

# *SPECIAL ACTION REPORT*



How To Conduct A Salary Review  
And Boost Profits

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When you want to retain your best staff in a competitive job market, giving them a salary increase is likely to be the first thing that comes to mind. But before you decide on giving them that raise, first consider whether they really deserve it. Here are some questions you should ask yourself:

- Can they document their long-term goal accomplishments?
- Is the proposed raise on par with market salary levels for your industry and their job descriptions?
- How valuable are they to your business?

High performers should be rewarded, but why give a pay increase to poor performers? If you do find that some staff members' performances don't merit a raise, you need to deliver the news in the best possible way to avoid conflict.

What this means is that you should:

1. Ensure the staff member understands that you appreciate their effort, and that you will reward them for excellent work.
2. Establish a three-to-six month plan that ties a raise to meeting specific goals
3. Set a time to review their performance again.

You might consider using increasingly popular bonus systems to reward performance rather than increasing staff members' base salaries each year.

Salary reviews need to be handled professionally and with sensitivity, otherwise they can lead to disputes, dissatisfaction and low morale among your staff. A successful evaluation is an effective tool for producing positive benefits for both your organization and for your staff; a poorly conducted evaluation process can cause havoc. A key aspect of an effective salary review are performance reviews, which should be conducted regularly throughout the year for all staff members, and not just done at the time of the annual salary review. Performance reviews may occur on a weekly, monthly or quarterly basis, depending on the size and nature of your business and the complexity of the staff member's job.

## *Documenting Performance Reviews*

Performance reviews should be well documented and understood by yourself and all your staff. Their purpose is to maintain ongoing communication and feedback, and to ensure that each party's expectations are being met. They can be informal or formal one-on-one meetings to assess whether actual performance meets pre-determined and agreed performance levels. Any performance issues should be dealt with quickly and effectively, as they can have a negative impact on your staff's morale and productivity, your customer

relationships and your business' bottom line. So, don't leave it until the annual salary review period when the damage may have already been done.

For performance evaluations, as a minimum you should have a written policy and procedures manual that outlines:

- who will conduct the review
- what performance criteria will be evaluated
- when the performance review will take place
- how it is to be conducted, and
- the purpose of the performance review.

Give a formal review document to each staff member to fill out before the review process begins. The document asks your staff members to:

- Rate their performance against a set of criteria that has been discussed and agreed to between yourself and your staff members at the beginning of the review period
- Highlight their achievements, which are to be supported by outcomes and performance indicators such as sales figures, cost savings and the overall contribution to the business' development
- Signal areas where they need to improve
- Indicate factors that have prevented or hindered their performance
- State what they enjoy about their job
- Inform you about the specific areas in which they wish to acquire and develop skills.

Allow sufficient time for your staff members to complete the self-assessment documents, and for you to read their evaluations and comments, before you set up a time for a meeting. Review what pay increases you want to give to your staff members. Make sure you can conduct the review in private without any interruptions. Reviews need to be undertaken in an environment of trust, honesty, integrity and respect. You'll need to be fully aware of the company's policy in relation to minimum acceptable workplace behavior such as equal opportunity, privacy requirements, discrimination, harassment, workplace health and safety, security, intellectual property, and confidentiality.

You should have on hand the staff member's employment contract or letter documenting:

- their annual, monthly or weekly pay rate
- other benefits and allowances, bonuses and commissions
- termination and redundancy clauses, and
- superannuation entitlements.

In addition, you should have a copy of the staff member's job description, which includes their responsibilities, duties and competencies, the key criteria or indicators upon which their performance will be evaluated, and the chain of command for reporting purposes. The document should also set out staff management responsibilities.

During the review meeting, follow the agenda that both you have both have agreed upon.

Make sure that you:

- Give your staff member your full attention and show interest in them
- Concentrate on what they are saying and listen for underlying emotions and feelings.
- Check your understanding of what they are saying through questioning and identify the main issues.  
Avoid making assumptions
- Ensure your views and comments are supported by facts, figures and specific examples of performance.  
Don't generalise.

The key to a successful staff review is for all parties involved to be effective listeners and be willing to accept and use feedback and comments constructively. Feedback is most useful when it is timely, specific and factual, and delivered in a courteous and positive manner.