

Considering stakeholder perspectives as part of compensation planning

Compensation planning is a critical aspect of any organization's strategic human resources management.

Effective compensation planning not only helps in attracting and retaining top talent but also aligns these critical resources with the organization's overall goals and financial constraints.

Building a compensation plan involves various stakeholders, each with unique perspectives and priorities — and a successful plan requires buy-in from all relevant stakeholders. As part of preparing the plan, HR and compensation professionals must address the specific concerns and requirements of CEOs, finance teams, executives, and managers.

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Understanding the sources and allocation of our financial resources, the impact of our people on these figures, and our operational metrics has elevated my role as a strategic HR leader. This insight allows me to ground HR initiatives in a context that resonates with leadership.

Lexi Clarke

Chief People Officer, Payscale

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Checklist

This checklist can serve as a quick guide regarding stakeholder perspectives to consider and address during the compensation planning process.

CEOs

"What metrics will we use to measure the success and effectiveness of our compensation plan in driving performance and achieving our organization's goals?"

- ☐ **Alignment with organizational strategy:** Ensure the compensation plan aligns with the overall business strategy and long-term goals.
- ☐ **Competitiveness:** Assess market competitiveness to attract and retain top talent.
- ☐ **Risk management:** Identify and mitigate potential risks associated with compensation decisions, including legal and reputational risks.

Finance teams

"How will the proposed compensation plan impact our long-term financial sustainability and cash flow?"

- ☐ **Budgeting:** Ensure the compensation plan fits within the organization's budget constraints and financial forecasts.
- ☐ **Cost-benefit analysis:** Conduct a thorough cost-benefit analysis to evaluate the return on investment for various compensation components.
- ☐ **Financial metrics:** Align compensation metrics with key financial performance indicators to ensure financial health.
- ☐ **Long-term financial planning:** Discuss the sustainability of the compensation plan and its alignment with long-term financial goals.

Executives

"How will the compensation plan support and incentivize high performance in our respective departments?"

- ☐ **Performance metrics:** Link compensation to performance metrics to drive desired behaviors and outcomes.
- ☐ **Equity and fairness:** Ensure fairness and equity in compensation across different levels and departments.
- ☐ **Retention strategies:** Develop retention strategies for key talent and high performers.
- ☐ **Incentive structures:** Design incentive structures that motivate and reward executives and their teams when they achieve strategic goals.

Managers

"How can the compensation plan be structured to support employee development and career progression?"

- ☐ **Implementation:** Equip managers with the tools and training to implement the compensation plan effectively.
- ☐ **Communication:** Ensure managers are well-informed about the compensation plan and can communicate it effectively to their teams.
- ☐ **Employee development:** Link compensation with employee development and career progression plans.
- ☐ **Feedback mechanism:** Establish a feedback mechanism for managers to provide insights and suggestions on the compensation plan.

By following this checklist, HR and compensation teams can make sure that their compensation strategies are well aligned with the organization's goals, financially sustainable, and effectively communicated. This holistic approach not only secures buy-in from key stakeholders but also fosters a motivated and engaged workforce, driving the organization toward its strategic objectives.

Talk to a Payscale expert today to learn how our compensation management solutions can help you plan for pay that drives positive business outcomes.

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