

Does Your Compensation Plan Attract and Retain?

As a human resource professional, you have the opportunity and the ability to make a significant contribution to the bottom line by orchestrating and delivering a compensation strategy that aligns directly with the business strategy and its goals. Critical to your success are the relationships you establish and the way you engage your key internal customers—the business leaders within your organization.

This is where you begin your excavation. You must gather critical facts, figures, and historical information that are the foundation for effective compensation planning. Once you have collected and analyzed this information, the key question you must ask is, “Is the compensation plan enabling the business to achieve its goals regarding competitive fitness, marketplace positioning, reputation, return on investment to all its key stakeholders, and retention of key talent?”

If the answer is “yes,” congratulations, and keep up the good work! If the answer is “maybe,” here are some things to think about to position yourself to be an effective architect and add more value.

Start with the foundation of your business.

- What are business drivers?
- How does your business and/or its products or services stand up against its rivals?
- What does your business have the potential to do that other businesses cannot do?

These are some of the key elements of a business strategy, and it is your responsibility to know and understand how these factors affect your compensation strategy. Understand the environment in which your structure operates.

- What are the threats, risks, or opportunities you must confront, manage, or capitalize on using compensation as a key strategic advantage?
- Is your business expected to grow, maintain, or shrink based on the current and desired state?
- Are your rivals for talent local, national, or international?

The answers to these questions could shape how aggressive your compensation programs need to be to execute successfully to ensure the right talent is in place at the right time to make the right contribution. Look at your compensation plan from the perspective of all its customers and the relevance of the plan to specialized subject matter experts.

- Will it meet the needs of the leadership team regarding resource allocation, business reputation, demonstrated competitive advantage, and budget allocation?
- Is the plan a positive employee engagement factor? If not, why not?
- Is it internally equitable and externally competitive?
- Does the execution of your compensation plan fit within the established budget parameters?
- Can your structure be managed internally? Does your organization have access to specialized expertise in compensation? If so, ensure that you partner with them in the development and communication of your plan. If no such specialized knowledge exists within your organization, consider collaborating with an outside partner such as MRA to support you in executing your strategy.

Your ability to gather reliable and relevant internal and external benchmark information, cost information, and resource requirements is essential in building a solid structure for the business strategy.

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