

Compensation: Creating A Strategic Advantage - by Anne Howard (Part 1 of a 3 part Series on Compensation)

Over the last several months the questions about compensation have been increasing. Along with those about the market value for various jobs there have been many about how to get the most out of total reward programs.

Some of the issues raised have included:

- Attracting and retaining talent in an increasingly competitive market place without pricing the product/service delivered out of the market
- Effectively using compensation and rewards to motivate the performance that results in high levels of productivity
- Using compensation to modify behaviour and facilitate cultural change
- Ensuring fixed compensation costs do not increase relative to overall operating costs
- Can compensation really motivate people in the ways we want
- Creating meaningful rewards for different groups of employees while maintaining a perception of fairness overall
- A variety of compliance related issues including overtime pay, vacation pay and in lieu of notice and severance pay.



In many instances the questions asked have arisen due to a basic problem with the existing compensation and rewards structures – they have evolved over time based on the needs of the day and even if they were once fully aligned with the business needs they no longer are.

In an environment like the one we are in today, it is increasingly difficult to find the talent required to do the work, it can be tempting to simply outbid the competition. While that may seem like the best solution and it certainly may be on the short term or in specific instances, it most certainly will not serve the organization and all of its stakeholders well in the long run. The current NHL lockout situation is an excellent example of the downside consequences of doing so.

The ultimate purpose of all compensation and reward programs is to maximize the return on the investment made. Achieving this purpose requires:

1. a clear understanding of the organization (as it is and as it wants to be) and its people (what motivates and satisfies them);
2. knowing the various options for compensation and rewards and understanding how to use them,
3. developing a compensation strategy that is aimed at supporting short and long term goals of the company and,
4. developing, implementing, managing and continually evaluating the various necessary processes.

When an organization spends the time to determine exactly what they want their compensation and reward program to achieve, it is much more likely to be contributing effectively to the overall productivity and success of that organization.

More compensation discussions will follow over the next few quarters.