

Salary reviews – are you delivering value to your organisation?

The annual salary review is a process that requires a lot of organisational investment in terms of time, energy and money. But is the resource well utilised and are the dollars well spent?

After a few late nights, some checking and rechecking, discussion, debate and possibly a little drama, you have finally completed your salary review process for another year.

For most Managers, it's always a relief to have this project ticked off and behind you. However, before you turn your attention to your next project (or to catching up on all the operational issues that have pent up while you've been otherwise engaged) – why not take the time to 'review your review'. Before you move on ask yourself the question, 'Was our salary review actually effective and successful?' If you're struggling to answer this question, a little rigour and diagnosis may well be in order. The checklist below provides a framework for an effective review.

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Sourcing your data

Getting robust and relevant market data is the cornerstone of your salary review process. This lays the foundation for effective and meaningful comparisons to the external market. In choosing your survey providers, you need to consider the following:

- § are there good matches for your roles?
- § does the data appear to be robust in terms of the sample sizes?
- § are the participants in the survey ones that you deem to be competitors? (i.e. do you lose people to or attract people from these organisations?)
- § are the market movements and trends reported consistent with your gut feel and informal intelligence on what's happening in the market?

It is not unusual for organisations to access a number of different surveys in order to ensure that the data is applicable across the organisation. You may need to access different surveys for your specialist roles (e.g. a technical salesperson, an engineer) versus your generic roles (e.g. a receptionist, a database administrator). We recommend using multiple survey sources. This allows you to sense check the salary levels and trends reported in various surveys.

Data Analysis

Once you have confirmed that your data sources are meeting your needs, it's time for some analysis. This will usually involve selecting which source/s you will be using to benchmark your current positioning. Other factors to consider in the analysis phase are:

- § what is your overall percentage increase budget?
- § what is your targeted policy position for roles, e.g. median, upper quartile etc?
- § on what basis will you compare to the market e.g. base salary, total fixed remuneration (base + benefits), total remuneration (base + benefits + variable pay).

A robust analysis not only allows you to compare current and proposed remuneration of individuals with external market data, it will also allow you to assess:

- § internal equity and relativity
- § actual cost against agreed budget
- § relative increases to staff.

Assessing 'relative increases' refers to the effective allocation of the agreed pool of money. Recommended salary increases should factor in the following considerations:

- § where is the person currently positioned against the market?
- § how has the person performed?
- § how important is the retention of each individual for your business?

Naturally a high performer who is 'business critical' and who appears to be positioned 'behind' the market, should be allocated a generous increase; while a poor performer who is paid 'ahead' of the market should receive no increase at all. 'Cost of Living' or 'token' increases improve the 'comfort feel' of the salary review but add no real value to your 'pay for performance' message and leave less money in the pot to address 'genuine need' cases.

In a true performance-based culture, the concept of 'robbing Peter to pay Paul' is an effective strategy.

Systems

It is common for Excel spreadsheets to be used as the basis for salary reviews. If you are using spreadsheets, there are a number of things to consider.

Version Control

- § ensure you are all using the same version
- § ensure spreadsheets are clearly dated each time they are updated
- § delete old electronic versions, keeping dated hard copies if you require an 'audit trail'.

Spreadsheet Integrity

- § ensure that spreadsheets are password protected, if they are being emailed internally, or across sites
- § ensure that you protect cells containing critical information or formulae. In this way, as Managers make changes you are not at risk of these being changed.

Processes

Ask the following questions:

- § did you establish a project plan for the review (including realistic timeframes and deadlines)?
- § did you feel that the level of consultation was appropriate? Too little consultation may lead to lack of buy-in. Too much can lead to a long and unwieldy process.
- § did the information flow work effectively?
- § what were the obstacles along the way (people, systems, approach) that slowed you down?

Communication

Communication to employees is a critical part of the review process, and yet in many organisations it is often handled poorly. Ensuring you communicate about the review does not necessarily mean disclosing detailed information but there is a need for a definitive communication plan. And experience has proven that employees are just as interested in the *process* as they are in the *result*.

Communication on the Salary Review Process

Different organisations have varying levels of disclosure when it comes to remuneration. This determines the level of information which you will share with employees. As a minimum we would recommend that employees are advised of:

- § the overall timeframe for the review (e.g. when they will hear the outcomes)
- § the key process steps
- § who will be communicating the salary review results to them.

If you have a transparent approach to remuneration management, why not hold a brief presentation for staff, providing an overview of the points above plus any other relevant information you are happy to disclose. Gone are the days when remuneration and salary reviews come out of a 'black box' which management holds, and where the outcomes are not questioned. The more employees understand 'up front' the more likely they are to accept the outcome.

Communication on the Salary Review Outcomes

All employees have a strong vested interest in the outcome of salary reviews. Ensure that you acknowledge this interest and make the most of the opportunity to communicate with staff. Receiving a letter or remuneration statement with no accompanying interpretation or context can be frustrating or disappointing. Be sure to build in time for brief one-on-one meetings between managers and employees. Recognition is a key motivator, so regardless of the review outcome, ensure that the message is communicated in a way that makes the employee feel valued. The meetings also provide an opportunity to gauge their response and address any issues up front.

Execution

Questions to ask at this stage include:

- § did you deliver the process to time?
- § did you stay within the salary review budget?
- § did you have any issues with accuracy? (100% accuracy should always be the aim and is achievable)
- § has the review resulted in positioning the organisation at its desired policy position?
- § are your internal customers (CEO, Business Managers) happy with the process and the outcome?

It's easy to sweep these issues under the carpet. However, it's worth trying to proactively address them so that they don't recur next time.

Managing "Wash-up"

Once the letters or remuneration statements are delivered to staff, make sure you keep your eye on the ball and address any remaining or outstanding issues, such as:

- § dealing with employees who are disgruntled and facilitating a resolution
- § ensuring payroll has all the up to date information for the first pay run after the review
- § updating the myriad of spreadsheets which may exist across the business
- § planning for next year, while the issues of this year's review are still fresh
- § identifying any roles that will require an interim review e.g. graduates whose value to the organisation grows rapidly or 'hot spots' in the market where you may need to react to market pressures.

Conclusion

Having assessed each of these factors you will be well placed to confirm the effectiveness of your salary review. There are also some post review measures to implement, e.g. six months on have you retained the staff that the business identified as key? Have you achieved the desired positioning in the market? The salary review, while operational in nature, is one of the most strategically important elements when it comes to people-management. So, make sure you invest the time in a robust review.