

IBM's Change in Pay Structure

In the 1990s, IBM's emphasis on internal alignment (well-developed job evaluation plan, clear hierarchy for decision making, work/life balance benefits, policy of no layoffs) had served well during the last century when the company dominated the market for high-profit mainframe computers. But it did not provide flexibility to adapt to competitive changes in the new century. A redesigned IBM is a "solutions-led business offering diversified information technology capabilities."

A new business strategy requires a new compensation strategy. At IBM, this meant creating a high-performance work culture (incentive pay), increasing employee and organization flexibility (work design), winning in the marketplace (attract/retain talent), and constantly containing costs. IBM changed its pay strategy and system to support its changed business strategy. And it changed from a doomed dinosaur to the "t-Rex of the technology industry."

Companies can learn from this example, when business strategies change, pay systems should change, to reflect strategic and cultural transformation.

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