The 10 Keys to Simple, Strategic Compensation Planning

How To Get the Right Compensation Management Solution by asking the Right 10 Questions

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compensation management software by

KINIXSYS

Imagine your company is moving forward with the compensation software you recommend, and in the beginning it's smooth sailing.

Your company recently invested in new software for handling payroll or compensation, and your department has just completed the months-long process of configuration, testing, and training.

A month into deployment, the company's business rules change in a way that will require major changes to your specifications document. That's when you discover that the vendor can't accommodate your changes.

One of the first questions you need to ask before engaging your company, and the vendor is, how much customization will be needed?

To help you avoid being trapped by these and more questions, the experienced Kinixsys team has collaborated on the following checklist of questions, based on a number of common workflow situations that a good software system should be able to address.

Follow this checklist as you prepare to choose your compensation management software.

Remember to:

> Ask good questions up front, so you don't get any crashes or bumps along the way.

Compensation is only one example of a software "solution" that creates a problem. Delays can happen in many situations, and that's why it is always a good idea to know the potential areas of shortfall before you commit your company to a new automated compensation system.

> Make sure this system accommodates any changes you may need in the foreseeable future?

First you have to know, from a solid compensation plan, what your future might look like including your current HR Tools and software, the data and performance. If you're not sure about the answer to this question, plan on customization costs, which are common because few "off the rack" compensation management software solutions exist, and only a few customize (like Kinixsys.com).

The Checklist

1. **How often do your processes, business rules or work-flows change, and can you or the vendor reconfigure parts of the system to change with them?**

This is probably the most critical question to ask up front. If you have situations unique to your organization, you want a product that can accommodate those special cases. The best systems will have the built-in flexibility to allow you as the application administrator to update things like eligibility requirements, guidelines, recommendation stages, and other critical settings. But at the very least, you will want to know if this is a "one size fits all" application that can't be changed by either you or the vendor.

Avoid the "one size fits all" myth.

Compensation software is often customized; what will it cost, and how long?

2. Is the vendor HR focused, or are they an IT company?

There are a lot of common errors that occur during the typical procedures that use spreadsheets and homegrown systems. Many of the calculations are tricky and highly interdependent, so that a small error can have rippling effects on an entire employee group.

- Does the vendor understand the politics and nuances of compensation planning or are they focused only on the IT impact?

- What are their core competencies?

- Which company(s) are good at communicating effectively with you from the start?

3. Are you looking at a suite of products, or a point solution?

There's something to be said for integration, but find out what they started with, and where their core competencies lie. Were they, for example, a Performance Management vendor who added a Compensation module after the fact? Did they build the suite themselves, or acquire other companies to build out their offerings? Even if all the capabilities appear to be there, there may still be lots of issues with how well the applications really fit together.

4. What happens when you hit a bump in the road? What is the customer support process and turnaround time?

Is there a project manager assigned to your account who's available by phone any time there's a problem? Or will you have to log a ticket and wait for a response?

Smaller vendors tend to be more available and responsive; the larger the vendor, the longer the queue for technical assistance.

5. Will it mine the data for executive reporting?

If management doesn't get timely, accurate reports the system will not succeed.

Can it plug in to your payroll and benefits systems too?

6. Does the vendor's planning tool allow you to communicate the compensation program effectively, and does it encourage early adoption by managers?

If you're looking at new compensation software, ask whether it includes features such as help screens, on-screen guidelines and warning messages if data isn't being entered correctly. Best-of-breed comp software will include both soft and hard stops, giving the user opportunities to comment upon and explain variant answers.

- **The user interface is important - people need to be comfortable using it** – since this software will have point users company-wide, not just in HR, it should have at least a somewhat familiar look and feel.

- **Make sure the tool will support your process,** especially at the manager level. In most cases, your line managers HATE the annual performance review/comp cycles.

- **Make it easy** for them and everything else falls into place.

7. What are its reporting capabilities?

Compensation software draws data from so many different sources – payroll, performance metrics, etc. – that it's important your software have the capability to mine all this data for business intelligence.

At the end of the day, executives want accurate, incisive and informative reports to support strategic planning. That will drive a decision to upgrade more than any other.

8. Is the software scalable as your company expands? And what about integration?

Don't take the vendor's word for it. Make sure that your IT department is involved with their end of the selection process, and that they ask the hard questions. Your vendor should be able to demonstrate that the system will perform well at every level. Also look at how easily this tool will integrate with your other systems.

Who will be responsible for handling integration - your IT department, the vendor, or both?

9. How often will there be new versions or releases of the software, and how will those be priced for existing customers?

We have seen instances where a new version comes out less than a year after client implementation, leaving them with the choice of having some parts of the system go unsupported, or having to absorb an unbudgeted

expense in the same or subsequent fiscal year. Ensure that you will have the support you need through the transition and that it won't cost you too much.

10. What is the vendor's industry experience, and do you get a representative to contact, or a phone tag to repeat your questions?

If your customer service requests or technical assistance issues are being handed off from one agent to another, it gets pretty annoying when you have to keep explaining the same problem six months ago and how the first approach didn't work.

Ask about the experience level of your vendor's project managers. If they haven't actually worked in the trenches of HR, their understanding of your issues – and knowledge of what questions to ask – may be limited.

BONUS Question: Is the vendor in the midst of a merger or acquisition?

In the HR information systems industry, it often seems like mergers and acquisitions are being announced every week. If the vendor you're considering is one of these, it could impact their client support capabilities. Once your vendor has merged or been acquired with another, it's inevitable that many of their internal procedures will change, corporate culture will change, and you'll suddenly be dealing with new personalities and new styles of communication. While this may turn out to be a good thing, often it is not and you'll have lost the comfortable working relationships you started with.

Worse yet, the product itself may be phasing out by the time you've completed implementation. In the process of integrating the new components of their own suite, vendors in merged companies frequently substitute their own products, establish new platforms, blend features, or alter its architecture....but the net upshot is your old product will go unsupported.

Conclusion

- Whenever you're in a product demonstration session, refer to the information presented here and don't be afraid to ask the hard questions.

- Listen for whether you are getting complete and honest responses, or if it's a topic they seem to dance around.

- Remember this is not just a major purchase, but a long-term relationship with a company and its staff. Effective communication is essential.

- Make sure they're the right ones for for you and the company.

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