



## Manager’s Guide to Effectively Communicate Merit and Individual Performance Multiplier (IPM) Decisions

*This guide includes the purpose of merit and IPM-based conversations, explains the conversation’s focus, and recommended dos and don’ts. It is not intended to be a step-by-step guide.*

### Why are these conversations important?

- Reinforces organizational commitment to rewarding associate’s performance.
- Demonstrates how the organization values performance through pay.
- Increases associate engagement.

### What should the conversation focus on?

Focus on the associates’ contributions to the goals of the organization as well as the impact those contributions made over the past year. Focusing on an associate’s personal contributions will help them link their behaviors and performance to what the company is paying them to achieve. It is important to understand each associate’s contributions are unique.

How we all contribute is based upon factors such as:

- Business need
- Role on the team
- Strengths
- Career interests

### How to have a successful conversation:

Do...	Don’t...
Take time to understand the merit and IPM decision so you can explain it.	Wait to ask questions about the merit and IPM decision or process.
Communicate the decision and any relevant context to the associate.	Avoid having a conversation with your associates about their merit and/or IPM decision.
Engage in a two-way dialogue by: Asking if the associate has questions Listening and seeking to understand their concerns	Control the conversation and avoid questions.
Feel comfortable pausing the conversation if you require clarification from HRBP/Compensation.	Answer questions you are not well-positioned to address.
Acknowledge the associate’s concerns to show that you heard them.	Express disagreement with the pay decisions.



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Talk about what the associate can do in the future and how you can help

Guarantee that pay will change if an associate does certain things.

### Components of an effective conversation:

	What You Say	Why You Say This	Example
1. <b>Summarize</b> Overall Contribution	Lead with a summary of the associates' impact on the business...	...to provide a sense of the holistic value the associate delivered	<i>You had a solid year by contributing positively to the team. You added strong project management skills.</i>
2. <b>Cover</b> Performance Against Goals/Tasks	Provide a brief description of the associates' performance against Goals/Tasks	...to objectively capture what the associate accomplished	<i>You met four out of your five objectives, of which one was a stretch goal.</i>
3. <b>Mention</b> Notable Accomplishments	Describe anything notable about the associates' accomplishments...	...to explain how and why the associate's contributions created impact	<i>You used the objectives you did not meet as a learning opportunity and you worked hard to meet your sales goal.</i>
4. <b>Summarize</b> the Compensation Decisions	Explain how all these factors led to the compensation decisions...	...to emphasize the role of individual performance on merit and IPM relative to other factors	<i>Considering the overall impact, you were able to create for our team and the organization, your merit increase is x.x% and your IPM is x.x%, which is in line with your contribution.</i>



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### Reminder of How the AIP Calculation Works:

Based on company financial goals and individual performance:

- Revenue
- Earnings
- Individual Performance Multiplier (IPM) – only for associates with a target > 1%

