Trends in Total Compensation Management

Establishing the Foundation for Compensation Management

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Benchmark Research
White Paper

V E N T A N A
R E S E A R C H

San Ramon, California
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Ventana Research performed this research for a fee to determine trends in and attitudes toward the deployment and utilization of compensation management systems. This document is based on our research, and in particular on analysis of information provided by organizations that we deemed qualified to participate in this benchmark research.

This research was designed to investigate the compensation management practices and needs of individuals and organizations and the potential benefits from improving their existing processes, information and systems. This research 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 planning. Moreover, gaining the most benefit from improving compensation management requires an assessment of an organization's unique needs to identify gaps and priorities for improvement.

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.

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Executive Summary

Compensation management is a key activity for supporting workforce performance and talent management processes. Determining and providing the right compensation for each person, whether it involves base or merit pay or variable pay and incentives, is critical to being able to attract and retain productive members of the workforce, employees and contractors alike.

Today, the activities and systems that support compensation for executives, variable pay and rewards for those in sales, field service and contact centers, as well as stock 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. As a result, what we call total compensation management is gaining interest from organizations that seek to streamline their compensation processes and fully use the information they have to ensure optimal performance from their workforce investments.

Ventana Research has long suspected that an investment in total compensation management is a strategic step toward improving workforce performance, and this new benchmark research, building on its predecessor conducted in 2008, confirms this. Our research examined best practices in compensation management, evaluated the maturity of compensation management deployments and explored where organizations need education to improve their processes and systems.

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

The current research finds some progress in compensation practices. More participants than previously (72% vs. 68%) said that it is important or very important to have a total compensation management system rather than a piecemeal approach Moreover, nearly half (49% as opposed to 40% previously) told us they are confident or very confident that their organization currently manages its compensation processes effectively. Together, these findings indicate both that many participants see a need for improvement and that some is being made.

The research uncovered numerous impediments in current compensation processes that are motivating organizations to consider investments to minimize or eliminate them. In a change from opinions in 2008, the most common problem, cited by 47 percent of respondents, now is inconsistent execution across divisions and departments; this indicates that many are thinking about compensation more broadly than in the past. Limited alignment of pay and performance and the absence of an integrated process for all aspects of compensation, the two top choices in 2008, placed second and third in this research. When we asked about specific problematic aspects of compensation, topping the list of those needing improvement were the fundamentals of managing merit pay or bonuses (39%) and base pay (37%); participants ranked the two in reverse order in the previous study.

Variable compensation is an increasingly popular area. Some organizations have invested in systems that can support this approach for specific types of employees; for example, nearly one-third of organizations offer variable compensation as a component of their total compensation system.

In 2008 our research showed that almost half (45%) of companies had information scattered across silos of systems and information repositories; this lack of integration was the third-ranked reason for investing in new systems. In this new benchmark research only one quarter (25%) cited scattered information as a problem, and it ranked only sixth among reasons for investment. Ten percent fewer participants (41% vs. 51%) reported that they must use two to three systems to gain a complete view of compensation, while 24 percent (down from 30%) have to consult four or more systems; nearly as many (22%) now can find it all in a single system. All these differences suggest that some organizations are focusing on the challenge of integrating systems used for compensation. When we asked what general operational systems participants had found they needed to integrate with their compensation systems, participants listed most often their payroll (69%), human resources (56%) and accounting (51%) systems.

Overall, 26 percent of participants identified inadequate software as the largest barrier to effective workforce planning. More than one-fourth of organizations use only spreadsheets for tracking and managing compensation, and 35 percent use them extensively in conjunction with their compensation systems, but both of these numbers are reduced since the 2008 research. And while 71 percent of participants identified Microsoft Excel as a system they use for compensation management, a range of other applications, including some dedicated to this purpose, were named more frequently.

> **Currently only 17 percent of organizations have integrated compensation management software with talent management, but almost one-quarter (23%) plan to do so in the next year.**

We have found repeatedly across our research that using spreadsheets, which were designed for personal productivity, for an enterprise process such as compensation management impacts productivity negatively and increases financial risk. Our findings here echo that: 38 percent of participants in this benchmark research said they have found errors in payments to employees in the past 18 months. Yet fewer than one-fourth perform audits to determine where there are errors in calculations in spreadsheets. It comes as no surprise then that only 42 percent said they are satisfied with their current software for managing compensation.

This situation makes it difficult for organizations to achieve their goals in managing compensation. The top two capabilities participants told us they sought to have are being able to assess progress toward performance goals and to develop more robust pay-for-performance strategies. When we asked about planning, tracking and design goals, designing incentives to reach goals (which 80% rated important or very important), creating better compensation plan models (78%) and storing compensation plans securely (75%) topped their lists.

An integrated approach is essential to establishing total compensation management; 34 percent of participants said having an integrated view is very important. The research also found that lack of integration of compensation and talent management applications is a barrier to compensation planning for two-thirds of them. Currently only 17 percent of organizations have integrated compensation management software with talent management, but almost one-quarter (23%) plan to do so in the next year. To acquire a complete view of compensation typically requires integrating various information systems and applications already in use. In particular, participants cited as the top priorities integration with payroll (69%), HR (56%) and accounting (51%) systems, followed by performance management (42%), financial planning (34%) and spreadsheets (31%).

Our research also found some openness to change in how organizations seek to access compensation management software. The traditional approach of managing it on the company's own premises (44%) leads, but using on-demand systems (25%) and ones hosted by a third party (15%) are increasing in popularity.

Our analysis indicates that for an organization to adopt total compensation management successfully, having the right leadership and sponsorship are essential. In fact, executive sponsorship (cited by 50%) is the second-most important factor in making a successful business case for compensation management software, trailing only having a budget for investment (56%). The finance department plays a very important role in these initiatives; only 22 percent of organizations

> **Executive sponsorship (cited by 50%) is the second-most important factor in making a successful business case for compensation management software.**

do not have finance involved at all in compensation management. HR organizations that want to raise their strategic value to the organization should work closely with finance and operations management to enable an efficient process that can meet the expectations of both executives and individuals.

Total compensation management is poised to become a powerful component of workforce performance management; used properly, it will help the organization understand how to get full value from the talent of its workforce. Used optimally, it can even deliver a competitive advantage. Ventana Research advises businesses looking to innovate to add total compensation management to their list of strategic investment priorities.

About This Benchmark Research

Methodology

Ventana Research conducted this benchmark research over the Web from March through May 2011. We solicited survey participation via email blasts, our Web site and via 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:

> HR organizations that integrate their people and processes tightly with information and technology are best able to maximize their effectiveness throughout the business. We'd like to know your thoughts and opinions on the business drivers, technical requirements and barriers to adoption of total compensation management and the timelines for implementation of total compensation management software. Your participation will provide valuable information about how companies can align these applications with their people and processes to achieve goals and objectives related to talent management and overall workforce performance management.

We included the following definition:

> Total compensation management is the practice of managing the processes and systems that represent the total compensation of an organization's workforce. Total compensation includes base pay (both hourly and salaried) and merit or variable pay in the form of cash, rewards, stock or any and all other incentives.

The following promotion incented participants to complete the survey:

> What's In It For You? All qualified participants will receive a report on our benchmark research findings that you can apply to your organization's efforts and a quarterly membership to the Ventana Research Community valued at US$125 or €92. In addition, all qualified participants will be entered into a drawing to win a benchmark research report of your choice valued at US$995 or €732. If you're one of the first 50 qualified respondents, we'll even throw in a Starbucks card loaded with $5. All individuals who cannot receive a gift for participation will instead have a donation made to a nonprofit organization. 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 managers. Solution providers, software vendors, consultants, media and systems integrators may participate in the survey, but they are not eligible for incentives and will be used in the analysis 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 of various sizes. We deemed 145 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 Number of Employees

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, participating organizations separated almost evenly into larger and smaller sizes: 51 percent work in very large companies (having 10,000 or more employees) or large companies (with 1,000 to 9,999 employees), and 49 percent work in midsize companies (with 100 to 999 employees) or 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.

Figure 1
Participants by Company Size (Number of Employees)
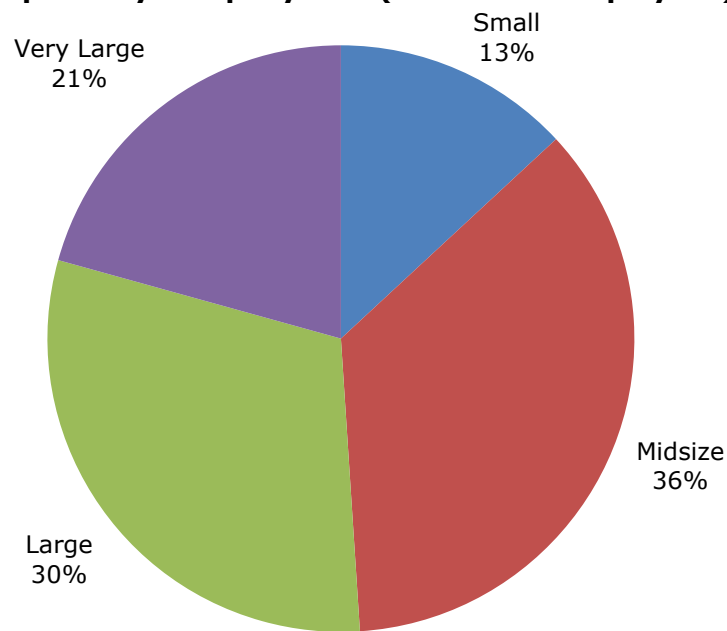
Source: Ventana Research

Company Size by Annual Revenue

When we measured size by annual revenue, the distribution of categories shifted downward; all sizes lost share except small companies, the number of which tripled. By this measure, only 43 percent are very large companies (having revenue of more than US$10 billion) or large companies (having revenue from US$500 million to US$10 billion), and 57 percent are midsize companies (having revenue from US$100 to US$500 million) or small companies (with revenue of less than US$100 million).

Figure 2
Participants by Company Size (Annual Revenue)
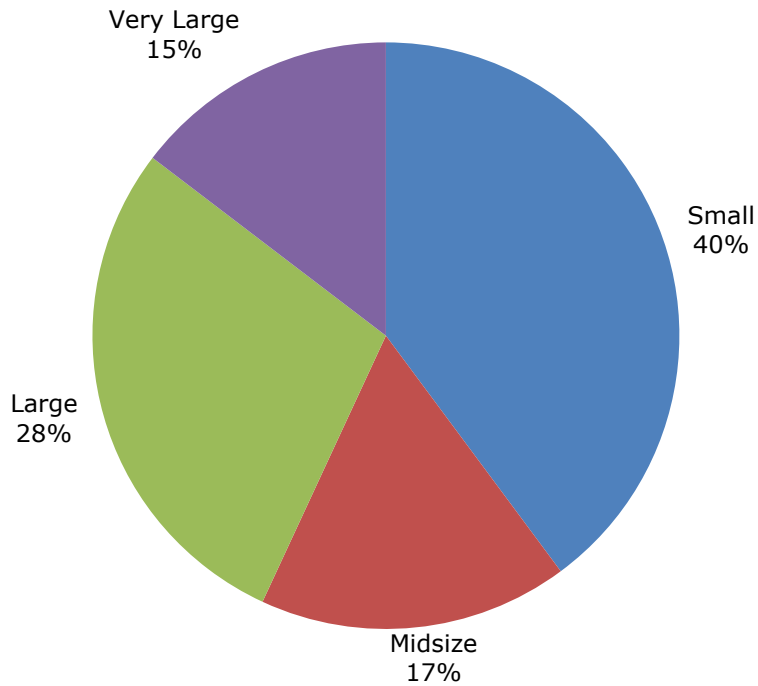
Source: Ventana Research

Geographic Distribution

All but 5 percent of the participants were from companies located or headquartered in North America. Those based in Europe accounted for 3 percent and in Asia Pacific or the Middle East for 1 percent each. Organizations participating in our research most often are headquartered in North America, although in this case the proportion was greater than usual. However, many of these are global organizations operating worldwide.

**Figure 3
Participants by Region**
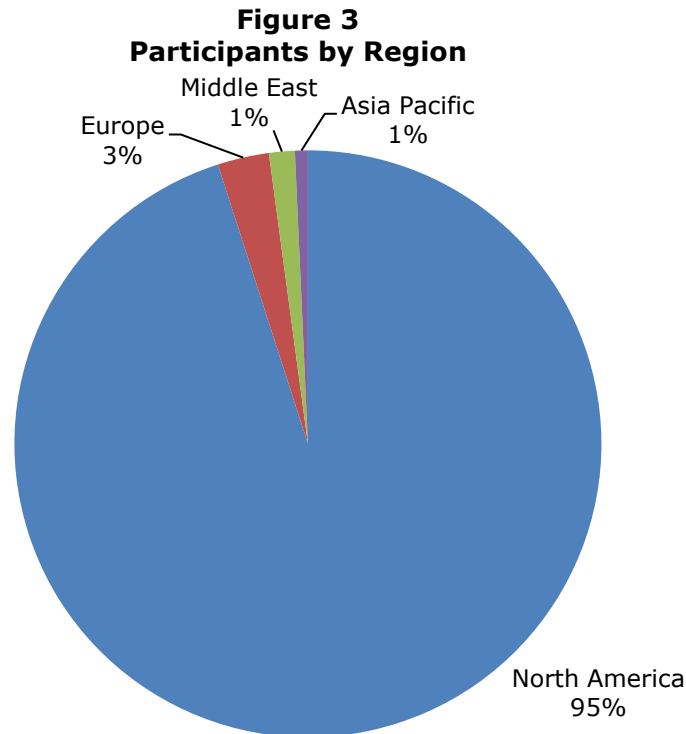
Source: Ventana Research

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 below. Companies in manufacturing accounted for the largest share of participants (39%), followed by those that provide services (28%), government, education and nonprofits (15%) and finance, insurance and real estate (11%). The miscellaneous Other category accounted for the balance.

Figure 4
Participants by Type of Industry
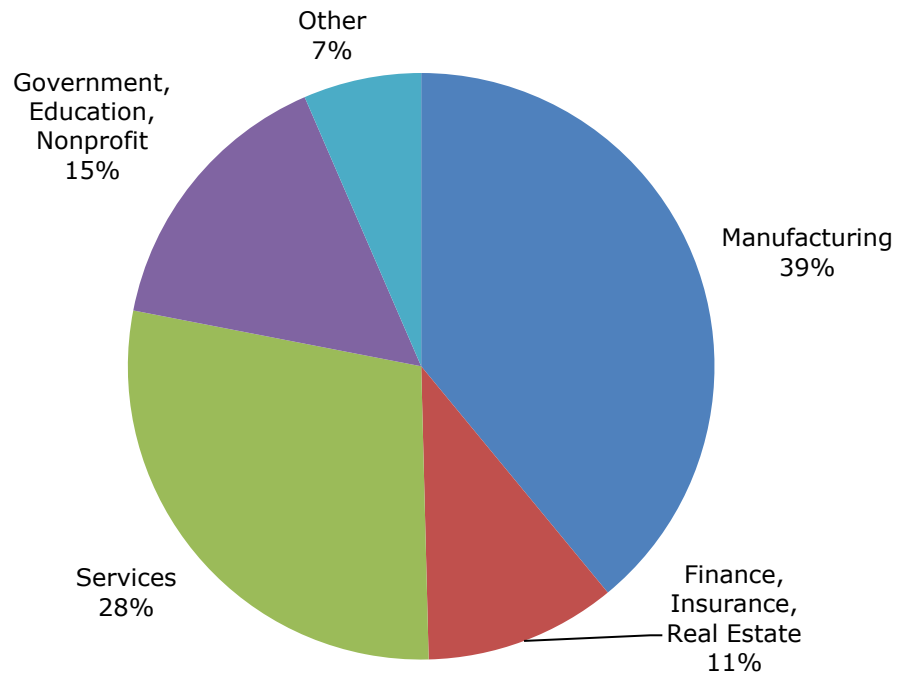
Source: Ventana Research

Job Title

We asked participants to choose from among 13 titles the one that best describes theirs. We sorted these responses into four categories: executives, management, users and others. Slightly less than two-thirds identified themselves as having titles that we categorize as users, a grouping that includes director (26%), senior manager or manager (27%), analyst (6%) and staff (4%). Around one-sixth each are executives (16%) or management, by which we mean vice presidents (18%).

**Figure 5
Participants by Job Category**
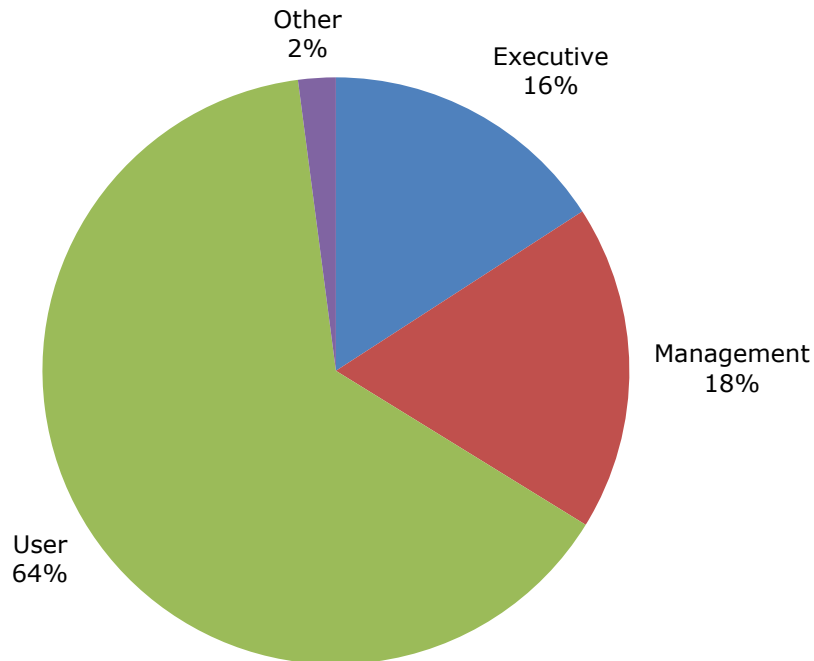
Source: Ventana Research

This is how we aggregated the 13 title response options:

<u>Executive</u>
CEO or President
COO or Head of Operations
CIO or Head of Information Technology or MIS
CFO or Head of Finance

<u>Management</u>
SVP or EVP
VP

<u>User</u>
Director
Senior Manager
Manager
Analyst (Business, Financial, etc.)
Staff

Other
Consultant
Professor or Teacher

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. About half (48%) identified themselves as being in the human resources function, about one-sixth are in accounting or finance (17%), and 10 percent work in IT. Most of the remaining one-fourth perform front-office roles, though 6 percent are executives or management.

Figure 6
Participants by Functional Area
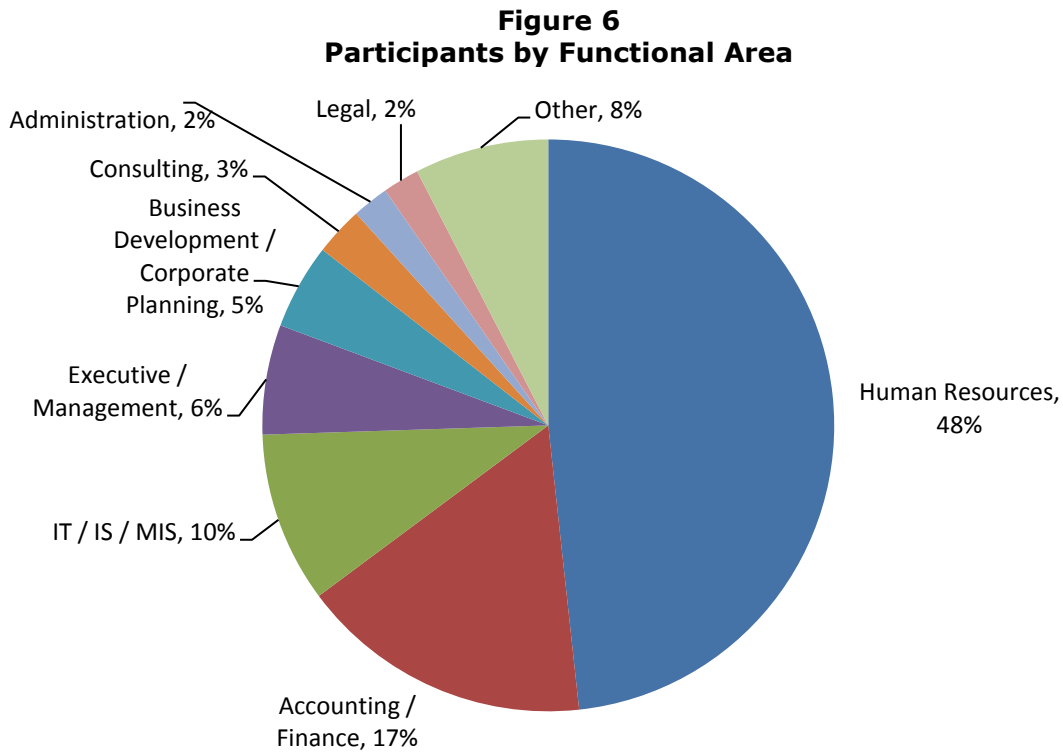
Source: Ventana Research

Key Insights

Our research yielded the following important general insights regarding total compensation management. We discuss maturity levels in the Maturity Index portion of the full research report. The actual questions asked in our survey are in the Appendix to the research report.

The practice of total compensation management is maturing sporadically.

Companies are slowly maturing in how well they practice total compensation management. Our research found that 28 percent of organizations have reached the highest Innovative level of maturity overall, a decline of about 5 percent from our previous research in 2008. On the other hand, 36 percent of organizations are at the next-highest Strategic level, which is a 5 percent increase over three years.

Of the four categories in which we measure maturity, organizations are most mature in Information and least so in the People aspect of their businesses. In terms of size, the largest organizations are most mature and other sizes are more mature than those smaller than them; hence small organizations are the least mature.

While some organizations have made significant strides in advancing their efforts to manage compensation in ways that benefit the business, most have not automated these processes and continue to rely on spreadsheets. To mature, organizations will have to reduce or eliminate their use of spreadsheets in compensation processes and develop strategies to meet the needs of the lines of business for variable incentives and rewards. The research indicates that less than half (49%) of organizations are confident or very confident that they manage compensation processes effectively.

Organizations are making progress in prioritizing information and communication about compensation but have more to do.

Almost half (46%) of participants in this 2011 research said it is very important to provide compensation information to Operations, Finance and individuals, somewhat fewer than the 51 percent who said this in 2008. Even fewer this year said it is very important to improve communication with the workforce about compensation changes (44% vs. 60% in 2008), which may indicate that a significant portion have made those improvements. Having a comprehensive view of compensation is very important to one-third (34%) of organizations. However, about as many (35%) said lack of an integrated total compensation process is an impediment to their compensation processes, and more said that inconsistent execution across divisions and departments (47%) and limited alignment between pay and performance (44%) are impediments. Therefore, in their efforts to improve the value of the workforce, organizations need to improve the coordination and spread of their efforts. It is interesting to note that while in 2008 45 percent cited information scattered among systems as an impediment to their current compensation processes, only 25 percent said that now, indicating progress in addressing that issue.

The compensation component is an essential part of talent management but often not integrated with it.

Only a few organizations (17%) have integrated compensation management software with talent management, but almost one-quarter (23%) are planning to do so in the next year. At the same time more than one-third (34%) said it is very important to integrate compensation and 42 percent said that is important. More

than half (52%) of very large organizations (having 10,000 or more employees) said such integration is very important; among other sizes, no more than one-third said it is very important. This 2011 research finds that organizations view as the second-most important benefit of investing in compensation management to be able to base pay on documented performance, which almost nine in 10 (88%) said is important or very important. To do that requires integration with performance management systems that typically are part of talent management suites of applications. It is not surprising that management chose as the most important capability of compensation software to be able to show progress toward goals and targets or that developing a pay-for-performance strategy and plans ranked second-most important. All these findings indicate the need for compensation and talent management to work together more directly.

The most important benefit of compensation management is workforce alignment to goals.

The motivating force of compensation is obvious, and aligning the workforce to business strategy and goals was rated most highly among organizational benefits; 89 percent called it important or very important. This was followed closely by pay based on documented performance (88%). These findings are similar to those in the 2008 benchmark research. To gain alignment of the workforce, management must consider the role of compensation and incentives in a performance management program.

Some organizations are realizing the inadequacy of spreadsheets for compensation management.

Spreadsheets are among the tools most companies use to design, track and report on compensation. More than half (51%) of those participating in the research use spreadsheets exclusively or often for this purpose, but that is a decrease from the 73 percent we reported in 2008. Predictably, twice as many small companies as overall (53% vs. 26%) use them exclusively. At the same time, 38 percent have found errors in their calculations that resulted in incorrect payments, down from 79 percent in 2008. We see a direct correlation between these reductions. More midsize companies (48%) still find such errors than the average (33%). The number of companies auditing their spreadsheets declined to one-fourth from one-third in 2008. The impact of inadequate systems to handle all aspects of compensation planning dropped to third place in 2011 (26%) from first place in 2008 when it was the top-ranked very impactful barrier (30%). The impact of inadequate systems was strongest in large organizations (39%).

More than one-quarter (28%) of organizations still use Microsoft Excel for compensation. Not surprisingly, only 15 percent of participants said they are very satisfied with their compensation management software while 23 percent are not satisfied. Personal productivity spreadsheets are not designed to support a complex business process like total compensation management.

Organizations don't pay enough attention to key aspects of compensation.

The research found that the majority of organizations focus improvement efforts primarily on three components of compensation: merit and bonus pay (ranked number one by 39%), base pay (37%) and benefits (28%). Other aspects of compensation ranked far behind – for example, sales compensation (26%) and enterprise incentives (22%). Only 28 percent of organizations have dedicated

systems to manage sales compensation, only 21 percent have them for field service and 13 percent for the call center. At the same time, half (46%) of participants said it is very important to have a comprehensive view of compensation for purposes of talent management and determining pay for performance, just slightly less than the 51 percent in 2008. The research found lack of integrated total compensation processes to be an impediment in 35 percent of organizations. As well, improving communication to the workforce about compensation changes is very important to 44 percent, and time-consuming planning processes that require many cycles are the top-ranked barrier to compensation planning. We conclude that the majority of organizations can improve the effectiveness their of departmental and variable incentives and rewards if they pay them the attention they deserve.

Integration is essential for total compensation management to succeed.

An integrated view of total compensation is very important to one-third (34%) of organizations. The research found that the lack of integration of compensation and talent management applications is the second-most very impactful barrier to total compensation management for 26 percent and the most impactful for another 40 percent. To acquire a complete view, most will have to integrate various information systems and applications already in use. In particular, participants cited as the top priorities integration with payroll (69%), HR (56%) and accounting (51%) systems, followed by performance management (42%), financial planning (34%) and spreadsheets (31%). Even integrating sales compensation and talent management is important to more than one-quarter of organizations. Integration can be achieved, but it will require organizations to examine their current processes, applications and data.

Variable compensation and incentives need significant attention.

More than one-third of organizations said it is very important to have a comprehensive view of compensation. That includes variable compensation, which the research shows is used by 45 percent of organizations. One-third (34%) of organizations report they have only a limited ability to see a complete view of compensation, which must include information about variable compensation activities (such as bonuses, rewards and incentives) for people in sales, executive positions, field service and contact centers. The research finds that from 16 to 26 percent of organizations place top importance on improving sales compensation, enterprise incentives, departmental incentives, executive compensation and non-cash rewards. Yet it also finds that over the next year only 9 to 21 percent of participants' organizations will install specific systems to address these needs. Adopting such systems and integrating them with other talent management systems will enable more effective compensation processes, yet the research shows a significant gap between the perceived need for a total view of compensation and the rather low priority given to specific compensation types and the needs of operational areas.

More organizations admit they require new software capabilities.

Only 15 percent of organizations are very satisfied with their existing compensation management software, but this is a higher percentage than did so in 2008 (11%). Almost one-fourth (23%) are not satisfied, and more than one-third (35%) are only somewhat satisfied. A related finding is that almost one-fifth (19%) plan to evaluate and select new software.

Regarding capabilities that managers and employees need, the top-ranked is to support individual progress reviews (43% called it very important), followed by being able to examine budget and usage (36%). Among management capabilities, showing progress toward performance goals and targets and developing a pay-for-performance strategy and plans were most important, each at 40 percent; they were similarly ranked in 2008. While auditing was the lowest-ranked capability it is a significantly important capability for largest of organizations. When we asked about the designing, planning and tracking aspects of software capabilities, storing compensation plans securely (very important for 35%) and designing incentives to achieve business goals (33%) were ranked highest, and while planning compensation across currencies and languages was the lowest overall, this also was a significantly important capability for the largest organizations, which are often multinational.

These research findings make clear that to achieve total compensation management organizations will need applications with a variety of capabilities. Those that rely on spreadsheets will find acquiring them difficult because personal productivity software is not designed to deliver these capabilities and support essential processes. Fully integrating systems and information will, we believe, require a dedicated environment.

Organizations will consider new approaches to deployment.

The extent of dissatisfaction with current software reported above indicates that many organizations are open to change. The manufacturing industry has, at 32 percent, the highest percentage very dissatisfied companies. Very large organizations as measured by both number of employees and annual revenue were twice as satisfied as the average. We found that 19 percent of organizations are planning to evaluate new software for compensation management. In addition, organizations are beginning to consider new styles of adopting and managing total compensation management systems. Installing and deploying a system on the company's own premises still leads at 44 percent, slightly higher than in 2008 (39%), but preference for software as a service has reached 25 percent compared to 22 percent in 2008. The increased preference for on-premises deployment was especially strong with executives (57%) and in the services industry sector (53%). And 16 percent had no preference for any approach to access software. We believe this demonstrates an open attitude toward adopting compensation management applications and varying methods to access the software.

Sponsorship from executives and Finance is essential for success.

The support of the finance department for compensation management is critical since compensation is a major part of the finances of every organization. Executive sponsorship was one of the top three business case considerations, as 86 percent deemed it important or very important; only the budget required for investment and resources available received more mention. Almost one-third (31%) of participants said the finance department influences and seeks to improve compensation processes, and nearly one-fourth (23%) said their organization wants access to information for improving financial performance. We believe the role of Finance is critical to improving compensation processes and expanding them to include all compensation types; the research also shows that executives need to be engaged to ensure not just adoption of software but that value is being derived from improving this essential business process.

What To Do Next

Compensation is the primary motivating force for many workers. Thus, ensuring that compensation is effective and designed to maximize productivity in every corner of the organization by optimizing compensation management is not just important but imperative. By evaluating your organization's compensation management maturity and shortcomings, you can focus your investment of money and manpower to ensure that you manage it efficiently and align it to your organization's strategic workforce performance goals. We offer the following recommendations to executives and managers in HR, Finance and Operations who are engaged in evaluating or implementing improvements to compensation management processes and systems. They are derived from the results of this research, from our consultation with clients and from our knowledge of best practices involving people, processes, information and technology.

Assess your maturity and invest for improvement.

We assess organizational maturity using a four-level scale. In this benchmark research, the distribution of maturity levels among the companies was fairly even but skewed somewhat toward the higher end. We found that 28 percent of the participating organizations have done sophisticated compensation management deployments and are at the most advanced Innovative level of maturity. Those at the intermediate levels, Strategic (one step down from Innovative, 36%) and Advanced (another step down, 20%), are looking to satisfy their requirements and address existing impediments but have not done so fully and are still using spreadsheets for compensation activities. Those at the Tactical (lowest) level (16%) have no plans to improve or deploy specific compensation systems for areas that could benefit, such as sales and contact centers. Use these results and our Maturity Index framework to assess your own organization's maturity and to determine where you can apply improvements to your people, processes, information and technology.

Focus on outcomes for improving workforce performance.

Before an organization can take action to realize the benefits of investment in total compensation management, HR and Finance must ensure that they agree on direction. The benefit companies most desire is being able to align their workforce to their business strategy and goals (52%), which is assisted by efficiency of process (50%), having visibility into employee compensation, performance and succession related information (40%) and establishing pay for documented performance (39%). These goals were generally consistent in both the 2008 research and this follow-up and are likely to remain durable.

Replace outmoded technology to increase efficiency.

Our benchmark research identified a disturbing disconnect between participants' articulated need for better processes and capabilities and the absence of effective total compensation management systems. The use of spreadsheets is so widespread in more than half of organizations that even small improvements should yield benefits. And far more than small improvements are available from today's improved compensation management systems. Organizations should assess available applications to determine what may meet their needs cost-effectively. The use of spreadsheets to manage compensation has decreased substantially since our previous study, when nearly three-fourths of organizations used them; as others

take steps to find more adequate systems, those that don't are likely to fall behind in the race to acquire and retain talent.

Work to integrate appropriate sources and systems.

Some organizations are trying to rationalize their total compensation management and reduce use of spreadsheets, but many are still considering the deployment of stand-alone compensation systems – systems that are designed to support specific departmental requirements for sales, or executives, or field service and contact centers. This research makes clear that to drive improvement it is necessary to integrate existing information sources with compensation and workforce performance or talent management systems.

This integration will require that the organization focus not just on the usability and functionality of the applications but also the architecture needed to support integration to other internal systems, including the HRMS and spreadsheets, as well as external hosted or on-demand systems. Your organization should explore ways to streamline the integration process and then find a compensation system that can become the repository of the single view of compensation at every level, from individual to organization. If separate dedicated compensation systems are needed, they should be designed to support integration into the system that provides the integrated view.

Understand what you really need.

Make sure you fully understand what your executives and managers want and need from compensation management so you can determine the type of application to use and the sources of data to draw upon. Individual compensation management software systems have relative strengths and weaknesses. Some are better at managing variable pay components, while some have better capabilities for making critical decisions about workforce planning and strategy. By clearly defining your business, user, information and technology requirements, you will be better equipped to evaluate how well providers of total compensation management applications will satisfy your particular needs. Bear in mind that it is possible that no single dedicated application will meet all of your needs; perhaps bringing together specific capabilities from different systems will be required. In this latter case, though, integration capability is essential.

Plan your program for total compensation management.

In our research, 72 percent of participants said total compensation management systems are important or very important. In addition, many organizations are adding variable pay components to compensation. This demand and a lack of confidence in existing processes among more than half of organizations are the two compelling reasons to make building a plan for total compensation management a top priority. Enlist sponsors from finance and executive management who will support the required investments and provide organizational leadership for the program and its goals. With improved processes and systems that work together efficiently, you can reduce friction in the workforce and focus it on driving performance improvement.

How Ventana Research Can Help

Ventana Research helps organizations develop, execute and sustain business and technology programs that align people, processes, information and technologies essential for success. As an objective and trusted advisor, we are your insurance that your business and IT initiatives deliver both immediate and long-term improvements to your business.

We offer a variety of customizable services to meet your specific needs including workshops, assessments and advisory services. Our education service, led by analysts with more than 20 years of experience, provides a great starting point to learn about important business and technology topics from compliance to business intelligence to building a strategy and driving adoption of best practices. We also offer tailored assessment services to help you connect the business and technology phases of your project by leveraging our research foundation and methodologies. And we can provide Ventana On-Demand access to our analysts on an as-needed basis to help you keep up with market trends, technologies and best practices.

Everything at Ventana Research begins with our focused research, of which this report is a part. We work with thousands of organizations worldwide, conducting research and analyzing market trends, best practices and technologies to help our clients improve the efficiency and effectiveness of their organizations.

Through the Ventana Research community we also provide opportunities for professionals to share challenges, best practices and methodologies. Sign up for Individual membership at www.ventanaresearch.com to gain access to our weekly insights and learn about upcoming educational and collaboration events – webinars, conferences and opportunities for social collaboration on the Internet. We offer the following membership levels:

Individual membership: For business and IT professionals* interested in full access to our Web site and analyst team for themselves. The membership includes access to our library of hundreds of white papers and research notes, briefings and telephone/e-mail consulting sessions to provide input and feedback.

Team membership: For business and IT professionals* interested in full access to our Web site and analysts for a five-member team. The membership includes access to our library of hundreds of white papers and research notes, briefings, telephone/e-mail consulting sessions to provide input and feedback and the use of Ventana Research materials for business purposes.

Business membership: For business and IT professionals* interested in full access to our Web site and analyst team for their larger team or small business unit. The membership includes access to our library of hundreds of white papers and research notes, briefings, telephone/e-mail consulting sessions to provide input and feedback, use of Ventana Research materials for business purposes and additional analyst availability.

Business Plus membership: For business and IT professionals* interested in full access to our Web site and analyst team for larger numbers of company employees. The membership includes access to our library of hundreds of white papers and

research notes, briefings, telephone/e-mail consulting sessions to provide input and feedback, quotes and validation for media, use of Ventana Research materials for business purposes, additional analyst availability and access to our team for scheduled strategy consulting sessions.

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