P'S

To: CEO & President, Anonymous Org

       Chief Human Resources Officer

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RE: Project Plan: Final Phase Total Compensation Program

Date: April 1, 2021

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Introduction & Background

As discussed during the selection process under your Request for Proposals, Anonymous Org is a mid-sized, non-profit organization which is one factor for the types of solutions of your project. I have been selected to evaluate the final build-out of a robust compensation program. Your organization has already built the foundations of an employee compensation program with the adoption of a compensation philosophy and identification of peer organizations for pulling relevant compensation market data. You also recently went through a system-wide process of updating job descriptions for all employees against published guidance for managers with the use of new templates for consistency and equitable leveling of positions.

With these foundations in place, this project is set up to identify and implement the remaining procedures and elements for a fully operational employee compensation program. I will work with the implementation team to evaluate historic practices, gaps, and best practices for recommendation. My approach to projects involves a systems approach using a "designing for growth" plan to project and change management (Senge, 2006; Liedtka, Ogilvie, & Brozenske 2019). Compensation programs cannot be viewed or implemented in isolation as they involve market data, financial stewardship of the organization and more. They are part of a bigger system, and information from that system must flow into the compensation program development.

Pre-project planning meetings have already identified some gaps and needs for this final phase to allow me to fully develop the project charter and initial plan, with additional needs likely to surface during the project.

Project Plan

Generally, project planning principles will be followed that imbed a system thinking approach and change management principles for the highest rigor, employee adoption, and project effectiveness. This approach engages the community and leadership as part of the designing process which contributes to parties feeling heard and valued, increases acceptance and adoption, and ensures multiple perspectives and information are informing the final program. See the table below to identify the phased planning approach for this project.

Phase	Activity	Description
Initiating Phase	Identify Opportunity	Finalize the robust development of a total compensation program *Completed previously by the organization*
	Scope the Project	*Completed -- Desired & Measurable Outcomes below*
	Create Project Charter	*Completed – see separate document*
	Develop Your Plans	Identify Stakeholders, including the Sponsors, Change Agents, Implementation Team, and Advocates; Design dialogic community engagement
Planning Processes	What Is? • Research • Identify Insights • Establish Design Criteria	Mind maps; current practices, interviews, pulse surveys, causal loop diagrams, systems analysis *Partially Completed – see separate documents for Mind Maps, Causal Loop Diagrams*
	What If? • Brainstorm Ideas • Develop Concepts • Create early pitches	Focus groups, brainstorming, exploring compensable factors and additional compensation needs and opportunities
	What Wows? • Surface key assumptions • Develop prototypes and storyboarding as part of early proposals	• Model various pay grade structures & peer groups • Analysis: costing, feasibility, applicability across position types/divisions with HR, finance, and senior leadership
	What Works? • Feedback from stakeholders on final recommendations	Focus groups: finance, senior leadership, managers, diverse body of employees
Implementation	Finalize Approved Compensable Factors	• Finalize procedure drafts based on feedback • Publish all procedures and market schedule for increased transparency, equity & accuracy • Train employees and supervisors
	Finalize Approved Procedures	
	Publish Schedule for Market Adjustments	
	Implement Pay Grade Structures	• Assist HR/Payroll staff to place all positions into new structure • Assess for pay changes to incumbents • Train supervisors on new structure • Host open training sessions for all employees to share final structure, educate on how it works, and answer questions • Notify incumbents of new pay and grade band with identified effective date
Maintenance	Annual Reporting	Fiscal sustainability; equity, compression & effectiveness insight; informs changes needed
	Review effectiveness of procedures every 2 years	--HR Staff --Focus Groups
	Update pay grades to market as established	--HR staff

Key Roles for Change

Initiating Sponsor	Chief Executive Officer/President (CEO)
Sustaining Sponsors	Chief Human Resource Officer Chief Financial Officer
Supplemental Sponsors	Rest of the Executive Team
Change Agents	Chief Human Resource Officer (CHRO) Director Human Resources HR Compensation Specialist HR Business Partners Consultant
Key Implementing Staff	Director Human Resources HR Compensation Specialist HR Business Partners Finance Staff Consultant
Advocates for Changes in Compensation Program	Employee Representatives CEO HR Staff: HR Partners, HR Director, Compensation Specialist Payroll Staff
Impacted Constituents by Changes in Compensation Program	Employees Payroll & Finance Staff HR Business Partners HR Compensation Specialist

As I lay out the responsibilities (Crosby, 2016) of the key roles above, it is important to recognize that some individuals will operate with multiple key roles.

- Initiating Sponsor has ultimate responsibility to support and provide resources for the project to be successful.

- Sustaining Sponsors are those in positions with direct responsibility for functions and employees responsible for the work of the project. These sponsors prioritize the work, so the project stays on track.

- I added Supplemental Sponsors, which I define as the rest of the executive team over other divisions, which must support the efforts and outcomes of the project and understand the fundamentals to reinforce processes, change initiatives and

implementation. Without their support and reinforcements, the project is at risk of adoption as they or their subordinates may create work arounds.

- Change Agents are critical to a change initiative as they work with advocates and key implementing staff to help engage and educate the community. Change agent facilitate the work getting done between departments and the community by being a bridge to communication and training.

- Key Implementing Staff, sometimes called "targets" are the staff who carry out the work of the project, and in most cases will be responsible for the ongoing maintenance.

- Advocates for this change initiative are the employees who want and communicate the need for changes. Their role includes initial awareness of need for change and can continue to engage for change by participating in the engagement opportunities of the planning and implementing phases of the project.

- Impacted Constituents are all employees, managers, and leaders within the organization as this project will impact the compensation program for all employees. The role for impacted constituents is to participate in the process at their comfort level and learn about the new procedures once implemented. This role does not require participation or acceptance. It encourages engagement with the process and ultimately compliance with vetted and adopted procedures.

Community Engagement

For any change initiative to be truly successful and adopted within an organization, employees must be aware of the need for change and have a desire to support the change. That means the impacted employees must be given the opportunity to participate in this project from

the planning through the maintenance phases. This project plan will use elements of the ADKAR

approach from Prosci, Inc. and dialogic engagement opportunities (Prosci, Inc., n.d.; Bushe,

2013; Bushe & Marshak, n.d.; Holman, 2013). Additionally, resistance to change by any of the

roles will be engaged to uncover unaddressed needs, other perspectives, and additional solutions

(Ford & Ford, 2010; Ford, Ford, & D'Amelio, 2008).

Community engagement opportunities will include a cross-organization guiding

committee, focus groups, feedback sessions on recommendations, and multiple modes of training

opportunities. Ongoing communications will be important to keep various constituents informed

of the project process and opportunities for engagement. The currently identified

communications modes will include, but not be limited to physical posters/posting around the

organization, compensation stories from the fulsome opportunities of wages and benefits,

organization newsletters, email lists, standing organization and department meetings, and the

compensation & classification website.

The ADKAR model, by Prosci Inc., will assist the project team in understanding where

employees are in a change process to inform engagement and training. ADKAR stands for

Awareness, Desire, Knowledge, Ability, and Reinforcement. We will more fully assess

employees' awareness of the need for change, their desire to support the changes, knowledge of

how to change, the ability (skills) to use the new procedures and reinforcing measures to ensure

adoption. Leaders have shared that employees have a strong desire for improvements to the

compensation system, but that they may not have a full understanding of the needs for the

change. Indicators point to employees' frustration with salary ranges outdated from market and

not knowing how to get raises. HR staff have also communicated inequitable practices due to no

procedures for moving through ranges, additional compensation opportunities, compression and

more. The larger employee base and executive team may be unaware of these needs. It will be important to assess knowledge around compensation and train supervisors and employees on the new procedures, as well as help supervisors to develop the skills to use the new procedures. Finally, reinforcement measures will be recommended to ensure adoption, monitoring, and success of the new program.

For meetings and focus groups to be successful, these opportunities will be set up for dialogic engagement to ensure all perspectives are heard, needs are identified, constraints considered, and creative solutions explored. The facilitators and participants will be set up for success with the following parameters:

- Framing with possibility-oriented questions and activities;

- Inviting the full diversity of the organization, including various identities, positions classifications, levels within organization, across all divisions;

- Setting up the space and environment to reinforce a welcoming atmosphere including establishing and communicating the purpose and agenda of the opportunity, minimizing interruptions to communicate the importance of the engagement, and honoring the time commitment;

- Creating opportunities for individual expression and connection by developing the agenda and activities to ensure all voices are heard and for the employees to be in conversation with each other as well as the implementation team;

- And providing opportunities to reflect together on the recommendations, as well as during the maintenance phase to ensure continuous improvement as an organization (Holman, 2013).

Below are two tables that begin to layout engagement and communication tools as aligned with the various audiences and goals.

ENGAGEMENT TOOLS	Brain-storming	How feel valued exercise	Card Sort	Start-Stop-Continue	Forced Connections	Question Prompts	Feedback Exercise	Analysis
AUDIENCE								
Guidance Comm	XX	XX	XX	XX	XX		XX	
Focus Groups	XX	XX	XX	XX	XX	XX	XX	
Senior Leadership							XX	XX
GOALS								
Compensable Factors	XX	XX	XX		XX	XX	XX	XX
Procedures	XX			XX	XX	XX	XX	
Pay Grade Structure								XX
Peer Groups								XX

* Liedtka, Ogilvie, & Brozenske, 2019

COMMUNICATION TOOLS	Meetings	Focus Groups	Posters	Communication Stories	Website	Newsletters	Email Lists	Training
AUDIENCE								
Guidance Committee	XX			XX	XX		XX	XX
Employees		XX	XX	XX	XX	XX	XX	XX
Managers		XX	XX	XX	XX	XX	XX	XX
Finance / HR Team	XX	XX			XX		XX	
Executive Leadership	XX			XX	XX	XX	XX	XX

Desired & Measurable Outcomes

Compensation elements are an example of tools for organizations to compensate and reward employees, and to help employees understand their value to the organization. Pay should never be the only tool to help reward employees or to communicate the value they bring. However, a robust compensation program is critical to recruit, retain, and show value. To be most helpful to all employees, the program needs to be understandable, accessible, and as transparent as possible, recognizing that compensation structures, internal equity and external survey data can be complex and sometimes create confusion. It is also critical that managers

have knowledge & skills in implementing the correct compensation process for the outcome they are seeking. With this lens in mind, the desired and measurable outcomes include:

1. Developing and adopting a <u>rubric of compensable factors and funding mechanism</u> that is easy to use by managers and employees no later than June 2022. Compensable factors are distinct from position ranges in that they identify how an employee can move through a position's salary range over time. Compensable factors for employees will then be adapted into a secondary tool to help managers negotiate when recruiting for vacant positions. A toolbox of procedures and forms will be made available to employees and supervisors as part of this process. Included in this development will be a strategy to create a distinct funding mechanism for this process, so it does not revert to the current practice of divisional haves/have nots, or who is most effective at asking for the money. This funding mechanism should include a centralized fund and distribution procedures.

   a. Depending on the compensable factors adopted, the next layer of measurable steps and outcomes can be defined. For example, if time-in-service is adopted as one of the compensable factors, the organization may implement an immediate adjustment in 2022 for existing employees. If merit pay is adopted, a plan for improving completion of annual performance appraisals must first be implemented, requiring a secondary project to be undertaken before implementation of merit pay. Knowing which compensable factors will be adopted is required before other measurable outcomes can be specified.

2. Providing recommendations on salary survey management to include a <u>pay grade structure, updating of peer groups, and the frequency and method in which grades & ranges will be updated against market data</u>. Recommendations on all three survey and

range management elements will be completed and ready for leadership approval no later than August 2021. The adopted schedule will be published and communicated to employees so they understand how and when market data will be used to adjust organizational position ranges. Community engagement sessions will be designed and facilitated for explanations of new system, to include question / answer period, desk aids, and publishing on Compensation and Classification webpages.

3. Working with the community to define, write, and publish compensation procedures for:

    a. Promotions versus updating job descriptions

    b. Compression

    c. On-call employees

    d. Equitable additional compensation procedures for a variety of categories

    e. Temporary pay increases for taking on duties during vacancies

    Written procedures for these compensation elements, and others identified, will be completed and ready for implementation no later than December 2021.

Conclusion

These three categories of the final phase of the employee compensation program have real impacts for employees and the organization's leadership. First, leadership and the finance team will know the schedule for system-wide adjustments to market and can plan for them years in advance. Second, employees will be able to use the schedule to identify how current their range is to the market in an ongoing manner and when the next evaluation will occur. It takes the guesswork out of employee minds and begins to build trust back into the system. Third, employees and managers will have documented procedures and definitions for how to advance

within the organization, whether within their range, or between positions. Established procedures provide employees and supervisors a glidepath, that is transparent and equitable. These steps should eliminate individual manager requests through the fiscal year budgeting process for money to adjust an individuals' pay. They create rubrics and procedures that outline equitable opportunities for advancement and additional compensation, minimizing risk of pay discrimination. Finally, these three major outcomes, combined with training, will result in fewer requests to HR to explain an individual's placement within the range and/or how managers can advocate for increases to salaries.

The implementation phase of this project is scheduled to be finished in July 2022, with methods and procedures established for reinforcing the change initiative and maintaining the compensation program through continuous improvement processes. I have included a list of references for the implementation team to further understand the importance of the elements in this project plan. These resources can also be made available to a greater audience as determined by the CHRO and implementation team.

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