Why It’s Finally Time To Leave Excel Behind

One of the most time consuming and challenging aspects of Compensation software is managing the salary, bonus and stock recommendation processes. Considering the potentially disastrous or embarrassing consequences of human error in building the spreadsheets, let's look at some of the common Risks and traps. This white paper examines those Risks, their potential costs and consequences, and how they can most easily be avoided.

**Risk # 1: Beware the Ripple Effect of Key Compensation Decisions**

Compensation decision-making is a multi-faceted proposition, with far-reaching impact on budgets and employee morale.

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You can't always predict the ripple effect of compensation decisions from a simple spreadsheet.

Managers and the analysts in the compensation department need summaries and audits to truly understand the consequences of these decisions, where hundreds of thousands (if not millions) of dollars are involved.

Managers may not know how to extract timely or relevant data from the spreadsheets because the tools they're using don't provide this information in an easy-to-understand format.

Confused or intimidated by not having a handle on the big picture, they either put off the task until the last minute, or rush through an ill-informed decision process.

The effect of these decisions ripples upwards as executives are left exposed to approving recommendations based on incomplete, misleading or outdated information.

Compensation planning software allows managers to see the immediate effect of their decisions on overall budget and performance distribution with instant, readable graphics.

**Risk # 2: Ever Changing, Always Confusing Templates**

At a typical large company, compensation review time means everyone's productivity slows down, with HR team members answering the same questions seemingly a hundred times over. Every change from last year, every new policy implementation, and every little tweak to the spreadsheet makes the template more confusing to everyone.
Never mind having to figure out salary changes; it’s hard enough for most managers just to figure out the review template without the Comp department’s help.

The better compensation software tools provide all participants with their own dashboard to enter and retrieve only the information they need, reducing confusion and repetitive or inappropriate queries. Instead of asking questions, they’re answering them. It’s like the difference between preparing your tax return with forms, versus answering interview questions on the latest edition of your tax prep software.

This simplified, need-to-know process allows compensation review to be completed with everyone singing from the same songbook, with no need for hand-holding by the HR team.

**Risk # 3: Hurry Up & Wait (And Hope it’s Right When it Arrives)**

Comp software helps keep salary review tasks from “inbox purgatory.”

The approval process for pay recommendations on spreadsheets can be cumbersome. As noted above, oftentimes managers will simply put off their pay recommendations because it’s a confusing task that falls in priority to their other management duties.

But that’s not the only reason why spreadsheet-based compensation planning can be such a slow proposition.

- Compensation administration touches every part of the enterprise.
- Changes to employees’ compensation must be transmitted not only to HR but to budgeting and other financial units; reports in various forms move in both directions through the chain of responsibility.
- While a necessary evil, it extends the time needed to reach final decisions
- Proper documentation of salary decisions prevents all sorts of problems, from equal pay challenges to budgetary controls and for HR to implement them.
- Also, data integrity and process controls are at risk with spreadsheet-based planning because of the multiple touch points and possible stalls caused by “inbox purgatory.”

Compensation software allows timely data to speed it’s way faster through all the various company units, because it’s much easier for managers, executives and HR staff to enter and obtain information from its centralized data system.

The better software systems offer instant reports with flexible formatting capability to display data exactly the way it’s needed, for each department’s individual purposes.

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Risk # 4: The Audit Monster Hiding in Your Closet

Then there's the issue of audits, which can uncover salary actions that may have been taken without proper approvals or consideration. When elements of the compensation process are dispersed throughout the enterprise, transparency cannot be achieved.

Both internal and external auditors demand process controls, and these need to be well documented to demonstrate that they are policy-compliant.

- When lower level managers are responsible for compliance, and they're using a spreadsheet tool that they may not fully understand, audits will expose any number of errors.

- Questions of fairness or equal pay for equal work may also be raised which means potential involvement of the EEOC and other regulatory agencies at the state level.

- Even if pay levels are in fact consistent, having parts of the information dispersed among various departments makes that difficult to prove. When audits reveal problems like these, repercussions will be felt all the way to the boardroom.

Compensation software systems contain automated triggers for approvals that assure policy compliance. If actions can't be completed without the online approval step, errors are kept to a minimum. They also provide audit reports, detailing who made each decision.

All of these features mean that the HR executive and management team no longer have to fear the outcome of an audit.

Managers should not have to choose between salary guidelines that don't fit their business rules, or simply winging it.

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Sensitive salary data shouldn't be the subject of unintentional news headlines.

**Risk # 5: One Playbook for Every Type of Team?**

When a company has multiple salary and incentive plans, or multiple business units each with their own performance and salary guidelines, a one-size-fits-all spreadsheet requires either that everyone follow the same rules, or that some play without them – forcing managers to fly by the seat of their pants.

Spreadsheets are a poor tool for these multi-faceted processes because they are not flexible enough to manage the variety of compensation plans, and they don't provide enough transparency for sound salary planning.

Compensation software that's designed for large enterprises will have the built-in flexibility to create separate rules and guidelines for each of the compensation groupings, or for each business unit, so those managers don't have to struggle to conform to a single standard.
Risk # 6: Is Your Salary Data Feeling Insecure?

No matter how many precautions you use to secure your spreadsheet, an experienced Excel user can bypass them and a novice Excel user can unintentionally undermine them. Email distribution requires additional security measures.

Though they think the spreadsheets being emailed around are protected through passwords or permissions, there are programs on the web that allow anyone to hack into “secured” spreadsheets.

If the compensation group has not protected themselves from this, anyone with access to the email system, could possibly hack into this highly confidential information and learn the salary of employees company-wide.

This is yet another advantage to using compensation software.

Data is maintained on a secured server either onsite at the company, or in a cloud service provided by the software vendor. This way, that sensitive salary data will never show up as a leak in the Wall Street Journal.

CONCLUSIONS

Weaning your department and managers off of spreadsheets may be difficult, but the Risks, liability exposure, limited functionalities and ongoing inefficiency make a compelling case for this change.

As one of the leading consultants in HR today puts it,

“For any company with more than 500 employees, doing this work in spreadsheets is inefficient and error-prone.

Having software that facilitates these sorts of improvements is a necessary first step to managing compensation well.” - Ventana Research

Compensation management software the way you want it.

We help manage and fine tune a company's single largest operating expense, compensation, with easy to use software that adapts to the changing demands of today's companies.

compACT manages a company's Salary Review, Incentives, and Bonus Planning Process through one of the only "customizable" solutions in the HR compensation market.

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