



**aaca**

ATLANTA AREA COMPENSATION ASSOCIATION

# AACA Annual Forum

**Planning for Tomorrow: How to  
Build an Agile Compensation and  
Reward Framework**

**October 12, 2021**

# What we'll cover today

- Employee engagement: why it matters now more than ever
- The career framework: organizing the chaos and positioning your organization for the long-term
  - Employee centric
  - Resource optimization
  - Risk mitigation
- Developing and managing within a career framework
- Career Framework Outputs



# The changing workforce and employee engagement: Our perspective

# Transformation of the workplace

Yesterday

Paternalistic

Employment for life

Step progression

Nine-to-five

Physical workplace

“Climb the ladder”

Pensions

Work / life balance

Today

Transactional

Uncertainty

Pay-for-performance

Flexible schedule

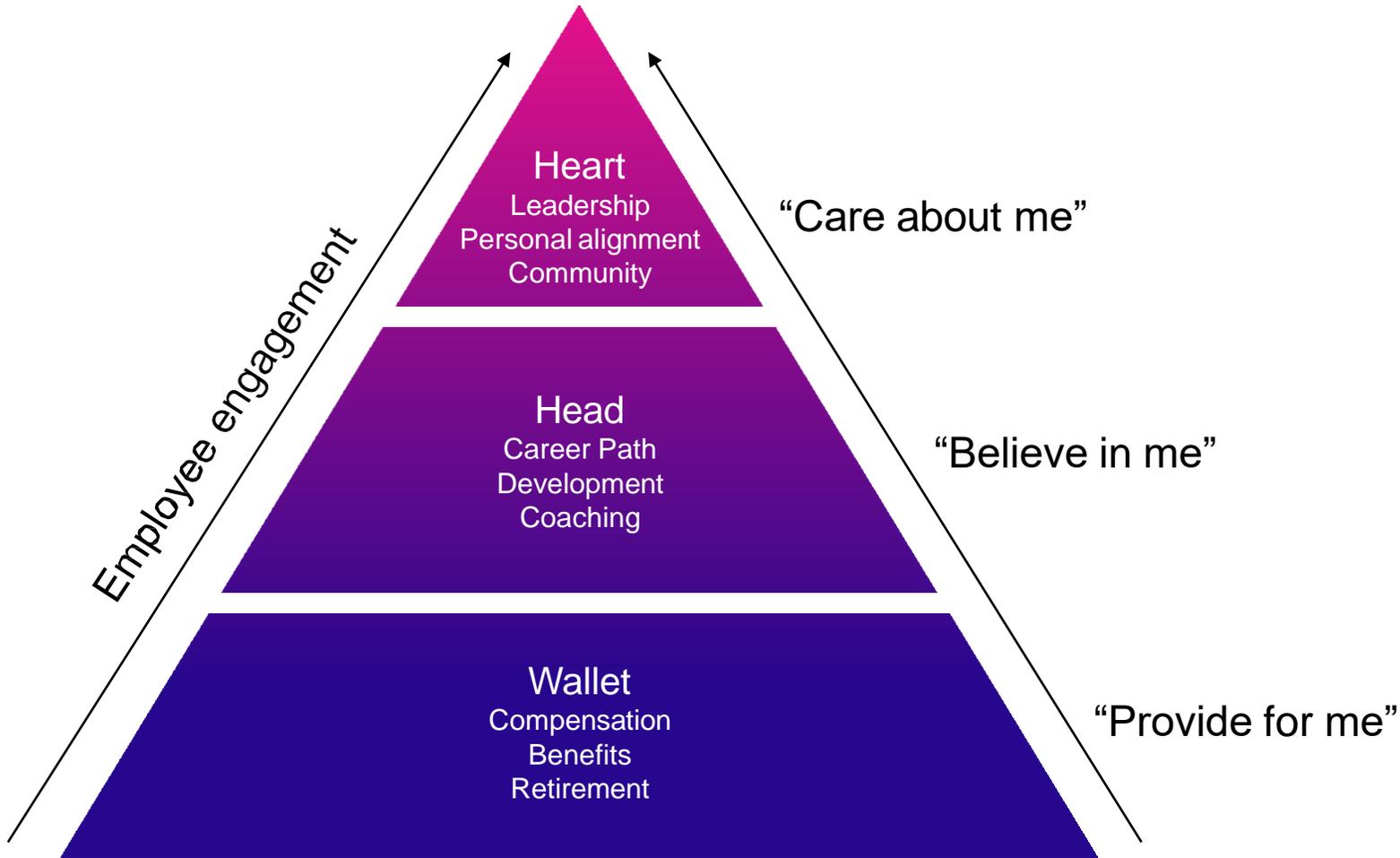
Work from anywhere

“Forge your own path”

401(k) retirement plan

Work / life integration

# Achieving employee engagement



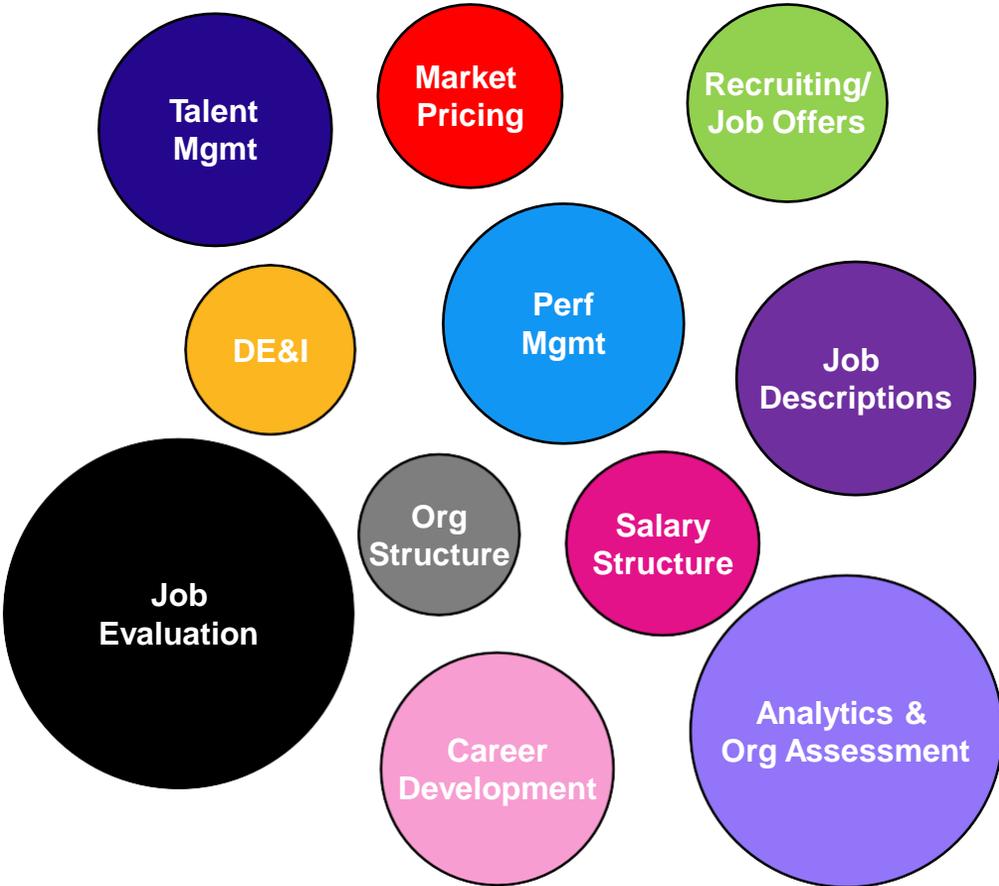
## Top quartile business results

- 20% higher productivity
- 21% higher profitability
- 59% lower turnover
- 40% higher quality
- \$405b annual cost of disengaged employees across the country
- 5x – 10x higher shareholder returns over 5 years
- 233% increased customer loyalty

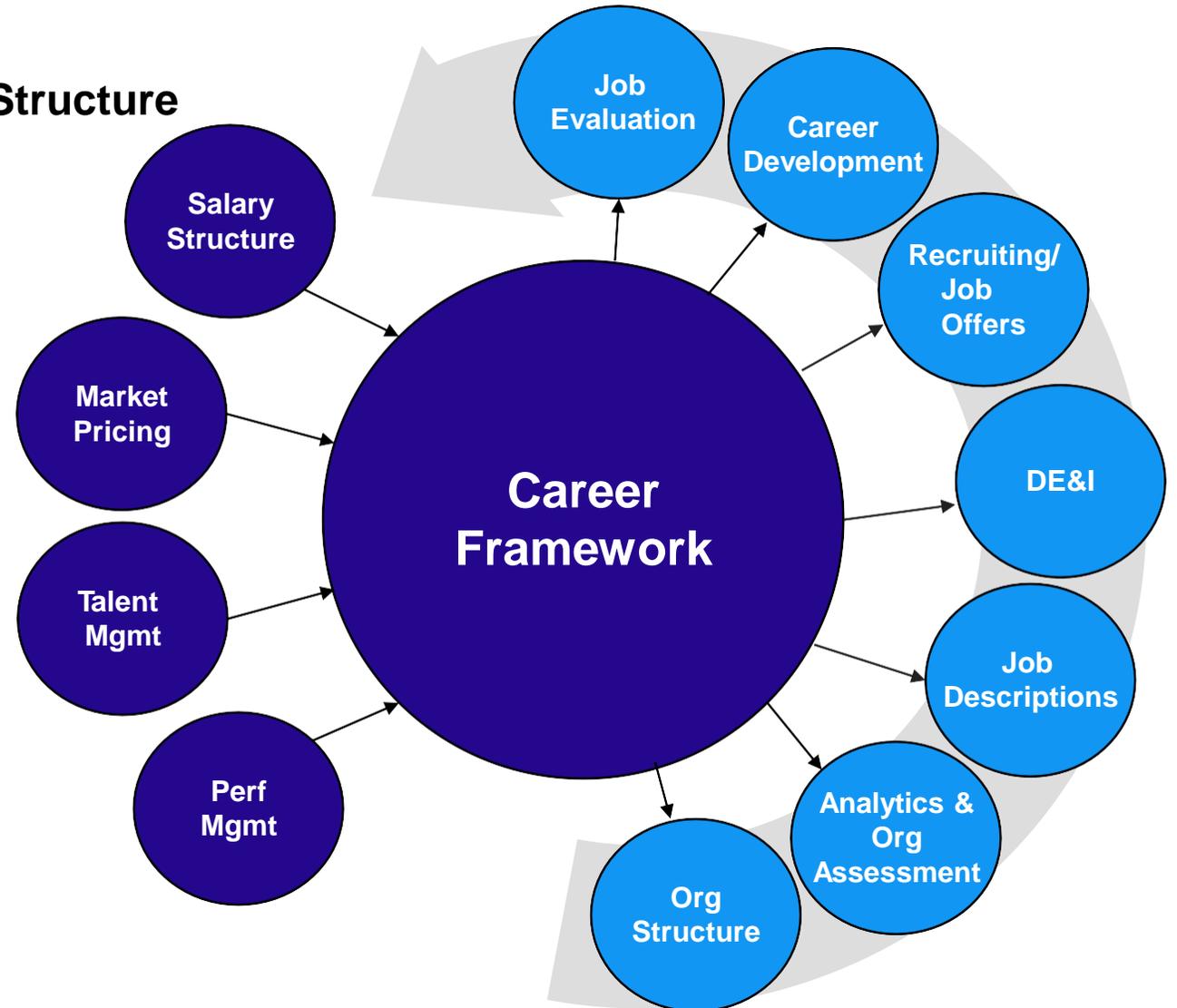
# Career framework: a blueprint for sustainability

# Career framework

## Chaos



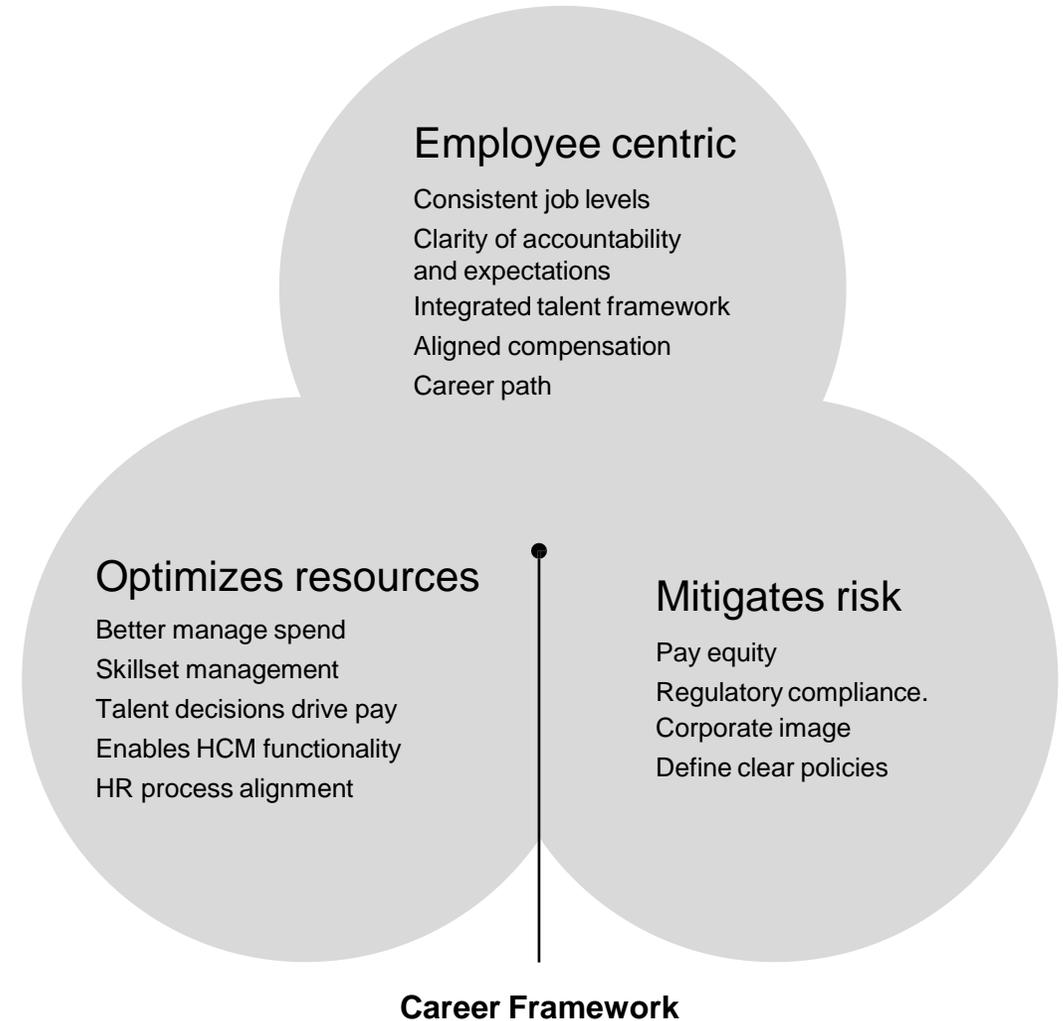
## Structure



# Career framework: Three perspectives

A career framework is a useful tool:

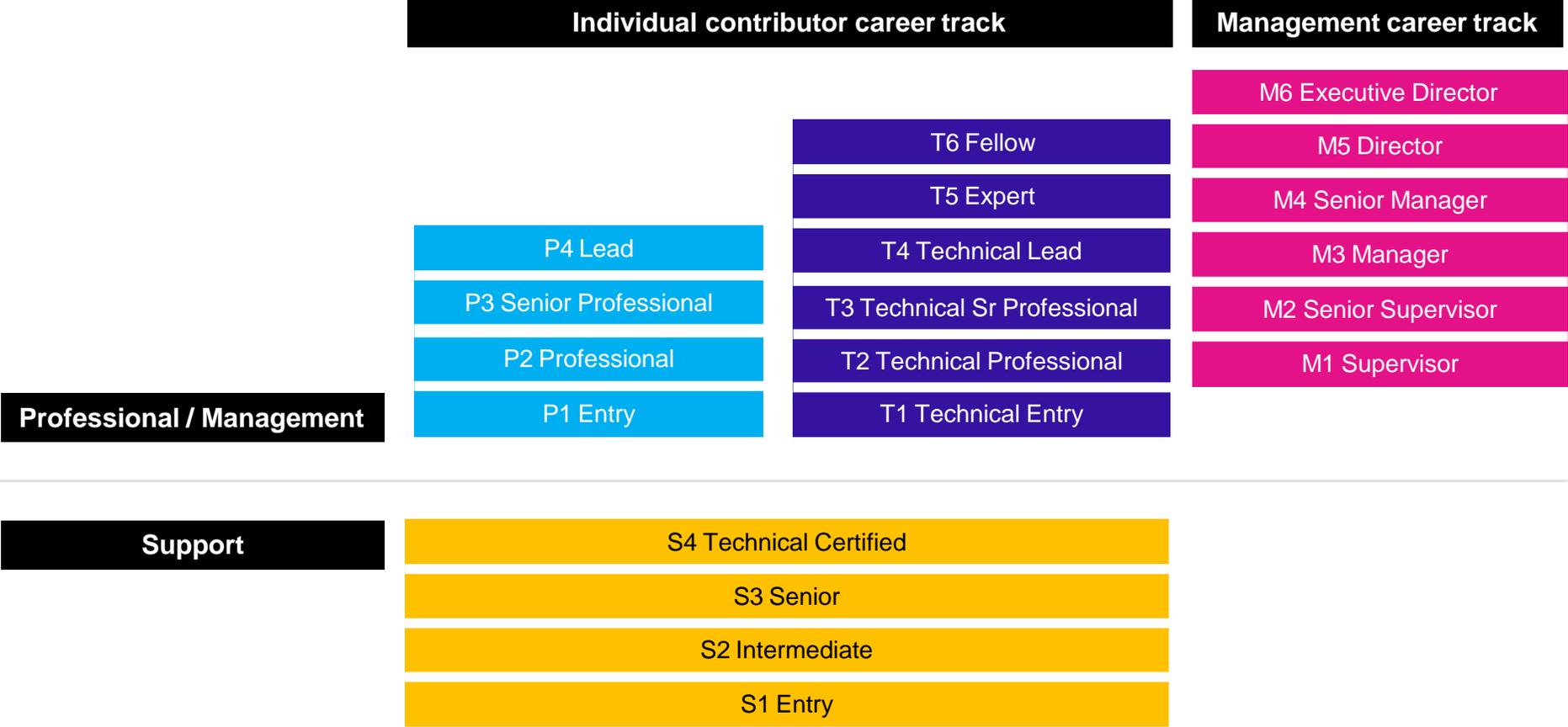
- Helps align employee investment (\$) with the organization's strategic roadmap and business plan
- Supports attracting, retaining, and developing talent
- Better aligns talent management with market competitive compensation decisions
- Is a foundation for the equitable and defensible delivery of pay



# Step 1: Establish job groupings

## Career tracks

- Management
- Technical
- Professional
- Support



Career levels will be globally consistent but structures will reflect local market pay rates

# Step 2: Define career levels and job families

Level	Level description	Definition	Accounting example	Finance operations example
P3	Senior	<ul style="list-style-type: none"> <li>Fully seasoned professional / technical level</li> <li>Independently carries out most assignments typical of the profession</li> <li>Considered a level where career may stabilize for many years</li> <li>Individual contributor, or may coordinate and supervise activities of non-exempt / hourly workers</li> </ul>	Responsible for maintaining the financial books and records and preparing financial statements in compliance with statutory and accepted accounting standards and principles.  Senior Accountant	Responsible for finance operations such as customer and vendor administration, preparing accounts payable / receivable transactions, and / or disbursing payroll checks, payroll taxes, and employee benefit payments.  Senior Accounts Payable Analyst
P2	Professional	<ul style="list-style-type: none"> <li>Experienced professional / technical level</li> <li>Carries out most assignments typical of the profession with limited guidance or review</li> <li>Individual contributor, or may coordinate and supervise activities of non-exempt / hourly workers</li> </ul>	Accountant	Accounts Payable Analyst
P1	Associate	<ul style="list-style-type: none"> <li>Entry professional / technical level</li> <li>Must already possess basic theoretical professional knowledge from a pertinent degree program</li> <li>Assignments should be predominantly professional in nature</li> <li>Individual contributor with no supervision responsibilities</li> </ul>	Associate Accountant	Associate Account Payable Analyst

# Step 3: Benchmark roles

- Market pricing benchmark jobs ensures placement in a competitive salary structure within each level while ensuring consistent incentive percentages across levels
- Generally, in the market you see roles that require advanced degrees (e.g., Legal) or roles that are in high demand (i.e., IT) with higher market rates than core business roles
- In this example we have market confirmation that these roles should be in different salary structures within the same level

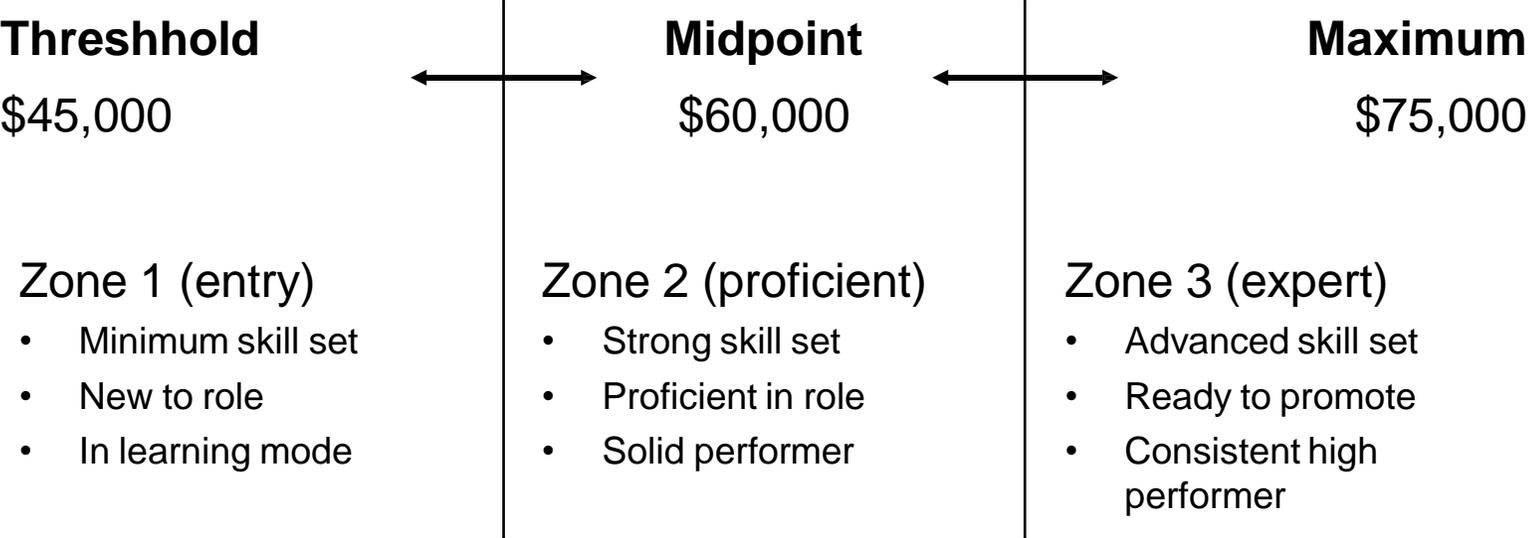
### Illustrative

Core structure			Specialized structure		
Threshold	Midpoint	Maximum	Threshold	Midpoint	Maximum
\$105,000	\$140,000	\$175,000	\$131,250	\$175,000	\$218,750

Job	Market P50	Market bonus %
Call Center Director	\$131,000	20%
Director of Packaging	\$143,000	20%
Associate Counsel	\$174,000	20%
Director of Information Tech	\$183,600	20%

# Step 4: Manage employees within a structure



Pay progresses based on an individual's:

- Skillset development
- Consistent strong performance
- Readiness to be promoted

*The salary range is a tool for managers to use*

# Output: Establish appropriate compensation guidelines

- Compensation guidelines (e.g. a merit matrix) allow managers to consistently manage pay increases across the organization by leveraging an employee's pay against a leader's talent/performance decisions
- Reinforces a pay-for-performance culture while ensuring that individuals are paid competitively within the range

Merit matrix based on comp-ratio						
Performance rating	<75%	75% - 85%	85% - 100%	100% - 115%	115% - 125%	>125%
Outstanding (20%)	6.0%	5.0%	4.0%	3.0%	2.0%	0.0%
Good solid performer (80%)	4.0%	3.5%	3.0%	2.5%	0.0%	0.0%
Needs improvement (case by case)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Pay progresses based on an individual's:

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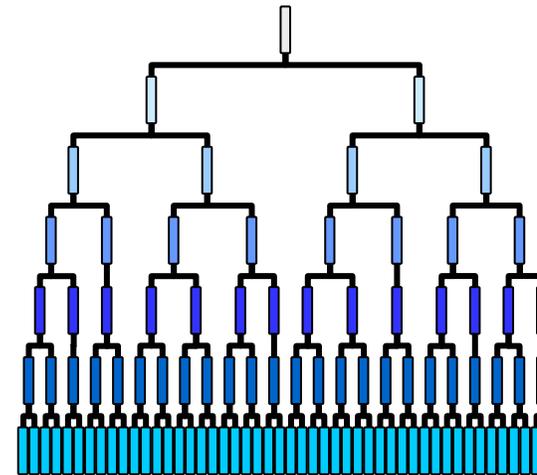
# Output: Resource management

**Balancing the urgent needs of the business while positioning the organization for long-term viability requires courage and creativity when implementing cost-cutting measures**

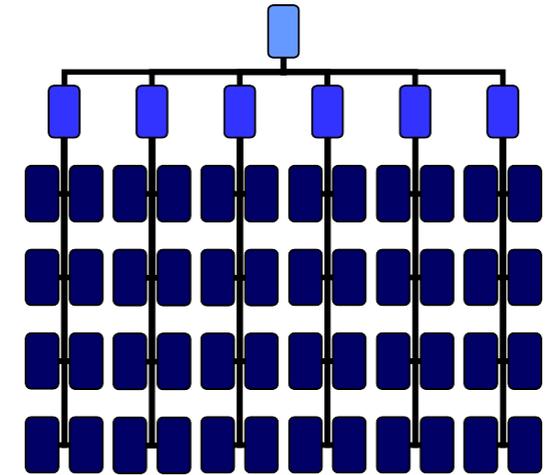
A Spans and Layers Assessment will inform both short-term staffing decisions driving immediate cost reduction, as well as position the company for sustained health over time

- Cost savings
- Work optimization
- Increased speed of decision making
- Improved communications
- Greater organizational flexibility
- Increased delegation (resulting in improved job satisfaction)
- Increased employee empowerment/engagement

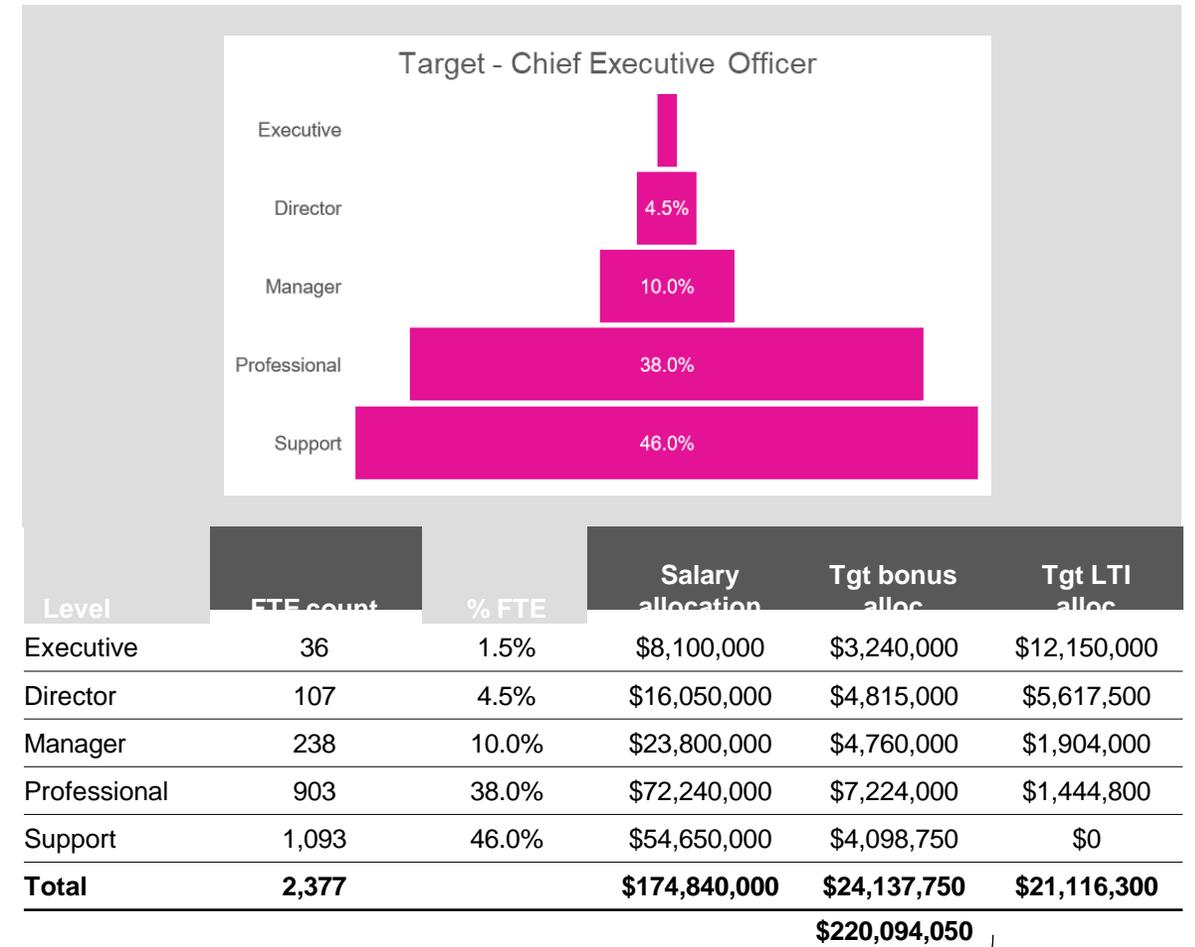
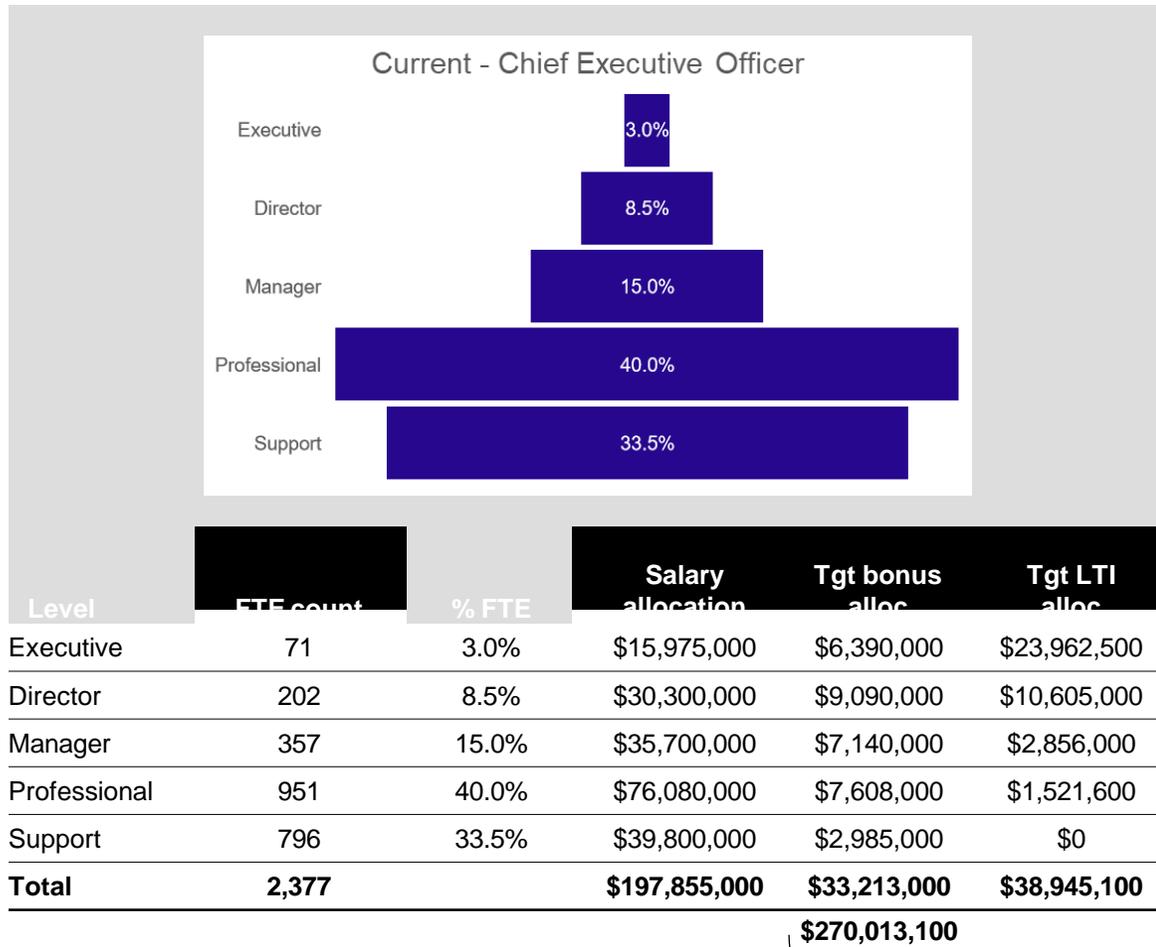
**Tall hierarchy:**  
Low span of control



**Flat hierarchy:**  
High span of control



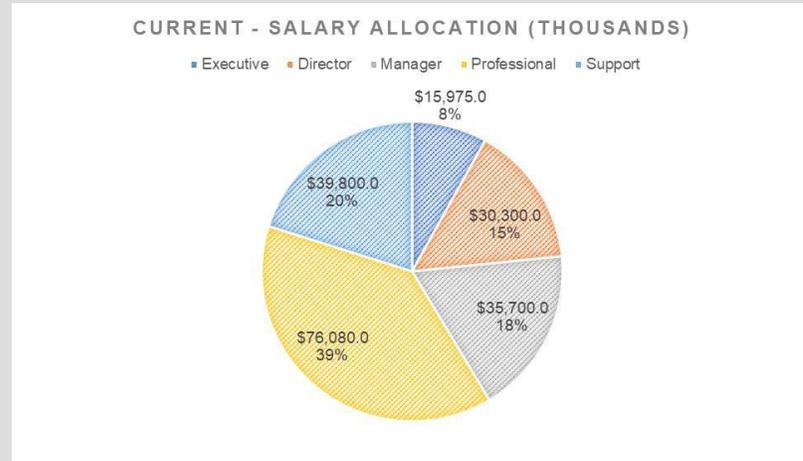
# Output: Resource management – org shape



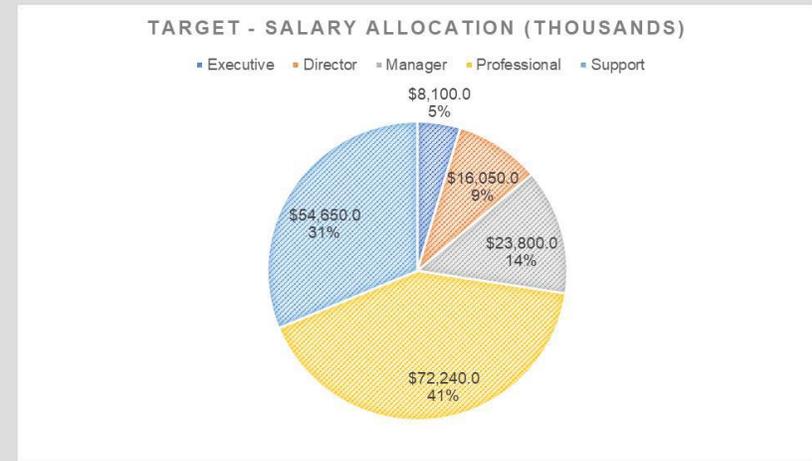
**\$49,919,050 reduction in TDC (-18.5%) / 0 change in total headcount**

# Output: Resource management – salary by level

## Chief Executive Officer – Salary allocation by level



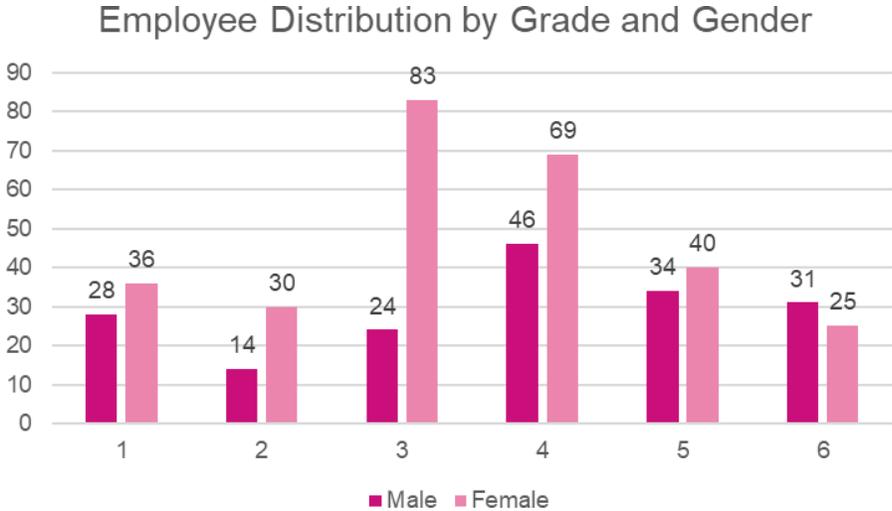
Level	Salary allocation	Tgt bonus alloc	Tot L1 Alloc	Tot TDC
Executive	\$15,975.0	\$6,390.0	\$23,962.5	\$46,327.5
Director	\$30,300.0	\$9,090.0	\$10,605.0	\$49,995.0
Manager	\$35,700.0	\$7,140.0	\$2,856.0	\$45,696.0
Professional	\$76,080.0	\$7,608.0	\$1,521.6	\$85,209.6
Support	\$39,800.0	\$2,985.0	\$0.0	\$42,785.0
<b>Total</b>	<b>\$197,855.0</b>	<b>\$33,213.0</b>	<b>\$38,945.1</b>	<b>\$270,013.1</b>



Level	Salary allocation	Tgt bonus alloc	Tot L1 Alloc	Tot TDC
Executive	\$8,100.0	\$3,240.0	\$12,150.0	\$23,490.0
Director	\$16,050.0	\$4,815.0	\$5,617.5	\$26,482.5
Manager	\$23,800.0	\$4,760.0	\$1,904.0	\$30,464.0
Professional	\$72,240.0	\$7,224.0	\$1,444.8	\$80,908.8
Support	\$54,650.0	\$4,098.8	\$0.0	\$58,748.8
<b>Total</b>	<b>\$174,840.0</b>	<b>\$24,137.8</b>	<b>\$21,116.3</b>	<b>\$220,094.1</b>

# Output: Risk mitigation – demographics assessment

- Once your career framework is established, an assessment of how your workforce is distributed across the organization can answer questions about career progression opportunity
  - A review of gender by grade assignment or an assessment of dominant groupings by ethnicity can provide insights

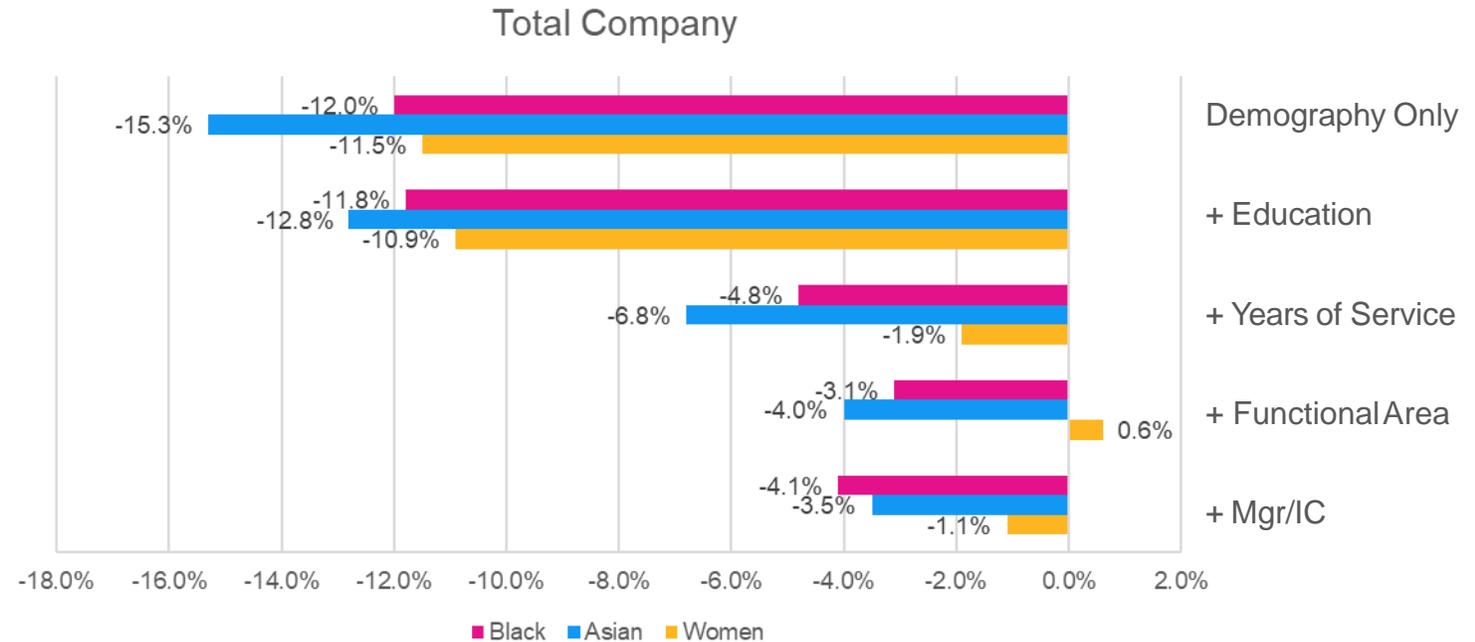


Grade	Mgr/IC	Incumbent Count			Incumbent Mix		
		Minority	White	Total	Minority	White	Balance
11	Mgr	0	2	2	0.0%	100.0%	White Dominated
11	IC	0	0	0	--	--	--
10	Mgr	0	4	4	0.0%	100.0%	White Dominated
10	IC	0	2	2	0.0%	100.0%	White Dominated
9	Mgr	0	9	9	0.0%	100.0%	White Dominated
9	IC	1	1	2	50.0%	50.0%	Balanced
8	Mgr	2	26	28	7.1%	92.9%	White Dominated
8	IC	1	4	5	20.0%	80.0%	White Dominated
7	Mgr	1	27	28	3.6%	96.4%	White Dominated
7	IC	0	28	28	0.0%	100.0%	White Dominated
6	Mgr	3	27	30	10.0%	90.0%	White Dominated
6	IC	4	40	44	9.1%	90.9%	White Dominated
5	Mgr	0	30	30	0.0%	100.0%	White Dominated
5	IC	6	63	69	8.7%	91.3%	White Dominated
4	Mgr	1	8	9	11.1%	88.9%	White Dominated
4	IC	13	93	106	12.3%	87.7%	White Dominated
3	Mgr	1	7	8	12.5%	87.5%	White Dominated
3	IC	13	86	99	13.1%	86.9%	White Dominated
2	Mgr	0	0	0	--	--	--
2	IC	10	34	44	22.7%	77.3%	White Dominated
1	Mgr	0	0	0	--	--	--
1	IC	47	17	64	73.4%	26.6%	Minority Dominated

# Output: Risk mitigation – pay equity

An established career framework mitigates pay bias and is the foundation for the pay equity study

- Ensure that only legitimate, non-discriminatory compensable factors drive pay differences within an organization
- The statistical analysis provides insight into pay variances for black, Asian, and female employees in comparison to white males
  - Tests the degree to which compensable factors may explain that variance



# Key takeaways: Thrive in the new normal

- The world has changed considerably, and the workforce continues to evolve at a rapid pace
- Employees are struggling to remain focused at a time when employee engagement is critical
- Short-term cost-cutting strategies are not long-term solutions
- A career framework will position organizations for long-term sustainability and success by:
  - Supporting engagement
  - Managing finite resources
  - Mitigating risk



# Questions

For our latest news as you navigate the New Normal:

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**Talk to us: 866-355-6647**



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