

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

# ***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**



# ***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?**

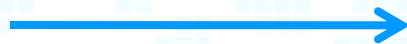
# ***Say something that completes the story***

***“...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!”***

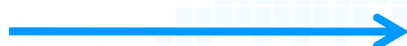
# ***Say something that completes the story***

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 65<sup>th</sup> 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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