Compensation at Apple Inc.

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**A brief description of the selected company**

The selected company for this analysis is Apple Inc. because it is among the most valuable publicly traded companies across the globe. Most of the people across different parts of the world hold Apple Inc. dear because of its strong brand. The founders of the company were Steve Jobs, Steve Wozniak, and Ronald Wayne to sell Apple 1 PC, which was hand-built by Wozniak (Froud, 2012). Today, this American multinational corporation majors in the design and manufacturing of technological products and electronics like computer software, computer hardware, and PCs. Some of the most popular hardware products by Apple include the iPhone, iPod, Macintosh computers, and iPad. Apple’s brand is highly admired because of its high satisfaction to the customers, making it highly competitive over other strong related brands in the market.

**The compensation strategy at Apple Inc.**

Technology-Related companies live in a world where innovations and new developments are inevitable. The greatest challenge faced by these companies is to lead in innovating new products before their competitors so that they do not lose their market share. The ability to continuously innovate and develop the highest quality and most competitive products that feature the expectations of the customers requires exceptionally motivated employees. The management should keep the working environment smooth and efficient, incorporating every element that will motivate the staff (Milkovich, Newman & Gerhart, 2014). One of the challenges that face Apple Inc. is to create strategies that will balance the freedom and creativity of the staff because they are aware that these strategies will promote efficiency and control costs. The management sought to safeguard the company against malpractices through the issuance of strict regulations that every staff must observe. For instance, the specification for the duties and tasks for the junior staff ensures that employees work within the set strategy that will promote the achievement of the company objectives. In addition to the strategies, Apple has some of the best compensation strategies that work in favor of the staff, the executives, and the shareholders by tying the interests of these stakeholders together.

Most staffs expressed their concerns over the compensation plans adopted by the company before the year 2014. The failure to have good compensation plans in the company used to kill the morale of the staff. In addition to the strict rules that minimize the freedom of the staff, Apple Inc. compensates the employees as a whole fraternity. The company is not interested in evaluating how an individual performs on short term-basis, the performance of specific departments, or the line of specialization. Performance-based compensation is one of the most effective measures of promoting employees morale because it creates the sense that no effort will go unrewarded. However, generalizing the compensation may make create a sense of unfairness among the staff whose efforts are openly different but receive the same compensation.

The emphasis of Apple Inc. is the annual performance-based cash bonuses and long-term equity awards. Doing so ensures that the total compensation for each executive is a portion with direct relation to the stock price of the company driven by the performance.

**The best that Apple Inc. is applying**

The long-term equity awards at Apple Company have been playing a significant role in the company. For instance, the Restricted Stock Unit, RSU, is given preference because of the company’s belief in the effectiveness of the long-term equity awards in attracting and retaining the talented executive teams. Besides, it is an excellent method of aligning the interests of the executives with those of the shareholders by tying a vital portion of their compensation to creating value for the shareholders (Apple Inc., 2015). As such, the company has weighted the executive compensation programs in recent years following the need to consider long-term equity awards in the pace of the cash compensations.

Apple Inc. believes in the RSU, claiming that the program is beneficial to the company because it promotes retention (Walker, 2014). Besides, the strategy is efficient in creating more incentives that promote performance. The RSU facilities are aligning the interests of the stakeholders because the value of the RSU will increase or decrease based on the stockpile of the company. The strategy is very beneficial in creating a strong relationship between the interests of the shareholders and the executive officers.

Apple engages in reviewing and redesigning of the compensation programs for the executives in every two financial years with its independent consultant focusing on the peer data for the company and the market practices. Starting from the year 2014, the Compensation Committee transitioned from biennial to annual equity grants (Apple Inc., 2015). The awards granted in 2014 were given 60 percent time-based while the performance-based awards acquired 40 percent. The annual time and performance-based compensation strategies have been utilized at the company to date.

Cash compensations have also been a good practice. The base practices offered by Apple Inc. have been attracting the best employees and staff, retaining them for a long time in the organizations. The issuance of cash bonuses on performance basis aims at awarding the employees who contribute towards the annual performance goals of the organization. Employees are given compensations for promoting the achievement of the annual goals of the company. In 2014, the goals and annual bonuses for the executive officers increased to 200 and 400 percent respectively on the base salaries of each of the officer (Milkovich, Newman & Gerhart, 2014). Apple has no long-term bonuses although it emphasizes on the long term on the long-term equity awards. The equity awards are used in the issuance of all the long-term awards. The annual bonuses for the officers selected for the performance-based criteria from the net sales and operating income is a crucial motivator to most of the executives at the organization. These are all the best practices that keep the executives and the staff moving and in their workplace.

**Compensation-related challenges are facing Apple Inc.**

One of the most significant compensation related challenges that Apple Inc. faces is a very large discrepancy in salaries between the executives and the junior staff. For instance, the CEO takes a salary of $4.6 Million a month excessively high compared to what an average staff takes home (Walker, 2014). The vast efforts that junior staff put in their work do not reflect in the compensations they get. The junior staffs do the hands-on activities that keep the company running. The company leaps enormous profits at the expense of the small salaries given to the employees. Apple discourages its employees from viewing the company as a profit-oriented organization to ensure it surpasses its objectives. One of the strategies adopted is the employment of younger employees who do not have a lot of financial needs insurance coverage. This way, Apple has been experiencing significant challenges concerning the shift in its compensation strategies such as the need to increase the number of working hours while avoiding the pay for the workers on the commission-based criteria.

**Analysis of how Apple Inc. applies compensation practice in determining the positive or negative impact on the company and its stakeholders.**

The exempt and non-exempt jobs are used to determine the compensation practice at Apple Inc. The company applies this strategy in paying huge bonuses and salaries to the employees with outstandingly high knowledge and skills because they are commensurate of the value such persons add to the company. Such a position that receives such compensations is that of the CEO (Walker, 2014). Secondly, the company holds the legislations Acts on the stakeholders to have a negative implication. The company admits occasioning loses whenever it sticks to the Salary and Compensation Acts. Adherence to the laws implies that the company is prohibited from offering low pays to the staff. The kind of behaviors and attitudes are also determinants of the employees’ compensation benefits.

The staff with the most significant moral and positive attitudes benefits the most. Such staffs benefit the company greatly because of their excellence in doing their work. Consequently, they raise the profile of the company and makes customers praise the brand hugely across the globe. The attributes of the internal consistency are used as criteria of awarding compensation packages to the staff because it is the reason they produce quality products and attain the targeted outputs. The average compensation in the markets can sometimes be used as a criterion to avoid losing the staff to the competitors. The criterion helps Apple to evaluate and ensure that it is offering compensation benefits commensurate to what other industries are offering.

**Examining how the laws, labor unions, and market factors influence Apple’s compensation practices. Provide specific examples to support your response.**

Labor laws have contributed to improved working conditions at Apple Inc. For instance, Apple Inc. operates under the restriction of hiring minors under the Fair Labor Standards Act of 1938. Additionally, the law is specific to the minimum wages of the employees and the need to pay for overtime. Specifically, the company is required to pay 50 percent of their monthly pay for every hour worked overtime by an employee. Such a law is beneficial for the staff but prohibits the company from making extra profits at the expense of the employees.

Similarly, the tastes and preferences of the customers and profitability indices are among the market factors that affect the company’s compensation decisions. The company is compelled to offer compensations that are attributed to the employees’ performance because it has to maintain its public image in the market (Milkovich, Newman & Gerhart, 2014). Besides, there is the perception that the ultimate attitudes and behaviors of the staff are critical elements in building the profile for the company. These are the reasons Apple maintains compensation plans that are proportional to the profitability index because the job seekers will always use the allowances from the company for compensation. The labor unions have not had any significant effects on the staff at Apple Inc.

**Evaluating the effectiveness of traditional bases for pay at Apple Inc.**

Traditionally, the payment bases at Apple Inc. have always been Apple Pay. Apple Pay has features that are supported in all the company products like the Apple Watch and iPhone 6. Besides, this mode of payment is compatible with the applications for the company. The pay issuance to the employees utilizes a tap and pay procedure with the staff have installed the appropriate software in their mobile device. Apple Pay is fast and convenient to use for both the company and the staff. It facilitates the monitoring of every transaction with the employees. Employees can also maintain all records on their payments although they will incur a small fee when they use the service (Walker, 2014). Near Field, Communications enables Apple Pay to complete these transactions. The authentication of the Apple Pay relies on the Touch ID on the device.

**Source Listed**

Apple Inc. (2015). Form def 14A / proxy statement (definite). *SEC Filings*.

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