

EVALUATING COMPENSATION PROGRAMS:

Seven key questions your organization needs to ask

In this tight labor market, it is important to ensure your organization can attract, retain, and motivate the talent you need to be successful. A key component to accomplishing this is an effective compensation program that aligns with your business strategy. However, as a leader with competing priorities, how do you know if your compensation program is effective? Here are seven important questions to consider as you evaluate your compensation program:

1 Does your compensation program align with your organization's business strategy, objectives, and business culture?

As the economy evolves and customer expectations change, you update your business strategy, objectives, and business culture to stay competitive. However, are you updating your compensation program at the same time? Compensation alignment can unlock the potential of your new strategic focus and energize your workforce to embrace its role in accomplishing your organization's objectives.



2 Is your organization struggling to retain employees?

When was the last time you benchmarked your pay with the external market? It is best to assess your pay competitiveness every two to three years, especially in the current competitive labor market. Retaining employees is often more cost-effective than finding new talent.

3 Are you able to attract the quality talent that you need?

Due to labor supply and demand, workforce participation, the retirement of baby boomers, the influx of millennials, and other factors, market pay for some jobs has increased more than others. If you are unable to attract the talent you want, pay may be a factor. A review of your compensation program and an assessment of pay competitiveness may solve this challenge.

4 Is your compensation program fair to all employees?

Are you compensating employees fairly based on their skills, experience, and performance, regardless of gender, race, color, country of origin, religion, sex, age, marital status, political affiliation, or disability? Pay equity is a fundamental principle that drives employee trust and engagement. It goes beyond legal requirements and plays a vital role in building a truly inclusive and equitable workplace.

5 **Have market dynamics forced you to pay new hires more than seasoned employees, leading to pay compression and equity challenges?**

Have you experienced pay compression between current employees and new hires? Have you recently conducted an assessment of pay disparity by race, gender, age, disability, protected veteran status, and other protected employee groups? Regular, proactive review of internal equity is important to manage your organization's risk.



6 **Are your incentive compensation plans motivating your employees to achieve desired business results?**

Do you have the right mix between fixed and variable pay? Do your incentive plans appropriately reward your employees for their level of performance? Do your employees understand how they can maximize their pay? Many successful organizations proactively and regularly evaluate their incentive compensation plans. If you are not, it may be time to look at the design of your incentive plans, so you can optimize your organization's success.

7 **Are your compensation administration processes time-consuming and painful?**

Are you inundated with compensation requests? Do you have the necessary resources, agility, and speed to make timely pay decisions? Administration guidelines and a more effective compensation structure will help streamline compensation management, therefore reducing the amount of time spent administering pay. This will free you up to focus on more strategic compensation and human resources initiatives, such as total rewards strategy, employee engagement, succession planning, or other efforts that support your business strategy.



Designing a compensation program that aligns with your business strategy will help you to better attract, retain, and motivate employees. To get there, internal and external assessment can get you the information you need to make the right business decisions for your organization.

The QTI Group stands ready to help you effectively review your compensation program and guide you through appropriately enhancing it.

About The QTI Group

Founded in 1957 as a small staffing agency, The QTI Group has grown to be a privately owned human resources firm that focuses on staffing, recruiting, executive search, and total rewards consulting. With a people-first focus and a commitment to helping organizations reach their full potential through people, The QTI Group is headquartered in Madison, Wisconsin, and has branch offices in Baraboo, Beaver Dam, Milwaukee, and Portage, Wisconsin.