

Total Compensation Management

Deriving Full Value from Compensating the Entire Workforce

WHITE
PAPER





A Note About This Research

October 2017

Ventana Research performed this research to determine attitudes toward and utilization of compensation management. This document is based on our research and analysis of information provided by organizations that we deemed qualified to participate in this benchmark research.

This research was designed to investigate compensation management systems, practices, needs and potential benefits. It is not intended for use outside of this context and does not imply that organizations are guaranteed success by relying on these results to improve compensation management. Moreover, gaining the most benefit from a compensation management system requires an assessment of your organization's unique needs to identify gaps and priorities for improvement.

The full report with detailed analysis is available for purchase. We can provide detailed insights on this benchmark research and advice on its relevance through the Ventana On-Demand research and advisory service. Assessment Services based on this benchmark research also are available.

We certify that Ventana Research wrote and edited this report independently, that the analysis contained herein is a faithful representation of our evaluation based on our experience with and knowledge of compensation management, and that the analysis and conclusions are entirely our own.

Ventana Research



VENTANA RESEARCH

Bend, Oregon, USA
541-940-1010

info@ventanaresearch.com



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Executive Summary

Compensation management is a critical part of human capital and talent management processes. Determining and providing the appropriate compensation for each person, whether it involves base pay, merit or variable pay and incentives or bonuses, is critical to being able to attract and retain productive members of the workforce – full- or part-time employees, contingent workers and contractors alike. However, the complexities of compensation can make more it difficult for

human resources departments to keep employees productive, satisfied and motivated.



As organizations consider advanced practices such as pay for performance and talent management, many are finding they need a more strategic approach to compensation.

The activities and systems that support compensation plans for all workers and variable pay and rewards for those in sales, field service and contact centers, as well as stock grants and other incentive programs, are diverse and complex. As organizations consider advanced practices such as pay for performance and talent management, many are finding they need a comprehensive and more strategic approach to compensation.

For this reason, improvement of compensation processes has become a part of business strategy and planning conversations in executive-level management meetings. However, our

prior research has shown that many organizations have not succeeded in addressing this. In the previous research the largest percentage of participants (47%) cited inconsistent execution across divisions and departments as an impediment motivating investments in compensation management. Understanding what the next generation of compensation systems can do will be critical to advance the sophistication of both purchasers and the marketplace. Our new benchmark research gathers that knowledge by examining how organizations are managing these essential components of total compensation management.

Ventana Research undertook this benchmark research to determine the attitudes, requirements and future plans of those who use total compensation management systems and to identify the best practices of organizations that are most mature in it. We set out to examine both the commonalities and the qualities specific to major industry sectors and across sizes of organizations. We considered how organizations perform total compensation management, issues they encounter in the process and how their use of TCM and related technology is evolving.

The research finds that organizations are making significant strides in advancing their performance and managing compensation in ways that benefit the business;

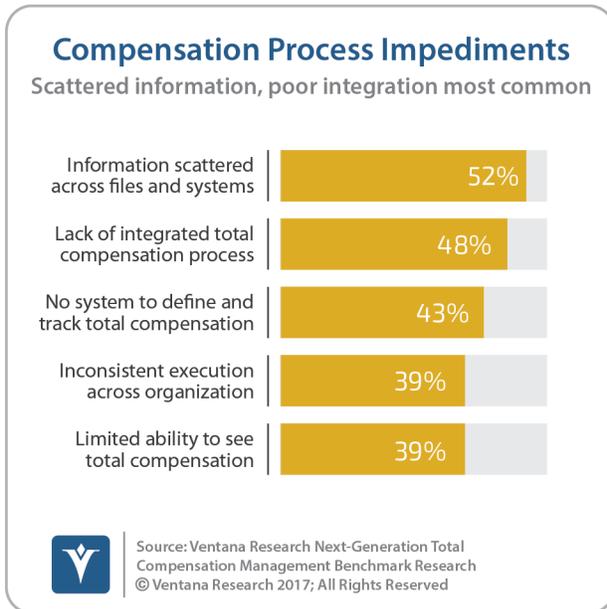


however, most have not fully automated these processes or other aspects of compensation. Almost one-third (32%) of organizations said it is very important to manage these processes using a total compensation management system, while an additional 40 percent said they view it as important. However, fewer than half of organizations (46%) said they are confident they're currently managing their compensation processes effectively.

Effective management, including good communication with the workforce, is dependent on access to information that's accurate and useful. Four-fifths (81%) of organizations said is important or very important to have a comprehensive view of information on all aspects of compensation, including not only base, merit and bonus pay and executive compensation but also benefits and variable incentives. Yet most organizations store compensation-related information in a variety of human resources management, talent management and payroll systems; more than one-third (38%) of organizations must access four or more systems to get a complete view of compensation and more than a quarter of organizations use more than 10 systems to store this data. This causes issues, the research confirms, of which the most substantial is information scattered across silos of files and systems.

Managing compensation effectively and integrating its supporting processes and information requires software. However, the research finds a relatively low level of satisfaction with existing compensation management software, with only one-fifth

of organizations reporting they are satisfied. Two-thirds of organizations said the inadequacy of their systems is a barrier to compensation planning. And one-quarter of organizations said they are planning to evaluate a new software provider.



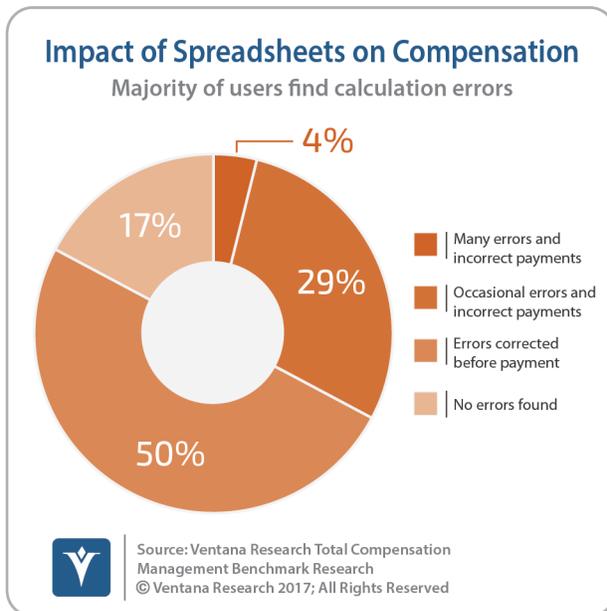
In the area of compensation management, the key impediments organizations say they face and can overcome with a new investment are information scattered across silos of files and systems (cited by 52% of companies) and a lack of an integrated total compensation process (48%). The third most significant impediment, the lack of a system to accurately define

and track total compensation, cited by 43 percent of organizations, underscores that the lack of confidence organizations have in their compensation efforts is related to the lack of unified processes and information, which impacts not just compensation management efficiency but also its effectiveness.



One of the impediments to improvement is that many organizations continue to rely on spreadsheets; two in five organizations (40%) use them in conjunction

with their compensation system. Our research has repeatedly shown that spreadsheets are not structured to support the design, modeling and tracking of and reporting on enterprise processes such as compensation management. This research reveals little sign of change in this regard – one-quarter of organizations participating in this research say they use spreadsheets exclusively, virtually the same as the 26 percent in the earlier research. In fact, the percentage of those reporting they use spreadsheets often has increased, from 35 percent to 40 percent.



said they occasionally find errors that result in incorrect payment to employees, with half finding errors that they are able to correct before payment and fewer than one-fifth (17%) not finding errors. This and other research into business processes we've conducted make clear that spreadsheets pose challenges to the accuracy and continuity of an organization's compensation management.

Among those organizations using spreadsheets, nearly one-third (29%)

The research finds that the use of variable components of compensation is widespread and improving variable compensation is a priority. Almost half (44%) of organizations include variable components in the compensation of up to 60 percent of their workforce. Organizations have deployed dedicated systems to manage variable compensation, including bonuses, rewards and incentives, across many levels and departments. The variety of compensation methods in use intensifies the need to integrate them and provide a unified view of compensation for both the business and the worker.

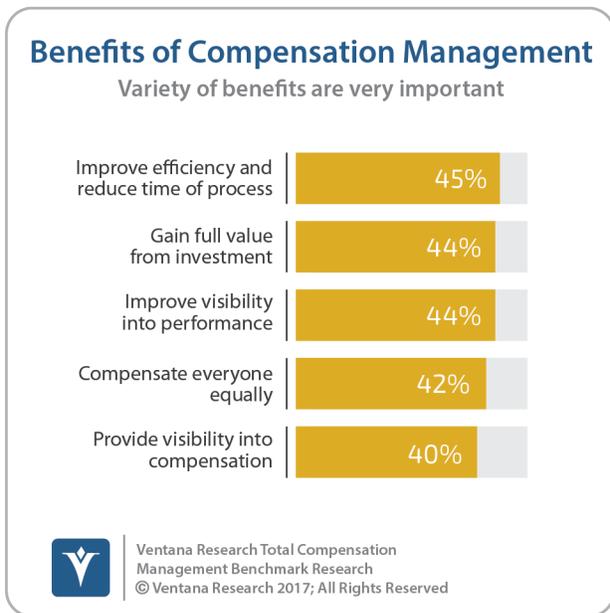
Almost two-thirds (63%) of organizations said it is important or very important to integrate compensation management with their talent management processes: managing goals, objectives, learning, competency, performance and recruiting. The research found such integration in only one-quarter of organizations, though a majority (57%) say they plan to do this in the future; only 16 percent of companies report they have no plans to integrate these systems.

Not surprisingly, being able to conduct salary benchmarking is one of the capabilities managers view as a priority for compensation management software. It is critical that organizations pay the members of their workforce fairly. The research finds that organizations are making compensation equality a priority:



One-third of organizations already perform such reviews today and an additional 47 percent plan to do so within the next year; only one-fifth say they have no plans to make standardizing compensation a priority. Establishing pay benchmarks across roles provides compensation reference points for existing and future hires and also establishes the opportunity to compare salaries across the industry.

The engagement of the finance department in compensation management is critical and is a major part of its governance and leadership role. The research finds that the finance department is involved not just because of the payroll and accounting aspects of compensation but to be able to access compensation information to improve financial performance, an undertaking cited by one-third of organizations. Finance also has an oversight responsibility for executive compensation and stock grants and incentive stock options. Overall, the CFO and Finance leadership need to be involved to ensure that choices and investments in compensation management systems yield enterprise benefits.



Cloud computing and software as a service (SaaS) have become the standard platform for business applications and enterprise software. The research findings reflect this, with the largest percentage (43%) of organizations reporting they prefer to access compensation management on-demand as SaaS. The shift to cloud computing for compensation management software is just part of the overall trend to simplify the access to and use of business applications software to ensure ready access to improvements that may address impediments in existing processes.

In seeking to acquire compensation management systems, the benefit most sought after by organizations is improved efficiency and reduced time of process. The benefit cited as second in importance is to base pay on documented performance, followed by gaining full value from the compensation software investment. Ranking very close behind and historically the most important benefit is to align the workforce to business strategy and goals (85%). More than two-thirds of organizations cited 11 different benefits as important.

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Key Insights

This benchmark research yielded the following important general findings and key insights regarding the state of total compensation management. (We discuss performance levels in the Performance Index portion of the full research report; the actual questions asked in our survey and specifics of organization sizes are in appendices to the research report.)

Organizations' performance in total compensation management is improving.

Companies are maturing in their practice of total compensation management. Our research found that 64 percent of organizations have reached the two highest levels of performance in our Ventana Research Performance Index. Among the four dimensions in which we measure performance, organizations are most mature in the Information (33%) aspect of their compensation practices.

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Fewer than half of organizations said they are confident they're currently managing their compensation processes effectively.

Compensation management is made up of an array of processes used by analysts and administrators as well as those in human resources, business managers and executives. While organizations are making significant strides advancing their performance and managing compensation in ways that benefit the business, most have not fully automated these processes or other aspects of compensation. Almost one-third (32%) of organizations said it is very important to manage these processes using a total compensation management system; an additional 40 percent

said they view it as important. However, fewer than half of organizations (46%) said they are confident they're currently managing their compensation processes effectively.

Compensation information and communications are essential for compensation management success.

Organizations view being able to provide specific compensation information to business units as important; our research finds being able to do so important or very important to 80 percent of organizations. Moreover, a similar majority of organizations say improving communication with the workforce about compensation changes is important, with almost half (46%) indicating it is very important and another third (37%) calling it important.



Effective communication about compensation requires information that's accurate, readily available and useful. For this reason, evaluating the effectiveness of communication regarding compensation requires an assessment of the number of systems in which information is stored. Our research finds that more than one-third (38%) of organizations must access four or more systems to get information to provide a complete view of compensation. Automating the integration of compensation information to yield a comprehensive view requires both well-designed processes and the appropriate technology. This clearly is a widely shared



Ensuring the establishment of a comprehensive view of compensation information is essential to communications flexibility and effectiveness.

goal: More than four-fifths (81%) of organizations said this is important or very important. Ensuring the establishment of a comprehensive view of compensation information is essential to communications flexibility and effectiveness.

Total compensation management includes variable and incentive compensation.

For most organizations, supporting a range of types of compensation is important. Drilling down, the research finds that improving compensation effectiveness involving variable components is a priority. More than half (51%) of organizations said enterprise incentives are important, with similar support for rewards and department incentives. Executive compensation,

which often includes variable elements, ranked as the third-most-important area to improve (important or very important to 73% of organizations) while stock grants and incentive stock options are important to more than half (52%) of organizations. Similarly, sales compensation was rated as important or very important by 64 percent.

Variable components of compensation are widespread. Almost half (44%) of organizations include variable components in the compensation of up to 60 percent of their workforce. The research finds that companies manage variable compensation, including bonuses, rewards and incentives, across many levels and departments by deploying dedicated systems; they are used today to manage compensation for executives (36%), sales (25%) and field service (23%). But the variety of compensation methods in use intensifies the need to provide a unified view of compensation for both the business and the worker.

Integration is required for total compensation management to become a reality.

Despite the clear finding that an integrated view of total compensation is essential for human capital management, most organizations store compensation-related information in a variety of human resources management, talent management



and payroll systems. This causes issues, the research confirms, of which the most substantial is information scattered across silos of files and systems. More than one-quarter of organizations use more than 10 systems to store this data. Where integration does occur, organizations are integrating compensation with a variety of systems, including payroll (65%), HRMS (58%), accounting systems (50%), salary benchmark services (33%), employee or HR portals (30%) and sales compensation management (27%) systems.



Almost two-thirds of organizations said it is important or very important to integrate compensation with talent management processes.

Almost two-thirds (63%) of organizations said it is important or very important to integrate compensation with talent management processes as part of the management of goals, objectives, learning, competency, performance and recruiting. Unfortunately, compensation management is integrated with talent management in only one-quarter (24%) of organizations, though a majority (57%) say they plan to do this in the future; only 16 percent of companies report they have no plans to integrate these systems. Seven in 10 organizations (69%) say this lack of integration of compensation and talent management applications is a barrier to their goal of establishing total

compensation management. The integration of compensation management with HCM and related business processes clearly is a critical condition for success.

The inadequacy of spreadsheets impedes compensation management.

Spreadsheets are not structured to support the design, modeling and tracking of and reporting on compensation across the organization. Yet the research finds that the system used most often for compensation management is Microsoft Excel (39%). We see little sign of change in this regard – a quarter of organizations participating in this research say they use spreadsheets exclusively, virtually the same as the 26 percent reported in the earlier research. In fact, the percentage of those reporting they use spreadsheets often has increased, from 35 percent to 40 percent. Spreadsheets are used most commonly in the area of merit and bonus pay (60%), while 39 percent of organizations said they use them for benchmarking, stock grants, sales compensation and/or executive compensation.

Among those organizations using spreadsheets, nearly one-third (29%) said they occasionally find errors that result in incorrect payment to employees, with half (50%) finding errors that they are able to correct before payment and fewer than one-fifth (17%) not finding errors. Contributing to this problem, fewer than one-third (30%) of organizations use spreadsheet auditing software to perform audits; more than half (57%) do not use auditing software and the rest said they do not



know if they do or not. This and other research into business processes we've conducted make clear that spreadsheets pose challenges to the accuracy and continuity of an organization's compensation management.

Satisfaction with compensation management software needs attention.

In business today, effectively managing compensation and its supporting processes and information requires software. However, the research finds a relatively low level of satisfaction with existing compensation management software, with only one-fifth (19%) of organizations reporting they are satisfied. The largest portion of participants (38%) said they are somewhat satisfied, while 23 percent reported they're not satisfied. The research finds similar levels of satisfaction with compensation software used to support workforce planning, with

only 16 percent of organizations reporting they are satisfied. Two-thirds (66%) of organizations said the inadequacy of their systems is a barrier to compensation planning, and one-quarter of organizations said they are planning to evaluate a new software provider.



All the stakeholders who will interact with or be impacted by the software should participate in the evaluation process.

Satisfaction starts with the acquisition process. For a compensation management system to meet an organization's needs, all the stakeholders who will interact with or be impacted by the software should participate in the evaluation process. In our research, participants in management roles cited as important or very important aspects of functionality improving reporting and analysis of compensation metrics, which topped the list of very important capabilities for them; they also cited the importance

of an auditing method for regulatory and management review and improving payroll budgeting, forecasting and planning. Those in manager and employee roles listed desired capabilities that included examining budget and usage, assessing employee information, accessing reports and dashboards and conducting individual progress reviews. Analysts and compensation administrators said it is important for tools to make it possible to plan and track to create better compensation plan models, generate compensation plans and documentation, and store compensation plans securely.

But considering functionality alone in the evaluation process is not sufficient. Of seven product and vendor evaluation categories, organizations identified usability as their top concern (69%), followed by manageability (68%) and functionality (61%). The lowest rated criterion was validation of the vendor (41%). In addition, the research finds that the emerging business technology that organizations view



as most important to use with compensation management software is business analytics (83%), followed by mobile capabilities (46%), cloud computing (42%), business collaboration (29%) and big data (21%). Supporting compensation management software effectively requires a thorough assessment of organizational needs.

Evaluating pay equity is and should be a priority.

It is critical that organizations be seen to pay the members of their workforce fairly. The research finds that organizations are making compensation equity a priority: One-third (32%) of organizations already perform such reviews today and an additional 47 percent plan to do so within the next year; only one-fifth (19%) say they have no plans to make standardizing compensation a priority.

Establishing pay benchmarks across roles provides compensation reference points for existing and future hires. Salary benchmarking also establishes the opportunity to compare salaries across the industry. More than three-fourths (78%) of companies said benchmarking is an important compensation component (only base and merit pay components ranked higher in importance). Furthermore, 77 percent of organizations benchmark internal salaries to their industry to ensure they are competitive, with most of the remaining organizations (14%) planning to do so in the future.



Comparing compensation data to benchmarks outside of the organization can help guide future decisions, strategically and operationally.

Not surprisingly, conducting salary benchmarking is one of the capabilities managers cited as a priority for compensation management software. The challenge for most companies, however, is prioritizing the need to integrate salary benchmarking services with compensation management, as only one-third of organizations participating in our research indicated that it is important to them to inte-

grate it, a seeming disconnect. Comparing compensation data to benchmarks outside of the organization can help guide future decisions, strategically and operationally.

The engagement of Finance is key to maximizing value for business.

The engagement of the finance department in compensation management is critical for the organization; it's also a major part of its governance and leadership role. The research finds that the finance department is involved not just because of the payroll and accounting aspects of compensation but to be able to access compensation information to improve financial performance, a responsibility cited



by one-third of organizations. Slightly fewer organizations want Finance to play a role in influencing and improving compensation processes (29%) and, significantly, fewer than a quarter (23%) want to see it sponsor and fund investment.

As noted, the governance of compensation also involves incentives, among them executive compensation and stock grants and incentive stock options. Both require the involvement of and oversight by the CFO and finance leadership. Overall, the role of the finance department is essential to improving compensation processes and expanding them to encompass all compensation categories; the research also shows that executives need to be engaged to ensure not only that



Executives need to be engaged to ensure not only that the right software is adopted but that it significantly improves essential business processes.

the right software is adopted but that it significantly improves these essential business processes.

Organizations have shifted to cloud computing for compensation management.

Cloud computing and software as a service (SaaS) have become the standard platform for business applications and enterprise software. The research reflects this, with most (43%) organizations reporting they prefer to access compensation management on-demand as SaaS. Fewer organizations prefer the historical approach of installing the software on premises (15%), followed by hosted-by-supplier (13%). This represents a shift

towards cloud computing across business applications and human capital management, part of an overall trend to simplify the access to and use of business applications software. But the appeal of the cloud is not yet ubiquitous; more than one-quarter of organizations (28%) have no preference from where they operate their compensation software. Using cloud computing for compensation is part of the move to simplify the management of the software and to ensure ready access to improvements that may address impediments in existing processes.

The benefits of investing into compensation management are significant.

Realizing the value of investing in and managing compensation processes should be a top priority for every organization. Many organizations have identified impediments that they can overcome with a new investment as part of the benefits in compensation management. Our research found that the key impediments in organizations that are driving new investment are information scattered across silos of files and systems (cited by 52% of companies) and a lack



of an integrated total compensation process (48%). The third most significant impediment, the lack of a system to accurately define and track total compensation, cited by 43 percent of organizations, underscores that the lack of confidence organizations have in their compensation efforts is related to the lack of unified processes and information, which impacts not just compensation management efficiency but also its effectiveness.

While historically this research has found that aligning the workforce to business strategy is a key benefit of compensation management, today the benefit most sought after by organizations is improved efficiency and reduced time of process (86%). This prioritization indicates the importance of having compensation processes that are well-aligned with the information and applications that support them. The benefit cited as second in importance is to be able to base pay on documented performance (86%), followed by gaining full value from the compensation software investment (86%).

Ranking very close behind and historically the most important benefit is to align the workforce to business strategy and goals (85%). More than two-thirds of organizations cited all 11 benefits as important, indicating a focus on ensuring that a variety of benefits are achieved. Any investment in improving compensation management should bring increased efficiency, of course, but it also should deliver direct incremental value in the form of increased employee retention and therefore experience.



10 Best Practice Recommendations

This benchmark research reveals significant new insights into the evolving nature and use of total compensation management processes and systems. For organizations considering how to optimize their compensation management, we offer the following recommendations.

1. Realize the significant benefits of investing in total compensation management.

Investing in and managing all compensation processes in a coherent, integrated manner should be a top priority. Many organizations have identified impediments that they can overcome with a new investment in compensation management. These impediments suggest that the lack of confidence organizations have in their compensation efforts is related to the lack of unified processes, applications and information, which impacts not just compensation management efficiency but also its effectiveness. Compensation should be at the center of every organization's human capital and talent management investments as an investment in people pays dividends in business performance. Our benchmark research finds that the benefits of investing in total compensation management are improved efficiency, reduced process times, a better ability to base pay on documented performance and realizing full value from the compensation software investment. These benefits can improve employee retention and the employee experience – which, of course, means better value from your human capital investments. Identify the impediments to your total compensation management efforts and then reframe them as benefits you would like to achieve from new investments.

2. Optimize the performance of compensation management.

This research suggests there likely are significant areas where your organization can improve its compensation processes as well as the quality of the information and applications used to support them. There's also an opportunity here, since most organizations have not yet fully automated these processes or other aspects of compensation. Our research finds that almost two-thirds of organizations have reached the top two levels of our four-level Ventana Research Performance Index, but most still have plenty of room for improvement across the people, process, information and technology dimensions. One of the most substantial issues is the lack of automation, which impacts performance across each of the four dimensions. With fewer than half (46%) of organizations indicating confidence in how effectively they manage compensation processes, there is plenty of room to improve. Another impediment to effective management is the use of spreadsheets. This technology is designed for personal productivity,



not for an enterprise-wide business process. Reducing or eliminating your use of spreadsheets in compensation processes will help in many ways. They are, for example, used quite often to manage variable compensation and incentives, which almost half (44%) of organizations use for up to 60 percent of their workforce. This kind of compensation is becoming more common in organizations that operate in the services- or subscription-based market, where incentives are increasingly being used to grow and retain existing customers. If you don't have software that can effectively manage variable compensation, you will struggle with total compensation management. Optimizing the performance of compensation management requires a focus on addressing the impediments as well as ensuring that you are able to unify compensation processes.

3. Aim for greater satisfaction with your compensation management software.

The research finds a relatively low level of satisfaction with existing compensation management software, with only one-fifth of organizations reporting they are satisfied. The largest portion of participants (38%) said they are somewhat satisfied, while 23 percent reported they're not satisfied. Your goal should be to move your organization into that satisfied 20 percent that has removed a significant barrier to compensation planning. Doing this starts with an acquisition process that includes all the right people and looks at all the right issues. For a compensation management system to meet your organization's needs, all the stakeholders who will interact with or be impacted by the software, from users through senior executives, should participate in the process of evaluating your existing approach and possible future ones. Your success in compensation management depends on your attaining the maximum satisfaction with the software and its interconnectivity to human capital and talent management. Establish a process to review any dissatisfaction, prioritize that review, and based on that determine whether your current technology provider is the best fit for your needs in the future.

4. Manage a unified view of compensation.

More than four-fifths (81%) of organizations said it is important to have a comprehensive view of compensation, and this is particularly important when incentives and other types of variable compensation are involved. Variable components of compensation are widespread, but they are challenging to manage effectively. The research finds that companies have deployed dedicated systems to manage variable compensation, including bonuses, rewards and incentives across many levels and departments but in most cases these systems are not unified. The wider the variety of compensation methods you use, the greater the challenge you face to unify their management and provide a unified view of compensation for both the business and the worker. From executives to front-line workers and anywhere stock grants and variable compensation are applied, these all should be integrated into a comprehensive and unified view of



compensation. Inventory the variety of compensation components your organization uses, including benefits, and assess if you have unified the information to enable the organization to understand every worker's compensation. Doing so enables you to provide clear communications about every individual's total compensation as well as to determine if they are being paid equitably relative to internal and market norms.

5. Integration of compensation management is the only way to be effective and successful.

It's likely that your organization, like most, manages compensation with a silo-like set of applications, a structure that prevents the totality of compensation from being effectively integrated into business, financial and human capital management systems. It's likely you store compensation-related information in a variety of legacy, spreadsheet, and related HR management, talent management and payroll systems; our research finds more than one-quarter of organizations use more than 10 systems. You also now know that an integrated view of total compensation is essential for effective human capital management. While almost two-thirds of organizations confirm the overall importance of integrated compensation, fewer than one-quarter have integrated it with the talent management systems used for recruiting, performance assessment and succession processes and even fewer have prioritized this. And more than two-thirds state that the lack of integration is a barrier to total compensation management, which prevents you from not just realizing potential but also being efficient and retaining your talent. To address these issues and improve efficiency, start planning immediately to integrate your compensation systems and, if they are not adaptable enough, acquire technology that will enable you to integrate them and the related information with HCM and related business processes.

6. Improve communications about compensation and increase employee satisfaction.

Most organizations realize the importance of being able to provide compensation information to business managers and employees. Organizations are moving away from just a pay stub towards a total compensation statement for every worker. Effective communication about compensation requires information that's accurate and unified, readily available and useful, and this in turn requires that you assess the number of systems where information is stored and ideally integrate them. Without unifying information you will not be able to achieve the mission of total compensation management. Automating the integration of compensation information to yield a comprehensive view will require both processes and the appropriate technology. While our research finds that more than one-third of organizations need to get information from more than four systems, the technology to integrate them is available today. With a substantial majority (81%) of organizations acknowledging the importance of an integrated



view, there is no better time than now to establish that comprehensive view of compensation information, as it is essential for communications flexibility and effectiveness. Assess the communications you provide today, determine where you need to make improvements and prioritize them as part of your compensation management efforts.

7. Use benchmarking and make pay equity a priority.

It is critical that your organization pay the members of its workforce fairly. One-third (32%) of organizations already perform such reviews today and an additional 47 percent plan to do so within the next year; only one-fifth (19%) say they have no plans to make standardizing compensation a priority. Establish pay benchmarks across roles, prioritizing competencies and experience as reference points to guide compensation for existing and future hires – more than three-quarters of research participants, particularly managers, identify this as a key component of total compensation management. Understand how to use external salary benchmarking, which is rapidly becoming a critical priority as it provides a way to compare your compensation to industry market rates. Adopt a comprehensive approach to benchmarking and use it as a foundation to guide future decisions, strategically and operationally. The board, compensation committee and executive teams must understand the importance of pay equity at every level of your organization and institute a process that ensures compensation parity across gender and race. Failing to do this is increasingly risky as external industry pressures mount; shareholders and stakeholders also are intensifying demands that organizations perform pay equity analysis and take steps to normalize pay structures.

8. Curtail the use of spreadsheets to avoid unnecessary errors and wasted time.

Just about everyone uses spreadsheets. But spreadsheets used for enterprise tasks pose challenges to the accuracy and continuity of your organization's compensation management. Among organizations using spreadsheets, nearly one-third (29%) say they find errors that result in incorrect payment to employees. These results are not surprising; spreadsheets are not structured to support the design, modeling and tracking of and reporting on compensation as a process across the broad set of participants in the organization. Even worse, more than half of organizations do not perform spreadsheet auditing to assess potential issues or errors. Furthermore, because these spreadsheets often contain sensitive information, they pose significant governance issues regarding access and security. They're not acceptable. Start today to eliminate your organization's reliance on spreadsheets by assessing where and why you use them, and how dedicated software designed for these compensation needs can replace them.



9. Understand and embrace cloud computing for compensation management.

Cloud computing is rapidly becoming the standard technology platform for business applications and enterprise software. The shift to cloud computing for compensation management software is just part of the overall trend to simplify the access to and use of business applications software. Explore how cloud computing for compensation simplifies the management of the software, enables more frequent updates from the software provider and addresses impediments in existing processes today and in the future. In most cases cloud computing is the only way you can purchase compensation management software, so ensure you understand how it can help your efforts and where it must be integrated into your current business and human capital management applications, which may operate based in the cloud or in an on-premises environment.

10. Engage the Office of Finance to maximize value for your business.

The role of the finance department is essential to improving compensation processes and expanding them to encompass all compensation categories. The research finds that the finance department is involved not just because of the payroll and accounting aspects of compensation but to be able to access compensation information to improve financial performance, a role cited by one-third of organizations. The research also finds that finance departments want to invest in and improve compensation processes, viewing this as a critical area of their financial responsibility. Furthermore, Finance is becoming more involved with variable compensation because the recognition of it as an expense can vary and is changing under accounting regulations like ASC606, which guides when companies can recognize revenue. If your CFO and senior finance executives aren't engaged in the process of optimizing compensation management and reaching toward total compensation management, seize the opportunity to lead the way. Remind the finance department's leadership that it is a major part of your organization's governance structure; explain why its executives need to be engaged to ensure not only that the right software is adopted but that it significantly improves essential business processes through a unified total compensation management effort.



About Ventana Research

Ventana Research is the most authoritative and respected benchmark business technology research and advisory services firm. We provide insight and expert guidance on mainstream and disruptive technologies through a unique set of research-based offerings including benchmark research and technology evaluation assessments, education workshops and our research and advisory services, Ventana On-Demand. Our unparalleled understanding of the role of technology in optimizing business processes and performance and our best practices guidance are rooted in our rigorous research-based benchmarking of people, processes, information and technology across business and IT functions in every industry. This benchmark research plus our market coverage and in-depth knowledge of hundreds of technology providers means we can deliver education and expertise to our clients to increase the value they derive from technology investments while reducing time, cost and risk.

Ventana Research provides the most comprehensive analyst and research coverage in the industry; business and IT professionals worldwide are members of our community and benefit from Ventana Research's insights, as do highly regarded media and association partners around the globe. Our views and analyses are distributed daily through blogs and social media channels including [Twitter](#), [Facebook](#) and [LinkedIn](#).

To learn how Ventana Research advances the maturity of organizations' use of information and technology through benchmark research, education and advisory services, visit www.ventanaresearch.com.



Appendix: About This Benchmark Research

Methodology

Ventana Research conducted this benchmark research on the web from April through November 2016. We solicited survey participation via email, our website and social media invitations. Email invitations were also sent by our media partners and by vendor sponsors.

We presented this explanation of the topic to participants prior to their entry into the survey:

Ventana Research defines total compensation management as the practice of managing the processes and systems that address all aspects of the compensation of an organization's workforce. Human resources organizations that integrate their people and processes tightly with information and technology are best able to maximize their workforce effectiveness. Compensation management is a key activity for promoting such effectiveness. We'd like to know about the business drivers, technical requirements and barriers to adoption of compensation management and your plans to support it in the future. Your participation will provide valuable information about how companies try to use compensation to recruit, engage and retain talent and produce the best possible outcomes by managing compensation optimally.

The following promotion incented participants to complete the survey:

What's In It For You? Upon completion of the research, all qualified participants will receive a report on the findings of this benchmark research to support their organization's efforts, along with a \$25 Amazon.com gift certificate. In addition, all qualified participants will be entered into a drawing to win one of 25 benchmark research reports and a 30-minute consultation, a package valued at US\$1,495 or €1,232. Thank you for your participation!

Qualification

We designed the research to assess the use of and plans for total compensation management across organizations and industries. Qualification to participate was presented to participants as follows:

The survey for this benchmark research is designed for HR, compensation, finance, business and IT professionals. Solution providers, software vendors, consultants, media and systems integrators may participate in the survey, but they are not eligible for incentives and their input will be used only if they meet the qualifications. Incentives are provided to qualified participants in the research and also are conditional on provision of accurate contact information including company name and company email address that can be used for fulfillment of incentives.

Further qualification evaluation of respondents was conducted as part of the research methodology and quality assurance processes. It entailed screening out responses from companies that are too small, questionnaires that were not materially complete, or those where the submission is from an inappropriate submitter or appears to be spurious.

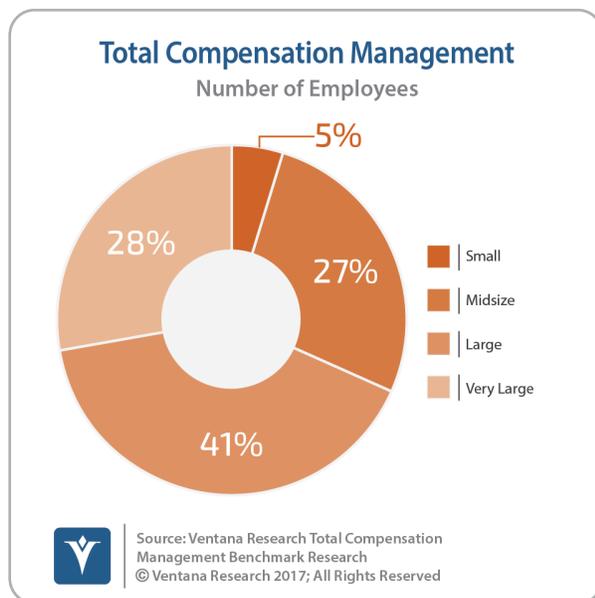


Demographics

We designed the survey used for this research to be answered by executives and managers across a broad range of roles and titles working in organizations. We deemed 64 of those who clicked through to this survey to be qualified to have their answers analyzed in this research. In this report, the term “participants” refers to that group, and the charts in this section characterize various aspects of their demographics and qualifications.

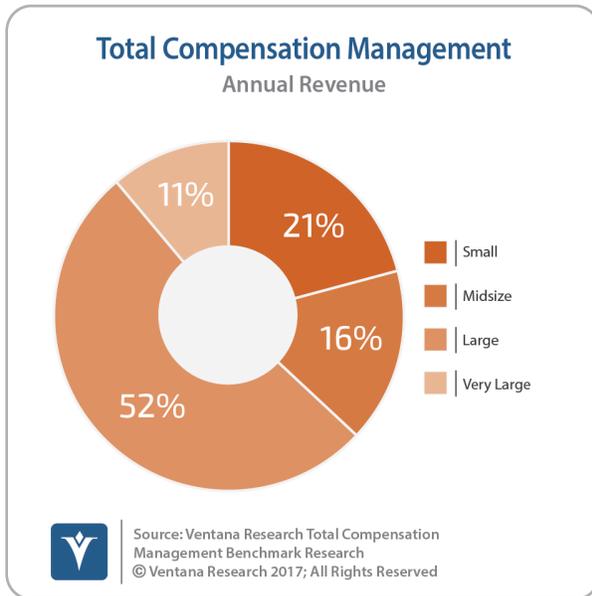
Company Size by Workforce

We require participants to indicate the size of their entire company. Our research



repeatedly shows that size of organization, measured in this instance by employees, is a useful means of segmenting companies because it correlates with the complexity of processes, communications and organizational structure as well as the complexity of the IT infrastructure. In this research, participants represented a broad range of organization sizes: 28 percent work in very large companies (having 10,000 or more employees), 41 percent work in large companies (with 1,000 to 9,999 employees), 27 percent work in midsize companies (with 100 to 999 employees), and 5 percent work in small companies (with fewer than 100

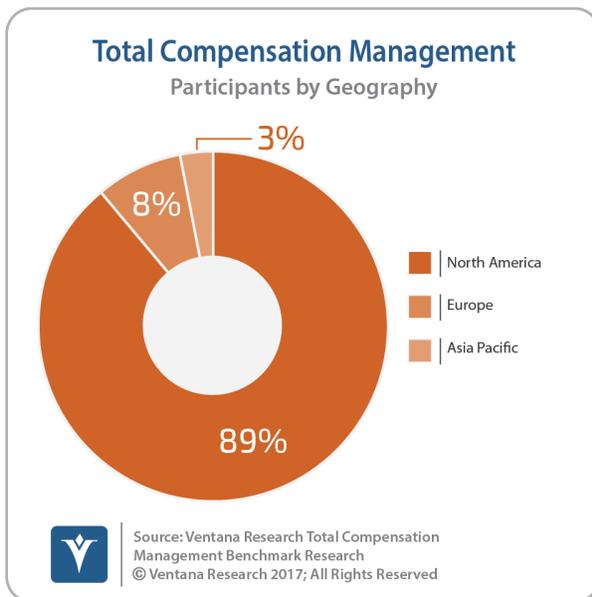
employees). This distribution is consistent with prior benchmark research and our research objectives and provides a suitably large sample from each size category.



Company Size by Annual Revenue

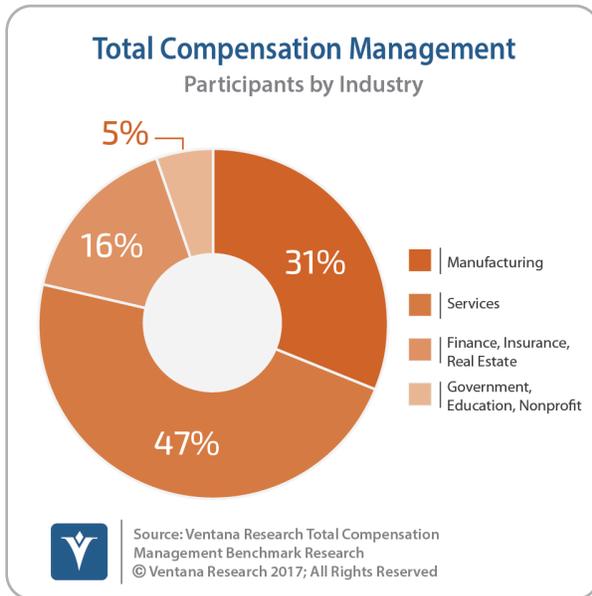
When we measured size by annual revenue, the distribution of categories shifted downward; fewer companies fell into the largest category and four times as many are small. By this measure, 17 percent fewer are very large companies (having revenue of more than US\$10 billion), 11 percent more are large companies (having revenue from US\$500 million to US\$10 billion), 11 percent more are midsize companies (having revenue from US\$100 to US\$500 million), and 16 percent more are small companies (with revenue of less than US\$100 million). This sort of redistribution is typical in our research

projects when we measure by revenue instead of head count.



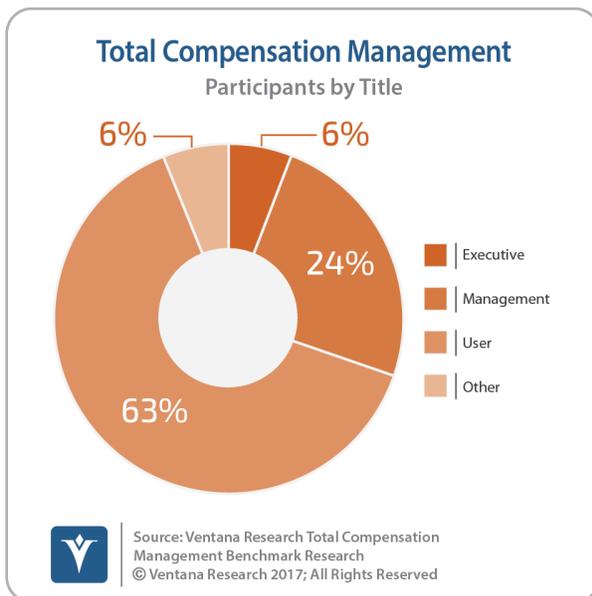
Geographic Distribution

A large majority (89%) of the participants were from companies located or headquartered in North America. Those based in Europe accounted for 8 percent and in Asia Pacific for another 3 percent. This result was in keeping with our expectations at the start of this investigation, since organizations participating in our research most often are headquartered in North America. However, many of these are global organizations operating worldwide.



Industry

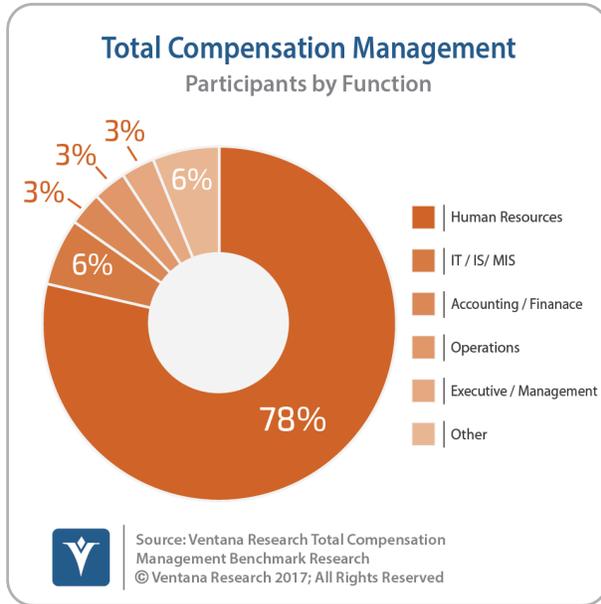
The companies of the participants in this benchmark research represented a broad range of industries, which we have categorized into four general categories as shown in the chart. Companies that provide services accounted for 47 percent of the participants and those in manufacturing accounted for 31 percent. Those in finance, insurance and real estate accounted for 16 percent. Government, education and nonprofits accounted for the balance.



Job Title

We asked participants to choose from among 11 titles the one that best describes theirs. We sorted these responses into four categories: executives, management, users and others. More than half identified themselves as having titles that we categorize as users, a grouping that includes director (21%), senior manager or manager (25%), analyst (11%) and staff (6%). Another 24 percent are management, by which we mean vice presidents, and 6 percent are executives. Others, in this case consultants, accounted for the balance.

We concluded after analysis that this response set provided a meaningfully broad distribution of job titles.



Role by Functional Area

We asked participants to identify their functional area of responsibility as well. This enabled us to identify differences between participants who have differing roles in the organization. More than three-fourths of the participants identified themselves as being in the human resources function, 6 percent work in IT, and 3 percent each are executives or management, in operations or in accounting. The Other category accounted for 6 percent of the total.