

# 15Five's Compensation Strategy Checklist



# Getting Started

Ready to dive in? Here's a tactical step-by-step checklist to guide you in designing a compensation strategy.

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## 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

Drive decisions to be made

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

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 WOULD NEED TO EFFECTIVELY EXECUTE THE COMPENSATION / MERIT CYCLE

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

Will executive/functional leadership make the final decision on individuals' compensation, or will managers?

Will managers have the compensation conversation with individuals?

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## 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

One-pagers and FAQ documents

- 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 weeks after launching a new compensation program. Plan for this.
- For managers: script/talking points for compensation conversation
- Identify 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

## 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

## 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

Pull the benchmark data for each job code, based on the program design (e.g. base salary, short-term incentive, long-term incentive, and geographic approaches)

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

If applicable, 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 SHORT-TERM 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.? What about intersectionality - combinations of those factors, such as a black female?

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: SHARE APPROVED FINAL DECISIONS BACK WITH RELEVANT STAKEHOLDERS SO THEY CAN DISSEMINATE THE CONTEXT AND INFORMATION NEEDED TO THE STAKEHOLDERS WHO WILL BE DELIVERING THE COMPENSATION DECISION**

## **STEP 12: 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 13: 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 14: SEND OUT CHANGE LETTERS TO INDIVIDUALS FOR SIGNATURES**



# How 15Five Can Help

Fair, valuable, and effective performance management is absolutely essential to compensation decisions. 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.

Furthermore, when it comes to compensation, many organizations struggle with complex spreadsheets that don't connect with their performance software. [15Five Compensation Powered by Partners](#) helps HR leaders make performance-based compensation decisions, powered by one-click integrations with well-known, robust compensation platforms.

Our compensation platform 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. With 15Five Compensation Powered by Partners, leaders can make pay decisions that reinforce talent strategy by giving managers and employees a simple view of their total compensation.

**Want to learn more?**

[GET THE COMPENSATION PLAYBOOK](#)

[SCHEDULE A DEMO TODAY](#)



## About 15Five

Founded in 2011, 15Five equips HR leaders to play a strategic role in their company's growth. HR leaders use 15Five to combine engagement, performance, and OKRs on one platform so they can make insightful decisions and take strategic action. Unlike other 'command and control' performance systems, 15Five uses the latest in people science to turn managers and employees into self-driven owners of performance and engagement. To further the impact of talent on company growth, 15Five also provides education, coaching, and community for HR leaders, managers, and employees. HR leaders at over 3,200 companies, including Credit Karma, Spotify, and Pendo, rely on 15Five's software and services to make their talent a growth driver.

