

**Viewpoint**

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## Effective Compensation Strategies for Talent Management

Talent management processes have been steadily advancing over the last five years, along with organizations' ability to efficiently manage hiring, performance reviews and compensation plans to achieve expected outcomes. But many organizations' talent management has not incorporated market data into compensation applications, leaving them unable to ensure that compensation processes and talent-management investments deliver optimal HCM value. Compensation is a critical aspect of HCM and the efficient hiring and retention of critical talent across the workforce is possible with an appropriate compensation process. Business, HR and compensation leaders have more tools and information today than ever before to empower managers to engage with employees for optimal HCM value.

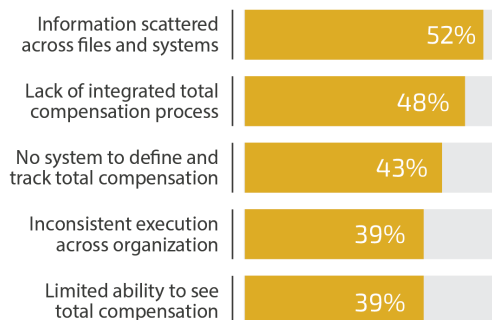
In our benchmark research into total compensation management, organizations that invest in and use dedicated compensation applications report that the top three benefits are improved efficiency and reduced time spent on the process (45%), maximized value from investments (44%) and improved visibility into performance (44%). However, these benefits can only be achieved when the impediments to existing processes that exist in most organizations are overcome. Most of these impediments are related to the use of disparate systems and methods to manage compensation. This results in information scattered across files and systems (52%) and a lack of an integrated total compensation process (48%).

Reliance on traditional methods such as spreadsheets is a large part of the problem. More than four-fifths (83%) of organizations using them report finding errors – data that underscores why a modern, dedicated, reliable approach is necessary. Also, technology has elevated expectations: Managers today expect improved reporting and analysis and rapid access to compensation information – the top two compensation system requirements our research found among organizations.

In the modern world of work, job candidates can within seconds determine the appropriate salary range related to position, level and location, which enables them to assess whether an organization is taking them seriously. Hiring managers and recruiters must be equipped to address these expectations. Conversely, managers must be able to know how a salary offer impacts existing employee salaries and whether it creates variances that may jeopardize equalization efforts. Such capabilities underscore the importance of supporting effective communication regarding

### Compensation Process Impediments

Scattered information, poor integration most common



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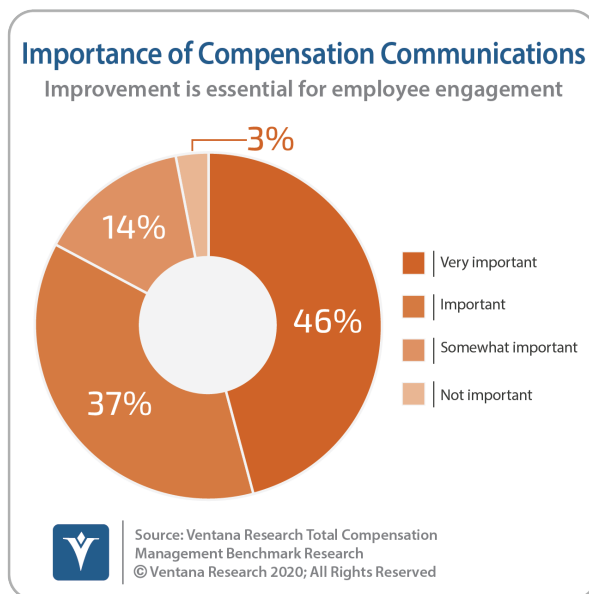


compensation, which our research found to be very important to almost half (46%) of organizations and important to more than an additional third (37%) of them. It's important so both managers and employees will have the information they need when they need it.

Additionally, organizations today must be able to respond to increasing industry pressure on the issue of equal pay for equal work. This pressure falls squarely on HR and compensation teams. Our research finds that only a third of organizations are prepared to address this challenge, though almost half (47%) say they are planning to do so in the future.

Compensation benchmarking systems are the optimal path to address pay equity. The good news is that one-fourth of organizations indicate this is a top component of the systems they have deployed or seek, which should directly contribute to workforce retention.

Furthermore, compensation benchmarking cannot be scheduled. It must be available when needed, any day of the year, particularly for activities like performance reviews. The traditional approach of a yearly compensation review to support annual planning and budgeting is a thing of the past. Our research finds that most organizations (79%) assess compensation annually with their performance reviews but this is insufficient; companies must be able to compare salaries to the market.



Enabling management to be as prepared as possible to address compensation decisions and other employment-related issues ensures that an organization is doing what is necessary to effectively support its HCM and talent management objectives. Happily, today it's not necessary to develop an in-house research or analytics team – all the information needed to compare your workforce to the marketplace is available today.

The time has come for every organization to assess its efforts and to significantly improve its compensation processes and maximize its talent management investments. These five steps will help to set the right priorities:

1. Ensure compensation systems provide guidance across all talent management processes.
2. Blend compensation and performance management strategies for workforce retention goals.
3. Integrate market compensation data to best support hiring and retention.
4. Unify compensation-related processes and systems to ensure maximum visibility and decision-support.
5. In evaluating compensation systems, assess all standard and custom business needs.



### Steve Goldberg – VP and Research Director, Ventana Research

Steve Goldberg is responsible for the human capital management (HCM) research at Ventana Research. Steve guides HR and business leaders to manage their workforce to gain competitive advantage and value from their investments. He covers the major HCM areas including candidate engagement, employee experience, HRMS, learning management, payroll optimization, talent management, total rewards management and workforce management.