



CORPORATE
EXECUTIVE
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™

WHAT THE BEST COMPANIES DO

Making the Most of Compensation Changes

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CLC Compensation

October 28, 2011

Roadmap for Discussion

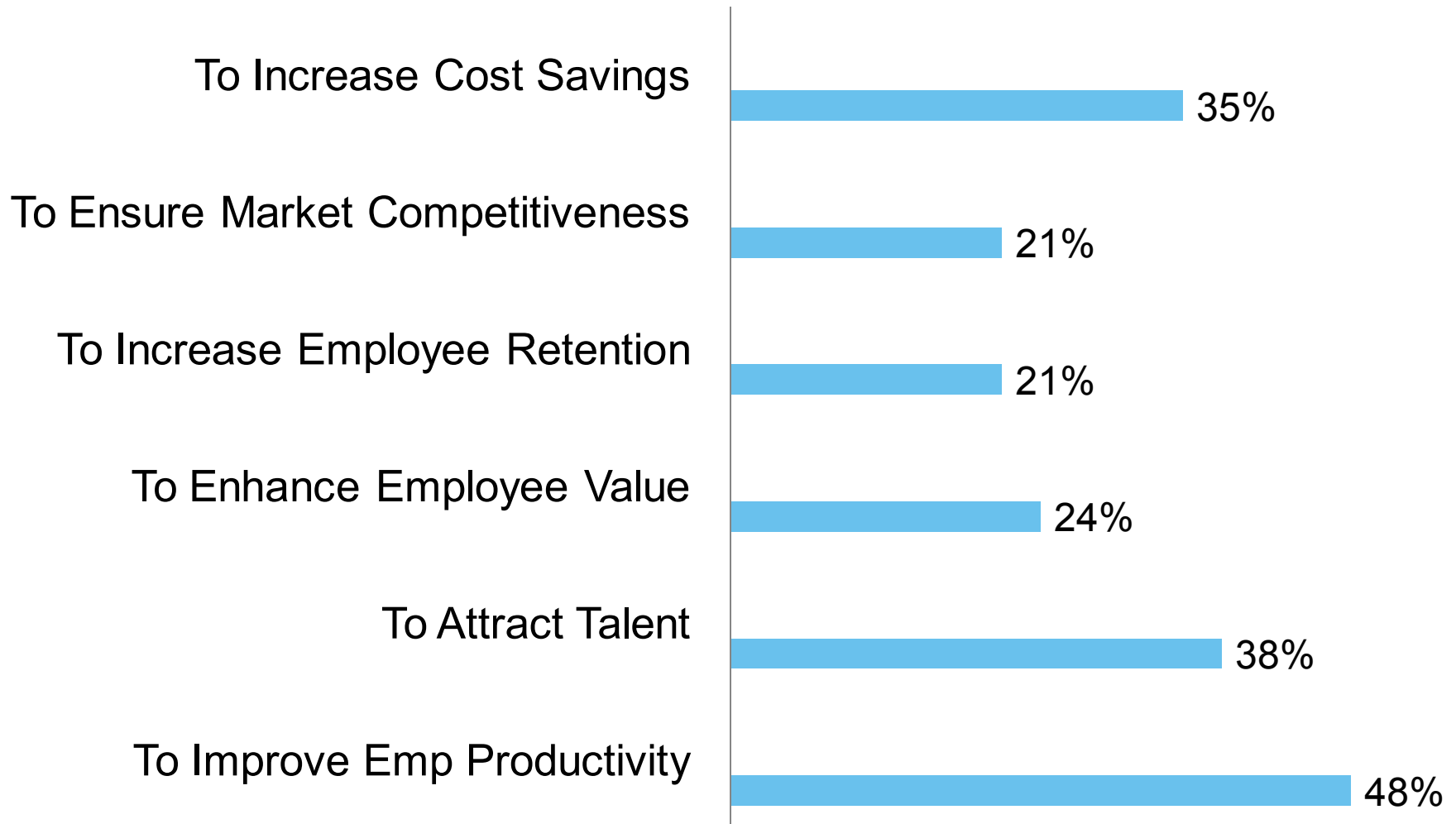


The Challenge of Managing
Compensation Changes

A Model for Measuring Impact

Enhancing Employee Pay Perceptions
Through Effective Change Management

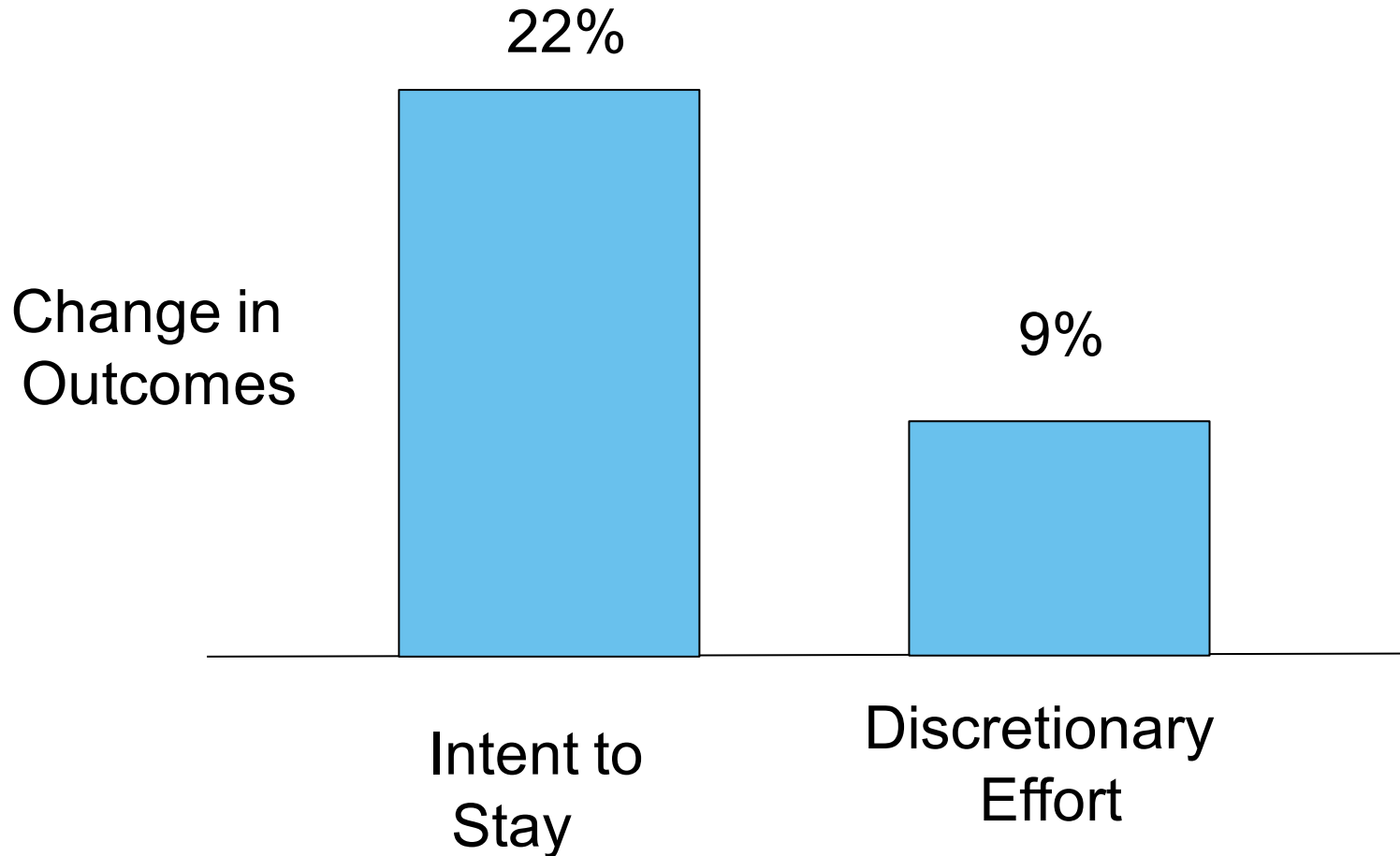
Most Common Reasons for Compensation Change



Large Potential Impact from Effective Change Management

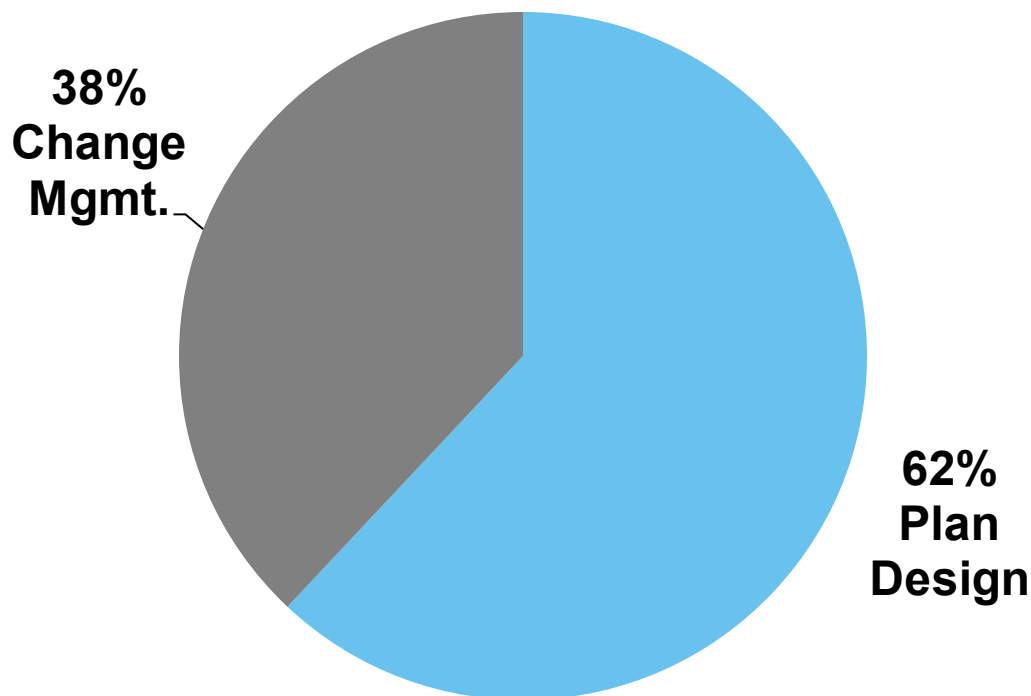
Term	Definition	Impact
Plan Design	Steps to devise compensation program or policy	28%
Change Management	Steps to manage roll out of compensation change	26%
Change Implementation	Ongoing execution	46%

Effective Change Management Drives Employee Outcomes



Not as Much Attention Paid to Change Management

- Organizations place relatively little emphasis on compensation change management relative to change design



Three Challenges to Effective Change Management

Ineffective Change Management

Organizations focus efforts on designing change but not rollout

Organizations communicate to inform rather than manage reactions

Organizations fail to anticipate effectiveness before beginning as well as to evaluate during/after

Roadmap for Discussion

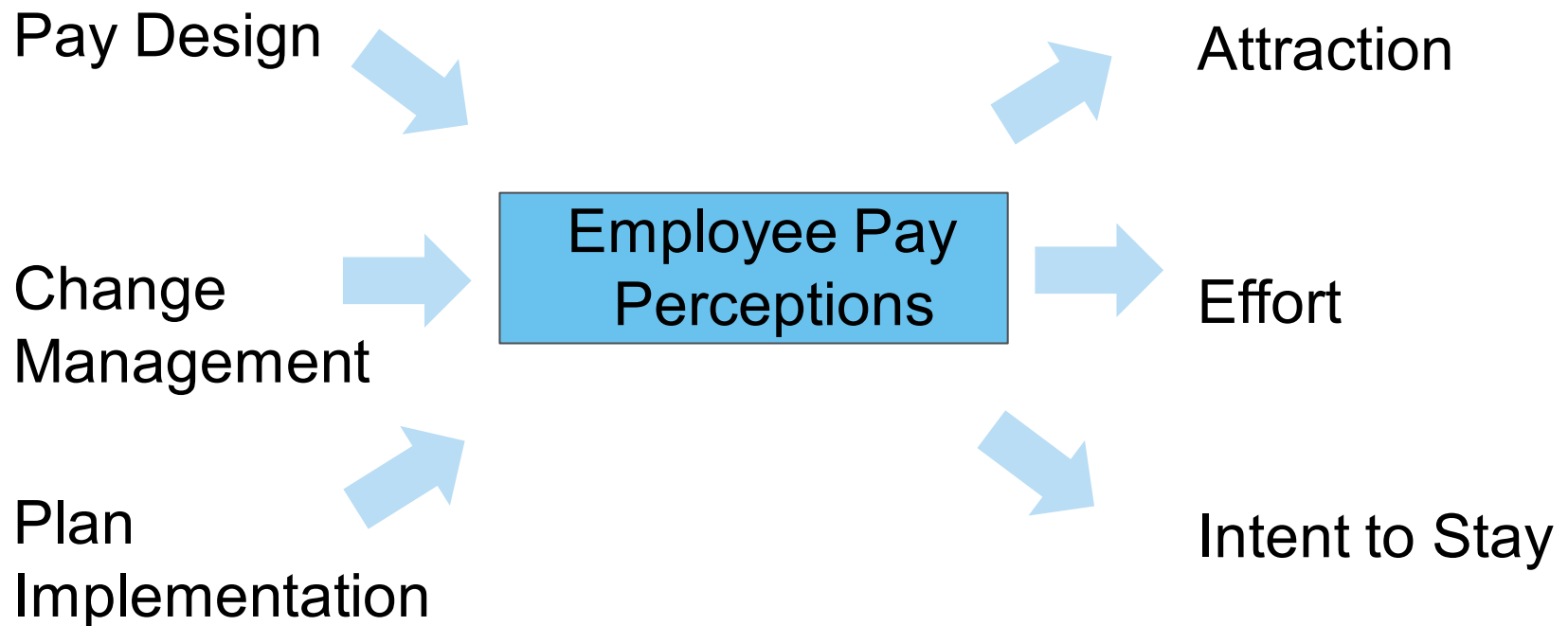
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A Model for Measuring Impact

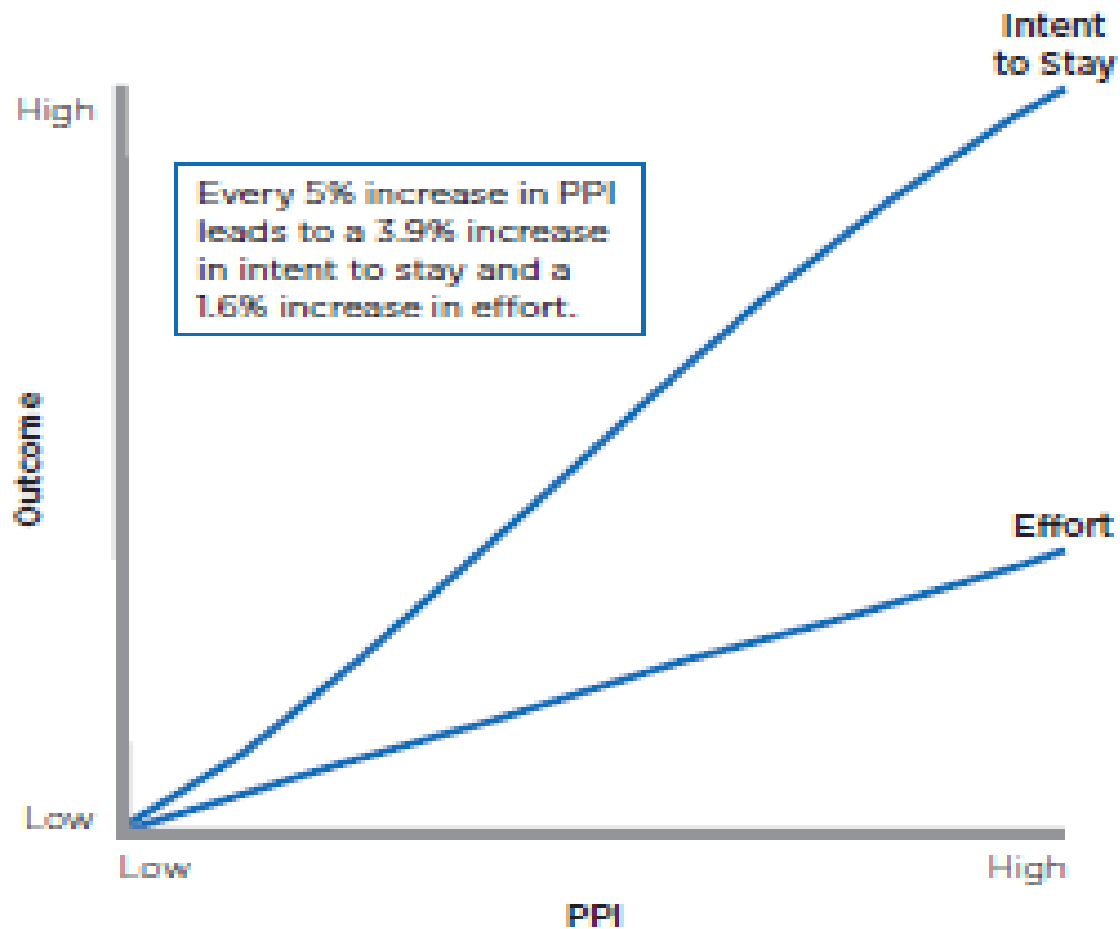
Enhancing Employee Pay Perceptions
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Pay Policies and Strategies Drive Pay Perceptions and Outcomes



Employee Pay Perceptions Drive Talent Outcomes

Impact of Pay Perceptions on Intent to Stay and Effort



Roadmap for Discussion

The Challenge of Managing
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Enhancing Employee Pay Perceptions
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Making the Most of Compensation Changes

Leverage Key Stake Holders to Plan Change Rollouts

- Target the right stakeholder involvement to plan rollouts

Manage the Flow of Information Around Change

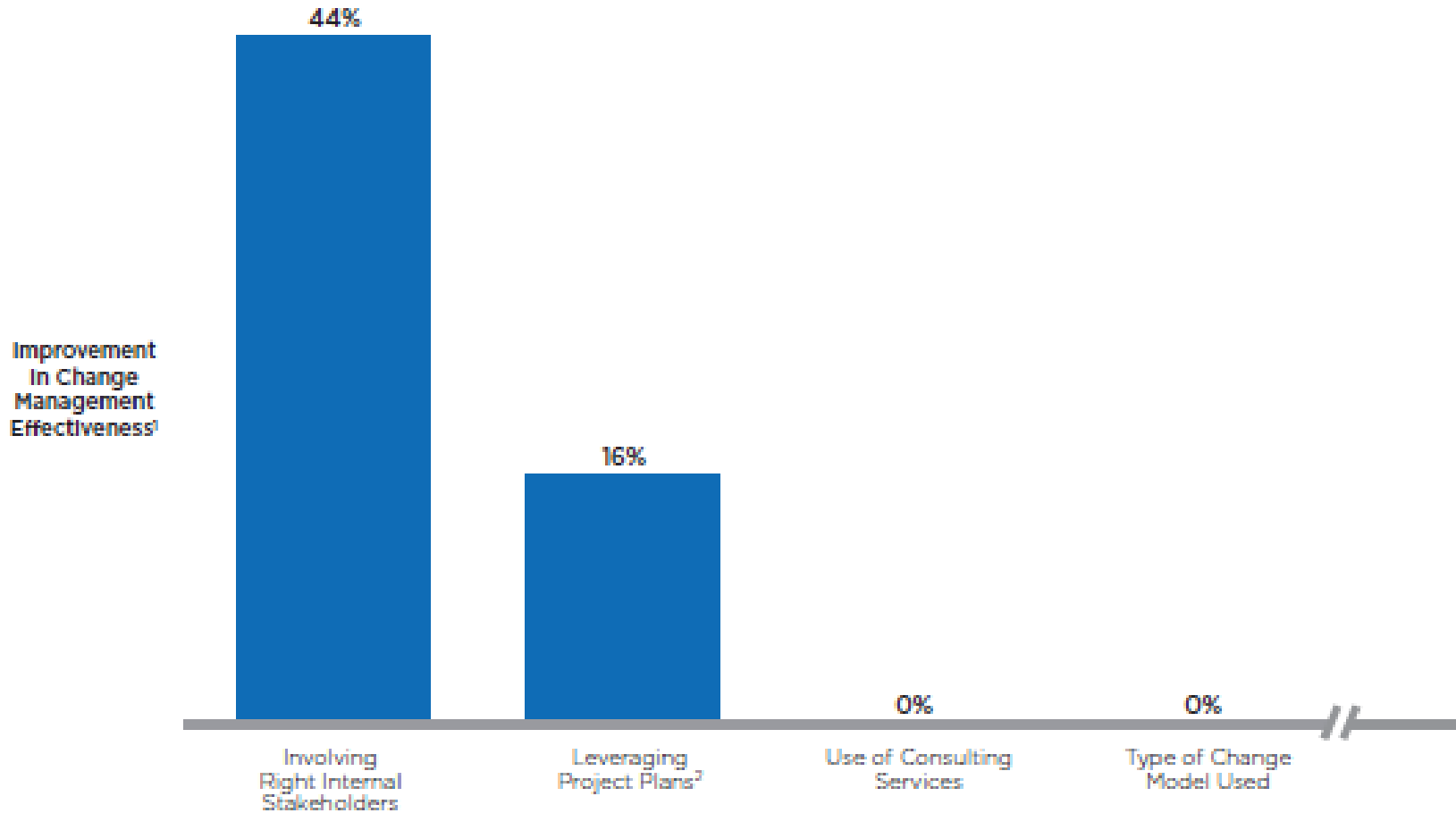
- Go beyond information delivery to build understanding and promote positive employee outcomes

Rollout Change for Continuous Improvement

- Analyze and respond to the change management process before, during and after change

Getting the Right People Involved is Key

Impact of Change Process Planning Components

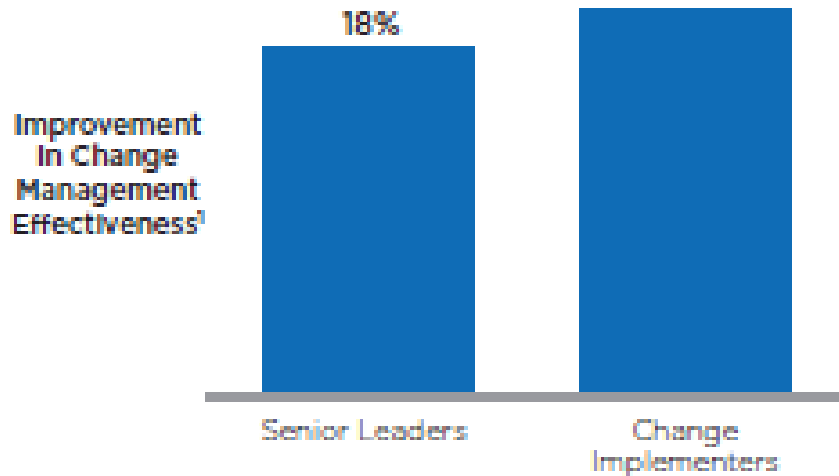


n = 29.

Not Involving the Right People

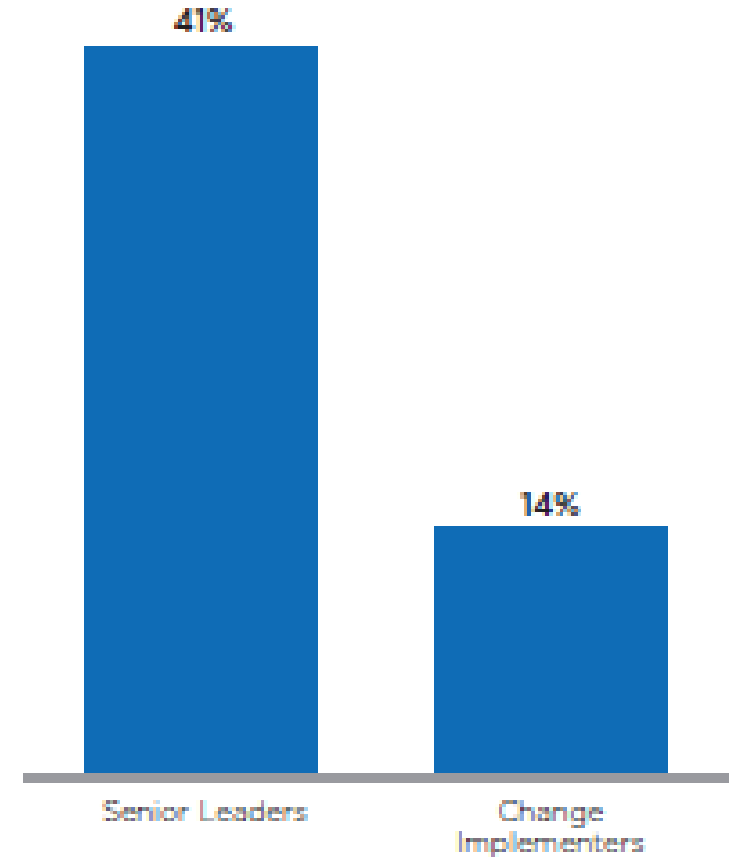
Impact of Involving Stakeholders in Change Planning

- Examples of Change Implementers
- HR Business Partners
 - Business Unit Leaders
 - Line Managers



n = 32.

Prevalence of Involving Stakeholders in Change Planning *Percentage of Organizations*



n = 32.

Getting Buy-In From the Right Stakeholders

	EXEC	SENIOR	IMPLEMENTORS
WHY THEY MATTER	<i>“Hard Power”</i>	<i>“Hard Power”</i> <i>“Soft Power”</i>	<i>“Soft Power”</i>
WHAT WE NEED	Formal approval	Formal approval and commitment to support rollout	Informal buy-in, commitment to support rollout and execution
WHERE WE FALL SHORT	- Don't obtain sign off quickly and efficiently	-Don't obtain sign off -Obtain superficial buy-in -Focus on wrong group	- Fail to bring in during change design

Making the Most of Compensation Changes

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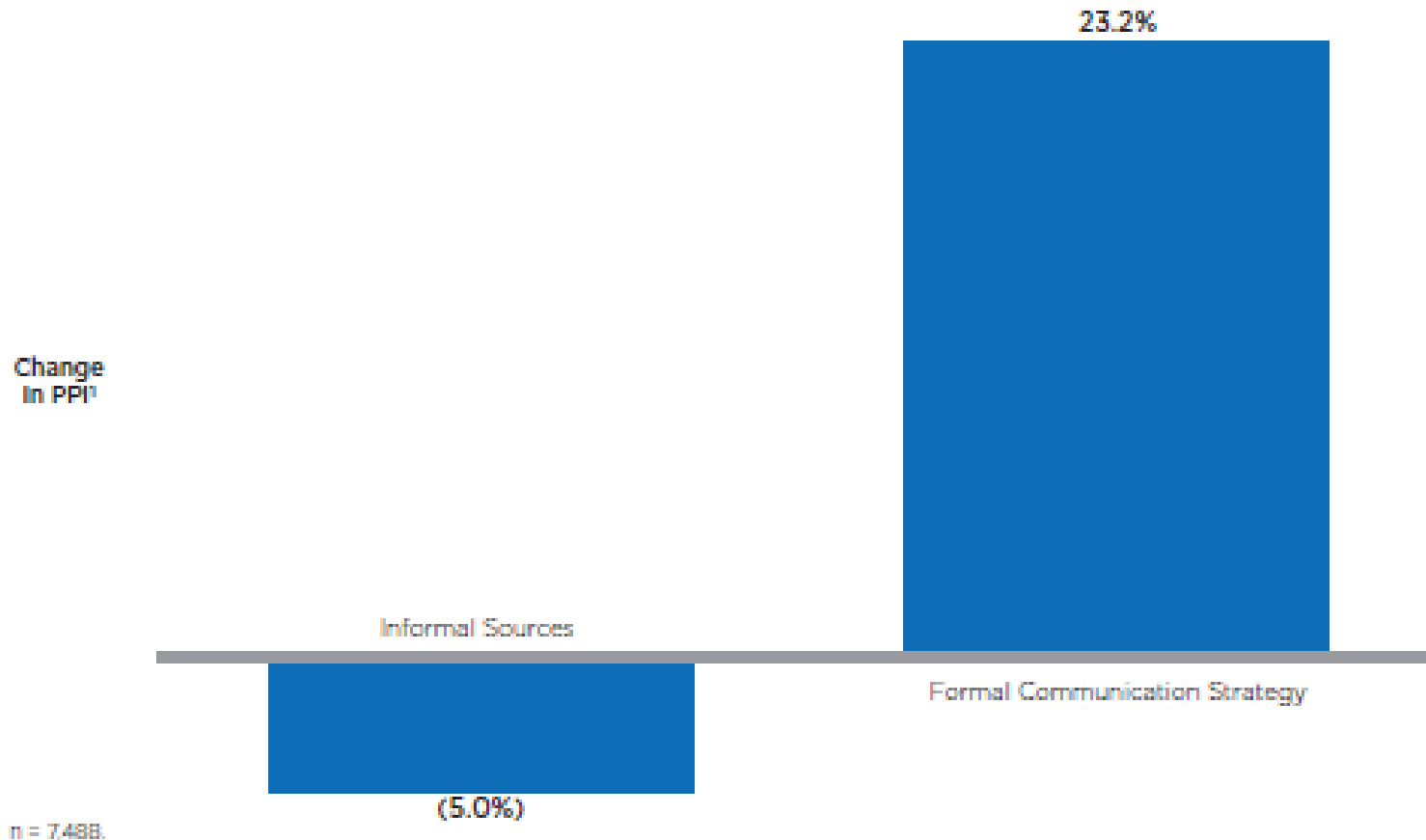
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Informal Information Hurts Perception of Message

Potential Impact of Compensation Change Communication on Employee Outcomes



Typical Change Communication Approach

Timing

Sources

Frequency

Three Success Factors

Timing

#1: Build
Understanding
Before Change

Sources

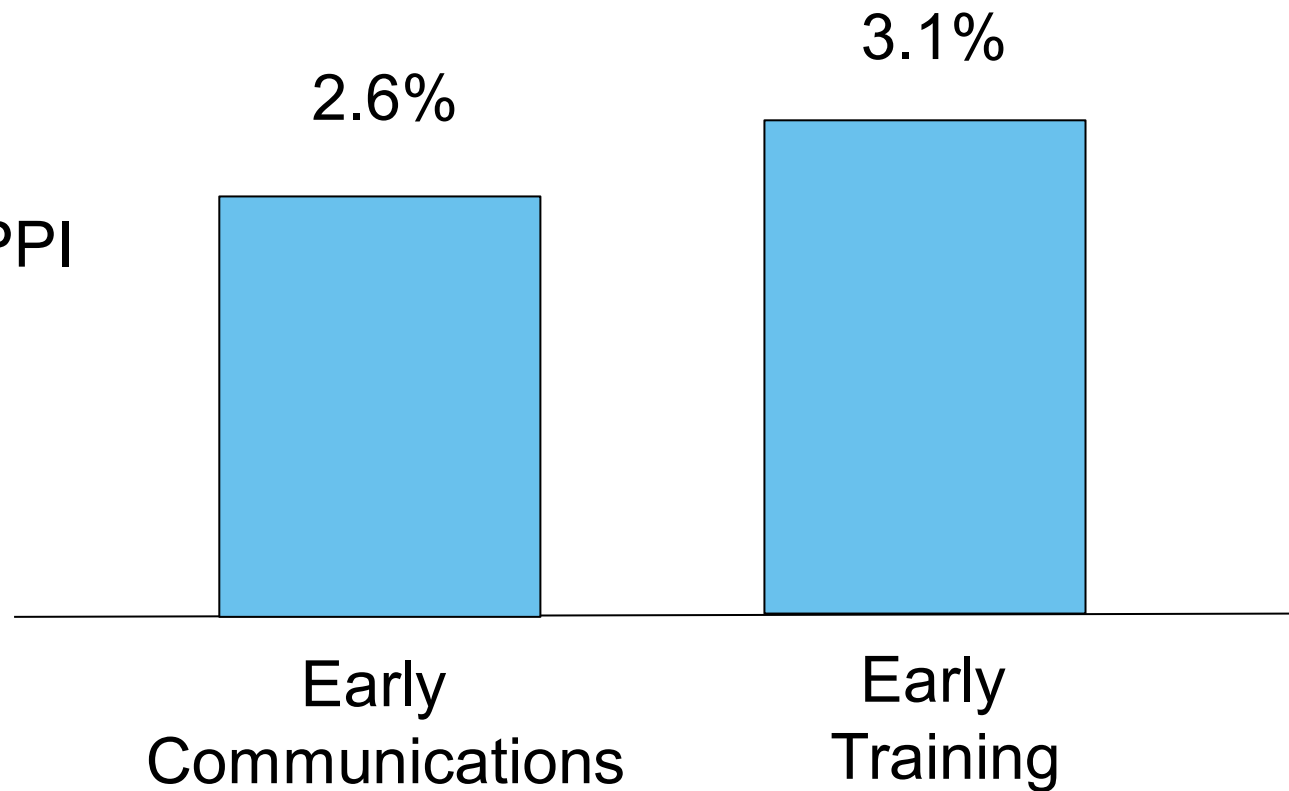
#2: Manage
Informal Networks

Frequency

#3: Embed and
Extend Across
Change

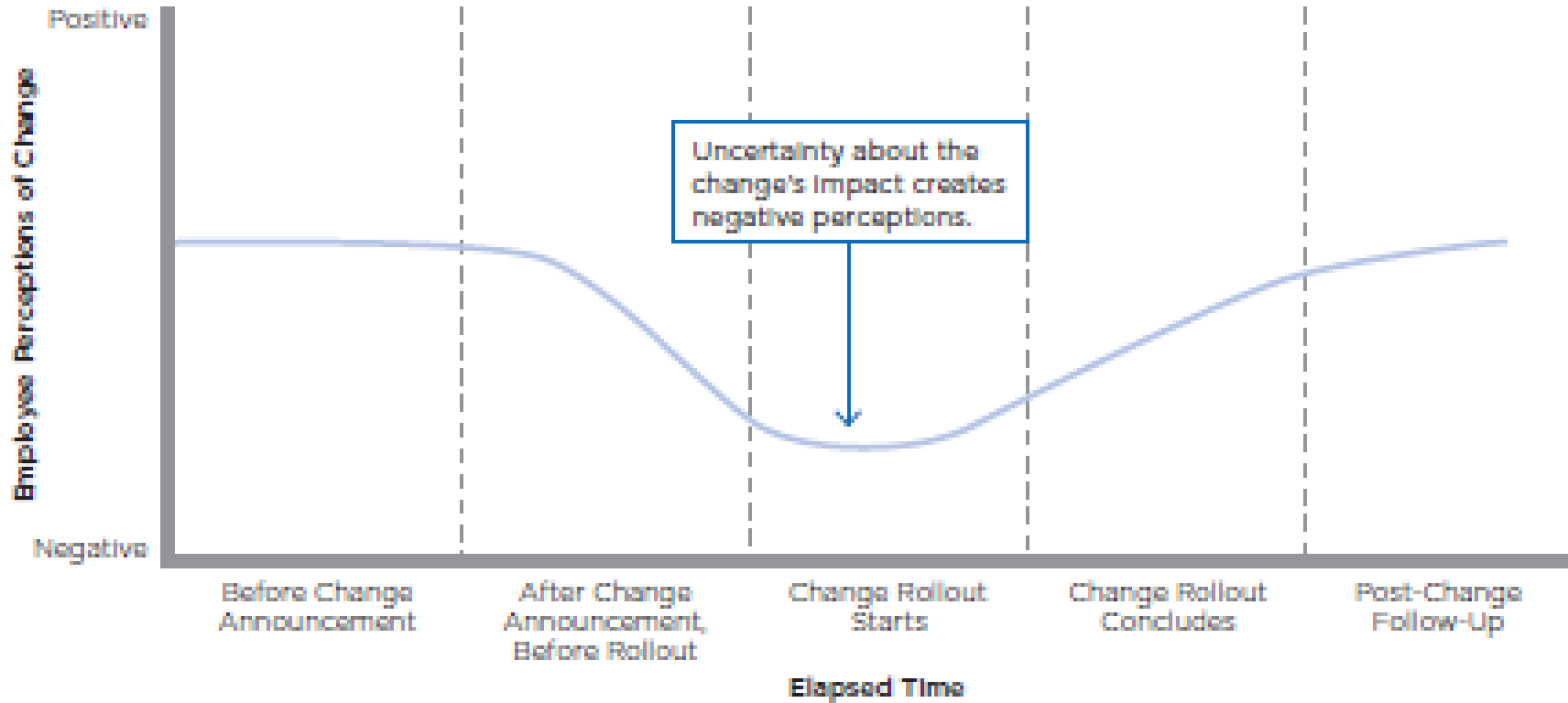
Early Communication and Training Drives Impact of Change Efforts

Impact on PPI



Employees Default to Negative Reactions to Change

Köbler-Ross Change Curve¹



Employee Reaction	Steady State	Resistance	Uncertainty	Acceptance	Commitment
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BEST PRACTICE

A Fast Approaching LTI Change

- Short window between approval and introduction of new LTI plan required preparing impacted employees before change finalized
- Compensation team needed a way to start building foundational knowledge of LTI vehicles to enable informed choices in new plan
- Compensation team offered general LTI education not related to change itself but related to organizational strategy and vehicle

Other Opportunities for Pre-Change Communication

P4P Philosophy

- Focus on line of sight between individual and organization
- Emphasize performance elements

Special Rewards

- Communicate role of special groups to org. objectives

Low/no merit/incentives

- Lay groundwork with business updates




























Expanded LTI

- Emphasize contributions to long-term goals

Salary Structure or Range Change

- Build reminders or explanations of relevant components into already scheduled messages

Leverage Informal Leaders as Change Champions

Ideal Change Champion Profile	Senior Leaders	HR Business Partners	Informal Leaders
Highly credible information source			
Has strong communication and interpersonal skills			
Able to inspire and persuade others			
Influential in employees' networks			
Has experience with compensation practice or policy prior to the change			
Personally affected by the change			
Able to anticipate employee concerns about the change			
Has sufficient time to commit			
Highly accessible to the compensation team			

Criteria Match



BEST PRACTICE

Leveraging Informal Leaders as Change Champions



BEST PRACTICE

Support Change During Rollout Through Peer Interactions

Informal Leader Change Champions

- Advocate for change with colleagues
- Answer colleague questions
- Help HRBPs make business case
- Support change and answer questions

Affected Employees

- Hear about change from trustworthy source
- Discuss and have questions answered in way employees can relate to
- Ensures change is not perceived as “HR”

Making the Most of Compensation Changes

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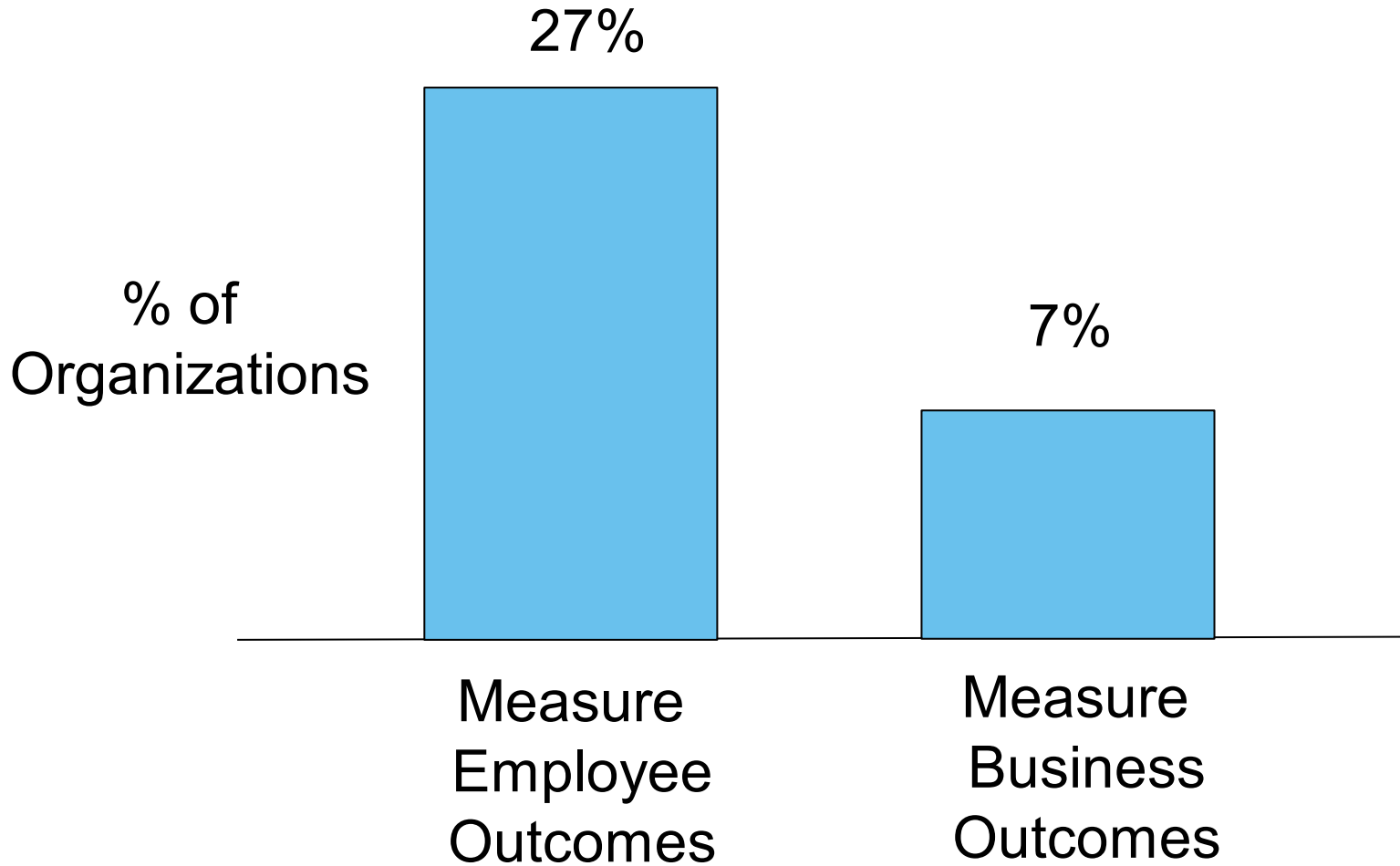
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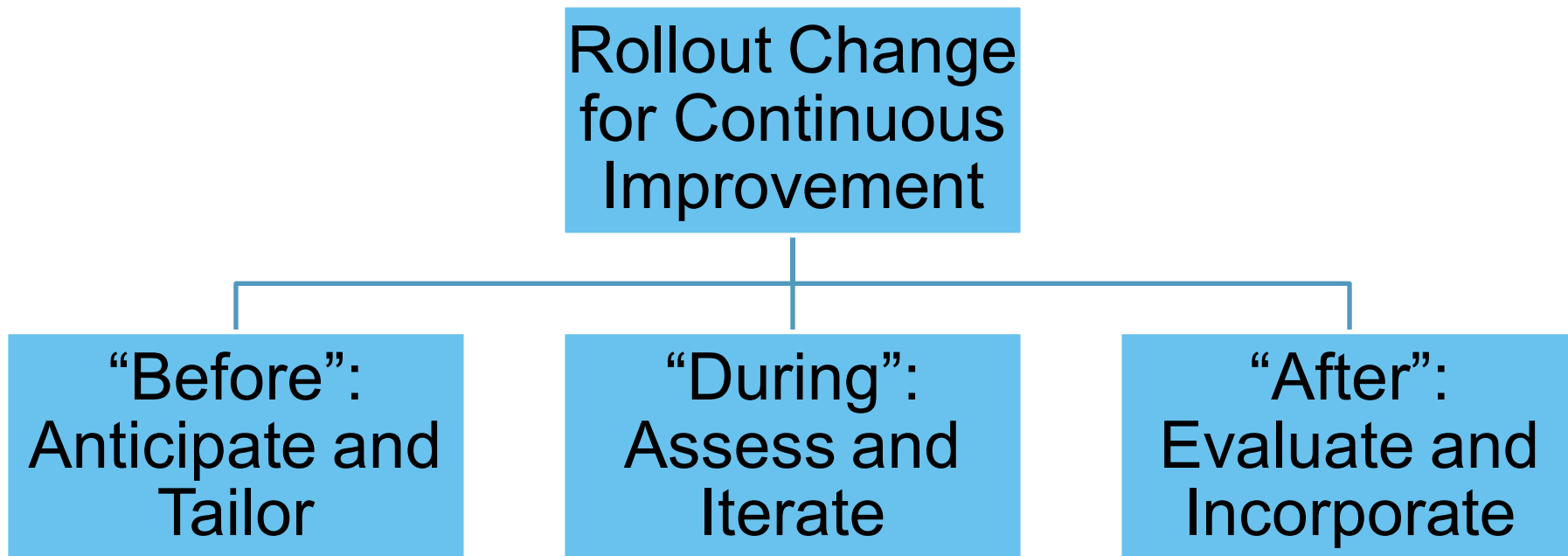
Rollout Change for Continuous Improvement

- Analyze and respond to the change management process before, during and after change

Organizations Fail to Measure Business Impact of Change



Three Ways to Continuously Improve Change Rollout



BEST PRACTICE Tailor Rollout Based on Expected Impact of Change

1. Analyze
Employee
Compensation
under Current
and New
Structures

2. Identify
Gap
Between
Current and
New
Structures

3. Tailor
Business
Unit Rollout
Plan
Accordingly

10 Key Ways to Improve Change

1. Informal and Thought Leaders
2. Accountability Needs
3. “Resistors”
4. Team Capacity and Capability
5. Tailoring Needs
6. Rollout Sequence
7. Common FAQ’s
8. Communication Opportunities
9. Information Balance
10. Up-front Questions



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Top-10 Post-Change Takeaways to Incorporate in Future Change Plans

DETERMINING ROLES AND RESPONSIBILITIES

1. **Informal and Thought Leaders**—Think about which managers or employees emerged as being influential during the change rollout, and look to involve them earlier with future changes.
2. **Accountability Needs**—Reflect on how well (or poorly) change “implementers” carried out their responsibilities to determine if future changes need more formal accountability mechanisms.
3. **“Resistors”**—Consider which stakeholders were resistant to the change, particularly if any were unexpectedly skeptical. Adapt plans for working with those stakeholders to get buy-in for future changes accordingly.
4. **Team Capacity and Ability**—Reflect back on how well compensation change team members were able to execute their responsibilities. Consider whether assignments for executing future change rollouts should be redistributed, or if any members of the team need upskilling in certain areas.

PLANNING THE CHANGE ROLLOUT

5. **Tailoring Needs**—Incorporate any new realizations about different groups’ cultures, common practices, or communication approaches into future plans for how to introduce changes to them.
6. **Rollout Sequence**—Evaluate how different business units or groups reacted to the last change and consider how (if at all) that should affect the timing or sequence of future change rollouts (e.g., starting with a group that tends to be more skeptical first).

COMMUNICATING THE CHANGE

7. **Common FAQs**—While every change is unique, the kinds of questions managers and employees will have are often similar. Use what they asked during the last change to build an inventory of questions to include in a “frequently asked questions” (FAQ) document for future changes.
8. **Communication Opportunities**—Take note of existing meetings or communications that the change team was able to piggyback on for communicating the latest change, and consider leveraging them again in the future.
9. **Information Balance**—Adjust the level of detail in future change communications based on how change “recipients” reacted to messages about the last change (e.g., too much versus too little information).
10. **Up-Front Questions**—Review any unexpected questions or challenges that emerged at late stages of the last compensation change and plan to investigate those or similar issues earlier during future changes.

APPENDIX

I Leverage Key Stakeholders to Plan Change Rollouts

- ✓ Conduct an audit of two or three of your most recent compensation changes to:
 - Review which stakeholders were involved at each stage of the rollout planning process, and
 - Identify opportunities to get more early involvement from more change implementers.
- ✓ Prepare a list of potential senior stakeholders whose buy-in could be needed for different compensation changes. Make a plan for gathering relevant information (tenure, communication preferences, etc.) about that group so you can better plan how to approach them to get buy-in for future changes.

2 Manage the Flow of Information Around the Change

- ✓ Review current compensation change communication strategies for any elements that may be creating problem. For example, if messages are typically delivered immediately after the change is announced, they are not reaching employees when they are receptive to new information.
- ✓ Brainstorm opportunities to deliver early education for upcoming compensation changes you are making or considering making.
- ✓ Create an inventory of recurring communications with employees, or "touchpoints," such as business unit meetings, review conversations, or total rewards statements. Use that list as a starting point for your next compensation change, to embed explanations and context in existing messages employees already pay attention to.
- ✓ Make a list of existing organizational channels for identifying informal leaders that can be leveraged to source influential change champions for upcoming initiatives.

3 Manage Change for Continuous Improvement

- ✓ Build a list of metrics you currently evaluate to gauge the impact of compensation changes and record when you collect them during the change process. Identify opportunities for a more comprehensive evaluation of how effective compensation change rollouts are.
- ✓ For an upcoming compensation change, brainstorm opportunities to collect "end-user" feedback before the rollout starts. Review alternatives to getting this feedback in case you encounter barriers.
- ✓ Build a core set of questions that can be used to evaluate affected employees' reactions during the change rollout. The questions should focus on assessing the process more so than the change itself and be applicable to multiple changes.
- ✓ Think back to a recent compensation change your organization made and whether there are any lessons learned to be incorporated into future rollout efforts. These could be from the rollout team's own experience, if no feedback or other data was collected during or after the change was introduced.