

# COMPENSATION CONVERSATION GUIDE for managers

How you lead a compensation conversation is often as important as the compensation itself. Whether your responsibility ranges from negotiating the package to passing on already-confirmed decisions, you need to explain as much of the rationale as is permitted by your organization\* and answer any questions.

- PURPOSE:** To ensure people understand how the compensation process works, to manage expectations and to discuss the total reward at the end of the compensation cycle
- HOW LONG:** Approximately 10 to 15 minutes
- HOW OFTEN:** As needed



## 1. AT START OF COMPENSATION CYCLE

- › Explain your organization's compensation **philosophy and compensation process**, covering why the organization pays like it does and how decisions are made.
- › Explain the **compensation criteria for the individual's specific role** and include any supporting data.
- › Find out which **'intangible rewards'** the person values and plan how to include these.
- › Where appropriate, guide those aiming for higher remuneration through the equation of **"achieve more = earn more."**
- › **Manage expectations;** don't save tough messages until the end of cycle.

## 2. DURING THE YEAR

- › Help the individual to **benchmark their performance** as they progress.
- › Check that the **intangible rewards** they value are working well.
- › Check what **further support** they need to help them succeed.

## 3. AT END OF COMPENSATION CYCLE

- › **Thank them for their contribution.** Use wording that matches the level of their contribution (excellent/good/a starting point).
- › **Explain the compensation strategy** used for decisions and the rationale for any bonus pool allocation. Include data such as market trends and company/business unit performance.
- › Explain their **new compensation** and how this is calculated. Provide any documentation.
- › Talk through their key intangible rewards and check **how well the total exchange of value is working.**
- › Invite **questions** and agree how to follow up if needed.
- › End **positively.**

\*Check with your HR team for guidance about what to cover.



## Exchange of Value

Understanding the 'exchange of value' is important for two reasons:

- It helps you to assess the **whole** value that an individual brings to the organisation; this is particularly crucial when negotiating pay.
- It helps you to understand how the person sees the value of their job, which is often about more than just salary.

