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Fast Forward

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Northen Telecom Inc.

June 1990

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"FAST FORWARD"--A skill-based pay plan for Field Technicians and Engineers at Northern Telecom Inc., a worldwide telecommunications equipment supplier.

Peter V. LeBlanc

ABSTRACT

A case study of a modified skill-based pay (depth) design which provides both skill and merit pay for white collar technical personnel in this high technology company. Program strengths and weaknesses are revealed in an attempt to understand necessary design changes. Preliminary findings on improvements to customer satisfaction and employee turnover behavior are summarized.

In most high technology businesses, manufacturers can still gain a competitive edge through product development and innovation. In telecommunications, customers look for the latest advances in hardware and, more recently, software. But more and more, as suppliers begin to offer the same core technology, customer service has emerged as a significant market differentiator. Suppliers of choice not only must offer leading technology, but also they must deliver fast, efficient product service.

When a telecommunications system or network malfunctions, the pressure to restore service is intense. Every second without a dial tone can cost the customer lost sales and adverse customer relations. If, for example, a large hotel loses its telephone system, the establishment is unable to receive telephone reservation requests and guests are prevented from placing personal or business calls. A broken telephone system is impossible to hide. Damage can be minimized with a responsive, skilled technical service team. The next best thing to a telephone system that is never interrupted is one that is quickly restored.

The importance of fast, reliable service to the telecommunications customer led Northern Telecom to develop its skill-based pay plan for field technicians and engineers. In 1987, prior to skill-based pay, its customers rated Northern Telecom a respectable 72, on a scale of 0 to 100 points against a list of thirteen factors which are used by the company to measure quality of product and service performance. Two of the factors are installation and technical support, which are areas directly impacted by employees placed on the new skill-based pay plan. In 1987, customer ratings of these two specific elements were slightly below the overall customer satisfaction index, at 70. Both management and employees knew that customer service could be improved—enhancing Northern Telecom's reputation as a high quality supplier.

One strategy for improving customer satisfaction involved shortening the time required to install new equipment and diagnose, troubleshoot and repair service outages. A key component in reducing time was seen to be the 2,500 service

technicians and engineers located throughout the U.S. The managers who collaborated to conceive and design the new skill-based pay approach saw installing the equipment properly the first time and fixing the problem on the initial service call as a function of employee skills and abilities. The skill-based pay development team was comprised of installation, field engineering and local human resource representatives from each of the company's major business groups. Participants were middle and senior managers. The team was led by the corporate compensation staff, which provided sponsorship and guidance in facilitating the change. They joined together to create "Fast Forward", a name used internally to assist in marketing the benefits and explaining the purpose of the new skill-based pay system. "Fast" refers to Northern Telecom's focus on time-based solutions. "Forward" describes the direction to be advanced by both the company and employees when skills are developed. The company benefits because technical excellence results in higher customer satisfaction; the employee enjoys opportunities to excel, develop increased skills and be appropriately rewarded and recognized.

This theme of reciprocity--the company will do well if employees do well and vice versa--was used to better link business objectives to employee rewards. Though such a claim is often difficult to substantiate, in this case nearly everyone from the highest level executive to the entry level technician accepted the argument that a technically skilled work force reduces time and increases customer satisfaction. To this day, the desirability of pay for skills has not been questioned, even though debates continue about how best to accomplish it.

Objectives

As the prior discussion suggests, the number one objective of the new pay system is to improve customer satisfaction. This requires a versatile, flexible and knowledgeable field service work force. No more can the business depend on a few highly skilled individuals who crisscross the country, attending to the hottest priority.

Fast Forward is intended to produce a full staff of technical experts who can handle a broad range of situations.

Increased spending on skills training is only a wise investment if employees stay with the company and apply their knowledge. Training people for another employer does not provide much of a return. Therefore, the second major objective of Fast Forward is to increase employee commitment to Northern Telecom, thus avoiding unwanted turnover. The technician population spends most of its week (day and night) at or getting to a customer site. Many of them have viewed themselves in a dead-end job with no escape from constant travel. While Northern Telecom's overall voluntary turnover rate is low compared to other large U.S. companies, these "roadies", as they are called, who quit the company did so in order to stabilize their personal lives and advance their careers. Because of high growth, the company could not afford to see any of its well-trained technical employees leave.

The third and final objective was to place all Northern Telecom service employees on the same pay system. Prior to Fast Forward, company divisions were using different salary structures--some national, others regional--and varying job ladder levels and grades. Since technicians and engineers from different Northern Telecom divisions often found themselves on the same job site, pay equity and titling consistency were continually being questioned. How could the company pay substantially different salaries for the same work? Skill-based pay was not the only possible solution to this last objective. However, a shift to a totally different approach to pay provided the company with a convenient opportunity for addressing this need while avoiding the difficult task of adjusting one division's pay plan to agree with another. Previous attempts to combine pay plans failed when one organization judged the other's pay policy to be poorly suited to their business environment.

Eligibility

The company has numerous technical jobs. Separating those which would be included from those which would not allowed the Fast Forward development team to concentrate on specific work processes, a critical need in developing skill blocks. Doing so also helped the organization respond to anticipated questions of fairness-- "why wasn't I included?" It was decided that eligibility would be restricted to technical field service jobs which typically required:

- Frequent and direct customer contact
- A high degree of technical product knowledge
- Emergency customer support
- Frequent travel and on-call demands
- Limited on-site supervision
- Non-bargaining unit employees

The development team felt that if Fast Forward was successful, other related jobs could later be added to the plan. The development team agreed that the chances for achieving a winning initial skill-based pay plan were greater with a well-defined, smaller population of jobs. The final Fast Forward design could easily be extended to fit many different types of work.

Design Considerations

To meet the key objective of developing versatile, flexible and knowledgeable service employees, a skill-based pay system would be needed which rewarded a depth of technical specialized skill acquisition. But since the ultimate goal is customer satisfaction, employee performance could not be ignored. Having the proper skill set improves but does not guarantee a high level of performance. Thus, the development team opted for a modified skill-based pay design that rewarded both skill and performance.

Designing a new pay system to avoid unwanted turnover and increase employee loyalty required more than payment for skills. Competitive pay levels and new career options for Field Technicians also were seen to be critical needs. A meaningful technician career path had to go beyond the traditional job hierarchy, or

functional chimney. It must provide opportunities for expanded technical growth and development. Moreover, increases in technical achievement needed to be recognized in more than just financial terms.

Finally, a single pay system for employees performing essentially the same work would require company-wide standards. Yet, important differences in products and technical applications demanded that the new plan continue to reflect divisional uniqueness. A balance between corporate consistency and business unit differences was necessary.

The Fast Forward design was established by the field service and human resource management development team. Ideas were tested among members of supervision, but there was little employee input to the original plan design. Evaluations of the plan, as well as recommendations for improving plan performance, are currently being collected from Fast Forward participants.

Skill Block Definition

The development team identified skill requirements for each of the three major job families included in Fast Forward--*technician* (installation), *technical support engineering*, and *systems design*. In the case of the *technician* family, skill sets were built from existing equipment installation procedure manuals. The skills documented for the lower technician levels can best be characterized as tasks, while those at the high end read more like job responsibilities.

The skills used to describe the *technical support engineering* job family could not be derived from an established set of procedures. Rather, they had to be developed from scratch. As a starting point managers were asked to distinguish the key dimensions of work. They agreed to seven dimensions, or areas, as follows: hardware, software, customer database, documentation, network interface, written communication and interpersonal interaction. For each dimension engineering managers were then asked to rank order skills from most to least difficult, establishing

a clear depth or hierarchy. The final step involved bundling the skill hierarchies that were established for each of the seven dimensions into four separate blocks--one for each level/title in the *technical support engineering* job family. Thus, the lowest level engineering job, Technical Support Engineer, required the least difficult skills associated with each of the seven dimensions. The highest level engineering job, Senior Staff Technical Support Engineer, would demand the most complex of the seven skill sets.

As indicated, though the list of compensable skills is dominated by technical knowledge and abilities, interpersonal skills also were established as requirements. Although behavioral skills are more difficult to assess, the challenge is viewed to be worth the extra effort as they are vital to effective customer interface, especially when the pressure is on.

Not including the supervisory and management levels or the entry level Associate classifications, the development team identified four skill blocks in the *technician* family, four in *technical engineering* and two in *systems design*. Each of the skill blocks is associated with a level and title in the job family hierarchy. New entrants are hired as Associates and strive to accumulate the skills of the first skill block. It is possible to acquire a skill located in a higher block, but an employee cannot move to the next level until all skills in the first block are accomplished. Consequently, each of the lower blocks are treated as prerequisites for the higher blocks. Thus, an Associate becomes a Field Technician only after demonstrating all of the field technician skills. A Field Technician earns the distinction of Field Test Technician only after each of the test technician skills are achieved, and so on. The Field Service Career Map, Exhibit #1, illustrates skill blocks, job levels and titles for each of the three Fast Forward job families.

To recognize the product and customer differences throughout the corporation, both common and business unit specific skills are required. A set of generic skills,

written broadly enough to encompass all businesses, provide a general description of each skill level. In addition, business unit skills, identified and grouped at the local level, are used to measure important specific product skill requirements. The generic skill definitions provide the organization with a basis for comparing jobs across the different businesses, and for establishing internal equity.

The fundamental difference between this pay plan and its predecessor is that employees can progress through the job ladder at their own pace, based on their ability to learn new skills. The old job based pay system, emphasizing job duties rather than skills, required that job openings exist before promotions occurred. In practice, employees were being promoted based on years of experience. And while seniority is often thought to be a proxy for ability, an emphasis on skill rather than time-in-grade more effectively links pay with desired behavior. Rather than rewarding longevity, Fast Forward rewards the most skilled and versatile workers.

It takes six months to one year to complete the first skill block in the *technician* family. Those employees with two-year technical degrees generally move from level to level every six months. Technicians normally progress from Associate status to the Field System Technician level in two to three years. Only a small percentage of technicians are expected to be able to progress to the dual career level in the job family, Field Systems Specialist. Technicians are asked to declare their career goals after achieving the Field Systems Technical (third) Level--up to supervision, up to Field Systems Specialist or to another job family.

Pricing to Market

Establishing a salary structure for jobs on pay for skills requires a somewhat different technique than that used in a traditional job based pay system. Almost all current salary surveys collect and report salary data according to the well accepted practice of benchmarking key jobs using generic job descriptions. In a multi-skill environment where three or four levels are combined into one or two level(s) the

challenge for the compensation practitioner is to synthesize the data to fit a collapsed job category. Instead of pricing jobs, the skill-based pay practitioner prices an entire job family.

Pricing Northern Telecom's Fast Forward job families was not as problematic as a typical multi-skill, breadth design because vertical job levels continue to be used and recognized. Nevertheless, the levels are defined by skills, not job boundaries, challenging the obvious solution of creating separate salary ranges for each skill block/level. The Fast Forward development team decided to design a salary structure to align with the notion of a continuous hierarchy of skills. Though progression up the hierarchy is marked by certain milestones, the skills are closely linked. Consequently each job family has but a single salary range. The range is bounded with a minimum and maximum. This broad range, which has a 270% spread for the technician family, is broken into segments called "target pay zones" which correspond to the skill blocks/levels/titles. As indicated by the Salary Administration Guidelines in Exhibit #2, each target pay zone is capped with a "target high". The minimum of the salary range is priced to the labor market entry hire rate. The maximum is established based upon the average rate of pay for the senior job in the traditional benchmark ladder.

Fast Forward treats the supervisory levels of each technical area (*technician, technical support engineering and systems design*) as separate job families. While there is substantial overlap between the low end of the supervisory and the high end of the individual contributor salary ranges, they do not equate. Fast Forward supervisors and managers are not paid according to their skills. They are paid according to their job size, the traditional approach. Therefore, the conventional market pricing technique could be used to build salary ranges for these jobs. Additionally, because supervisors are eligible for a cash bonus incentive, their salary structure was adjusted to fit a total compensation policy position.

Paying for Skills

Paying for skills in Fast Forward is based on the skill block progression. As a result, skill pay is awarded after each of the skill blocks is accomplished. In the *technician* family, for example, skill pay is earned after the Field Technician, Field Test Technician, Field System Technician, and Field System Specialist skill blocks are achieved. Each of these four steps is considered a career advancement which qualifies for progressively greater base salary increase. Thus, completion of the Field System Specialist (top level) skill block yields a potential pay increase which is 40% greater than that provided for achieving Field Technician status (first skill block). In this system the higher the step, the higher the payoff. This acceleration feature was introduced to motivate employees to attain higher levels of expertise.

To provide supervisors and managers with significant flexibility and discretion in rewarding for skills, guidelines were originally set with top limits only, and no bottom thresholds. Thus, a typical guideline for a skill increase would be "up to 9%", the minimum being, in effect, zero. These broad guidelines were thought to be necessary to allow for the appropriate rewarding of different skill achievements, especially at cut-over to the new pay plan. When the organization was converted from the old system to skill-based pay, employees were individually assessed to slot them into the proper skill level. Some employees lacked only one or two skills before qualifying for the next skill level, while others were just starting out within their respective skill blocks. To reflect the varying degrees of skill achievements before attaining the next level, a wide range of increases was needed. Ostensibly, an employee who needed just one or two skills to fulfill a skill block would receive a lower pay increase than the employee who needed ten skills. Flexible skill increase guidelines assisted in transitioning to the new skill-based pay plan.

Fast Forward employees have other opportunities for receiving base salary increases. As mentioned earlier, Fast Forward is a modified skill-based pay plan

which provides for merit pay, as well as skill pay. Employees are reviewed annually, on their individual anniversary date, for pay treatment based on performance. Merit increases are determined based on performance only, without regard to position-in-range. However, to ensure an ongoing focus on skills, no additional base salary merit increases are provided to employees who are paid above the "target high" for their respective level/title. Each target high is treated as a de facto maximum for the related skill block. So, merit pay will advance salary up to an employee's skill target high, but not beyond. It is possible then to top out within the salary range if progress through the skill blocks is not continued.

An ongoing debate at Northern Telecom concerns the relative mix of merit pay and skill pay. The plan was designed to provide a greater number of dollars to reward for skills and comparatively fewer dollars to reward for performance. This policy was set to emphasize skill acquisition. Yet, as discussed later, some business units have distributed only a fraction of the skill dollars available, causing employees and managers in those organizations to question the internal fairness and external competitiveness of actual spending levels.

At an early point in the design process the development team decided that financial incentives could not be the only form of reward. Realizing that a technical specialized skill hierarchy based on depth of knowledge would yield clear distinctions in expertise, the group agreed to the use of titles to denote skill level. Titles would be applied consistently to reflect skill accomplishment--the higher the skill, the more distinguished the title. The use of titles as a mark of distinction also serves the customer who wants to know where an employee fits in the hierarchy.

Distinctions in expertise became so meaningful to technical support employees that they created and now wear Fast Forward pins to identify their skill status. Hierarchical classifications might seem out-of-step with the current trend toward teams, but not in a skill-based pay plan designed to reward depth of knowledge.

Skill Assessment/Certification

The two most difficult development steps of skill-based pay are skill identification and bundling and skill assessment/certification. Skill assessment/certification refers to the process for evaluating employee skill levels and progress. Task-oriented skills are more easily assessed than the more broadly defined responsibility-oriented skills. In the case of Fast Forward, technician skill assessment/certification is relatively straightforward compared to *technical support engineering*, where skills are associated with abstract problem solving abilities and interpersonal relations. Skill assessment/certification is even more challenging when employees work under limited supervision at different customer locations. Fast Forward employees may or may not be working with the same leader or supervisor from day to day. As such, a highly mobile work force requires a non-traditional approach to skill assessment.

At Northern Telecom the solution to skill assessment /certification is explained to employees as a four step procedure: pre-assessment discussion; individual assessment; group review; and feedback. Exhibit #3 depicts the Fast Forward Skill Assessment Model.

- Step 1: The pre-assessment discussion explores the employee's view of his/her skill accomplishments since the previous review. Their career goals and interests are also discussed. Most importantly, training and development needs for improving effectiveness and reaching the next skill block are highlighted.
- Step 2: The manager/supervisor summarizes and documents the employee's skill accomplishments for review by the assessment committee (Step 3). A skills record is maintained on a computer data base for each employee.

In most cases a skill achievement is not a function of merely attending a classroom training course or earning a certification. Fast Forward participants must not only learn, but demonstrate their proficiencies on the job.

A manager's assessment of skills is not always quantifiable. In many cases, as in higher level work, subjective judgement is required. As an example, for a Technical Support Engineer to become a Senior Technical Support Engineer, he or she, among other requirements, must be able to chair customer conference calls. A successfully chaired conference call demonstrates qualitative leadership capabilities, in addition to technical knowledge, which is not easily measured.

Step 3: A skills assessment committee consisting of experienced managers who are familiar with field service work and demands meets regularly (generally quarterly) to review and approve employee skill achievements. The manager/supervisor presents recommendations with back-up data to the committee.

The group assessment process permits other managers who may have observed an employee's work to comment on the skill evaluation. The committee is also responsible for suggesting further career and development opportunities and needs. Final approval of an employee's advancement to the next skill level is the responsibility of this group.

Step 4: The final step in the process involves communicating the results of the skill assessment committee review to the impacted employee. The human resources department must review and approve any status or pay change prior to the employee feedback session.

The focus of the feedback session is on development needs, especially in those instances when a recommended advancement could

not be approved by the assessment committee. This opportunity is also used for commenting on employee strengths and areas requiring improvement. The outcome from this session is expected to be a well-defined plan for education, on-the-job training or development which will assist the employee in achieving his or her objectives. The feedback session is also designed to provide the employee with the chance to ask questions, express concerns and otherwise challenge the results of the skill assessment process. An appeals mechanism has been built into the four-step model.

Fast Forward participants are not penalized if they are unwilling or unable to attain higher levels of skill. But the salary administration policy provides financial disincentives if skills are not advanced, since base salary is capped at some point unless skill progression is continued.

Though the skill assessment/certification process used for Fast Forward is not a substitute for performance evaluation, the skill advancement discussions provide a convenient opportunity to review achievement against performance objectives. A formal performance evaluation is completed annually at year-end. The performance evaluation rating drives the merit increase in Fast Forward, as it does in most traditional pay for performance systems.

Training

The key to an effective skill-based pay plan is training. Skill-based pay participants see access to training as the major gate between where they are and where they want to be. Restrictions on training are viewed as restrictions to pay treatment and advancement. The Fast Forward development team was careful to establish a Northern Telecom position on training before Fast Forward was announced. Even so, the program suffers from the variance between official company policy and everyday practice.

Each Fast Forward business unit is accountable for establishing a minimum training threshold for its employees (i.e., two weeks formal training per year). It is the manager's responsibility to ensure that the training mandate is met. Three types of training are identified: internal classroom study; on-the-job instruction; and external classroom educational programs. All are seen as necessary in fulfilling skill requirements. A company tuition reimbursement program is available to employees to provide financial support for technical education at qualified institutions as well as individual home study programs. It is the manager's responsibility to obtain course information from internal and external sources and to counsel employees in obtaining needed assistance.

In spite of all the supportive words and policies, there are never enough training resources. The greatest cost and obstacle is time away from the job. When a Fast Forward member is sitting in a classroom during his or her normal work day, someone else must be attending to customer needs or they go unmet. For this reason, a commitment to skill-based pay must be accompanied by a commitment to additional resources to relieve the present work load. Without it, employees will likely view skill-based pay as a "paper tiger".

Northern Telecom's challenge to meet its minimum training standard was initially complicated by the existence of a first-level and mid-level field service management bonus plan, which placed heavy emphasis on employee efficiencies. When employees were at a training session the efficiency rating for the day suffered. After realizing the incompatibility of the two reward systems, the criteria and measures used to determine manager bonuses were adjusted. Now, managers are evaluated in part on how well they develop their people. In addition to quality, service revenue, and cost management, 25 percent of a service manager's bonus award is based upon advancing technicians along their skill path.

In a skill-based pay environment, if training is the first to get cut when the budget is reduced, the integrity of the compensation system is significantly threatened. On the other hand, negative employee relations can be minimized if the skill-based pay communications effort effectively shapes realistic expectations, as was attempted in Fast Forward.

When the plan was launched, employees were told that opportunities for training and training resources are dependent on the success of the business. More successful business units, it was explained, would be more financially able to provide training opportunities. The message was that a healthy business would enable Fast Forward participants to get ahead on schedule, while a unit performing below budget would need to tighten its belt, thus delaying training until conditions improved. However, even in a difficult business environment, on-the-job instruction was expected to be available.

The ultimate skill-based pay challenge is willing and able employees who are financially motivated to develop skills but are blocked from obtaining the necessary training. In such a situation, management systems work in conflict with one another. In responding, Northern Telecom has worked to create a balance in meeting both employee and company needs.

Career Options

One of the stated objectives of Fast Forward was to provide a career path for Field Technicians who had previously seen themselves in dead-end jobs. Fast Forward was designed to provide multiple career options, especially to members of the *technician* job family. The Field Service Career Map, (Exhibit #1), illustrates the career mobility options available, which include in-family (vertical) development up to the Field Systems Specialist level, promotional (hierarchical) opportunities into the supervisory ranks, and (lateral) transfers into another technical job family. Movement

into either a supervisory job or another technical job family is limited by job availability. Progression up through the job family levels is based on individual readiness.

Employees who move across to another Fast Forward job family are brought in at Associate status until their individual skills can be thoroughly assessed and tested. Within six months, the new entrant is slotted into the appropriate skill category/block. (Transferees are not provided with skill-based pay increases after this initial assessment is made unless skill and pay level are clearly incongruent with the pay levels of similarly skilled employees).

Together, the career plan established jointly by the employee and his/her manager and the Field Service Career Map provide Fast Forward members with their individual "road map" for growth. This road map provides technical personnel with a longer term view of their career at Northern Telecom.

Supervisors and Managers

Though supervisory positions are shown on the Field Service Career Map, Fast Forward supervisors and managers do not qualify for skill-based pay. It is expected that qualified supervisors and managers will have completed most of the skill blocks of their respective job family, which explains why the Fast Forward development team included supervisory jobs in the program. Yet it is not clear to the development team which supervisory skills should be identified and compensated. Moreover, the higher the skill level, the more difficult skills are to measure and accurately assess. For now, the supervisors and managers are paid based on their job responsibilities and job performance.

Communication Plan

The Fast Forward communications plan was developed with the assistance of an outside advertising agency. The agency assisted in developing the plan name and image and creating the various communication tools and materials. From the beginning, it was understood that Fast Forward would be a field service and not a

human resource program. As such, it was decided the field service managers would introduce and communicate the new pay plan to their employees in small groups of 20 to 30.

A binder called the "Manager's Tool Kit" was developed. It was packaged to be carried on the road for multiple field presentations and included a script, overhead foils and video. The kit was also designed to be used later for ongoing plan administration. It contained the generic and business unit skills inventory, training course offerings available within the company, guidelines for providing merit and skill pay treatment, and other materials.

In addition to the Manager's Tool Kit, the Fast Forward communications campaign also included an employee brochure which was a condensed version of the Fast Forward story. Both the Manager's Tool Kit and employee brochure contained sections dealing with manager and employee roles and responsibilities. Employees were asked to keep track of their own skill accomplishments and requirements. It was suggested that they become familiar with the career map and be prepared to determine their own individual road map.

The communication plan was designed to tell the positive, yet realistic features to the new plan. It often was necessary to re-write a significant piece of the material to avoid over-selling the advantages. Not all employees were expected to benefit from this modified skill-based pay approach. The messages were carefully worded to communicate the new behaviors required within Northern Telecom's customer service units. The communication sessions were used to explain both the mechanics of the plan and the new business strategy and direction. The need for a change in the pay system to fit the emerging business needs was told and retold. More than just a change in pay administration, Fast Forward supported a new competitive focus--on customer service excellence.

Learnings from Experience

Two years after the introduction of Fast Forward Northern Telecom management and employees generally agree that the concept of skill-based pay for technical jobs is sound. Most, in fact, believe that Fast Forward is ready for changes which would further strengthen the linkage between pay and skill development. Several recommendations for modifying the design are currently under review.

Because there are only two skill blocks in the *systems design* family, more opportunities for rewarding skill progress are seen to be necessary. Though additional titles and levels may not be desirable or required, a proposal to cut each skill block in half is being considered. Doubling the number of skill blocks will result in twice as many opportunities to reward for skill achievement--from two to four. The limited number of skill blocks/levels may account for at least a portion of the under-budget spending on skill pay.

Under-budget spending on skills is seen to be largely attributable to the initial skill increase guidelines which have no minimum threshold. Those who have gotten a skill advancement pay increase, mostly members of the *technician* job family, have received pay treatment which is well below the target, resulting in employees who do not perceive their salary levels to have satisfactorily advanced through the broad salary range. For this reason, some employees have questioned the absence of a "target minimum". Future skill-based pay increase guidelines will include a minimally acceptable percentage (i.e., 4-9%). As previously mentioned, under budget skill spending has also resulted in perceptions of inequity when skill-based pay participants compare their pay treatment to that of other employees.

Access to training opportunities continues to be a difficult issue. Greater progress must be made in providing a threshold of classroom education and more frequent on-the-job rotations. To address this need, one business unit has established the position of training supervisor in each of its four regions. Training supervisors

provide for on-the-job instruction and skill development. The change made in the supervision/manager bonus plan, which now includes employee skill advancement as an objective, is also expected to motivate Fast Forward management to free up employees for training.

Certain employees in technical support engineering have expressed concern about the achievability of high-order skills. These skills are seen to be unreachable, because engineers report rarely having the opportunity to work on certain types of equipment and/or installations. Other engineers have questioned the relationship of the skill sets to their actual work. In improving Fast Forward, employees will be involved in redefining the requisite skills and skill blocks.

Pay treatment is not provided for lateral moves to Fast Forward and from one Fast Forward job family to another, causing some employees to question the worth of such moves. Northern Telecom is currently exploring the possibility of awarding cross-functional pay increases.

To gain a broader sense of employee and manager attitudes and satisfaction with Fast Forward, structured individual and focus group interviews will soon be conducted. Enough feedback has already been collected to know that Fast Forward offers the right approach to pay. The need now is to adjust the design to respond to practical, everyday business realities and pressures.

Results of Fast Forward

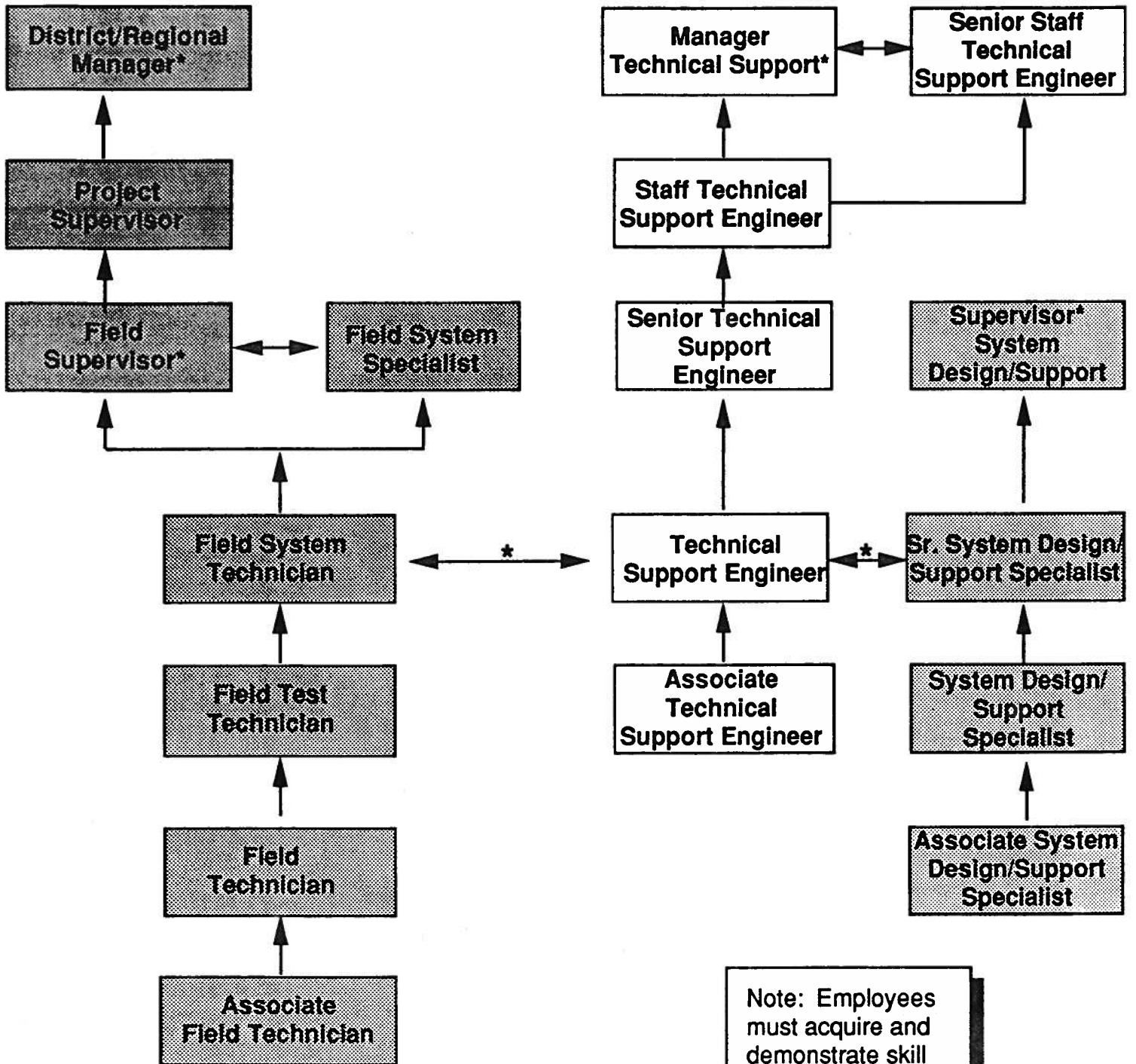
Fast Forward was introduced to support three key objectives: customer satisfaction; employee commitment to Northern Telecom; and one company pay plan for field service positions. Gains in customer satisfaction have already occurred as a result of Fast Forward. The most recent survey indicated that customers are more pleased with the level of support provided by Northern Telecom. The overall customer satisfaction rating is now at 75, three points better than the overall rating received from customers prior to Fast Forward. Of particular significance is the change in installation,

where the majority of Fast Forward participants work. Over the two year period, installation ratings improved from 70 to 74. Two of the top three attributes which accounted for the improvement were "technical competence of installation staff" and "timeliness of installation". Thus, the changes resulting from Fast Forward seem to be noticeable to customers, as well as employees. While skill-based pay was not the only modification made over the two year period, the new system is seen to have contributed to the overall improvement, particularly in technician competence and timeliness. Employees and managers now talk in terms of skills and abilities, instead of time-on-job.

Fast Forward is used on campus as an aid in recruiting the best technical talent available. It seems that graduates like the idea of getting ahead based on their own skills and abilities. They believe that they have greater control of their career, and are impressed with the formal program provided by the company to support their development. These outcomes were not accidental. Many of them were identified in the objectives agreed upon by the Fast Forward development team. Employee commitment can be measured in terms of employee turnover. Over the past two years terminations (voluntary and involuntary) at one major business unit have been reduced from sixteen to seven percent among its highly mobile *technician* work force. Moreover, voluntary *technician* resignations have been cut in half. Finally, complaints about salary/differences between Northern Telecom business units have all but disappeared now that all employees are paid on a common system.

Even though there is opportunity to improve Fast Forward, Northern Telecom's skill-based pay plan for field service technical personnel has generally met its objectives. When a customer calls the company for help, Northern Telecom now responds faster with a cast of qualified service personnel that is even more skilled and flexible.

Field Service Career Map



Note: Employees must acquire and demonstrate skill block to earn title for that level.

* Job opening must exist

Salary Administration Guidelines

