



Is Your Compensation Plan Competitive in Today's Market?

Losing your competitive edge can be detrimental to businesses in any industry. An often-forgotten contributor to keeping your edge, building your brand, and elevating your ranking in competitive marketplace is how you attract and retain great talent. A competitive compensation plan is a critical element in this strategy.

But when it comes to attracting, retaining, and engaging top talent in the post-pandemic labor market too many organizations still shoot from the hip or offer antiquated compensation packages that have been in place for decades. And relying on outdated standards of practice may not only cost you valuable talent but could also cost you thousands in dollars from wasted recruiting efforts, turnover, and workplace conflict.

If you want to stay ahead of the ever-changing economic climate then you need to create a competitive compensation plan will position you to attract the best talent and help your organization stand out from the rest of pack.

The good news is you don't have to go it alone. For years, HR Collaborative has been supporting organizations develop a customized and sustainable plan no matter where they currently are in their process.

But to help you prepare, here's a few things to think about as you get started building your competitive compensation plan:

Think Competitively and Globally. Organizations that thrive in their industry are the ones that stay competitive with their offerings in the global marketplace. They also understand and employ good labor practices, manage change thoughtfully and are always innovative in their partnerships, products, and services. But they also prioritize having a competitive compensation plan in place that is poised to attract talent in a global marketplace. And to be considered compensatory competitive, the salaries they offer should be equal or above the standard expectations for the various positions within the company and within the expected range of their geographical area. All these factors are integral in keeping a company nimble and thriving in a vastly competitive global marketplace.

Account for the Landscape: Due to the pandemic, a lot of companies chose layoffs and furloughs as best practices for recouping loss of income. Unfortunately, this strategy, while necessary in some instances, has played havoc with employee engagement and corporate loyalty. Companies looking to bring back, or attract new talent, are not only playing catch-up in the job marketplace, but they are fighting to find the brightest and the best. A competitive compensation plan can make all the difference moving forward. There are no more excuses for not having one in place that accounts for unexpected economic fluctuations and allow for retaining more talent. Having an experienced, third-party consultant thoughtfully guide you through potential scenarios and implementing innovative ways to retain talent during a crisis will put leadership at ease and allow you to weather any storms.

Evaluate Your Target Market. Job seekers are looking for more than just the typical compensation package. From tuition reimbursement to growth potential to purpose-driven work, generational expectations have changed. Your competitive salary structure should be attractive to all levels, and ages of job seekers. You should also plan to add creative elements to your competitive pay structure that accounts for non-traditional roles such as experienced job seekers stepping back into work as a contractor or consultant.

Learn What Attracts and Retains Top Talent. Keep in mind, your goal with a competitive compensation plan is attracting and retaining great people. These are the folks that will give you a competitive edge in the industry and build your corporate brand as one of the top employers to work for. And hiring and retaining great talent naturally translates into fewer costs and higher profits, which are expected byproducts of a competitive compensation plan. While this may seem obvious, many leaders rely on their company's brand to be the biggest draw to finding good talent. And though it certainly helps to be a dominant force in the industry, solely relying on reputation isn't the best practice. Instead, creating a competitive compensation package is the lynchpin for attracting the best of the best.

Next, look around your company. The many talented people that you've hired have brought along with them innovative ideas, best practices, unwavering drive, creativity, and influence. You probably couldn't imagine what your business would be like without them. But we are all human and as we continue to contribute, we yearn for increasing salary and better opportunities. Let's face it, company loyalty on principle alone is a bit of an antiquated mindset. Employees are hungry for more and want to work for leaders who honor their talent and drive with appropriate forms of incremental compensation.

Consider What Engages Employees: Yes, there are those companies that refuse to adjust their compensation practices no matter what. Unfortunately, this bleeds talent. In time, their valued employees grow tired of the same song and dance and eventually disengage or move to organizations where they feel valued and appreciated. Also, setting arbitrary limits on salary bumps and bonuses also diminishes engagement. Employees soon lose faith in leaders who don't keep their promises or who continually offer a litany of reasons why the budget can't accommodate an increase. But even when times are tough, savvy leaders know the value of offering creative solutions to ensure their employees feel not only challenged but appreciated. Therefore it's important to conduct a values assessment and learn from your team members what they appreciate and want in their organizations.

Learn What Employees Value. While everyone enjoys a few extra dollars in their paycheck each week, there are a lot of other things that employees consider just as important. And while many leaders assume it's all about the take-home-pay, it's not. A competitive compensation package should include what the employee places value upon. And discovering what they prioritize takes some legwork. Start with a formal survey that allows all employees to anonymously share their priorities and needs. Expanding upon this, an informal survey will not only flesh out more detail but will demonstrate that you care. Taking time to individually talk with team members will give you a better sense of what they value and may also provide novel ideas that can be implemented into your plan.

Create Your Compensation Philosophy. Now that you've done your homework, it's time to think about what you want from your plan. This begins with creating a formal philosophy for how you want your company to be viewed in terms of compensation and what you will base salary decisions on moving forward. You'll want to create a statement that educates employees on your strategy and helps them understand compensation approach. Your philosophy will also extend to how you stand in the market. Additionally, your company mission, vision and culture should not only be extensions of your compensation philosophy, but feed into crafting one that reflects your overall business objectives. Are you leader in the industry, or do you meet or lag behind the market and trends? What messages does your compensation philosophy send to clients,

employees, and job seekers? A third-party consultant can not only ask the right questions but help better reflect on your answers and tie them to your organizational brand, ensuring your compensation philosophy is on point.

Align Strategy with Corporate Culture: Let's face it, employees like to talk about their salaries especially when it comes to how they rank in terms of their colleagues and teams. And when there's unfair discrepancies this can create workplace conflict, fuel resentment and possibly present ethical and legal issues. Best practices for compensation strategy planning require having a philosophy in place that is broadcasted company wide. Additionally, setting standards for salary increases, bonus and promotions ensure that all employees will be treated fairly. If you find your organization is struggling in this area, you may need adjust some salaries and incentive practices to ensure you have fair and equitable structure in place. In the long run, a competitive compensation plan will greatly improve company culture but may requires the support of an impartial third party to help with the compensation benchmarking, strategic planning, and implementation.

Plan for Compensation Incentives. Business owners and human resources leaders should know that compensation is more than just base pay. Rewarding employees for their effort and tenure creates edifying benchmarks that also heighten engagement and productivity. Examples of performance-based offerings in your compensation plan may include benefits, investments, stocks, retirement packages, bonuses, work perks, tuition reimbursement, professional development, and commission structures. While these creative offerings are important and heighten your competitive edge, you'll still need to ensure that base pay is comparable with other employers in the industry and regional market.

Include Non-Monetary Compensation. These alternate offerings align with current economic status of an organization and allow for budget limitations. And in some cases, many non-monetary and creative compensation offerings are more valued than take home pay. For companies who want to think creatively or can't afford to extend their salary expenditures, there exists a plethora of non-cash benefits that employees will value. These may include additional PTO, time off without pay, title bumps, equipment upgrades, remote work options, flextime, discount programs, product/service offerings, trainings, wellness plans and lifestyle support. When you consider is the breadth of your competitive compensation plan it should always be expansive enough to include non-traditional forms of compensation.

Conduct Compensation Benchmarking. This is not only a step that is vital in creating a competitive compensation plan but should be conducted on an annual bases to ensure your philosophy is current and your pay ranges are competitive. This begins with doing research on the industry, competition, and geographical regions to gain insight on appropriate ranges and salary package offerings. Once the research is done, preferably by an impartial third party, you'll want to run a report on your marketing analysis. The report will serve as your pay structure planning guide and negotiation benchmarking tool with applicants, employees and decision makers moving forward. Because of the COVID-19 pandemic, many employers are adjusting base salaries to align with the uptick in remote work settings or offering schedule flexibility as part of the total compensation package. As you conduct your benchmarking, this needs to be factored into the overall plan.

Build Your Pay Structure. Relying on your compensation benchmarking report, you can now build a competitive pay structure that includes pay ranges for employee grade levels, appropriate rate hike gauge, incentive offerings that align with each job description and employee tenure. This takes time but is a critical step in building your competitive compensation plan. Remember, one size fits all, cookie cutter approach will only lead to long term dissolution. Creating a competitive compensation plan for today's market takes time and effort. And for the reasons, and more, you can easily see why it is imperative your pay structure aligns with the current marketplace and economic state; should be attractive and fair to both employee and employer; and will need to include more than just a benefits plan. And don't forget, compensation isn't just

about money anymore. It's about meeting people where they are at while keeping your compensation strategy competitive, no matter how the market changes. So, be sure to build into your pay structure the appropriate perks and milestones for each grade level and tenure.

Analyze For Equity. Integral to being competitive is how you structure your plan to align with employee demographics. Gender inequity has been historically a point of contention that should no longer be justified. Keep in mind the term 'gender' has expanded; therefore, your plan must respectfully attune to identities without bias. Conducting an internal equity analysis based on demographic information will ensure that your compensation philosophy and pay structure is fair, legal, and ethically sound.

It's not challenging to put together a competitive and attractive compensation plan that will evolve and change with market shifts. But it does require foresight and proper planning. To get started, conduct your diligence with a salary survey and values exploration. Then thoughtfully considering your approach to the overall package offerings, which may include base pay, benefits, perks and of course, perks that coincide with current climate trends. And it's often easier to have an experienced third-party consultant help you with benchmarking, research, surveys, plan building and implementation. The expertise brought by HR Collaborative not only provides you with the needed support and smooth transition in creating and adopting a competitive compensation strategy but promotes organization-wide acceptance.

This guest blog was contributed by **Kim Monaghan**, a writer focusing on publishing, human resources, business development and professional excellence. Learn more about her work and how she can help you author your success story at www.KBMWriting.com