

Managing your compensation program

BY BARRY D. COOK

The evolution of compensation governance principles has been the single largest development in the world of Canadian compensation over the past 20 years.

This development has been fueled by the necessity for publicly-traded companies, commencing in the early 1990s, to disclose their executive compensation arrangements. The disclosure included the compensation objectives, the companies used for compensation comparisons, along with a breakdown of the total compensation paid.

There has been a significant trickle down of these compensation governance principles. Recognizing that this framework makes good business sense for designing and managing compensation programs, well run organizations have adopted this approach for their entire non-union workforce. Regardless of the type and size of the organization, or the sector in which it operates, these compensation governance principles are focused on the needs of all stakeholders, including employees, owners, shareholders, taxpayers, and so on.

The steps for effectively managing a compensation program are set out below.

Step 1: Carefully articulate your compensation philosophy

This should include a definition of which other organizations are appropriate and used for comparison purposes, where your organization wishes to target its compensation relative to the comparison

organizations, and what components of compensation should be included in the comparison.

When defining the comparison organizations, it is important to consider where you recruit employees from and where they may go to for alternative employment. In the case of executive positions, the group may consist of companies confined to your industry. On the other hand, the comparison group for administrative support positions may be the local general employment market.

The comparison group provides a market ruler, but it is necessary for you to determine where you wish to target your compensation relative to the ruler. For example, do you want to pay total compensation at the average of the market or at some other level? Or maybe you want to target your base salaries at the average or middle of the market but also provide an incentive plan through which employees could earn above average compensation.

Finally, your compensation philosophy should define what constitutes compensation. Generally speaking, market comparisons should include salaries, incentives, perks, benefits and paid time off. This is particularly true of executive positions wherein the value of the non-salary components may be higher than the salary. In the case of lower level positions, however, a comparison of salary and incentives may be sufficient provided that a comparison of the other components of compensation is periodically conducted.

Step 2: Obtain quality, robust, up-to-date market data

Such data should be compiled, ana-

lyzed and presented by professionals who are familiar with your positions and who have expertise in compensation.

Market data can be obtained from published surveys or from custom targeted surveys. Published surveys are available from some consulting firms which maintain comprehensive up-to-date databases. There are also some jointly-sponsored industry association compensation surveys which may be appropriate sources.

Custom targeted surveys involve one organization sponsoring the survey and it is often conducted by a compensation consulting firm. This approach is more costly, but allows the sponsor to identify the specific comparison organizations, the positions included and the compensation data to be collected and reported.

Apart from cost, there are a number of considerations regarding whether an organization should use published surveys or invest in a custom targeted survey. Does the survey include the organizations which you compete with for employees? Does it include positions which are good matches to those in your organization? Also consider whether it includes components of compensation you wish to compare, or types of data breakdowns you require, such as company size and geographic region.

Step 3: Apply the market data in a manner consistent with your compensation philosophy

In the case of salaries and incentive plans (if relevant), this will involve establishing salaries and incentive opportunities consistent with the level you targeted. If non-cash components of compensation are included in your market comparisons,



Barry D. Cook, Partner,
Western Compensation & Benefits Consultants

it may be appropriate to implement revisions to those components.

Step 4: Consider your employees

Finally, do not forget your organization's most important asset — its employees. Obviously you will advise employees of any revisions in their compensation. However, you should also consider informing employees regarding the organization's compensation philosophy and the due diligence undertaken.

This transparency and organizational commitment will help ensure that you have an informed and engaged workforce.

Barry D. Cook is Partner at Western Compensation & Benefits Consultants. Visit www.wcbc.ca for more information.

A growing business analytics movement in Vancouver

BY MATT ST. JOHN

Who knew that a cold call from BCIT to speak at their Business Analytics Symposium would spark such a business analytics movement in Vancouver?

Vancouver is in a position to be a hotbed for top-tier analysts, able to navigate through vast oceans of data to create millions of dollars in value by creating algorithms, predictive models and optimizing business performance through operational analytics. Whereas this used to be the domain of massive companies only, the talent and technology is enabling even small business to get a leg up on their competition.

Last November, the night before a Business Analytics Symposium put on by the BCIT School of Business and The

Vancouver Board of Trade, a few of the panellists met for a beer. We had never met before, but wanted to get together to discuss the symposium and what we were going to talk about.

We met a few others at the event itself, exchanged business cards, and kept in touch. From then on, we've met every month and our group has grown from four people, to 12, to 20, to 35, to 50 the last time we met. We have sponsorship, a web presence, and regular meetings with presentations, food and drinks. We call ourselves the Vancouver Analytics Group and have big plans. (You can find us on meetup.com).

BCIT also invited me to their focus group to discuss a new Business Analytics Certificate program. I researched what was currently being offered at Colleges and Universities in North

America, and was surprised at how irrelevant some of the existing programs were.

This was BCIT's second focus group with industry to explore business analytics curriculum. I had missed the first one that explored the skills gap in the marketplace to determine educational needs. Along with a dozen other industry professionals, we debated the merits of various elements of a curriculum proposal that was created from the initial focus group insight, and brainstormed and offered suggestions to improve.

I was blown away at how relevant the discussion was! I was so impressed with not only the Business Analytics program proposal itself, but also the process in which it was being developed with industry. I just had to continue to be a part of this, and I'm proud to say that I



will be kicking off the first of six courses for the Business Analytics Statement of Completion at BCIT, as the Instructor for Business Analytics Fundamentals beginning September 2013. For more information please visit www.bcit.ca.

This is part of BCIT's move

to establish the first Centre of Excellence in Business Analytics in Vancouver, a joint venture between the School of Business and the School of Computing.

Matt St. John is Analytics Manager for Lululemon Athletica Inc. and an instructor at BCIT School of Business.