15Five's Compensation Strategy Checklist

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Ready to dive in to building out a compensation strategy that attracts and retains top talent?

Here's a tactical step-by-step checklist to guide you in designing a compensation strategy that is informed by the principles and best practices discussed in 15FIVE'S COMPENSATION PLAYBOOK.

This checklist is designed to be helpful to you regardless of what's in your HR tech stack — but the entire process can be supported and streamlined with 15Five.

Compensation Strategy Planning

STEP 1: ASSESS CURRENT STATE OF COMPENSATION

- [ ] Review any documentation of current compensation philosophy and program
    - [ ] If you don't have documentation, write down how you are making compensation decisions today
- [ ] Review documentation of any existing career frameworks and potential internal growth opportunities
- [ ] Assess market, industry, and hiring landscape using 3rd-party, employer-provided, updated every 90-days benchmarks whenever possible
- [ ] Consult your Legal team about how to best involve them throughout your process

STEP 2: GATHER INPUT AND FEEDBACK FROM KEY STAKEHOLDERS (E.G. EXECUTIVE TEAM) TO INFORM FUTURE COMPENSATION PHILOSOPHY AND PROGRAM DESIGN

- [ ] Gather documentation related to your organization's goals, strategy, vision, mission, and values
- [ ] Send a simple survey to leaders and people managers
    - [ ] What's going well with compensation?
    - [ ] What can be improved about compensation?
- [ ] Review the survey findings

STEP 3: DRAFT UPDATED COMPENSATION STRATEGY AND PROGRAM DESIGN, BASED ON SURVEY FINDINGS

- [ ] Components of your compensation program design include:
  - Approach, clarity and transparency
  - Leader role
  - Correlation between pay and performance
  - Merit cycle structure and scope (e.g. primary cycle with mid-year off cycle)
  - Raise pool structure (e.g. centrally administered vs. decentralized)
  - Base salary (e.g. reference point, range)
  - Short-term incentives (e.g. bonus, commission)
  - Long-term incentives (e.g. equity)
  - Benefits
  - Total Rewards
  - Geographic approach (e.g. multi-market approach)
  - Cost of living approach
  - Career framework
- [ ] Determine if you need to update your career framework to align with your updated compensation
  - If yes, draft the updated career framework (e.g. incorporating paths and levels)
- [ ] Define the inputs into compensation planning; for example, a simple program may include…
  - Financial Resources: Budget
  - Market Data: Benchmarks from salary surveys
  - Total Rewards: Compensation, Benefits, Culture, etc.
  - Talent Outlook: Hiring, Individual Performance

STEP 4: SHARE THE UPDATED DRAFT COMPENSATION PHILOSOPHY AND PROGRAM DESIGN WITH KEY STAKEHOLDERS INCLUDING YOUR CEO, BOARD, CFO, AND LEGAL TEAM TO GATHER ADDITIONAL FEEDBACK

- [ ] Identify any decisions that need to be made, who owns each decision, and when the decision needs to be made by
- [ ] Triple-check that your compensation strategy aligns with your organization's goals, strategy, mission, vision, and values

STEP 5: FINALIZE UPDATED COMPENSATION PHILOSOPHY AND PROGRAM DESIGN

- [ ] Reshare the final compensation philosophy and program design with key stakeholders, address any questions
- [ ] Gather any final approvals needed from your Board, CEO, CFO, Legal team, etc

STEP 6: IF RELATING PAY WITH PERFORMANCE, DEFINE THE PERFORMANCE MANAGEMENT PROCESS AND HOW PERFORMANCE WILL BE MEASURED

- [ ] Ensure that your performance measurement is based on as much objective data as possible
- [ ] Gather and analyze performance data for compensation decisions
- [ ] Ensure that your performance management process includes checks-and-balances such as calibrations to ensure fairness, perceived fairness, and equity

STEP 7: EVALUATE WHAT TOOLS YOU NEED TO EFFECTIVELY EXECUTE THE COMPENSATION / MERIT CYCLE, SUCH AS...

- [ ] Salary surveys and/or benchmarking tool
- [ ] Compensation planning tool
- [ ] HRIS / payroll system
- [ ] Cap table software
- [ ] Total rewards platform
- [ ] Performance management platform

STEP 8: DEFINE OWNERS FOR DECISION MAKING AND DELIVERY OF SAID DECISIONS

- [ ] Clarify decision-making ownership and delivery processes for compensation decisions
    - [ ] Will executive/functional leadership make the final decision on individuals' compensation, or will managers?
    - [ ] Will managers have the compensation conversation with individuals?
- [ ] Define the approval hierarchy for reviewing and approving proposed raises and other compensation adjustments

Internal Change Management

STEP 1: CREATE A COMMUNICATIONS PLAN, TRAINING SCHEDULE, AND COMPENSATION/ MERIT CYCLE TIMELINE

- [ ] Consider sequenced comms at all levels of the organization (e.g. first leadership, then managers, then company wide)
- [ ] Determine the scope of training at each level, based on your approach to clarity and transparency
- [ ] Define a clear timeline for activities related to the compensation/merit cycle
- [ ] Confirm calendar invites for each training, including the appropriate attendees

STEP 2: CREATE SUPPORTING DOCUMENTATION AND DELIVERABLES

- [ ] Compensation Philosophy and Program Design Overview catered to the following audiences, with clear timelines on what to expect:
  - Board
  - Leadership Team
  - Managers
  - Company-wide
- [ ] Consider creating one-pagers and FAQ documents such as:
  - Compensation program description with living FAQ
  - Short-term and long-term incentive program overview with living FAQ

    Note: You will need to update your FAQs on a daily basis for the first few weeks after launching new compensation program. Plan for this.
  - Script/talking points for managers as they hold compensation conversations
  - A document identifying the People / HR point of contact for each person in your organization

Compensation / Merit Cycle Execution

STEP 1: SET A CLEAR GOAL FOR THE COMPENSATION / MERIT CYCLE

- [ ] Determine what the intent is for the compensation / merit cycle
    - Reward high performance
    - Getting individuals closer to the benchmark of their role
    - Pay equity across roles, levels, and/or demographic attributes
    - Cost of living increases
- [ ] Set clear objectives and a method of tracking progress throughout the cycle

STEP 2: DETERMINE THE APPROPRIATE BUDGET IN PARTNERSHIP WITH FINANCE, BASED ON THE INTENT OF THE COMPENSATION / MERIT CYCLE AND FINANCIAL RESOURCES OF YOUR ORGANIZATION

- [ ] Partner with Finance to understand the financial plan
- [ ] Determine if the budget will be centrally managed or decentralized across functional leaders
- [ ] Allocate a budget for raises to each team leader, and consider providing a suggested raise for each employee that can be calculated using specified logic/fields

STEP 3: BENCHMARK EACH ROLE, THEN EACH INDIVIDUAL

- [ ] Meet with each individual functional leader to identify and align on the levels and appropriate job codes to use for each of the roles that report into them
- [ ] Assign each role a level and job code
- [ ] Use benchmarking data to compare roles and individuals against market standards
- [ ] Build out salary pay bands for each role to understand where individuals fall within the salary range of their role
- [ ] If applicable, incorporate short-term incentive (e.g. bonus or commission) and long-term incentive (e.g. equity) benchmarks

STEP 4: CONDUCT BASE SALARY ANALYSES TO CREATE THE FOUNDATION OF THE COMPENSATION PLANNING TOOL

- [ ] Calculate current compa ratio (comparative ratios that compare someone's compensation to the benchmarked midpoint for their role) for base salary
- [ ] Determine target compa ratio, based on budget
- [ ] Incorporate performance ratings
- [ ] Create a HR/People recommendation for each individual based budget, performance, and the intent of the compensation / merit cycle

STEP 5: IF APPLICABLE, ADD IN SHORTTERM INCENTIVES AND LONG-TERM INCENTIVES FOR EACH INDIVIDUAL INTO THE COMPENSATION PLANNING TOOL

STEP 6: REVIEW THE ORGANIZATIONAL DATA WITHIN THE COMPENSATION PLANNING TOOL WITH FINANCE TO FINALIZE AND CONFIRM BUDGET

STEP 7: START FROM A FAIR, EQUITABLE STARTING POINT

- [ ] Look at everyone's compensation through an equity lens, including intersectionality. For example, are people compensated fairly based on race, ethnicity, age, gender, abilities, etc.?
- [ ] Make necessary adjustments when bias and inequity is identified

STEP 8: ROLL-OUT THE COMPENSATION PLANNING TOOL TO THE RELEVANT STAKEHOLDERS WHO ARE MAKING THE DECISION ON INDIVIDUALS' COMPENSATION

- [ ] Provide instructions on what is needed from them
- [ ] Provide as many resources to minimize bias and ensure fair, equitable decisions
- [ ] Host office hours for any questions or concerns
- [ ] Be clear on the timeline of when you need their final decisions by
- [ ] Remind, remind, remind
- [ ] Collect final decisions

STEP 9: ANALYZE THE FINAL DECISIONS

- [ ] Review through a fairness and equity lens again

STEP 10: REVIEW THE ANALYSIS AND FINAL DECISIONS WITH THE CEO, CFO, CHRO/CPO, AND LEGAL TEAM

- [ ] Get final approval

STEP 11: CREATE CHANGE LETTERS OUTLINING THE CHANGES IN INDIVIDUALS' COMPENSATION

- [ ] Have a process for double-checking compensation information in the change letters is accurate (e.g., for example, have a second People / HR team member review another People / HR team member's letters)
- [ ] Spot check to ensure the systems that are providing information about equity, RSUs, incentives, promotions, etc., are providing the right data

STEP 12: RELEVANT STAKEHOLDERS TO DELIVER THE COMPENSATION CONVERSATION WITH INDIVIDUALS

- [ ] Provide a script of talking points to help guide the conversation
- [ ] Share FAQs
- [ ] Host office hours for any questions or concerns
- [ ] Be on standby for consultations around challenging conversations

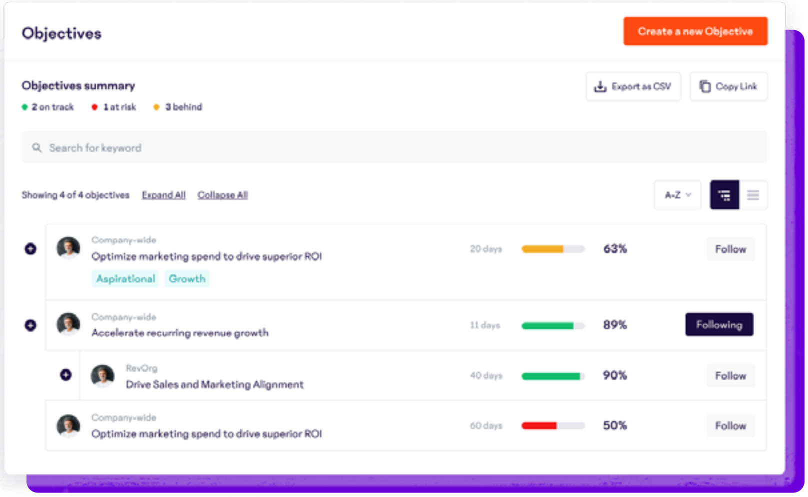
STEP 13: SEND OUT CHANGE LETTERS TO INDIVIDUALS FOR SIGNATURES

How 15Five Can Help

Fair, valuable, and effective performance management is absolutely essential to compensation decisions. You can attempt to fairly and efficiently accomplish all the items in the checklist above on your own, in scattered spreadsheets — **or you can use a platform like 15Five.**

15Five's easy-to-use platform was created to help HR leaders design a performance program from the ground up and take action. By managing performance on 15Five, HR leaders can create a holistic measure of performance and receive helpful insights to inform compensation decisions.

15Five Compensation removes the need for outdated, error-prone, manual processes and provides HR leaders with robust reporting that can inform executive-level decisions. It makes it easier to handle merit increases and other complex reward structures with compensation systems that are simple to configure and easy for employees and managers to understand.



THAT'S RIGHT, WHEN USING 15FIVE, YOU CAN ACCOMPLISH THE FOLLOWING AND MORE:

- Set and track objectives at the company, team, and individual level
- Run performance review cycles with 15Five's research-backed algorithms that standardize performance criteria to produce actionable ratings
- Track progress and learn from insights throughout the performance cycle by easily accessing the information you need to quickly and confidently act on factors influencing engagement, performance, and retention
- Run compensation review cycles leveraging 15Five performance data to make informed compensation decisions that reward strong performance and retain top talent
- Access real-time compensation data from over 5,000 companies to stay ahead of industry trends and ensure your compensation strategy remains competitive
- Educate employees about the full value of their compensation package, including equity and benefits, with the Employee Total Rewards Dashboard
- Make it easy for HR and Finance to enforce budget, and provide centralized recommendations
- Foster trust and alignment in compensation decisions by giving visibility to managers and employees

Want to learn more?

Schedule a Demo Today

About 15Five

15Five is the strategic performance management platform that drives action and impact, helping businesses and their people thrive. HR leaders are empowered with data-driven insights and guided recommendations, while people managers are transformed into changemakers, all within the flow of work, accelerating employee engagement, performance, and retention. 15Five combines the power of generative AI, custom analytics and human-centered principles in a complete platform including 360° performance reviews, actionable engagement surveys, robust goal & OKR tracking, customizable manager coaching and training, and ongoing manager-employee feedback tools like guided 1-on-1s and check-ins.

HR leaders, managers, and employees at over 3,500 companies rely on 15Five daily, including Credit Karma, HubSpot and Pendo. Learn more at www.15Five.com.