



Pay Plan Reviews

Q: Our board has requested that human resources perform a strategic review of our benefit and compensation plan this year. Never before has this been done by our company. What should be our starting point?

--- Trouble with numbers, benefits and compensation, services, Singapore.

A: This is a critical practice for your human resources department. You should review your compensation and benefits systems every few years to make sure they match up with, and support, overall business strategies. Here are the steps you'll need to follow:

Plan the project and gather background information. Do your homework and understand the systems you have in place.

Formulate compensation principles and strategies. Define where you want spending to be and why.

Analyze market data on pay and benefits. Examine your organization's jobs, evaluate issues bearing on internal equity, commission appropriate surveys, and gather any other market information that is available.

Evaluate incentive compensation programs. You'll want to calculate return on investment of each plan and assess its effectiveness.

Develop recommendations for changes in programs and administration. Build a business case and a financial-impact analysis for all important recommendations. Look at best practices as they might apply to your company.

Implement and communicate changes. It's important to get feedback on communications materials before you make changes.

Meet with your management team to shape a philosophy of compensation and benefits. Understand how your pay and benefits programs support other aspects of human resources strategy and corporate goals. Determine how much pay is at risk at each level of the organization, as well as your spending tolerance for incentive awards. This helps you uncover significant issues, guides your program analysis, and informs your recommendations.

Get a clear understanding of how much it costs the company to compensate employees. Calculate the ROI on your incentive plans. In other words, learn how pay at your company increases levels of performance. Determine the investment necessary to meet or exceed competitive pay levels. What is the actual impact on cash flow? Your CFO should be an excellent resource for answering these questions.

Communication can make or break the success of any changes you want to introduce. Make sure that you understand and anticipate both positive and negative reactions. Talk with managers about their concerns. Get management buy-in for any major changes.

Don't forget to periodically monitor and measure how effectively your compensation plans achieve desired goals.

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