

The New Demands of Total Compensation Management

Key success drivers for organizations have changed in recent years. While workforce productivity, innovation, cost management and efficient processes will always be critical, business imperatives related to agility, enterprise-wide collaboration and transparency have also now developed into primary concerns for leadership. These themes have grown in importance largely due to three dynamics:

- The need to be able to thrive in unpredictable business environments and during periods of rapid change.
- The recognition that successful enterprises do not operate in functional silos, but instead enable the workforce to push collaboratively toward common goals and priorities.
- The increased focus on embracing corporate values that help attract and retain top talent.

Given these themes, one area of HCM tends to justifiably command much attention: Total Rewards or Total Compensation Management (TCM). Yes, other strategic topics involving the HR department must be addressed with adaptability (recruiting or learning management, for example). But because compensation makes up 70% or more of a typical organization's operating budget, it requires an even greater level of agility and rapid response in order to balance the evolving expectations and needs of the workforce with the immediate and long-term priorities of the organization.

As a discipline, TCM considers all reward types in the planning, development, delivery and communication about compensation within the organization. This has always involved complex elements, including the designing and administering of various types of cash and non-cash incentives, offering plans and individual packages that attract the best talent while maintaining regulatory compliance and pay equity, and the need to apply flexible guidelines as relevant internal and external data presents itself. But for organizations looking to optimize these elements, the level of complexity has risen considerably. Increased uncertainty in business conditions dictates the need to pivot very quickly with compensation packages while trying to personalize aspects of the employee experience including rewards elements, the frequency of reward delivery and the inclusion of non-financial rewards (e.g., work schedule flexibility or career development opportunities) in the TCM mix.

This all gives rise to the notion of "compensation agility." Compensation review and decision processes today must be more iterative and collaborative in order to dynamically reflect and integrate data, insights and guidance from all relevant organizational departments. When an organization does not have this compensation agility—a situation characterized by elongated review cycles and misalignment between HR, Finance and leadership—business outcomes will always be compromised.



An effective way to improve organizational agility within TCM processes is by deploying an enterprise-grade, purpose-built software tool that enables a CFO to quickly access accurate data and perform scenario planning while collaborating with relevant colleagues in HR. Use of a dedicated compensation management tool dramatically reduces inaccuracies and process inefficiencies and facilitates better-informed decision-making within TCM. Many organizations still use spreadsheets to manage this work, and our Benchmark Research in TCM finds that those organizations utilizing spreadsheets in this area report productivity loss due to their usage.

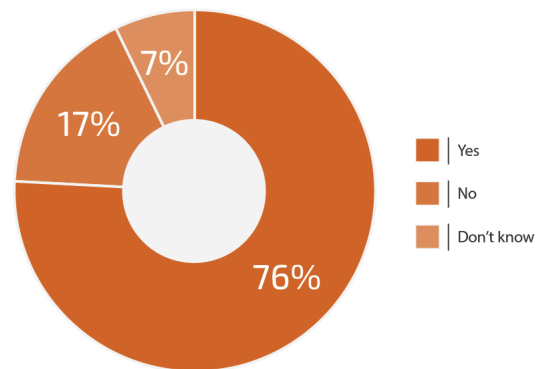
Organizations are increasingly identifying that spreadsheet usage leads to more time spent, more mistakes, less defensible decisions and less process efficiency. This is due both to practical concerns like the tendency of spreadsheet users to cut and paste information across systems, and to structural problems like the absence of a consolidated “data lens view” of all the inputs that should be included in the decision-making process.

Fortunately, best-in-class enterprise technology tools are available that are specifically designed to address the complexities, demands and nuances associated with compensation management in today’s business environment. These tools are typically deployed within organizations that make agility, transparency, collaboration and informed decision-making a priority. The sheer size of the TCM budget dictates that TCM activities should not be artificially fit into a “four-to-six week” timeline, nor should they be performed using low-tech tools. Compensation planning, analysis and decision-making is a year-round process that includes situations such as harmonizing salaries when new staff is added, transitioning to more variable compensation models or adjusting compensation guidelines. This makes reliance on spreadsheets even more perilous. Organizations regularly using the right technology tools for TCM are empowered to achieve critical HCM and broader business objectives, and they can usually expect a timely realization of their underlying business case as long as the tool is intuitive, well-designed, and can serve up all the data and guidance needed by stakeholders.

Looking to the future, here’s one prediction that is hard to challenge: There will be a steady increase in the use of enterprise-grade software designed to manage the complexities of modern TCM due to the range of compelling business benefits coupled with today’s ever-evolving business drivers.

Spreadsheets Reduce Productivity of HR

Three-fourths of organizations admit difficulty in using them



Source: Ventana Research Next-Generation Human Resources Management Systems Benchmark Research
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