

PAY MATTERS

Critical issues in compensation program design and communication

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Introductions



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Does your company...

- ...have employees who say they deserve more pay?**
- ...have managers who make inconsistent compensation decisions?**
- ...have difficulty making annual compensation decisions?**
- ...have employees who don't understand how their compensation is derived?**
- ...have employees who lack appreciation for the comp system you've worked hard to create and implement?**

Goals of this session

Learn

- **how to avoid and/or effectively deal with compensation problems.**

Discuss

- **tools and approaches for dealing with challenging compensation-related communications.**

Review

- **a case study by Access Group that deals with developing and communicating a new compensation program.**

General trends

- **Demand for more streamlined ways to maintain and administer pay systems**
- **Need for straightforward compensation plans that maintain flexible pay structures and determination processes**
- **Ongoing interest in and use of performance-based and total rewards approaches to pay**
- **Non-HR people managers managing pay**
- **HR professionals doing their day job with fewer resources while project managing the next acquisition or downsizing**

Successful program design

- **Integrated approach to compensation that pulls together everything from pay structure to delivery**
- **Depends more on effective implementation than particular design approaches**
 - **Communication/involvement**
 - **Speed**
 - **Integration with other HR processes and overall operations**
- **Aligned with organizational strategies and objectives**

High-performing organizations

- **Segment and differentiate**
- **Target higher market pay levels**
 - Especially for jobs that involve “mission-critical skills”
- **Communicate about pay more frequently and effectively**
- **Establish total reward philosophies to ensure a coordinated approach**
 - Using the “toolkit” of tangibles and intangibles
 - Formal incentives
 - Recognition/rewards
 - Culture/pride

Strategically aligning compensation

Step 1: Blueprint

- Current state of programs, processes & people
- Future “desired” state
- Gaps
- Objectives
- Measures of success
- Compensation/reward blueprint

Step 2: Design

- Program design
- Compensation/reward program “business rules”
- Financial projections
- Administration systems support
- Education and training strategy

Step 3: Implement

- Announcement messages
- HR, pay manager, key communicator training
- Manager and employee self-service systems
- Employee education campaign
- Measurement and course correction plans

Common issues

Issue	Details
Internal Inequities	<ul style="list-style-type: none"> ▪ Inconsistent pay across similar jobs ▪ Insufficient reward for outperforming peers ▪ Title/job placement problems
Market Disconnects	<ul style="list-style-type: none"> ▪ Pay not in line with competitors ▪ Individual perceptions that they are underpaid in the market
Inconsistent Pay Practices	<ul style="list-style-type: none"> ▪ Lack of clearly stated, communicated and/or applied policies

Impact of these issues

- **Too much attention spent on compensation issues distracts employees from work**
- **Employees lose trust in the organization**
- **Drop in morale/productivity**

Compensation issues are not always about pay.

Dealing with the issues

**Internal
Inequities**

Issue

- Ineffective structure and/or delivery
- Ineffective or no compensation structure (including salary ranges, job grades, etc.) in place
- Inaccurate or no job descriptions created
- Poorly managed pay-for-performance programs

Dealing with the issues

**Internal
Inequities**

Solution

- **Create accurate job descriptions**
- **Ensure jobs are appropriately grouped and leveled**
- **Determine appropriate salary ranges**
- **Ensure well-designed and communicated compensation program**

Dealing with the issues

**Market
Disconnects**

Issue

- **Infrequent salary benchmarking**
- **Inaccurate labor market comparators**
- **Ignoring market between survey cycles**
- **Company market philosophy not well-communicated**

Dealing with the issues

Market
Disconnects

Solution

- Benchmark salaries against appropriate and consistent comparators using accurate job descriptions
- Take appropriate action where salaries are significantly below or above market
- Allow for alternative positioning within the range to reflect market pressures
- Articulate and communicate philosophy

Dealing with the issues

Inconsistent Pay Practices

Issue

- **Ineffective or no compensation policies**
- **Managers given too much flexibility to make exceptions**
- **Managers not trained in how to make critical compensation decisions**

Dealing with the issues

Inconsistent Pay Practices

Solution

- **Develop a compensation philosophy aligned with talent management goals**
- **Develop and communicate compensation policies**
- **Train managers**

A light blue, pixelated world map is centered in the background of the slide.

ACCESS GROUP

Case Study

Who is Access Group?

- **Approximately 350 employees**
- **Compete nationally and locally for talent**
- **Multiple business units**
- **Almost equal distribution of exempt and non-exempt staff that work side-by-side**
- **A non-profit, financial services organization in Wilmington, DE**

Why the change in systems?

- **In 2006 Access nearly doubled in size**
- **Needed to bring legitimacy to what we were already doing**
- **Held to federal standards and regulations in terms of executive pay**
- **Evolving culture – from a paternalistic to a more efficient, profit-minded, goal-oriented organization**

Goals of the program

- **Provide a comprehensive compensation program to attract and retain well-qualified employees**
- **Reward for contributed value and results through a pay-for-performance system**
- **Line up base salaries, bonuses and total cash levels to a mid-market (median) position**
- **Completely align the Total Compensation Program with the Performance Management System**

Keys to success

**Communicate, communicate,
communicate!**

- **Company-wide Town Hall Meetings**
- **Meetings with all levels of staff throughout process**
- **All HR staff well-versed in aspects of the program**
- **“Bagels and Bench Strength”**

Keys to success

- Full transparency of new program and data
- Top level buy-in
- Line management buy-in and participation
- Doing our homework

Key considerations

- **Benchmark the right positions**
- **Internal and external equity in the market**
- **Create an easy-to-follow structure**
- **Clearly and specifically tie to performance review process**

Psychological considerations

- **Pay and benefits are personal**
- **People want to know what their pay opportunities are – many will NEVER ask**
- **Web searches are the devil**
- **Pay may not be the issue**

Final thoughts

- **Be transparent**
- **Be direct, firm and honest**
- **Be mindful of internal equity more so than external**
- **Never stop communicating the program**
- **Stay current by updating and refreshing data**



WHAT TO SAY ABOUT PAY

Say something!

Say something that resonates

...market comparators...

...midpoints...blah blah blah...

...blah blah blah...salary grades...

...non-exempt...blah blah blah...

...blah blah blah...equity increase...

...total rewards...blah blah blah...

...blah blah blah...

...I contribute so much
to this organization...

...they don't
appreciate the work
I do...

Say something that resonates

To effectively communicate with your audience,
think about how the information can help you

build a relationship

with your audience.

Say something empowering

Why is my pay less than the other person who holds my same title? Is there a way for me to increase through certifications or additional training?

How realistic is my hope that I'll get promoted in the next two years?

What can I do to move ahead? Are there certain actions I need to take? Certain behaviors I should work to develop?

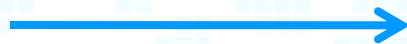
Say something that completes the story

“...last fall we dusted off our compensation philosophy, and then spent a few minutes thinking about where we wanted to position ourselves in the marketplace...

So, first we looked at market comparators, and then reviewed how our jobs stack up internally, and everything looked great!”

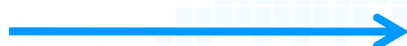
Say something that completes the story

Not enough detail



No credibility

Too many details



Confusion, frustration

Take time to carefully organize information.

A large amount of information can be quickly comprehended if it's well-organized.

Say something that completes the story

What do I know about this?

What do I want my audience to learn/do/feel?

Who is my audience and what's on their mind?

Say something that separates pay and emotion

We consider these companies our competition for these reasons...

We pay at the 65th percentile because... and we offer numerous training and development programs and...

With new positions, we first consider how the market pays, then look internally at...

**...me me me!
I'm not appreciated!
It's not enough!**

Oh, now I see why...I don't like it, but at least now I understand the reasoning behind it.

Our contact info

If you have questions...



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