

INTRODUCING A TRANSPARENT SALARY SYSTEM INSIDE THE COMPANY

Neticle Technologies

Greater transparency and openness in business are trending topics nowadays, however there is a long-standing taboo around sharing salary information. Neticle Technologies, the Hungarian tech startup is deeply committed to transparency in all business areas, and pay transparency is a part of their commitment.

In April of 2015 the system of transparent salaries inside the company was introduced by the management. It basically means that the employees of the company know the wages and salary plans of each other. Neticle Technologies is the one and only company in Hungary that took a step like this in the direction of transparency, but they hope that with this they can set an example for others and support the culture of trust and openness in the Hungarian business community.

NETICLE TECHNOLOGIES

About the company

Neticle Technologies is a Hungarian online media monitoring and business intelligence services company that supports corporate decisions by automatically analyzing online content or any given text. The sentiment analysis technology was created by Neticle, and it is working with outstanding human-level precision. The company offers new solutions to turn raw text into business intelligence, source and comprehensively understand PESTEL marketplace.

Since its entrance to the market in 2013, Neticle has not only become the local market leader with more than 60 corporate clients, showing 90% recurring revenue and stable 10% client churn rate, but also has proven its outstanding Natural Language Processing (NPL) technology capabilities in other unique languages such as Bulgarian, Russian and other CEE languages.

About the corporate culture - The roots of transparency

In order to understand why pay transparency fits into Neticle's corporate culture in this chapter we would like to provide an overview about the current company culture.

Transparency in everyday business life

Neticle Technologies was founded in 2013 by four young entrepreneurs – Péter Szekeres (CEO and co-founder), Robert Horváth (CTO and co-founder), Zoltán Csikós (CIO and co-founder) and János Pásztor (quit the company later) – who were enthusiastic about transparency and openness both inward and outward from the very first moment. In the beginning they obviously share all the information with among themselves and applying the first employees there was just no question to share all the information with them as well. Currently the Neticle team consists of nineteen people who are all aware of all the relevant business information like revenues, plans, roadmaps – and wages.

Flat organizational structure

Building an adaptive, innovation-friendly organization, establishing an inspiring culture and empowering employees – these were fundamental goals of the management. The flat organization system of Neticle can support that, since it can empower employees to take charge and feel responsible for the company's success. Furthermore, flat organizational system makes the communication and decision making easier and faster, thus supports trust among all the team members.

Flexibility

Being flexible is also one of the core values of Neticle. That means employees can work in flexible working hours, home office or part time. The management believes that flexibility can support the engagement of employees since it increase personal control over schedule and individual responsibilities creates the feeling that everyone's work is needed and valuable.

Enthusiasm

“All the team members should know their roles and feel the importance their roles. We strongly believe that we can be successful only if we work and cooperate as a team that have common goals and where everybody is equally important.”- that is how Peter Szekeres thinks about the team. When Neticle is hiring new employees compatibility to the team is one of the most important criteria. Neticle is looking for people who are fit into the corporate culture, who can work independently, who are ready to learn and who want to be a part of the story. Neticle's team has been described as having an obsession-level commitment, strong team work and creative thinking – that means the team is considered to be one of the most important values of Neticle and the management strongly believe that employees are more committed if they are deeply involved in business decisions and they own all the relevant information.

About the project

Participating in the We're Open initiative

Neticle is a participant of the We're Open (Nytottak vagyunk) initiative, whose main aim is supporting companies, organizations and communities in order to express their commitment to openness and inspire others to act in the same way.

As an opened company, Neticle's fundamental corporate value is that its employees and partners are judged solely on the basis of their actions and their work performance, regardless of their gender, age, sexual orientation, national or ethnic background, political orientations, physical abilities, or other characteristics.

Since according to Neticle being opened is an essential value, the company decided to join to this initiative, support it in achieving its goals with all the possible tools such as introducing a fully transparent payment system.

The inspiration behind Salary Transparency

Evidence suggests that transparent pay conditions tend to reduce gender wage gap and other forms of pay and compensation discrimination. Since one of Neticle's most important values is ensuring equal rights and opportunities to all the employees, in the framework of the We're Open initiative the management decided to introduce an absolutely transparent salary system inside the company. Along the management's deep commitment toward transparency, the most important message of this step was to show Neticle ensures same opportunities to all the employees, evaluate them only based on their talent and diligence, and does not discriminate people because of their gender, age, nationality or sexual orientation.

Another reasons to introduce salary transparency

Another reason to introduce salary transparency was the management's deep commitment toward transparency. At Neticle we believe that being opened and transparent breeds and strengthen trust among the people involved as well as enhance their commitment and enthusiasm toward the company. Furthermore Neticle want to build a team of dedicated and trustworthy people working together for the common aims, and whose motivations are rooted in those clear common goals and in trusting on each other. With the words of Peter Szekeres: "By transparent salaries we want to emphasize that giving fair wages is important for us, but this should not be our main motivation at Neticle. We do not want someone just wanting to work here because of high wages, but for approaching personal and common challenges or developing new skills, thus we want to attract

people due to our corporate culture as well. We are these kinds of people and we want to work with others who have similar ideals. In addition to this, the payment also suggests that there is no gap between the management and other positions, because each function is an important part of the whole.”

Introduction process

Discussing the decision

In Hungary Neticle is the only company with an absolutely transparent salary system, which can be considered as a brave and unique step, since it can raise risk factors for HR and management perspectives. Since there was no best practice to follow, it was important to pay attention to all the possible risk factors. In the interest of avoiding unpleasant consequences, the management discussed the idea with all the current employees and asked for their concern. The management was enthusiastic about to discuss this question honestly with the members in order to make them understand the ups and downs of it and make them truly believe in it.

Creating the appropriate formula

Neticle also paid attention to create the most appropriate formula for determining the salaries – which was known inside the company as well. Creating the formula was a crucial point of the process since transparency without a clear salary policy can be troublesome. The difficulty with salary transparency comes from having different kind of positions with different average salaries. In this case, it’s harder for employees to understand the nuances of each role’s requirements and the experience and qualifications of their colleagues that have led to final salary decisions. Therefore it is more important for the management to be opened toward the employees about how they reached compensation decisions than being transparent about the actual ‘numbers’.

In this way creating the appropriate formula was probably the hardest part of the process which was the result of a long ‘experiment’ in which the first version was several times modified after its introduction, based on the feedbacks of the employees. The openness and trust of the management and the honest communication inside the team were especially important in order to create an appropriate system. About this process Péter Szekeres said the following: “Several times I was indicated by someone from the team that it would better if we change at certain points. The really great about this was that in most of the cases it was not about his own pay slip, but they suggested extra incentives for the others. Based on these feedbacks the system of payments has been fine-tuned many times.”

Appropriate circumstances

Timing was also a relevant factor. When the idea came, the management decided to take the step as soon as possible, since it is easier in a small company with a very flat organization system, where there are no significant differences in the wages. As Róbert Horvath says: “Transparency is a goal for every firm to reach, but not an easy one. I cannot imagine how hard could it be to make payments public for a corporation with thousands of employees. So it is better to do this, while it can be done while there are no big differences in the salary and the organization is flat. I am not saying it is easy at any point, but the sooner the better.” In this time Neticle was a very young company with only nine members and all the employees were in the same organizational/seniority level with more or less same salary. Another factor to mention is the young ages of the employees. The fact that all the employees were under thirty made the introduction of the pay transparency significantly easier since for older generations pay secrecy is conventional and rather accepted.

The mode of introduction

Although transparency is a core issue, the management still did not want to treat it as one of the most important topic of the team, thus there was no ‘big event’ concerning its introduction. The formula of the transparent salary system is a simple document on the companies intranet where employees can access the information.

Reaction

The transparent payment system was highly welcomed both inside and outside of the company. Based on the common values, team members were enthusiastic about this initiative, and since it was never a taboo to talk about wages among themselves it did not cause any tension to see the explicit wages. The step provoked a strong media coverage as well, all the feedbacks were clearly positive, and pay transparency at Neticle was introduced in the press as a best practice to reduce gender wage gap and other forms of pay discrimination.

Benefits

First and last this innovation proved to be a successful project. Neticle experienced that salary transparency has built a corporate culture where people can openly talk about their desires and problems, can trust in each other and in the management, and enhanced employees’ enthusiasm about their work and toward common goals of the company. The introduction of transparent salary system had also a positive effect on the reputation of the company among clients, partners, potential investors, and also made Neticle more attractive in respect of employer branding perspectives.

HR perspectives – with regards to hiring process

Pay transparency also had an effect on the hiring process. Since wages are fixed and raised following a pre-defined formula, there is no bargaining about the salary, since based on the values of Neticle it would not be fair to apply different rules for newcomers. Furthermore, the transparent salary system – and all the other values what Neticle communicate – made Neticle very attractive among potential applicants, while it also supports to find new team members who are align with Neticle’s core values. As a result Neticle’s retention rate is high. With Péter Szekeres’s words: “ Applicants tend to self-select initially, based on the company’s explicit values. We also try to be very focused that new people are aligned with our culture, people who already have those values and want to focus on self-improvement and productivity.”

PR perspectives

Since the transparent salary system in Hungary is a unique and brave initiative its introduction had a positive effect on the company’s image – among existing and potential clients, business partners and potential investors as well. In general we can say that this step boosted the awareness and popularity of the company, and helped it to build and retain a trustworthy, likeable and fair company image. Beyond that, social responsibility is considered to be a core issue in today’s corporate culture as well as outside image, thus companies try creating campaigns which can somehow align with it. Neticle is proud to show an example for corporate responsibility.

And the most important – effects on everyday life and teamwork

HR perspectives – with regards to everyday life

Neticle experienced that pay transparency fosters greater trust and productivity among employees. “The practice helps employees get a sense of how their positions fit within the workplace, leading to greater satisfaction and an impressive retention rate. When transparency works, it makes people feel they are being paid fairly, which, in turn, drives employee engagement.”- says Zoltán Csikós. Furthermore, the introduction of the transparent salary system made the team to be proud of the company that enhanced further engagement.

Words of team members

Salary transparency is about the team, thus team member’s own thoughts on transparency say more than numbers or analytics. Therefore, as a proof to our concept we collected some of their opinions about it:

“For me transparent salary system is likeable because it avoids conflicts between co-workers and gives opportunity to discuss questions in connection with salaries more open-minded than in other workplaces I experienced.” Barbara Sárdi (analyst)

“I have experiences of 'normal' / 'ordinary' workplaces with salary secrecy - this meant in practice that wage was an all-the-time gossip topic followed by hard feelings among colleagues. 'Going' transparent means not only eliminating these stress factors but as I see it helped in forming a more caring working environment where colleagues stand up for each other's interests.” Kata Sótér-Schneider (Senior Analyst)

“For me salary transparency means that our company use an objective salary construction based on position and level (junior/senior) and our employers have nothing to hide, they are not up to any funny business. I find this very comfortable.” Luca Gaál (Web Developer)

“Transparent wage system helps us understand (employees) the value of competencies inside the organization and gives a feedback about the labor market among other things. It eases the burden of a hard, stressful and unfair salary negotiation which is time-consuming for both parties. Nevertheless it is hard to deny that seeing the salary of your friends/colleagues could be a source of tension, but at least you always know on whom you can call next round at happy hours after work.” Dávid Schmidt (Business Development)

“At a workplace so many little conflict can appear and embitter the moral and workdays. One of the biggest is when you don't feel the equality with your colleges - maybe because you are the youngest or you are a woman. Unequal payments is a problem that nobody talks, but everybody thinks about. It's a huge convenience for me that at Neticle I don't have to worry about it.” Bernadett Kiss (Junior Analyst)

“In my opinion the biggest advantage of public salary is that someone's wage is not depends on how the person can negotiate. There are some cases when negotiating ability should be a factor in the salary, but let's take a developer. Should an IT guy get less money, because the other developer is a bit more definite and has some sales capability? The answer is definitely no. Wages should always be established on experience, routine and skills needed for the particular job, not some skills that has nothing to do with the role.” Róbert Horváth (CTO&Co-Fonder)

“Transparent wage means less gossiping, hidden jealousy or fake information as well as predictability and clear career plans. And those are the main elements of a co-operative and well-functioning organizational culture. It feels refreshing to work with these circumstances and being opened about 'money issues' which we all know are part of taboos even among friends and family.” Anna Vancsó (Senior Analyst)

“Let me describe my dream workplace: a company where I feel that my role is important, where I know that my opinion count, where I can work with friends instead of colleges, where we pursue common goals where we can trust each other and talk about everything honestly. It can not work without transparency, and pay transparency was the last piece of the transparency-puzzle. Not the numbers are the ones that count, but the principle.” Anna Südi (Marketing Manager)

Summary

The importance of creating a fair and consistent work environment should not be underestimated in terms of attracting and retaining the best people within your business, but also in terms of its impact on employees’ wellbeing and health. Transparency can go a long way toward increasing employee engagement and fostering trust between businesses and their employees. Neticle is absolutely proud of introducing the transparent salary system and can recommend it to others. This is how Péter Szekeres summarize his experiences about the project: “We definitely recommend it, we have absolutely positive experiences with its introduction, it is an amazing feeling that this has become a natural part of our culture. But pay transparency is not for every company. Appropriate circumstances as well as the commitment of the management and the team are necessary in order to be successful. Transparent salary system is only for companies with transparent and honest corporate culture.”