

The Purpose of Structured Compensation



Cliff Stevenson
Principal Analyst
Brandon Hall Group



Paul Marston
Senior Solutions Consultant
HR Performance Solutions

Thank you to our sponsor



HCM Research and Advisory Firm

FOUNDED IN 1993

Community of 300,000+

10,000 Global Clients

Leading Independent HCM
Research & Analyst Firm

Publishing 2+ Pieces of
Research Each Day



Sample of Our Clients



How We Help You



MEMBERSHIP



**STRATEGIC
CONSULTING**



**EXCELLENCE
AWARDS**



**PROFESSIONAL
DEVELOPMENT**

Open Surveys

- Learning & Development Benchmarking
- Workforce Management Technology
- HCM Outlook
- Talent Risks

Visit www.brandonhall.com click **Open Surveys**

If you would like to join a panel of survey takers,
please contact us at success@brandonhall.com



How To Ask Questions



- Submit your **questions** or **comments** about the discussion to our presenters using the **Questions** tab on your control panel.

Recording and slides will be sent out after the webinar.

Agenda



Introductions



Research overview



Four Pillars: Rewards



Four Pillars: Feedback



Four Pillars: Recognition



Four Pillars: Sense of Purpose



Take-aways

Brandon Hall Group Performance Management 2018 Study

The study, conducted May-July 2018, drew 363 valid responses from 47 industries. Two-thirds of responses came from the U.S. and Canada and 22% from EMEA nations.



What is the purpose of your appraisal?

Identify top performers for merit increase?
Formalize the collection of feedback?
Facilitate Employee Development?
DRIVE INCREASED PERFORMANCE?

The background of the slide features four tall, golden, fluted classical columns that appear to support a ceiling or roof. The columns are set against a bright blue sky with scattered white clouds. The lighting is warm, suggesting a sunny day. The overall composition is symmetrical and conveys a sense of strength and stability.

Four Pillars of a Motivated Workforce

- **Merit-Based Rewards**
- **Feedback**
- **Recognition**
- **Sense of Purpose**

COMPENSATION

A person in a dark suit and striped tie is shown from the chest up, pointing their right index finger upwards. A bright blue light emanates from the tip of the finger, creating a horizontal lens flare effect across the middle of the image. The background is dark and out of focus.

Merit-Based Rewards

Far Away...



Traditional Merit Increases:

Partially paid out beginning up to 12 months after the qualifying performance has occurred.

Fully paid out over the span of an entire year (or more) from when merit-worthy performance has occurred.

Happen every year so it is more of an **EXPECTATION** than a **MOTIVATION**.

May cause an adverse effect on the employees who do not receive the highest increase.

Are merit-based salary increases even effective for retaining employees?

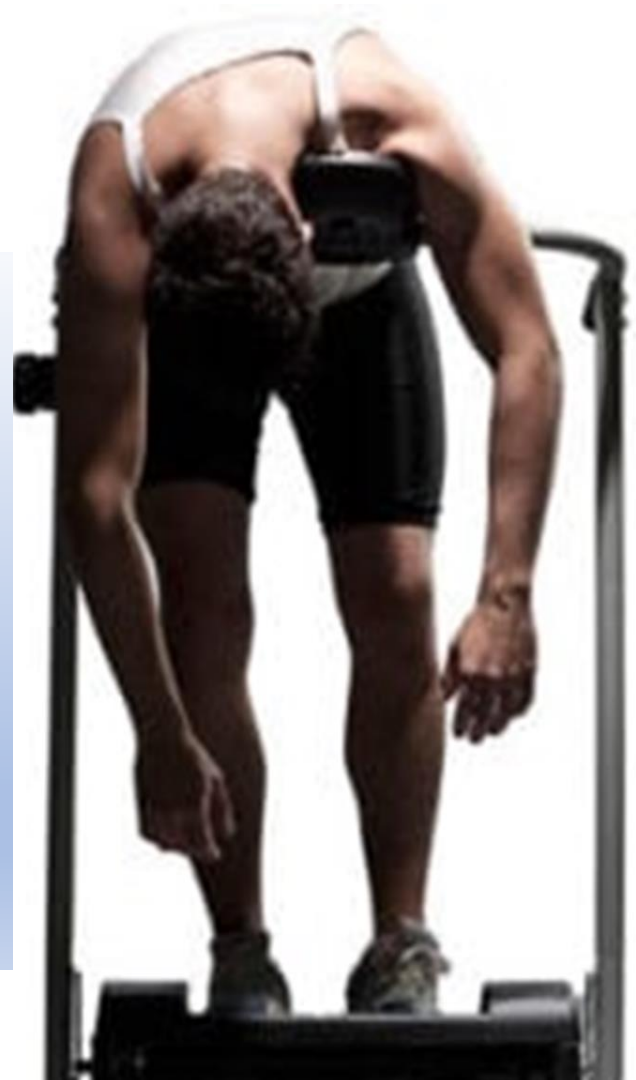
John was brought into his position close to the salary range minimum.

John is a high performer with a 4.5% wage increase.

His Salary Range moves 2.5% each year.

It will take him 9 years to reach his range midpoint and 8 more to reach his max.

The average employee stays with a company 4.5 years. LESS for millennials.



Rewards

- Separate cost of living base salary increases for all employees
- Identify top employees (through an evaluation or committee review) and award a much higher base salary increase to move them through their range (e.g., 8%-12%) fast enough to truly retain them.
- Move more of the merit-based pay budget toward bonuses, which can be paid out more frequently by managers (quarterly, or up to real-time).
- Find and implement good technology to make this easier.

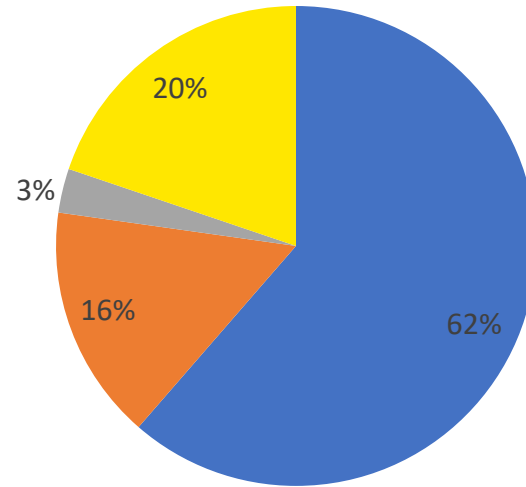
Support a true pay-for-performance culture.

Consistent, clear and timely communication identifying the “why” behind increases.

How are compensation consultants being used?

© Brandon Hall Group 2018

How do you use external compensation consultants?

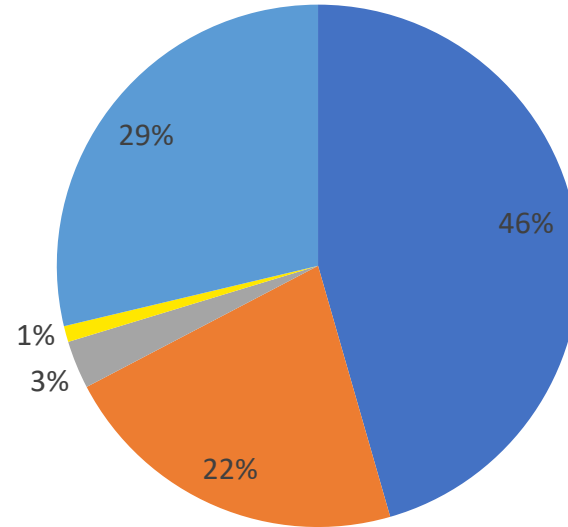


- We don't use external compensation consultants
- Both
- Mostly for building contingent rate cards
- Mostly for setting salary ranges

Compensation Analysis Annual Spend

© Brandon Hall Group 2018

What is your annual spend for contingent compensation analysis?

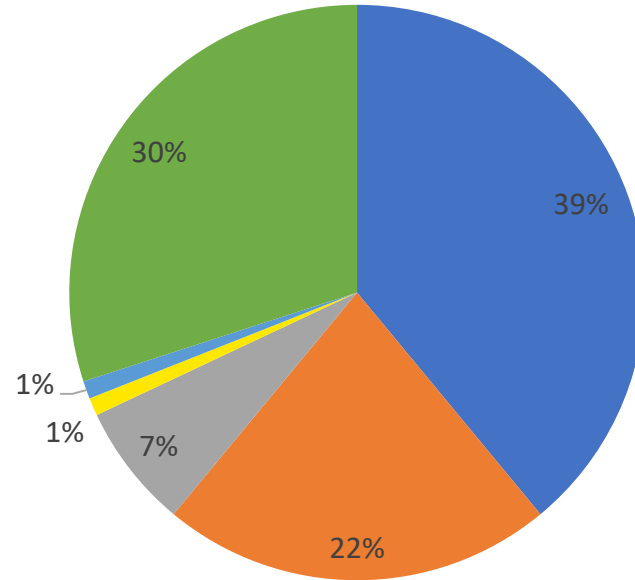


■ N/A Don't Use ■ Under \$100,000 ■ \$100,000 - \$250,000
■ \$251,000 - \$500,000 ■ Don't Know

Annual Spend on Survey Tools

© Brandon Hall Group 2018

What is your annual spend for survey tools?

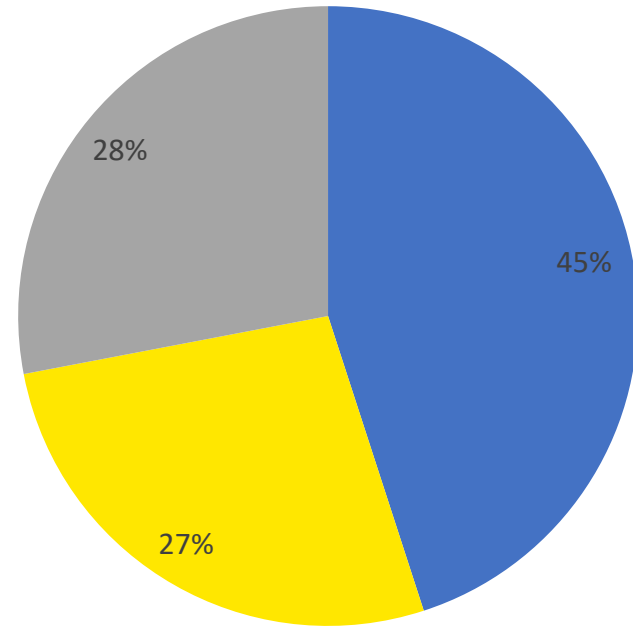


■ N/A Don't Use ■ Under \$100,000 ■ \$100,000 - \$250,000
■ \$251,000 - \$500,000 ■ Over \$500,000 ■ Don't Know

Changing Feelings on Salary Data

© Brandon Hall Group 2018

Do you think survey data is antiquated



■ Yes ■ No ■ Not Sure

Because there is no Internal Equity

- The survey data alone is only providing external equity.
- Motivation toward increased performance is a formula that consist of all four pillars.
- Once your increase philosophy is relative to the market and your ranges are in alignment with the market you must then make sure that all things are fair and equitable within the organization. Internal Equity is needed with the external data to form a total compensation solution.

QUALITY SALARY RANGE STRUCTURE:

- 1) AROUND 24 SALARY RANGE BANDS TOTAL
- 2) COMBINATION OF POSITIONS THAT ARE BENCHMARKS, TIED DIRECTLY TO QUALITY EXTERNAL SALARY RANGE MARKET DATA AND POSITIONS THAT ARE SCORED DIRECTLY AGAINST THOSE INTERNALLY BENCHMARKED POSITIONS
- 3) SCORE UNIQUE/HYBRID POSITION WHERE DATA IS HARD TO FIND THROUGH INTERNAL BENCHMARKING (E.G., A NEW SUPPORT POSITION THAT SUPPORTS TWO PRODUCTS INSTEAD OF ONE)
- 4) DEVELOP/REVIEW TOGETHER, AT THE SAME TIME, BASED ON COMMON DATA SOURCES, AND A COMMON TEAM





COMMON POOR QUALITY SALARY RANGE STRUCTURE:

- 1) DIFFERENT SALARY RANGES FOR MOST EMPLOYEES (E.G., 90 UNIQUE RANGES FOR 300 PEOPLE).
- 2) SALARY RANGES THAT ARE ESTABLISHED 100% BASED ON EXTERNAL SOURCES ONLY, PERHAPS WITH AN INTERNAL REVIEW INCLUSIVE ONLY OF KEEPING THE RANGE LOWER THAN THE DIRECT SUPERVISOR.
- 3) TOTAL GUESSING WHEN IT COMES TO POSITIONS WHERE MARKET DATA IS HARD TO FIND.
- 4) DEVELOPED BY DIFFERENT PEOPLE, AT DIFFERENT POINTS IN TIME, WITH DIFFERENT METHODOLOGIES.





PITFALL OF POOR QUALITY SALARY RANGE STRUCTURE:

1) IMPOSSIBLE TO DO A PAY EQUITY ANALYSIS WHICH IS ESSENTIAL TO PROTECT THE COMPANY, BUT MORE IMPORTANTLY, TO DO RIGHT BY THE PEOPLE THAT WE WORK WITH. FOR EXAMPLE:

- Sally is paid \$40K with a salary range of \$40K-\$60K, and Bill is paid \$62K in a salary range of \$45K-\$65K.
- Sally and Bill have different job titles and duties, but they are very similar jobs in terms of the nature of the work and their value to the organization. There is no easy way to explain the slight difference in the range.
- Worse yet, there is no good explanation for the difference in base salaries. Let's say that Sally is a top contributor and a committee decided to bump her to her max of \$60K. Sally is still \$2K less than Bill and now she is at her range ceiling. She has no more room to climb!. Worse yet, let's say Bill's range is more reflective of the market.
- Sally is still underpaid relative to Bill and the market. Sally should be paid \$62K.



The background of the slide features four tall, golden, fluted classical columns that appear to support a ceiling or roof. The columns are set against a bright blue sky with scattered white clouds. The lighting is warm, suggesting a sunny day. The overall composition is symmetrical and conveys a sense of strength and stability.

Four Pillars of a Motivated Workforce

- **Merit-Based Rewards**
- **Feedback**
- **Recognition**
- **Sense of Purpose**

Reasons behind making changes to PM process (multiple answers accepted)

Overall



Feedback

Knowing and sharing your progress toward your objective consistently throughout the year.



Feedback as Motivation

- * Eliminate the complex rating system and provide **focused, regular feedback!**
- * Feedback that is **timely, to the point!**
- * Performance-level check-ins should happen **anytime**, not just at year-end!

How Does Technology Play a Part in PM?



64% of organizations have dedicated PM technology, and another 19% plan to add in the foreseeable future



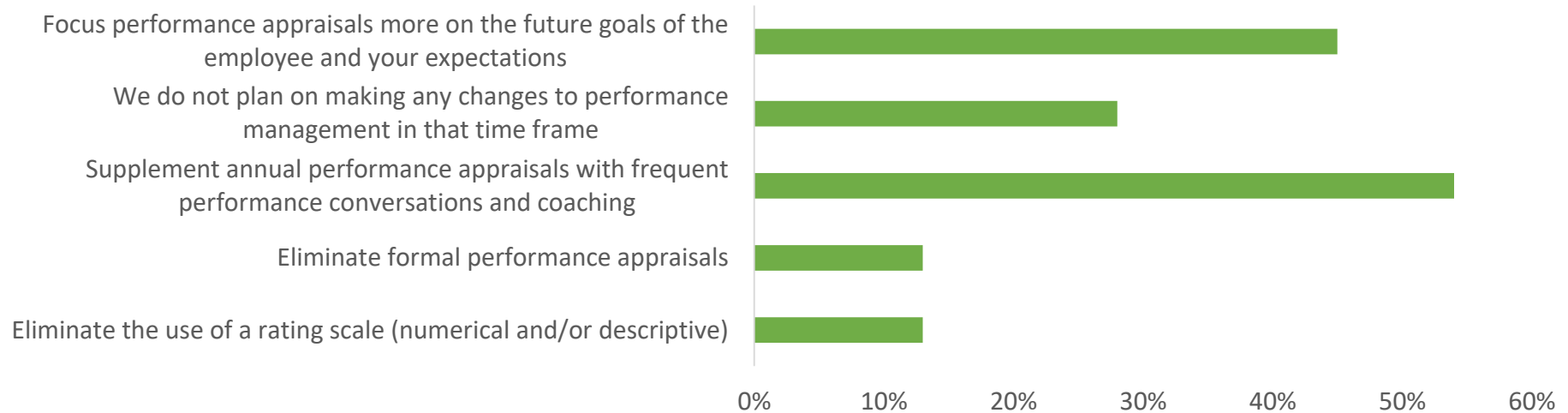
77% of highly-aligned organizations make use of PM technology, plus another 14% plan to add it in the foreseeable future

The background of the slide features four tall, golden, fluted classical columns that appear to support a ceiling or roof. The columns are set against a bright blue sky with scattered white clouds. The lighting is warm, suggesting a sunny day. The overall composition is symmetrical and conveys a sense of strength and stability.

Four Pillars of a Motivated Workforce

- **Merit-Based Rewards**
- **Feedback**
- **Recognition**
- **Sense of Purpose**

What Changes are Planned for Your Organization's Approach to Performance Management in The Next 12-18 Months?



- 54% of organizations surveyed say they will at least supplement their PM process with continuous conversations this year
- 70% said the reason for the change was “More frequent feedback was needed by our employees by managers”

Sense of Purpose

Are employee goals aligned with the goals of the organization?

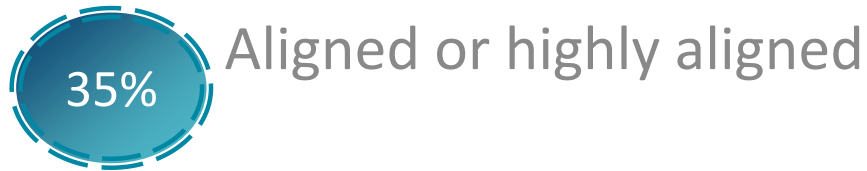
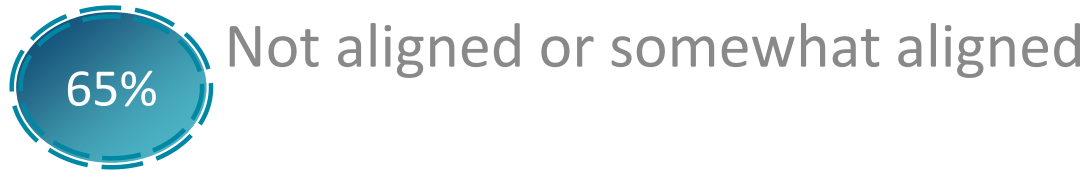


Important Questions to Answer

- * **Is there a clear connection between the goals for an individual or team and the direction of the organization?**
- * **Has this connection been communicated effectively to the employee?**
- * **Has the connection been communicated effectively to the employee via formal evaluation criteria?**

Alignment to business objectives

How aligned are your business objectives with your performance management process?



How the shift to team-based work is changing PM:



Organizations have a formal PM process in place for teams



Highly-aligned organizations have a formal PM process for teams

Brandon Hall Group 2018 Performance Management

PAY FOR PERFORMANCE – *let's diagnose*

PERFORMANCE EVALUATION

GOALS
(50%) or \$250K

Complete Required
Compliance Training

Customer Service
Levels

COMPETENCIES
(50%) OR \$250K

Communication

Job Knowledge

Teamwork

Responsiveness

Presentation Skills

\$500K Pay for Performance Budget

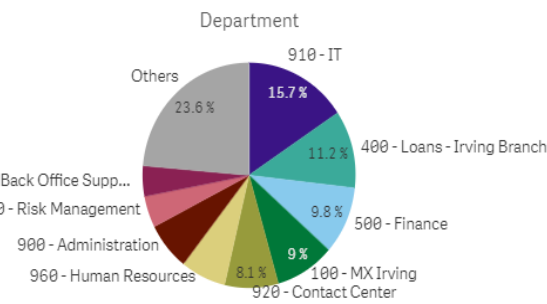
Things to Consider –

- Job Knowledge is listed for all team members making it the biggest investment at \$50K
- Will the investment for this competency help to reward and recognize desired behaviors of top performers? Help to drive continued success of the organization?
- What goals are being achieved as part of the \$250K spend?
- Are the goals aligned and contributing to the success of organizational goals?
- Overall, are we comfortable with the weightings/spend for each area or should we re-evaluate how to best use our pay for performance investment dollars?

Goals & Merit Analysis

Department
 Employee Name
 Performance Level
 Position
 Goal/Competency Name
 Competency or Goal
 Salary Grade

by Department
 Performance Rating Distribution
 Goal/Competencies by Weight



What Are We Paying For?



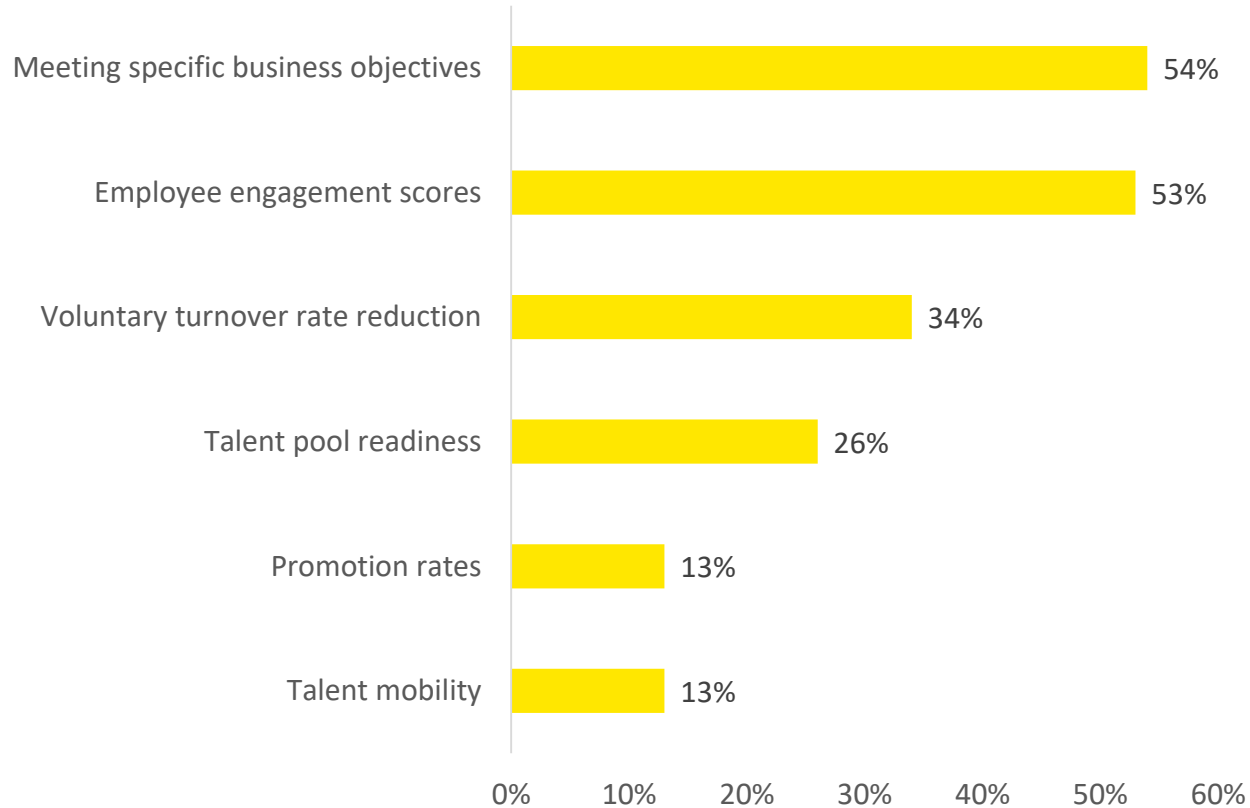
Goal/Competency Score
3.88

Merit Spend
\$11,853.65

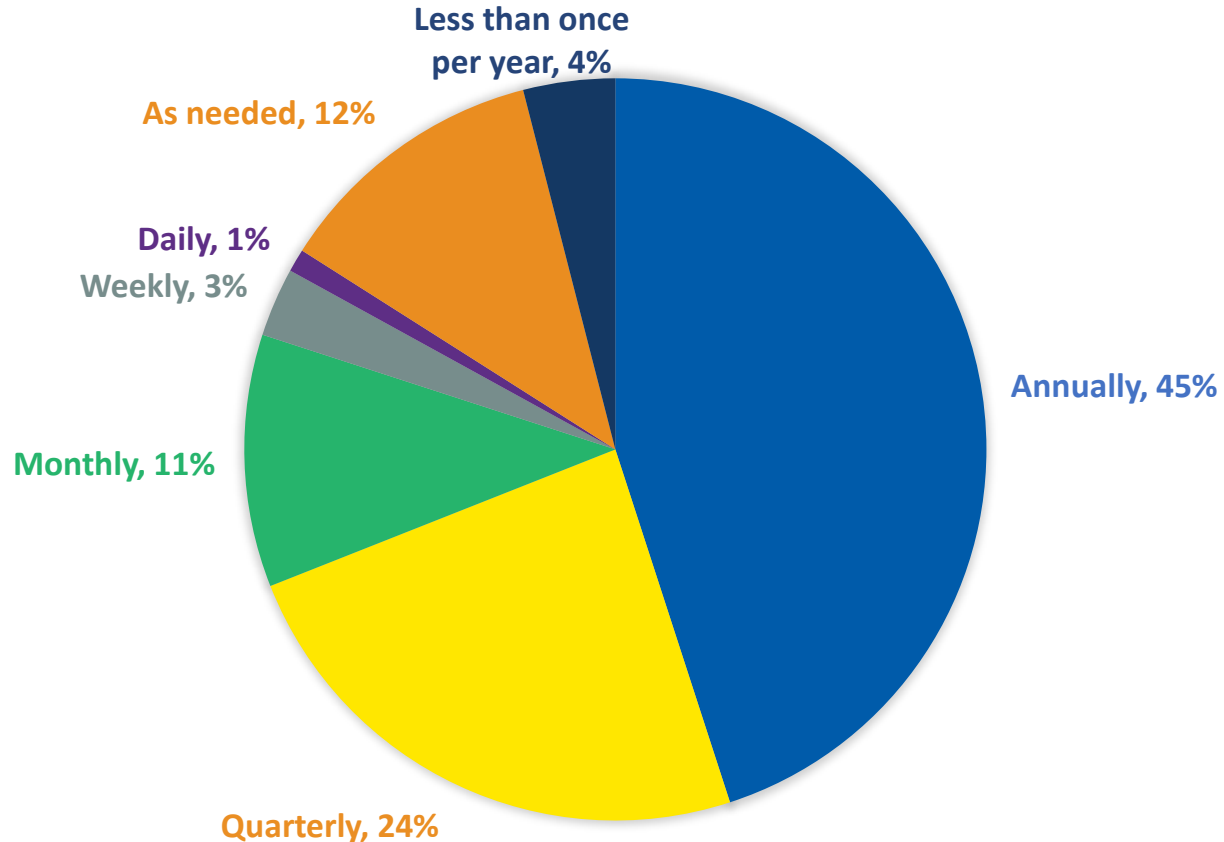
Table

Employee Name	Position	Department	Goal/Competency Name	Description	Action Step Name	Merit Increase	Lump Sum Amount	Score
an, Kirk	Electronic Services Supervisor	600 - Electronic Services	SFPCU_Job Knowledge	Success factors produced by Job Knowledge competency: Know-how to	-	\$130.68		
a, Araceli	Contact Center Lead	920 - Contact Center	SFPCU_Job Knowledge	Success factors produced	-	\$74.93		

How do you measure the effectiveness of your performance management process?



What is the Frequency of your organization's performance discussions?



Organizations that have a formal program in place to train managers to be better coaches and mentors



47%

Recognition

An annual recognition of outstanding performance may cause an adverse effect on the other high performance that has not been recognized.

Is it ideal to wait until the end of the year to identify achievements that have occurred throughout the year?



Recognition in Real Time

- Improve engagement and retention by providing employees with recognition!
- Recognition that is timely, to the point and totally digital!
- Replicate desired behaviors with specific, frequent and focused recognition.

Real-time Rewards and Recognition From Managers



Of organizations give spot rewards or recognition to individuals as part of their PM process



Of organizations give spot rewards or recognition to teams as part of their PM process

Brandon Hall Group 2018 Performance Management

There is a rising trend in peer to peer and 360 reviews.

A top reason employers lose talent is due to the manager/employee relationship.

- Check-in meetings
- 360 reviews

Allow employees to provide feedback on managers. Technology can help facilitate the nurturing of the manager employee relationship



Actionable Data with Advanced Analytics

Management rating trends and feedback analytics

Training and Communication Needs:



64%

Rate their coaching and mentoring programs to be not effective or only somewhat effective



82%

Rate their managers as not or only somewhat effective in discussing specific growth opportunities with their employees based on their performance



1.5x

More likely to be rated effective or highly effective in organizations where PM is aligned to business objectives

Brandon Hall Group 2018 Performance Management

The background of the slide features four tall, golden, fluted classical columns that appear to support a ceiling or roof. The columns are set against a bright blue sky with scattered white clouds. The lighting is warm, suggesting a sunny day. The overall composition is symmetrical and conveys a sense of strength and stability.

Four Pillars of a Motivated Workforce

- **Merit-Based Rewards**
- **Feedback**
- **Recognition**
- **Sense of Purpose**

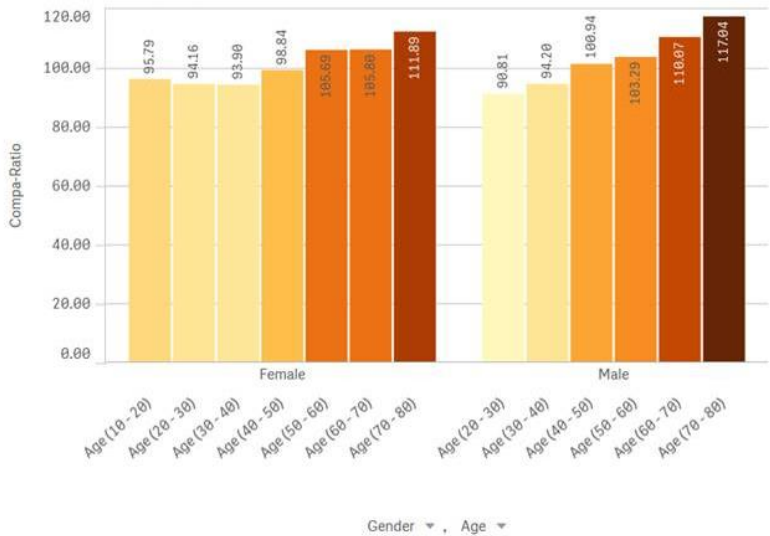


MOST HR TEAMS DON'T HAVE THE NECESSARY TOOLS TO ENSURE A QUALITY INTERNAL SALARY RANGE STRUCTURE – IMPAIRING THEIR ABILITY TO TRULY ENSURE EQUAL PAY FOR EQUAL WORK.

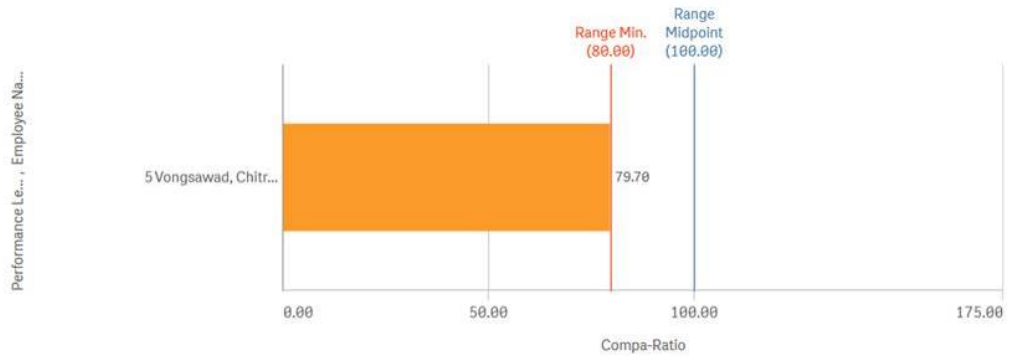
Pay/Equity Analysis - 3.0

Pay Equity Analysis

Current Compa-Ratio by Salary Grade.



Low Compa-Ratio Indicator



In Years

Select the name of the employee.

Employee Tenure

17.99

Hire Date: 9/30/2008

In Years

Select the name of the employee.

Time in Position

17.99

Date In Position: 9/30/2008

Years to Midpoint

High Performers



In Years. With an annual salary range movement of 2%.

*Derived from Structured Comp.

Software-based Solutions

- Understand and implement an 'equal pay for equal work' environment.
- Reward top performers appropriately and initiate a program to retain them.
- Continuously exchange feedback relative to goal achievement and job performance.
- Allow recognition to happen regularly, and in real-time, as official and unofficial recognition
- Ensure employees know their purpose and communicate it well – potentially through your evaluation process.
- Automate – using good technology.

Contact me at:

Paul.Marston@hrperformancesolutions.net



Key Takeaways

- New paradigm of pay for performance
- No one “right” way – it’s about less structure and a more human approach
- Create a positive AND productive culture through social recognition

Questions?

Thank you
for joining us today!



If you have any additional questions, please email us at success@brandonhall.com.