The Evolving Compensation Function

research

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About WorldatWork® — The Total Rewards Association

WorldatWork (www.worldatwork.org) is a not-for-profit organization providing education, conferences and research focused on global human resources issues including compensation, benefits, work-life and integrated total rewards to attract, motivate and retain a talented workforce. Founded in 1955, WorldatWork has nearly 30,000 members in more than 100 countries. Its affiliate organization, WorldatWork Society of Certified Professionals®, is the certifying body for the prestigious Certified Compensation Professional® (CCP®), Certified Benefits Professional® (CBP), Global Remuneration Professional (GRP®), Work-Life Certified Professional™ (WLCP®), Certified Sales Compensation Professional™ (CSCP™), and Certified Executive Compensation Professional™ (CECP™). WorldatWork has offices in Scottsdale, Arizona, and Washington, D.C.

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Introduction & Methodology

This report summarizes the results of a January 2012 survey of WorldatWork members to gather information about the changing role of the compensation profession. The focus of this research was to better understand how the compensation profession is changing in the current business environment and how it might change in the next couple of years.

This project originated from conversations in the WorldatWork Compensation Advisory Council—a group of volunteer leaders:

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On Jan. 18, 2012, survey invitations were sent electronically to 5,228 WorldatWork members. Members selected for participation specifically noted compensation only or compensation and benefits in their title and/or area of responsibility as well as a responsibility level of top-, senior- or mid-level. The survey was open to all members meeting specific criteria. The survey closed on Feb. 3, 2012, with 843 responses, a 16% response rate. The final dataset was cleaned, resulting in 656 responses. To provide the most accurate data possible, data were cleaned and analyzed using statistical software. Any duplicate records were removed. Data comparisons with any relevant, statistically significant differences are noted with this report. The Hay Group conducted some of the initial analysis of the survey data. The demographics of the survey sample and the respondents are similar to the WorldatWork membership as a whole. The typical WorldatWork member works at the managerial level or higher in the headquarters of a large company in North America. The frequencies or response distributions listed in the report show the number of times or percentage of times a value appears in a data set. Due to rounding, frequencies of data responses provided in this survey may not total 100%.

The Compensation Function and Strategy Outlook

Compensation departments are focused on improving the function's value proposition to the business and increasing the efficiency and consistency of programs already in place. Improving the value that compensation provides to its organizations was the No. 1 area of both current and future focus. The desire of organizations to manage existing compensation programs is close behind in terms of current focus but drops off considerably in terms of future focus. However there is indication of a willingness to create unique or tailored compensation solutions, suggesting perhaps a more "surgical" approach to refinements in compensation design as opposed to broad-based changes which can be costly in terms of design and implementation. Contributing factors in these trends likely include most organizations' continued caution in increasing pay levels or expanding new pay programs, lean compensation staffs inhibiting new program development, and organizations' continued preoccupation with cost control and productivity improvements in the absence of significant revenue growth. In connection with a desire for improved productivity, respondents also said that direct service delivery to managers and employees is an area of current focus with a specific interest in improving access and response. To facilitate some of these improvements, organizations are focusing on the use of automation and tools, specifically employee and manager self-service tools.

The Compensation Staff and Management

As mentioned, compensation staffs are operating in a lean environment and in many cases have fewer staff members than pre-recession levels. Improving staff members' skills is another area of current focus, according to the survey results. In addition, the use of HR staff members who are outside the compensation area is prevalent in serving as the primary contact to line managers for compensation matters. Not surprisingly, another focus is educating and enabling line managers so that they can handle more of the day-to-day compensation questions that may arise from employees. This is an area of future focus as well. Finally, compensation departments currently are emphasizing the need to seek feedback from employees, which again is further indication of the desire to look inward in improving current systems and processes.

Table 1: The Compensation Function and Strategy Outlook

Statement	Current Focus	Future Focus	
	Strongly Agree or Agree	Same or Slightly Greater Focus	Much Greater/Greater Focus
Our compensation function is focused on managing existing compensation programs. (Current n=655)(Future n=637)	83%	74%	21%
We are focused on improving the compensation function's value proposition to the business. (Current n=646)(Future n=638)	82%	47%	51%
Our compensation philosophy/strategy is consistent across the organization for most employee populations. (Current n=649)(Future n=635)	75%	72%	25%
We deliver a variety of compensation programs to our employee population. (Current n=648)(Future n=604)	68%	46%	51%
Our compensation function is focused on creating unique/tailored compensation solutions for our business. (Current n=652)(Future n=643)	66%	53%	42%
Our compensation program execution is consistent across the organization for most employee populations. (Current n=645)(Future n=635)	65%	69%	29%
Our compensation program designs are consistent across the organization for most employee populations. (Current n=647)(Future n=639)	64%	72%	25%
The compensation function is focused on service delivery directly to managers and employees. (Current n=642)(Future n=627)	57%	73%	22%
We are focused on streamlining the number of compensation programs in our organization. (Current n=645)(Future n=628)	42%	63%	21%
We use performance measures to assess the effectiveness of our compensation function. (Current n=644)(Future n=632)	27%	58%	35%

Figure 1: The Compensation Function and Strategy Outlook

Current Focus Key

1	2	3	4	5
Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree

Future Focus Key

1	2	3	4	5
Low or No Focus	Same Focus	Slightly Greater Focus	Greater Focus	Much Greater Focus

	Current Focus Average	Future Focus Average
Our compensation function is focused on managing existing compensation programs. (Current n=655)(Future n=637)	3.9	2.6
We are focused on improving the compensation function's value proposition to the business. (Current n=646)(Future n=638)	4.0	3.4
Our compensation philosophy/strategy is consistent across the organization for most employee populations. (Current n=649)(Future n=635)	3.7	2.7
We deliver a variety of compensation programs to our employee population. (Current n=648)(Future n=604)	3.6	2.8
Our compensation function is focused on creating unique/tailored compensation solutions for our business. (Current n=652)(Future n=643)	3.6	3.1
Our compensation program execution is consistent across the organization for most employee populations. (Current n=645)(Future n=635)	3.5	2.8
Our compensation program designs are consistent across the organization for most employee populations. (Current n=647)(Future n=639)	3.4	2.7
The compensation function is focused on service delivery directly to managers and employees. (Current n=642)(Future n=627)	3.4	2.7
We are focused on streamlining the number of compensation programs in our organization. (Current n=645)(Future n=628)	3.0	2.4
We use performance measures to assess the effectiveness of our compensation function. (Current n=644)(Future n=632)	2.7	3.0

Table 2: The Compensation Focus

Statement	Current Focus	Future Focus	
	Strongly Agree or Agree	Same or Slightly Greater Focus	Much Greater/Greater Focus
The compensation function is focused on improving access to and response to internal customers. (Current n=625)(Future n=617)	73%	64%	33%
The compensation function is focused on enhancing its internal visibility. (Current n=623)(Future n=615)	53%	62%	32%
We are focused on reducing our compensation function's staffing and cost. (Current n=623)(Future n=610)	17%	64%	6%

Figure 2: The Compensation Focus

Current Focus Key

1	2	3	4	5
Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree

Future Focus Key

1	2	3	4	5
Low or No Focus	Same Focus	Slightly Greater Focus	Greater Focus	Much Greater Focus

	Current Focus Average	Future Focus Average
The compensation function is focused on improving access to and response to internal customers. (Current n=625)(Future n=617)	3.7	2.9
The compensation function is focused on enhancing its internal visibility. (Current n=623)(Future n=615)	3.3	2.9
We are focused on reducing our compensation function's staffing and cost. (Current n=623)(Future n=610)	2.3	1.9

Table 3: The Compensation Function Focus on Reducing Workload

	Current Focus	Future Focus	
"Our compensation function is focused on reducing its workload by:"	Strongly Agree or Agree	Same or slightly greater focus	Much greater/greater focus
using automation and technology. (Current n=624)(Future n=613)	87%	48%	49%
investing in employee and manager self-service tools. (Current n=622)(Future n=610)	72%	52%	42%
streamlining or simplifying the range of services provided. (Current n=620)(Future n=607)	42%	64%	17%
outsourcing administrative aspects to shared services or external service providers. (Current n=623)(Future n=605)	19%	55%	9%
reducing the services provided. (Current n=624)(Future n=605)	4%	54%	2%

Figure 3: The Compensation Function Focus on Reducing Workload

Current Focus Key

1	2	3	4	5
Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree

Future Focus Key

1	2	3	4	5
Low or No Focus	Same Focus	Slightly Greater Focus	Greater Focus	Much Greater Focus

"Our compensation function is focused on reducing its workload by:"	Current Focus Average	Future Focus Average
using automation and technology. (Current n=624)(Future n=613)	4.0	3.4
investing in employee and manager self-service tools.(Current n=622)(Future n=610)	3.7	3.2
streamlining or simplifying the range of services provided. (Current n=620)(Future n=607)	3.0	2.4
outsourcing administrative aspects to shared services or external service providers. (Current n=623)(Future n=605)	2.2	1.9
reducing the services provided. (Current n=624)(Future n=605)	1.9	1.7

Table 4: The Compensation Staff and Management

Statement	Current Focus	Future Focus	
	Strongly Agree or Agree	Same or Slightly Greater Focus	Much Greater/Greater Focus
We are focusing on improving the skills of our compensation staff to better serve the changing business. (Current n=574)(Future n=563)	74%	70%	25%
We use HR business partners for primary customer-facing support around compensation matters. (Current n=576)(Future n=565)	72%	74%	16%
Our compensation function is focused on educating and enabling managers regarding compensation programs. (Current n=577)(Future n=572)	65%	55%	44%
Our organization is moving toward a team of compensation professionals with broad areas of responsibility and skill sets. (Current n=575)(Future n=565)	53%	72%	15%
We are focusing on restructuring our compensation function to better serve the changing business. (Current n=575)(Future n=568)	48%	61%	25%
Our people managers have a direct accountability for compensation program implementation. (Current n=575)(Future n=570)	43%	71%	22%
Our compensation function is focused on educating and enabling employees regarding compensation programs. (Current n=577)(Future n=570)	43%	62%	31%
Our organization is moving toward a team of compensation professionals with specific responsibilities and skill sets. (Current n=574)(Future n=560)	30%	70%	9%

Figure 4: The Compensation Staff and Management

Current Focus Key

1	2	3	4	5
Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree

Future Focus Key

1	2	3	4	5
Low or No Focus	Same Focus	Slightly Greater Focus	Greater Focus	Much Greater Focus

	Current Focus Average	Future Focus Average
We are focusing on improving the skills of our compensation staff to better serve the changing business. (Current n=574)(Future n=563)	3.7	2.7
We use HR business partners for primary customer-facing support around compensation matters. (Current n=576)(Future n=565)	3.6	2.4
Our compensation function is focused on educating and enabling managers regarding compensation programs. (Current n=577)(Future n=572)	3.5	3.2
Our organization is moving toward a team of compensation professionals with broad areas of responsibility and skill sets. (Current n=575)(Future n=565)	3.3	2.4
We are focusing on restructuring our compensation function to better serve the changing business. (Current n=575)(Future n=568)	3.1	2.6
Our people managers have a direct accountability for compensation program implementation. (Current n=575)(Future n=570)	3.0	2.6
Our compensation function is focused on educating and enabling employees regarding compensation programs. (Current n=577)(Future n=570)	3.0	2.9
Our organization is moving toward a team of compensation professionals with specific responsibilities and skill sets. (Current n=574)(Future n=560)	2.8	2.1

Table 5: The Compensation Feedback and Communication

Statement	Current Focus	Future Focus	
	Strongly Agree or Agree	Same or Slightly Greater Focus	Much Greater/Greater Focus
Our compensation function seeks feedback from internal business customers and employees. (Current n=573)(Future n=566)	67%	72%	25%
Our compensation function is focused on increasing the content and frequency of compensation-related communications to the organization. (Current n=569)(Future n=566)	50%	66%	28%
We use customized tools and technology to deliver compensation solutions. (Current n=574)(Future n=567)	49%	60%	31%
We use off-the-shelf technology to deliver compensation solutions. (Current n=569)(Future n=557)	35%	63%	24%
We use a variety of digital communications to connect with employees about compensation. (Current n=569)(Future n=566)	34%	58%	32%
Our compensation function effectively communicates the value of total rewards to line managers. (Current n=572)(Future n=570)	29%	49%	47%
Our compensation function effectively communicates the value of total rewards to employees. (Current n=570)(Future n=570)	25%	49%	46%

Figure 5: The Compensation Feedback and Communication

Current Focus Key

1	2	3	4	5
Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree

Future Focus Key

1	2	3	4	5
Low or No Focus	Same Focus	Slightly Greater Focus	Greater Focus	Much Greater Focus

	Current Focus Average	Future Focus Average
Our compensation function seeks feedback from internal business customers and employees. (Current n=573)(Future n=566)	3.5	2.8
Our compensation function is focused on increasing the content and frequency of compensation-related communications to the organization. (Current n=569)(Future n=566)	3.2	2.8
We use customized tools and technology to deliver compensation solutions. (Current n=574)(Future n=567)	3.0	2.9
We use off-the-shelf technology to deliver compensation solutions. (Current n=569)(Future n=557)	2.7	2.6
We use a variety of digital communications to connect with employees about compensation. (Current n=569)(Future n=566)	2.7	2.9
Our compensation function effectively communicates the value of total rewards to line managers. (Current n=572)(Future n=570)	2.7	3.3
Our compensation function effectively communicates the value of total rewards to employees. (Current n=570)(Future n=570)	2.6	3.2

Demographics

Figure 34: Organization type

"Your organization is:" (n=572)

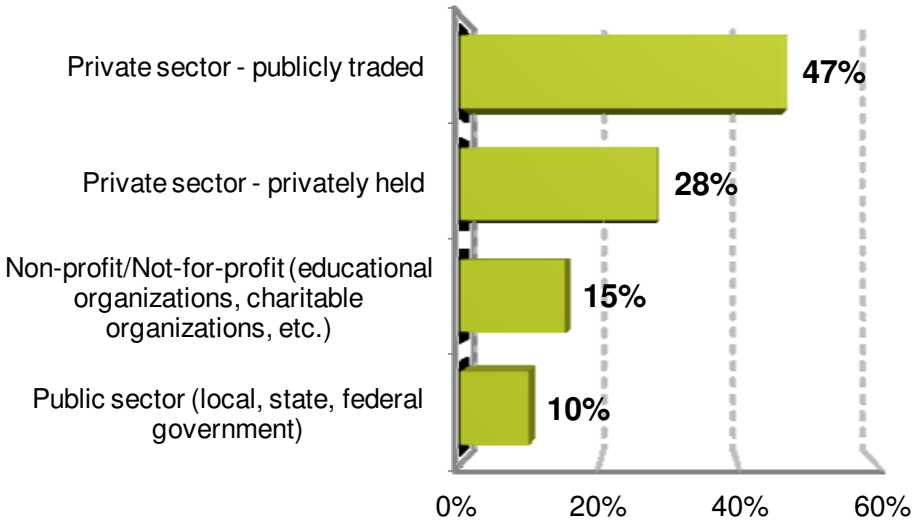


Table 34: Organization size

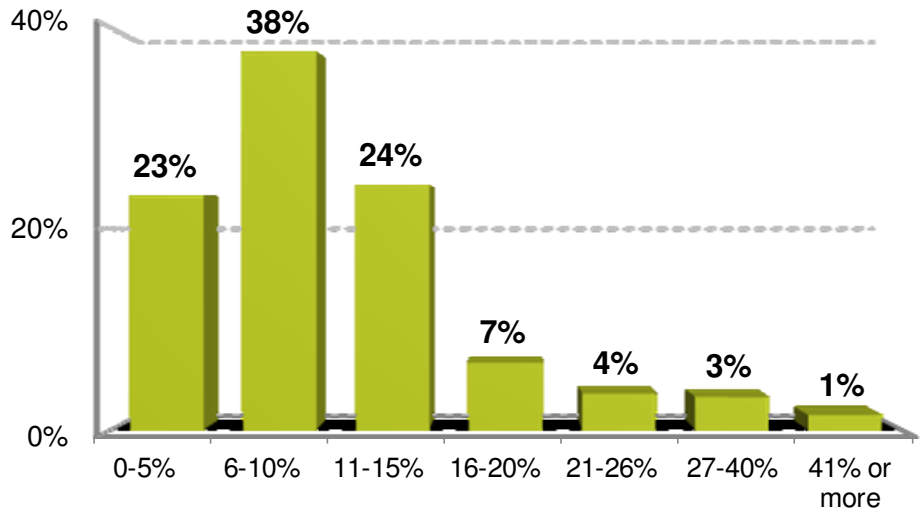
"Please choose the total number of full-time employees (FTEs) your organization employs worldwide:" (n=573)

Options	Percentage
Less than 100 employees	1%
100 to 499	4%
500 to 999	7%
1,000 to 2,499	14%
2,500 to 4,999	15%
5,000 to 9,999	16%
10,000 to 19,999	14%
20,000 to 39,999	13%
40,000 to 99,999	9%
100,000 or more	8%

Table 35: Industry

"What is your industry?" (n=575)

Options	Percentage
All Other Manufacturing	15%
Finance & Insurance	11%
Health Care & Social Assistance	11%
Consulting, Professional, Scientific & Technical Services	6%
Utilities, Oil & Gas	6%
Retail Trade	5%
Information (includes Publishing, IT Technologies)	5%
Computer and Electronic Manufacturing	4%
Educational Services	3%
Public Administration	3%
Transportation	2%
Wholesale Trade	2%
Agriculture, Forestry, Fishing & Hunting	2%
Construction	2%
Pharmaceuticals	2%
Real Estate & Rental & Leasing	1%
Accommodations & Food Services	1%
Other Services (except Public Administration)	1%
Mining	1%
Arts, Entertainment & Recreation	1%
Management of Companies & Enterprises	1%
Other	14%

Figure 35: Voluntary turnover

"What is the approximate annual voluntary turnover for employees?" (n=559)