a dislodged workforce, because they will not understand the company's overall objectives.

4. Integrate rewards by taking an overall perspective of total rewards, such as base pay, variable pay, benefits, an exciting and challenging work environment, the opportunity to work with excellent colleagues and leaders, individual growth opportunities and other forms of rewards the company may use. People work for more than money. It is essential to integrate all the rewards so that people understand the role they play in making the business a success and how they will share in that success.

5. Reward individual, ongoing value with base pay. To measure individual's value, consider the skills and competencies the individual has that the company needs, the individual's sustained performance over time and the individual's value in the labor market. Ongoing value differs from current or yearly performance, because it takes into account the individual's performance trend over time relative to current base pay. Current or annual performance are better addressed through variable pay, because awards can be meaningful in size and do not become an annuity. A one-size-fits-all pay solution simply does not work.

6. Reward results with variable pay (cash incentives or equity). Variable pay is the key pay communication tool for linking employees to customer goals, extending their line of sight to include company needs and values, and sharing in the success of the enterprise.

Variable pay, which is earned year by year and can take the form of cash and equity, can reward a combination of individual and collaborative results and focus on a host of financial and/or strategic measures and goals. Variable pay is not just for executives, managers and salespeople. It can be used as a key tool for the entire workforce. IBM and General Mills are among the many companies that reward all employees with variable pay for achieving results.

Source: Patricia K. Zingheim and Jay R. Schuster, *Pay People Right! Breakthrough Reward Strategies to Create Great Companies*. San Francisco. Jossey-Bass, 2000.

B. Create a Workplace Brand

Aside from developing a product and service brand, successful companies develop a "workplace brand." Workplace brands are geared toward attracting the people a company wants and needs to be a success.

This means creating a workplace environment that would be magnet for good and high performers. These include providing opportunities for individual growth, a compelling future, a positive workplace and total pay components, including base and variable pay, benefits and recognition. The brand is supportive and positive and geared toward attracting a quality workforce that is often characterized by good morale and reasonable turnover. This workplace design has proven to be highly attractive to a very wide range of people, many of whom possess scarce and business-critical skills companies need to thrive.

Workplace brands should ensure the employee and the organization are winners a win-win on both sides of the employment deal.

How do you create a workplace brand?

- Emphasize results. Reinforce the culture by a workplace brand designed to be attractive to people focused on both generating measurable outcomes that add value to the business and personal growth in necessary business skills. They are not risk adverse and want to be rewarded for their performance.

- Deploy clear business metrics throughout. Use measures and goals for rewards that are based on the business. People are helped to understand how they add value to the business and how they should perform, and they should be provided with tools to perform effectively.

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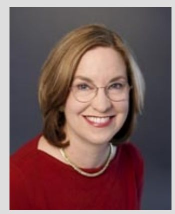

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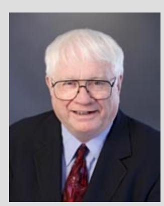

Jay founded Schuster-Zingheim and Associates, Inc. with Patricia Zingheim in 1985. He advises companies on aligning pay and rewards with business strategy. Jay joins only 17 prior recipients and Pat in receiving WorldatWork's 2006 Keystone Award, the Association's highest honor, for his contributions to the total rewards profession's body of knowledge. A recognized leader in the move to new pay, he has introduced many groundbreaking pay and reward innovations. His clients include global companies that have successfully aligned rewards with their business. He is coauthor of Pay People Right! Breakthrough Strategies to Create Great Companies (Jossey-Bass, 2000), The New Pay: Linking Employee and Organizational Performance (Jossey-Bass, 1996), and two other books plus articles in numerous business, professional, and academic journals and magazines.

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• Provide open communication concerning expectations. Provide information required to understand the business and the role of the workforce in creating business success. People have the information they need to do their jobs.

• Emphasize skill and competency the business needs. Build a learning process around skill that is essential to the business of the enterprise. Link pay growth to the acquisition and application of these skills.

• Develop a strong "bench." Create backup talent for key roles and responsibilities. Have a succession plan that permits backup to be grown so the talent reservoir is sufficiently deep and effective.

• Provide clear career paths. Provide a route for people to follow so they can become more valuable to your company. People are worth more when they learn more. The company should provide the opportunity for workers to improve through their own efforts.

• Implement win-win rewards. Ensure that both sides of the workforce deal come out ahead if goals are met and people help reach these goals. It makes no sense to have rewards that do not reward both sides of a workplace brand.

C. Focus on the "Superkeepers"

High-performance organizations depend heavily on the high-performing 20 percent of the workforce for generating results--some say the high performing generate 80 percent of the results.

A total rewards system should be designed with these "Superkeepers" as first priority, because you need to attract and retain more than your share of the best talent available. And "Superkeepers" prefer to work in organizations where they are rewarded for making a difference.

Identify "Superkeepers" by answering the following questions:

1. What skills/competencies are absolutely needed?
2. Which people have these skills/competencies?
3. Which people can translate skills/competencies into business outcomes?
4. Where are more people who fit this mold now?
5. What rewards do they want and in what balance--individual growth, compelling future, positive workplace or total pay?
6. What rewards changes need to be made?
7. Is your company ready or willing to make the changes?

In focusing a rewards strategy around "Superkeepers," consider the following:

- Focus a rewards strategy on getting and keeping core talent.
- Build a rewards strategy that makes being a superkeeper attractive.
- Design and implement the systems and tools needed to make the superkeeper talent strategy a reality.

Also, in focusing on superkeepers, you also need to do the following:

• Encourage some employees to leave. When asked how long it took them to tell if a new employee was a keeper, most chief executives' answer was less than one month. When asked how long it took to get rid of someone who did not fit, the more frequent answer was more than 10 years. It is hard to do, but if you want to focus on performance, you should find good ways of getting employees who do not add value to leave and find a better fit elsewhere.

• Reward to grow. Keepers comprise about 80 percent of your workforce. They have important skills and competencies, but they are not the best skilled and most talented. The organization needs a strategy to keep the best of this keeper group and raise the performance and talent bar for these employees as they are one possible source of superkeepers. It is the group that is important from the standpoint of designing the rewards, performance management, training, coaching and feedback tools that encourage development, growth and performance.

• Reward superkeepers above all. The talent and total rewards strategy should focus on rewarding superkeepers, making it attractive for them to stay and continue to perform at an excellent level. It has been said that 20 percent of employees achieve 80 percent of the results. If this is true, the superkeepers are in the top 20 percent. Other capable employees should be encouraged to perform and join this select pool.

If a company cannot develop valid criteria for mission-essential talent and define what performance is in credible terms, it will be impossible to implement a superkeeper talent strategy. Organizations have the option of implementing the same rewards programs throughout the company or customizing them to match differences that may exist across organizational business units.

To focus on and retain superkeepers, you can offer them the following:

Level 1. Greater differentiation in base-pay increase budget
Level 2. Allocate portion of base-pay dollars to superkeepers only
Level 3. Additional variable pay
Level 4. Additional stock vehicles
Level 5. Total compensation--past, present, future
Level 6. Total rewards

D. Performance Management Should Be a Priority.
This means ensuring that you do the following:

1. Define "performance" clearly.
2. Engage managers in helping you improve present practices.
3. Customize to your organization.
4. Provide role models.
5. Initiate culture change to support honest feedback and dialogue.
6. Update and post performance goals as directions change.
7. Engage employees in the performance management process.
8. Train raters and ratees.
9. Bring performance management out of the closet.
10. Communicate and coach.

III. Accelerating Business Performance With Incentives

Why use incentives? It is simple: to accelerate the performance of your organization and its people. When people can influence meeting goals and incentives are used as a part of employee pay, the organization's goals are much more likely to be achieved than when incentives are not used.

Research in many organizations shows well-designed incentives return about four times what the organization invests in incentive awards paid. For all incentive plans researched (good and not so good), the return on investment is double what is spent on incentives.

A. The Seven Principles of Incentive Design
The "secret sauce" of incentive design involves seven suggestions:

1. Know why incentives will help
2. Choose the right performance measures
3. Choose the right incentive design
4. Put the right amount of "stretch" in goals and measures
5. Measure performance where it counts the most
6. Evaluate outcomes and change as needed
7. Communicate, champion and don't give up.

B. Tips on Designing Incentives
Here are some tips to help power up your rewards:

• Put everyone on incentives or variable pay. Get the entire workforce in the performance results game. Everyone should be a stakeholder in company success. Build ownership from top to bottom so company success is broadly shared.

• Tie all incentives to business results. Make sure people understand how results make the enterprise succeed and grow. Cascade financial, customer, operational, people and future-focused goals. Avoid basing incentives on activities and duties, and show the workforce it is important to business outcomes.

- Use incentives for what people do best– emphasize measurable outcomes. Where possible, use shared goals that encourage collaboration and cooperation. Most enterprise successes result from people working together to accomplish critical success measures. Few individual goals can make an important business difference. Create a mentality of shared destiny"We are in this together."

- Set stretch, yet achievable, goals. People must have a reasonable opportunity to earn awards. Missing unreasonably difficult goals destroys the power of incentives. Achieving stretch goals– but not slam-dunk goals– is a positive force for change and celebration.

- Select a few goals for incentives (three is best, but no more than five). Focus on the most important priorities– do not dilute the power of incentives. Many alternative goals exist. Choose the few that make the greatest performance difference. Often incentives that are provided deeply in an organization do not involve a large enough award to be divided among a lot of measures. It is better to achieve two or three key goals than to miss 10.

- Provide meaningful, upside opportunity for exceeding goals. Encourage people to go beyond goal achievement by increasing the award for exceeding goals.

- Calibrate incentives to ensure a win-win outcome for the organization and its people. Create a balance that allows the organization to gain in performance improvement and people to feel they receive a fair award for their effort.

- Keep communication and information levels high. Show progress toward goals and what is still needed in terms of performance. The primary role of incentives is to communicate, educate, involve, engage and create excitement– this requires company leaders to communicate continually. They must be out in front together, delivering the message of achievement.

C. Choose The Right Incentive Design
Some incentive designs fit certain situations better than others. Organizations differ in structure and culture, as well as how they are organized (for example, some organizations are team based and others do not use teams). We selected four design alternatives, but in reality, organizations are most likely to take the best from a number of options and customize these to match their specific situation.

The basic short-term incentive options are:

- Business goal plan. This design provides potential value added if applied on an organization, unit, department or team basis because it focuses on one or more of the key business metric areas. It is easiest to show value with an incentive plan that focuses on a key indicator of business success such as financial, customer, operational, people and future-focused goals. The value added to the organization at different levels of performance results helps set the incentive funding and incentive opportunity. When this results/reward relationship shows more value added to the organization than the incentive funding, the plan becomes self-funded (i.e., pays for itself).

- Gainsharing plan. This design focuses on cost savings, improvements in efficiency or increased productivity. Gainsharing plans share part of the savings with employees who help achieve the improvements. Eventually these plans can be so successful that it is very difficult to squeeze any more cost out of a specific organizational unit. At that time gainsharing plans may convert to goal plans.

- Team incentive plan. A business goal or gainsharing plan can focus on a small team. A team incentive plan shares the incentive earned from achieving goals with team members. The focus is on shared goals--if one team member wins, the others do as well (the concept of shared destiny or "we are all in it together"). Support for the use of team incentives comes from research showing that teams using team-based incentives outperform those using only pay solutions based on individual team-member performance.

• Individual incentive plans: Where an employee's performance can be evaluated based on individual performance, organizations often create an individual incentive plan. An individual sales incentive plan based on personal sales is an example. Frequently, individual incentives are based on goal achievement that has a very close line-of-sight for the individual, so tying the individual to the larger organization's goals sometimes is a major challenge. Collaboration and cooperation are important in today's complex organizations. Sometimes care needs to be taken so employees who participate in individual incentives will help co-workers and not compete with others to the detriment of their combined effort.

D. Incentive Principles

Surveyed companies base their incentives for contact centers and distribution centers on the following principles:

• Agility in reward design: The companies remain willing to change any element of these incentive plans to respond to the customer, market, economics or strategy, or just because that element is not getting the job done. Compensation solutions must be aligned with business realities.

• Extension of the business: Incentives are viewed as business tools that communicate values and directions to specific workforces about goals and priorities these workforces can influence. Incentive design comes from a business case for change, and employees understand the role incentives play in the business process.

• Creation of customer partnerships: Incentives are designed to make allies of employees and customers. Incentives do not reward performance from employees who are making decisions that are not in the customers' interests.

• Few metrics and frequent awards. These incentive plans use two to four metrics or goals consistent with the concept that everything worth working on and measuring does not belong in an incentive plan. Only those most important metrics are used for incentives. Too many metrics lose focus and may result in people working on easier, achievable, but less critical goals than the key stretch goals that drive the business. And the companies measure performance and grant awards frequently. The companies also give feedback, coach and make course corrections concurrently.

• Awards "de-linked" from base pay: Incentive payments are not granted as a percentage of base pay. Rather they are the same-size awards for the same performance level without regard to an employee's base pay.

• Transparency to customers and employees: Customers visit the work site of these employees. The incentive plan is a selling point to show customers that employees are paid for satisfying the customers.

EXHIBIT 6-2 **Comparison of Contact and Distribution Center Incentives**

Element	Contact Center	Distribution Center
Objective	Seamless customer service	On-time delivery
Work element	Each contact: phone call, e-mail	Order receipt/logged in; process performed; out the door or customer receipt
Unit for incentive award	Individual performance primarily	Distribution centerwide performance
Eligibility	Individual	Individual
Performance period	Every two weeks, monthly or weekly	Weekly or every two weeks

IV. Use the Right Performance Measures

Measures and goals are at the core of incentive design. If an organization's measures do not make sense, it is impossible to have a viable incentive plan.

How is "excellent," "satisfactory" and "unsatisfactory" performance defined for incentive purposes? Typically, 80 percent of employees view their performance as "better than satisfactory" and the word "excellent" often has come to mean the minimum acceptable level of performance. This raises the issue of setting goals that have enough "stretch" so they can be achieved and also provide a win for the organization and its employees. What is excellent performance as judged against a specific goal? What is the minimum level of goal achievement that justifies any incentive award at all? How do you make sure employees focus on performance goals throughout the entire performance period?

Measure where the organization hopes to get optimum performance. Most organizations are interested in impacting organization-wide goals that represent a long line-of-sight to employees. However, to use these goals, organizations must make them "real" to employees.

Below are some bases for setting performance goals and incentives:

- Business plan
- Participation
- Continuous improvement
- World-class sustained
- Compare to prior results
- Industry standards
- Prevailing practice or "best" practice

Categories and examples of performance measures are:

- Financial: Income and return ratios
- Customer: Customer satisfaction, retention, penetration
- Operational: Quality, cost, delivery, safety, efficiency
- People: Retention, workforce satisfaction, results of development
- Future-focused: New products, new services, breakthrough innovations, new markets

V. Improving Base Pay

Base pay is the single largest HR expenditure. Therefore, getting the most out of base pay cost should be a priority. Below are two good ways of doing this:

- Base pay adjustments to tie base pay to performance differences, meaning pay people who have the most critical skills and competencies and convert these to results more than others.
- Incentives and variable pay to reward short and long-term results. Link the employee as an individual or as a member of an organizational unit, team, function, or company to business goals and customer success measures.

Suggestions for Changing Base Pay Increases

Here are eight action steps to help you structure base pay increases to reward performance:

Action Step No. 1: Improve the performance management foundation. Involve the organization in evaluating and improving the current performance management process. Cascade goals throughout the organization, engage people in their own performance management process, focus on adding business value and growth/improvement, emphasize ongoing feedback and coaching, and gain consensus on the calibration of the "performance bar."

Action Step No. 2: Do not allocate base pay budget equally to all organizational units or departments. Instead, allocate the increase budget with preference for organizational areas that have demonstrated high performance and excellent results or to those areas with critical skills and competencies essential to business goals and objectives. Alternatively allocate more base pay increase dollars to areas where the competitive labor market has moved the most and where more money is needed to remain competitive with the specific market in which the organization competes for talent.

Action Step No. 3: Include more than just the individual's immediate manager in determining base pay increases. Often managers alone do not do a good job of allocating base pay increases. A group of managers working together with its senior manager can determine increases using employee performance evaluations as the basis for the adjustments. This also helps improve goal setting and calibration of performance levels and helps move to more uniform solutions that make it more probable that similar results will receive similar pay treatment. Smaller companies can centralize base pay increase decisions based on performance evaluations and manager inputs. Creating shared responsibility for the allocation of base pay increases improves objectivity and accountability.

Action Step No. 4: Have managers rank people based on sustained value-added, contributions, results achieved and other performance elements. Then compare the ranking to current base pay to see what changes need to be made over time for greater alignment. The goal is to repair this inequity and redefine fairness in terms of value to the business. The objective over time is to pay the best performers more than competitive levels of base pay to make performance worthwhile and to reward people based on their track record of performance over time.

Action Step No. 5: Think in terms of resulting base pay (absolute dollars). Do not focus on percent increases that sustain existing inequities in base pay. Using absolute annual base pay dollars stops magnifying base pay inequities and permits lower-paid, better performers to catch up with higher-paid employees whose performance may not justify their existing pay. An equal-dollar award of, for example, $2,000 represents a larger percent for a lower-paid employee than a higher-paid employee who may be adding equal value to the organization.

Action Step No. 6: Focus more on the results achieved than on behaviors. Results are the way businesses measure value added and what makes businesses successful. Use the performance management process to coach people on behaviors to improve measurable results. Weight behaviors less than results. Alternatively, do not have behaviors impact pay unless they are negative enough to get in the way of results. For example, determination of goal achievement considers not only what was accomplished but how it was accomplished– particularly if behaviors were inconsistent with the organization's values. Use recognition to reward behaviors. There are too few base pay increase dollars available to focus them on rewarding behaviors. Focus only on an individual's sustained value added to the organization over time.

Action Step No. 7: Give priority to differentiating the pay of top performers from everyone else. Do what it takes to pay a premium for the high performers. Earmark a small part of the total salary increase budget to use only to enhance the increases of the high performers. Alternatively, as a supplement to base pay increases for high performers, implement a variable pay or lump-sum payment, for example, based on outstanding business results and make the awarding of this reward visible. Or if the initial pass on base pay increases overspends the budget, balance the budget by reducing increases to lower or typical performers rather than all employees or the top performers. Make performance excellence worthwhile.

Action Step No. 8: Know the competitive labor market and consider it when making performance base pay decisions. Reserve most base pay adjustments for the top performers so increases are significant--especially those paid below the competitive labor market with a track record of sustained high performance over time. Employees with high base pay relative to their job's labor market worth need to be a top performer to receive a pay increase or a variable pay award. Consider lump-sum payments instead of a base pay increase for higher-paid employees compared to the labor market. Look for ways other than increasing base pay to reward excellent performance over a short term for highly paid employees. The short-term performance may not be sustained and the result may be an employee paid more than their overall value to the business over time. The unfair and unjust approach is to let someone's base pay grow until they are overpaid late in life and in their career. It is better to be honest early in people's careers rather than avoid telling them the truth and letting them be paid more than they are worth and then having them feel trapped at an organization or having the organization lay them off.

VI. Pay Based on Skills and Competencies

Paying for competencies means pay is influenced strongly by the competencies-- the skills, knowledge and behaviors required to both perform a role and add value to a company– that a job needs, an employee offers and an employer rewards. Support for competency pay comes from advocates favoring the use of competencies the company needs to deliver results close to the core of the enterprise's business.

A competency/skill-based pay program should include:

- Skills and competencies– directly important to job performance– that can be defined in measurable and objective terms
- Skills that employees apply on the job to achieve desirable job performance objectives. Employers should pay for performance, not training.
- New and different skills that replace obsolete skills or skills that no longer are
- important to job performance. Skills should be periodically reviewed to stay up-to date and relevant to business needs.
- On-the-job skill training, not "in the classroom." Those who possess the skills should teach them. Also, include on-the-job assessment, which can be supplemented by paper-and-pencil exams administered on the job, as well.

Where Skill-Based Pay Can Add Most Value

Here are some possible skill-based pay applications where skill-based pay is a viable business solution for pay management:

- A company whose leadership has a realistic understanding of skill-based pay's challenges and opportunities, particularly from the perspective of how much time and energy it will take to make skill-based pay operational.
- An environment in which a skill progression exists and skills higher in this progression are more valuable to the business and to the employee than other skills.
- Situations where skills are concrete and can be defined so everyone knows when someone has the skill and when they do not. Where little controversy exists about who has and applies the skill to achieve business results.
- Circumstances where the opportunities for growth and rotation are not encumbered by arbitrary work rules and seniority systems that are "anti-skill."
- Organizations where employee involvement, strong communications and mutual trust exist.
- Where experimental HR systems can be explored.
- Where, if the solution does not work, the HR situation is such that more experimentation is possible in the future.

VII. Internet and Paying for Skills

A number of useful pay and rewards tools are available on the Internet. The most practical are those that permit an organization or individual to determine the "going market rate" for specific jobs. The Web also has good general and specific survey information plus leads on how to get data on what dollar amounts jobs are paid.

But so far the Web doesn't feature any really powerful tools and programs to facilitate how, not what, people are paid. For example, organizations cannot find a Web-based variable pay program or a job evaluation program that can be purchased and adapted to business needs.

Available Internet tools to date focus only on jobs and not skills. Several Internet companies have sliced and diced information on jobs, careers and pay. Each developed excellent Internet tools that do everything to build the four-legged stool (development and training; performance management and assessment; succession planning, staffing and recruitment; and pay and rewards) except being able to objectively address the skills foundation. And certainly none are able to determine the individual market value of the skills.

This is a good time to challenge providers of Internet HR tools to develop something they are well qualified to deliver. The needs of an Internet skill pay solution include the following:

• **Skills Library:** An Internet-based way to access well-defined skill combinations in order to determine what skills are needed to perform in a specific organizational role and to use the definitions in the skills library to define the basic elements of work.

• **Skill Profiling Capability:** Based on the skills library, a way to develop accurate skill profiles that combine multiple skills and skill sets to match how work is actually performed in an organization. This provides profiles that combine skills commonly appearing together in work situations– and permits the organization to add or delete skills flexibly from a role being assigned to an individual to reflect actual skills needed to perform the required work.

• **Methodologies for Market Pricing Skills:** Solutions for approximating the market value of skills from the measured market value of defined jobs.

• **Skill Pay Programming:** A system for paying people for the skills they have and use to perform the work they are assigned. This system links the skills library, the skill profile of the individual, and surveys or approximating the market value of skills and skill profiles to how much the individual is paid.

• **Skill Performance Management:** A methodology for evaluating skill competence and skill performance that results in the individual's work performance.

• **Skill Training and Development:** Teaching tools for skill development including: 1) online education for managers to use to train people and for individual self-learning to develop the needed skills; 2) teaching solutions that adapt to changes in skill needs; and 3) linkages to performance management and paying for skills to permit testing and evaluation as well as pay for accomplishment.

• **Succession and Advancement:** Skill progression tools that help create a way to move to work that requires more complex and challenging skills the organization's business specifically needs.

• **Recruitment, Selection, and Placement:** Tools to help attract the people with the needed skills to the organization and subsequently select and provide them work that utilizes those skills effectively.

• **Web Management of Pay and Rewards:** "Out-Webbing" pay and rewards administration to the Internet. Developing Web-based support systems for pay solutions like skill pay that more efficiently manage pay and rewards.