Compensation Practice

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**Introduction**

Every human strives to be a better person from the one he or she was yesterday. People try to achieve this goal in many ways, some people travel, some read books and some write. These activities count as hobbies but in order to survive and manage the daily expenses, a person has to pursue a profession; any activity that pays them back. This payback or the amount they get as a result of working for someone or some company is known as the salary or compensation, which is rewarded to an employee for the time and effort that they give to the company.

Every organization has a different set of compensation plans and strategies through which it rewards its employees. One of the most notable companies which are famous for its highly advantageous compensation plans is Apple Inc. Apple Inc. is popular for rewarding back its employees very graciously and fairly (*Apple Inc. In 2018—Case—Harvard Business School*, n.d.). The following section will discuss how Apple Inc. designs, handles and maintains its compensation plans. Moreover, this section will also explain how these practices are affected by labor laws, labor unions, market factors, and many other things.

**Discussion**

**Introduction to The Company**

Apple Inc. is one of the most iconic companies in the history of the world. With a current marketing capitalization value of $868.8 billion, Apple Inc. holds one of the most inspiring investment stories in the world. The American multinational technology giant not only repeated this story once but twice. Three young and motivated students, Steve Jobs, Steve Wozniak, and Ronald Wayne decided to plunge into the industry of technology and software development in 1976 (O’Grady, 2009).

Having headquarters in Cupertino, California, Apple Inc. specializes in the designing, development, and sale of consumer electronics, computer software, and online services. It holds the honor of being one of the members of the big four group, along with Amazon, Google, and Facebook. One of the highest selling products of Apple Inc. is its smartphone by the name Apple iPhone. With more than 46.89 million phones sold per year, Apple iPhone ranks at the top of the most favorite smartphones all over the world.

**Compensation Practices in Apple Inc.**

Apple Inc. is not only famous for its up to date, modern and top-notch products but also its exciting compensation plans and diversity programs. In fact, it has been ranked as the most favorite employer among many others, a number of times, by many magazines, forums, and experts. Apple Inc. provides a number of exciting compensation plans and valuable benefits to its employees, depending upon their rank and post. These compensation plans not only include salary but other monetary benefits like bonuses, incentives, and commissions. In addition to this, there are certain other facilities like medical plans, pension plans and many more.

A number of people participate in the procedure of the designing, development, and implementation of these compensation plans and policies; however, the main members are only three. These three members play a very crucial role in designing the policies and strategies for the tech giant and are given the name of the Compensation Committee.

**Best Practices Followed by Apple Inc.**

Apple Inc. and its employees have a mutual agreement to design their compensation plans in such a way that they are completely market competitive and justify the work or effort provided by the employee. Otherwise, the result will only be frustration from the employee’s side and a decline in the employee’s performance.

**Compensation-Related Challenges Faced by Compensation Plan of Apple Inc.**

Contrary to many beliefs, compensation management is not just about providing the salaries; it is much more than that. The first and foremost challenge that is faced by the Compensation Committee of Apple Inc. is devising an effective and workable compensation strategy, no matter what is the driving force behind it (Froud, Johal, Leaver, & Williams, 2012). It could be either any economic, social, technological or even political factors or could be formed under the influence of any business factor.

In addition to this, Apple Inc. is a global brand; it sells its products not only in a single country but all over the world. Hence, these compensation strategies must be carefully designed so that they are balanced between the expectation and needs of various countries. Moreover, these plans and strategies should be in line with the local laws and regulations regarding labor practices instead of the global ones, which can become a challenge for the consumer electronic producer sometimes.

**How Apple Inc. Applies Compensation Practice to Determine the Positive or Negative Impact to The Company and Its Stakeholders**

One of the key indicators of an effective compensation plan in an organization is its compensation impact, as it tells how fair and equal the compensation plans are in this certain organization. The satisfaction from these compensation plans is also reflected through employees’ performance, attitude and behavior. These plans also have a huge impact on the overall image and performance of any company. Apple Inc. clearly bears all these points in mind, which is why it takes its compensation plans very seriously. As already established that Apple Inc. has a specially dedicated committee that looks after the compensation plans, strategies, and decisions.

The role of this compensation committee is to review the compensation plans regularly and revise them if needed. This compensation committee uses extremely competitive strategies to check the effects of its compensation decisions and plans on its various staff members, ranking from top executive seats to its permanent and part-time employees and finally to its stakeholders.

**How Laws Affect the Compensation Practices of Apple Inc.**

No policy or strategy, especially related to the employees and workforce, at any organization, is ever made that is in contrast to the local labor laws and regulations. Same is the case in the instance of Apple Inc. It completely adheres to the local laws and regulations regarding labor as well as the global ones. This means that both these types of laws and regulations can either deteriorate or improve the kind of compensation strategy that Apple Inc. may choose to imply.

So, any compensation plan or strategy that is devised by Apple Inc. or even if some already devised policy is applied, should conform to these laws. Some important factors, regarding the labor laws, that need to be kept in mind while designing such policies are minimum wage, per hour wage, working hours, mandatory leaves per annum, medical bonuses and many other such benefits to both permanent and temporary employees. These laws also clearly define how an employee should be compensated if he or she gives overtime to the company. One of the most prominent examples of this can be seen in the form of the National Labor Relations Act, which seems to protect the workforce, especially the private employees from exploitation and unfair practices of their employers.

**How Labor Unions Affect the Compensation Practices of Apple Inc.**

Labor unions are also another major factor that plays an important role in the designing and development of compensation strategies in any organization. They have a substantial impact on almost all the strategies and policies that a company designs and implements over its employees. It helps in the improvement of the compensation as well as the work lives of unionized and non-unionized workers. Labor unions hold the power to bring an increase in the salaries, daily wages and overall compensation of the workers, directly. Hence, they play a vital role in increasing the bargaining power of the employees. An example of this can be seen in the case of Martin, who is a member of a labor union and a part-time employee at Apple Inc. According to him, he has felt much better negotiation power since he has joined the union and his basic wage rate has also increased. He says that if labor unions work properly, every employee, whether part-time or full time will get a fair compensation plan.

**How Market Factors Affect the Compensation Practices of Apple Inc.**

Market factors also have a great share in the compensation policies and strategies of any company. It also stands to be true in the case of Apple Inc. In the current age of heavily increasing competition in the area of information technology means that any company operating in such a market will have to increase its financial budget in order to compensate for the demands of the already working and the potential workers. This results in the overall increase in the compensation and benefits at Apple Inc. which proves to be beneficial for the employees.

**Effectiveness of Traditional Bases for Pay at Apple Inc.**

The major aim of any compensation policy is to attract, motivate and retain talented and skilled staff. If a company makes the right choices in terms of compensation and benefits strategy, it means that it has found the ultimate secret to its financial success. However, here at Apple Inc., there are some differences in the traditional base pay system, person-focused compensation plans, and incentive-based compensation strategies.

Apple Inc. tends to follow a traditional base pay system, that is based upon seniority and merit. It is highly effective as it can be used to establish a centralized control on the issues of compensation approaches and processes. One of the biggest advantages of a traditional base pay system is that it ensures consistency and is considered to be a very fair and honest approach. But this approach can also bring unintended and counterproductive results with itself. In the real world, the merit-based pay system can make it necessary to carry on the staff training practices which may involve high and unavoidable costs. This refutes both the incentive-based compensation approaches and person-focused compensation plans.

**Conclusion**

In a nutshell, it can be seen that no matter what the industry, compensation strategies, plans, and management strategies play a very important role in the development and sustainability of the organization. The employee’s performance, attitude, and behavior heavily depend upon how the they are being compensated; hence, the effectiveness and reliability of any compensation plan is clearly depicted through the performance and behavior of its employees. This stands to be greatly true in the case of Apple Inc. where a three-member committee is responsible for the designing, development, and implementation of compensation plans and strategies. Apple Inc. is famous for its employee-friendly policies and strategies and providing value for hard work. These compensation strategies are strictly designed keeping in mind the labor laws, rules and regulations prevailing in the specific region. Market factors also play a very important role while defining these compensation policies and plans. Although Apple Inc. follows a traditional base pay system, it can bound the company to the necessary training and can cause extra expenses.

**References**

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