

# Compensation

## Conversation Guide for managers

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Compensation is a central pillar of the “deal” between an employee and the organization. How you lead that 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, manage expectations, and discuss the total reward at the end of the compensation cycle

**HOW LONG:** Approximately 20 minutes

**HOW OFTEN:** As needed

### At the start of the compensation cycle

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- 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.

### During the year

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- Help the person 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.

### At the end of the compensation cycle

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- **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** (see overleaf).
- 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 organization; 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.

