



# Compensation Communication Matrix

GUIDE

# Introduction

**In today's uncertain economic climate, most organizations indicate that retention of employees and "making more with less" are among their top priorities. As we all know, one of the best ways to foster engagement lies in communication.**

Once you accept that at least some degree of transparency about pay and benefits practices will be useful to your organization, the question becomes: What exactly can you or should you communicate about, and to whom?

You should use a compensation communication matrix to ensure that you have a consistent and coherent C&B communication approach across your organization. This will help deliver a consistent experience in your organization and foster an atmosphere of trust and engagement.

In this guide, we will show you how to create the matrix, how you can use a compensation communication matrix for various purposes, and the value it brings to your company.

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*A template is provided  
within this guide!*

# Building the Compensation Matrix Template

## 1. Listing all the stakeholders

### Categories within an organization

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- Employees, with some possible sub-categories such as:
  - Employees as individuals
  - Employees in general
  - Specific categories of employees by grade or function
- Line managers
- Senior management
- Board
- HR

Think about other people who might need access to some form of compensation information, such as, for example:

- Recruiters
- Hiring managers
- Finance (for budgeting purposes)
- Strategic planning (for long-term workforce planning)
- IT (for maintaining the HRIS)

... and any other population who may need aggregate pay information, such as the pricing team in companies that participate in major bids for long-term contracts, such as in real estate and infrastructure, or the team participating in due diligence for a merger or acquisition.

In some countries or types of organizations, you may have to think of trade unions and/or employee representatives and external constituents, such as the general public and shareholders (for instance, in the case of joint ventures, or through the remuneration report, or CSR initiatives).



*Your stakeholders will form the columns in your compensation communication matrix.*

## 2. Listing all the elements of pay

### Elements of pay

This includes the components of the packages you offer to your employees:

- Basic pay
- Allowances
- 13th month
- Incentives
- Profit-sharing
- Company cars
- Other perks, benefits such as health cover, pension schemes, etc.

*Your elements of pay will form the rows in your compensation communication matrix.*

This is the classic list that many organizations use when they implement individualized remuneration statements to communicate the value of their total package to employees.

#### Keep in mind !

Don't forget to look into country-specific schemes and benefits!

### PRO TIP

Go beyond this list-building exercise and also include information about the **tools and processes** related to compensation and benefits. You'll get to a comprehensive overview which will ensure you don't forget anything when revision time is coming.

This can include salary ranges, salary increase budget, merit matrix, rules of eligibility to promotion, rules around incentive calculation, eligibility to specific rewards, recognition schemes, performance management system and process, outcomes of the performance appraisal and salary review cycle, pay philosophy (target position to market), etc.



# Building the Compensation Matrix // Template example

	Employees	Line managers	Senior management	Board	Finance
Base pay					
Annual incentive					
Company car					
Pension scheme					
Healthcare					
Salary ranges					
Salary increase budget					
Merit matrix					

## Building the Compensation Matrix

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## 2. Filling the Compensation Communication Matrix

### Step 1: What information is shared?



Write down, in each cell, whether that specific information is shared or not with that specific stakeholder.

For example, employees as individuals may know the salary range for their grade, or all ranges up to their own grade included, or up to one grade higher, or the whole salary range structure for their job family, or the whole salary structure for the company across all functions.

You've created your "as-is" version of the compensation communication matrix. Even if nobody outside the rewards team ever sees it, you've already created value for yourself, as you now have a single repository listing who knows what about each element of C&B that your team is covering.

# Filling the Compensation Matrix // Template example

	Employees	Line managers	Senior management	Board	Finance
Base pay	Yes	Yes	Yes	Aggregate company cost	Aggregate per grade and function
Annual incentive	Yes	Yes	Yes	Aggregate company cost	Aggregate per grade and function
Company car	Yes, if eligible	Yes	Yes	Aggregate company cost	Aggregate company cost
Pension scheme	Yes, if eligible	Yes	Yes	Aggregate company cost	Aggregate company cost
Healthcare	Yes	Yes	Yes	Aggregate company cost	Aggregate company cost
Salary ranges	No	Up to their own grade	Whole organization	Yes, for approval	No
Salary increase budget	Yes – as per negotiation with TUs	Yes	Yes	Yes, for approval	Yes
Merit matrix	No	Yes	Yes	If requested	No



## Filling the Compensation Matrix

[illegible]

## Step 2: Identifying inconsistencies

- ➔ Take a moment to reflect on your compensation communication matrix and consider whether you have some inconsistencies.

For example, you may ask your internal recruiters to set hiring packages, but you don't give them access to salary ranges or to a tool indicating an acceptable range of pay as per your C&B philosophy. Is this intentional, or simply the legacy from an older approach?

## Step 3: Assessing transparency

- ➔ Ask yourself whether this approach fits the degree of transparency that you think is appropriate for your organization today.

For example, as an organization gets more mature in terms of performance management, an overall communication on the results of the performance appraisal process might be a good idea.

## Step 4: Defining the degree of communication

- ➔ Using the results from steps 2 and 3, define your ideal degree of communication.

This will lead you to produce another version of the matrix, with the targeted state of communication that is specific to your organization.



## Filling the Compensation Matrix

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# 3. Using the Compensation Communication Matrix

## 1. Reference tool

Use the targeted state matrix as a reference point when:

- An employee or manager asks for information.
- You need to train new HR (as a tool supporting their decision-making at the local level).
- You expand to a new country.

This can also be useful if you have a complex organization with many HR business partners, etc., as this will help ensure consistency of pay communication in the different areas of your business.

## 2. Internal policies and procedures tool

When you introduce a new pay component or wish to change how you communicate around a specific C&B process, it will be quick and easy to update the matrix.

The new pay component will be treated in a way that is consistent with the rest of pay elements for each targeted audience.

## 3. Project prioritization tool

Use the current and targeted matrices as a project template. Identify the gaps between the two. Then, start designing the tools, processes, and templates that you will use in order to spread the required information to its targeted audience.

## 4. Conclusion

**The compensation communication matrix is a powerful support to your organization, as it fosters clarity and consistency of approach and will help you make decisions regarding how to address the needs of the various stakeholders.**

In return, when communication is consistent, employees and line managers perceive the organization as more “fair” because they have more clarity on processes, the purpose of these processes, and the outcomes – even when you don’t communicate all details.

Just knowing there are processes, and not everything is discretionary, will often have a positive impact on the perceived fairness of the organization. This, in turn, leads to greater trust and engagement.

So, whichever degree of transparency you feel is right for your company at this point in time, do use a compensation communication matrix to make sure you approach all elements of your pay packages and processes in a consistent manner.

### REMEMBER

You also need to focus on **results** rather than process. If they want to know how you did things, they will ask about it! This can be really difficult, especially if you’re very proud of your technical capacity or problem-solving skills, but when appealing to the CEO, always make the assumption that they already trust you; otherwise, you wouldn’t be in the job. This way, you can focus on what brings them value.

