**Table of Contents**

* Executive Summary
* Phase I: Internal Alignment
  + Strategy & Objectives
  + Internal Structure
  + Implementation Plan
  + Summary
* Phase Two: External Competitiveness
  + Competitiveness Strategy & Survey
  + Analyzed Data & Fit Evaluation (Between FastCat & Market)
  + Pay Policy & Integrated Internal/ External Structures
  + Summary
* Phase Three: Performance and Management
  + Performance-Based Pay Strategy
  + Bonus Plan & Merit Pay Plan
  + Benefits
  + Managing the System
  + Summary
* Conclusion

**Compensation Objectives**

Fastcat has taken great strides since being founded in 2001. From three employees to now 200, Fastcat has steadily grown as a healthcare software company despite the tough competition. Fastcat must continue having a competitive advantage over larger companies while upholding their mission statement. In order to uphold this statement and their unique business strategy, five compensation objectives were chosen. The compensation objectives include being customer focused, cutting costs, improving innovation, and increasing employee engagement and productivity.

Our first objective is to be customer focused. Fastcat will reach this objective by deepening client relationships through their tailored services and by listening to their client’s needs. This also creates a competitive advantage because the larger software companies with a broader audience do not tailor their software. Instead, they only tweak their original software platforms. FastCat believes in value, reliability, and dependability, and they want to exceed customer expectations through the quality of their services.

In order to stay ahead of their competitors, FastCat must ensure they are offering quality products at an affordable price. One method of cutting costs is by expanding overseas. By doing so, global clients will have easier accessibility to products while FastCat will have lower shipping costs to those clients. Additionally, FastCat can cut costs by hiring creative and skilled software programmers in those areas that can produce quality work at a cheaper cost.

Our last two objectives, increasing employee engagement and productivity and improving innovation, work together simultaneously. A teamwork environment is vital due to the nature of FastCat’s work. The environment must be flexible because of outside factors that can rapidly change. To promote a team environment, we start with employee engagement. When an employee feels engaged in a company, they have a vested interest in the company’s success and are more likely to go above and beyond. Implementing a recognition system will allow employees to be recognized and rewarded for group collaborations as well as individual performances. If employees know they will be recognized for their contribution, they will work harder on projects and tasks that will, in return, improve productivity.

These five compensation objectives will guide Fastcat in having a competitive advantage among rival companies. By strengthening relationships with current clients, being cost-efficient, and encouraging employees to be engaged and innovative in their work, Fastcat will continue to grow and be a top contender among other healthcare software companies.

**Recommended Strategy and Objectives**

In order for FastCat to uphold their objectives set forth, the internal structure must be loose and flat. This organization’s success relies on its ability to have loosely defined job roles to encourage collaboration and establish autonomy among its employees. A flat structure is beneficial for FastCat because with fewer levels, communication among employees is quicker and the decision-making process is easier. A loose, flat structure not only meets the needs of employees; it meets the needs of the customers, as well. The internal structure strengthens relationships with clients by instilling trust, by providing custom-made products, and by exceeding expectations. Next, we will provide a more in-depth analysis of why this structure was chosen for FastCat.

Since FastCat is continuously growing, increasing employee productivity is vital in order for this organization to succeed. As mentioned previously, a flat structure consists of fewer levels, and this creates better coordination among each level. This also allows for communication to travel more quickly throughout the levels as opposed to a hierarchical structure. Hierarchical structured organizations often have information and decision bottlenecks which slow down response time and organizational agility. Fewer middle management roles give employees a sense of autonomy to make their own decisions and solve problems. Without strictly designed job roles, employees are encouraged to work together, and they have the freedom to work without being micromanaged. While following legal compliance and creating a non discriminatory environment, employees are treated fairly, with pay differentials not significantly varying among each level to increase unity. Creating an open environment for employees to collaborate among their partners while being treated equal drives their productivity.

To continue having a competitive advantage over rival healthcare software companies, FastCat must be innovative in providing new products catered to different clients. By having a loose and flat internal structure, communication moves more rapidly since information does not have to be transmitted through many levels. This allows for faster turnarounds and products are delivered to clients more quickly. It is important for FastCat to listen to the clients’ needs and create software and applications based on these needs. This adds to competitive advantage when you consider the competing software companies customization is merely tweaking their standard packages.

Taking the time to listen and understand what a the client’s needs deepen the relationship between the client and FastCat. Having fewer levels gives them greater access to more decision-makers and points of contact. Bigger companies, with hierarchical structures, typically have automated answering machines and call centers that further disconnect the client from the person, which can be time consuming and frustrating. The interaction between FastCat and clients is more direct and personalized. Clients have direct points of contact that all are familiar with the product and individual needs, which creates trust and a sense of ease in knowing they can easily and quickly get in touch with a FastCat employee.

Having a loose,flat internal structure supports FastCats objectives in valuing and building client relationships. They take time to make sure each client is happy and every product is something consumers actually want to buy. Companies with a more hierarchical structure may be able to save costs because there is no job overlapping. However, because of the nature of FastCats business can be unpredictable and needs flexibility. We realize that in order to be successful we need to find ways to highlight these features versus changing them. Locking employees down in one specific category with tailored job descriptions slow productivity, reduce overall ownership, and create blaming vs. collaboration in finishing tasks. Our goal is to create a successful pay structure designed around our “Partnership for Success Mission” because our belief is that a collaborative internal structure will only help FastCat reach it objectives and better serve its customers needs.

**Internal Structure**

We created four job families in FastCat (Exhibit 1): engineering, marketing, technical, and administrative. We decided to take all four of the job families in FastCat and place them into two structures, Support/Task Structure (Administrative/Technical jobs) and Analytical/ Specialized Structure (Marketing/Engineering jobs). Above we stated that keeping the company structure flat and loose was important in order to promote a flexible and collaborative environment. Having less structures within the organization allows for easier communication between departments. As a result, employees are able to collaborate effectively with each other.

The decision to place the four job families into two different structures helps us align the roles based on their levels of task orientation and core competencies. The Marketing/ Engineering jobs require higher levels of critical thinking, analysis, and decision-making. While some of the Administrative/ Technical jobs require degrees and critical thinking skills, most of the outputs are task oriented or provided support to key decision-makers. The job families essentially organize the jobs into functional areas but the competencies require some additional structuring of the requirements. With that in mind, we chose to evaluate each job family using two plans due to the requirement differences within the job families themselves. This adds flexibility as well as some complexity later on. However, we felt that a single plan would simply create additional limitations as it relates to the overall pay structure. Having the two separate structures better positions the internal structure when it comes to promoting our organizational objectives and driving the desired work behaviors.

Since pay differentials *within* each structure are smaller, we will be able to promote collaboration among employees. On the other hand, pay differentials *between* the two structures are greater. This will not decrease employee engagement, though, because employees understand how their pay is determined through their compensable factors. Employees also understand that the duties between each structure differ hence the pay differentials.

Administrative and technical jobs are considered to be task-oriented and customer focused. Candidates are easier to find for these positions since these roles typically require less experience and are not as complex. The four compensable factors chosen for the paraprofessional structure were interpersonal skills, responsibility level, collaboration skills, problem-solving skills, and complexity of a position.

* **Interpersonal skills** - measures a person’s ability to interact and communicate with others. This factor is important in order for FastCat to stay customer focused and to deepen their client relationships. It also pertains to improving productivity, because a lack of communication can cause jobs to overlap. This is a skill that is critical in achieving our objective of customer focused.
* **Responsibility level -** measures the amount and type of work that an employee is responsible for and its value to the organization. This pertains to improving productivity. The higher the level of responsibility the more on top of things an employee will have to be. Organizations that empower employees experience higher levels of employee engagement and productivity. Employees are given the autonomy to make their own decisions since the roles of middle managers is eliminated, which cuts costs.
* **Collaboration Skills** - based on how well an employee can work in a team setting. The ability to collaborate allows employees to engage in all levels of the organization which improves communication, supports creativity, and most importantly promotes innovation. Innovation is an essential and this factor supports that organizational objective.
* **Problem Solving Skills** - based on a person’s ability to evaluate the problem at hand and find a reasonable solution. Not only does problem solving skills involve handling problems and finding solutions, it also requires the person to gather information, understand the situation, then take action. If a person can use these tools in a workforce, they will be viewed as a level headed strong dependable employee. Cost is a concern both within the company and with our clients. Being able to reduce cost creates value by encouraging employees to come up with solutions and reduce turnaround time. Problem solving supports the objective of cost cutting.
* **Complexity of a Position** - measures how well an employee takes initiative, and shows autonomy to make good decisions. It also pertains to the mental and physical effort an employee has to put into a position. Measuring based on the complexity of a position can be difficult because it is more broad but allows for flexibility in deciding which jobs add more value to the organization.

When looking at the skills in FastCat’s professional structure, we found that these jobs required more education, experience, and were much more complex. FastCat needs to attract and retain high quality talent and in order to evaluate these employees, we choose four compensable factors: education, experience, complexity of position, and analytical skills.

* **Education level -** used as a compensable factor for analytical/specialized jobs because these jobs require more formal education. The higher the job level means the higher the education requirements. The level of knowledge and skill required for these roles are challenging and demand extensive educational training and continual training. The educational requirements support our ability to be innovative. Innovation is a critical organizational objective of being at the forefront of the marketplace.
* **Experience level -** essential for these roles in the employee needs knowledge of and understanding of the needs of the customer and industry trends. Maintaining experienced employees support our objective of customer focus. The experience of working with different clients and customers contribute to our competitive advantage by being customer focused. This focus enables us to not only maintain our current customers, but also support the acquisition of new ones.
* **Complexity of a Position**-measures how well an employee takes initiative, and shows autonomy to make good decisions. It also pertains to the mental and physical effort an employee has to put into a position. Measuring based on the complexity of a position can be difficult because it is more broad but allows for flexibility in deciding which jobs add more value to the organization. Considering that we have a relatively flat organization our roles are loose which lends itself to support cost cutting having few employees with less structure. We understand that tighter roles provide more efficiency, but we will recover some of that by being flatter and having better communication. Our cost cutting objective is being supported in reducing time, communication lag, and providing value to our customers. These are benefits that support ourcost cutting objective.
* **Analytical Skills-** measures an employee's ability to visualize and form a suitable idea, or solve a complex problem based on the information given to them. The ability to make decisions that shape the organization and its relationships with its customers demonstrate a high level of efficiency when done well. Customers receives a product that they need and can use. It is here where the high level decision makers actively engage the customer.

**Exhibit 1**

|  |  |
| --- | --- |
| **Support/Task Structure** | **Analytical/Specialized Structure** |

|  |  |  |  |
| --- | --- | --- | --- |
| **Administrative** | **Technical** | **Engineering** | **Marketing** |
| Administrative Aide | Implementation Consultant | Programmer Analyst | Clinical liaison |
| Administrative Assistant | Marketing Support | Project Leader | Graphic Designer |
| Administrative Leader | Quality Assurance Assistant | Senior Fellow | Marketing Service Representative |
| Client Account Leader | Quality Assurance Assistant A | Senior Quality Assurance Technician | Training Assistant |
| Project Support Assistant | Software Solution Consultant | Software Engineer |  |
| Travel Coordinator | Technician | Software User Interface Architect |  |
|  | User Interface Designer |  |  |
|  | Visionary Champion |  |  |