Merrill Lynch – Case Analysis in Compensation Management 1. What is the likely result of bidding wars of this type for top brokers? Will most firms benefit? Who will be the winners and losers? What about the brokers? The result of bidding war for top brokers will be beneficial to the organization since the payment they are receiving will be higher. The offering for the organization can go up to 3 to 4 times their current value. Yes, most of the firms will benefit from bidding war since the market value of the firm will go, the previous owners will get good sum of money out of it. According to Best Fit policy, HR strategies and organizational strategy must be aligned. The current employees will work toward the organizational goal whoever be the owner. The organizational owner should come up with the applicable and reliable strategy in order to fit the organizational goal. The organizational structure, culture, behavior and work process are the basic needs of an organization. According to Best Practice model, it leads to high motivation and employment commitment. This will bring positive effect in overall organization performance with highly motivated and committed employees. If the new owners can implement either best fit or best practice model, they will be the winners and previous owners will be the losers since the lack of strategy of organization will overcome and step toward profitability. 2. Explain why there is such a strong relationship between pay and performance for brokers. Why isn't this true of many other jobs? The more you get better payment, the more you perform well and desire to get high paid remains in all. Payment is one of the most desired attributes to get the task done. Most of the people relates their performance with the payment, there are lesser people who work for the passion. In case of brokers, they do not work on salary basis, they work for the commission. So there is direct impact on brokers with their performance with the payment. If you do not perform or achieve the deal, you are not paid. So it's necessary for them to perform well to get the payment. This might not be the case for other jobs where they are being base pay. Paying for performance is extra earning. So these jobs are only done to achieve the organizational goals not for their own betterment. For 9 to 5 job holders, they get monthly payment and get increment on time basis. It's not necessary that they get paid double on the day they performed well. So people in such case limits their performance to what organization needs but nor for their enhancing performance rate. 3. Should Bank of America change its compensation strategy to include more subjective assessments of performance and a greater emphasis on cross-selling? What effect might this have on its success in the bidding war for top brokers?. The clients are more loyal to the brokers than the institution so the firms have to offer high compensation packages in order to maintain the competitive advantage with other institutions. The unusual high up-front signing bonuses and decentralizing authority to take such offers can be described as incentive and sorting effects at Merrilll Lynch. This compensation strategy clearly attracts top performing brokers and helps them to keep within the firm with loyalty and perform well for the firm. If they change the compensation strategy, they might not be able to retain the performing brokers. There is high risk of brokers not being attracted towards the firm mainly the top performing brokers. If the company is not able to retain the top performing brokers, they will lose the competitive advantage in the market. Google's Evolving Pay Strategy – Compensation Management Case Analysis 1. What is Google's pay level? How do you define and measure its pay level? Google's pay level is pretty attractive to the fresher's and also for its existing employees since it has been updating the pay regularly with other benefits. Google provides pay levels based on pay performance. Google's current pay level is impressive and employee bounding. Google is paying $20k more to the fresh graduates than the current offering by its competitors. This pay is high in comparison to the industry average and the startups who cannot match up with the Google's salary. It is mostly to attract the talented employees from the fresh market. 2. Does your answer to the above question depend on what point in time it is answered? For example, what was Google's pay level the day before it reprised employee stock options? What was Google's pay level that day after it reprised employee stock options? Yes, the answer is based on the pattern how Google has reprised its employee stock options. Earlier, Google was paying at the average market pricing and has been more focusing on its stock option rather than the salary. It had adopted the pay module of its competitor Microsoft since its stock price has slowed down providing the stock option to the employees since the stock provided to the employees get locked within them rather being transacted in the stock market. Google adopted no stock option, no stock grants but providing 10% salary increment across the board. It was providing options having exercise price of $522 before increasing the salary across the board. After reprising the stock option, Google pay has been $20K more than the average competitor price for fresh graduates and 10% increment accordingly to overall employee. 3. Why did Google reprice its stock options and also give a 10 percent salary increase (in an era when 2 to 3 percent annual salary increase budgets are the norm)? Is it because its business strategy and/or product life cycle changed? Is it because it was concerned that employees' perceived value of compensation did not match what Google was spending? Salary is more important to the employees than any other component of pay (i.e. bonus and equity). To address that, Google have moved portion of bonus into base salary, so now its income employee can count on, every time they get their pay check. Google believe that competitive compensations plan are important to the future of the company. Recently it seems rise in its stock price of Google but it is still lagging behind its competitors like Microsoft and Facebook which has cost its company turnover of its important employees. Though the sweeping raise will clearly impact profit margins, this decision highlights how important staff retention has become to the company. 4. Do you think Google has made the right choices in changing its compensation strategy? How much do these changes cost? How do these costs compare to Google's total costs and operating income? Are these increased compensation costs likely to be a good investment? In other words, will they pay for themselves (and more)? Explain. Yes, definitely Google has made the right choices in changing its compensation strategy. It is currently estimated that increase in salary will be $400 million as per Barclay's but in long term Google will earn more than that. It is assumed that in 2011 Google will spent $2 billion on stock-related compensation. Google has realized what values to it employee it's not bonus nor equity, its salary what values them. Google always focus on Key Performance and Key Person. Google believe that its employees are best in the world, the brightest, most capable group of the size ever assembled. Google want to make sure that its employee feel rewarded for their hard work and also Google want to continue to attract the best people from the market. Competitive compensation plans are beneficial to the company in the future. The more you make your employee feel happy, the more good outcomes come from them. Though the current investment seems to be higher but in future it's net worthy, it is proven that how the Google stock price has risen from $100 to $747 in 2007 but had fallen to around $600 in May 2012 but later on peaked high of $670.25 a 52 week high. Its Google strategy to focus on "Key Performance and Key Person" .which has helped to make its employ happier and retain making it Safe place to work