

Powerful Connections: How Organization Design and Compensation Create Business Value

If you're worried about what it will take to secure top talent in the coming years – and how much that may cost – you're not alone. Access to needed talent is becoming an increasingly pressing concern for Canadian organizations.



A new research study undertaken by KPMG and McDowall Associates highlights some significant opportunities for better managing talent risks. The findings suggest that greater alignment between organization design and compensation may be the critical missing link for building stronger and more effective talent strategies.

Survey finds organizations grappling with numerous talent risks

Alignment between organization design and compensation is key to stronger talent strategies

As salary planning for 2015 gets under way, it looks like a familiar story is unfolding. Budgets for salary increases are holding steady and, on average, organizations are anticipating only modest increases next year.

It seems pretty much like business as usual.

But what's going on beneath the surface? What's been happening to organizational structures and how jobs map to organizational levels? How have jobs been evolving and how has that affected their positioning in their organization's pay bands? What's been happening to titles?

The reality is that organizational structures and jobs continue to evolve as businesses strive to remain competitive in challenging and rapidly changing socio-economic environments.

New research by KPMG and McDowall Associates confirms that Canadian organizations are grappling with a wide range of potential talent risks. More significantly, however, the survey respondents gave themselves low ratings for how they've been tackling these risks. The survey results reflect responses from 83 organizations in the private, public and not-for-profit sectors.

The survey examined both what organizations see as their key risks as well as how they're responding to mitigate such risks across 3 key areas:

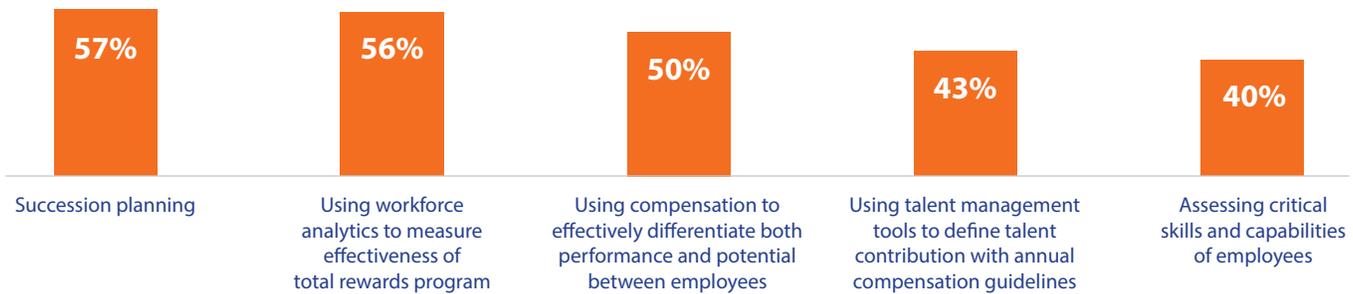
- Workforce planning
- Succession planning
- Total rewards, including compensation.

Across these areas, the top talent risks identified by the survey participants included:



More significantly, the survey results indicate organizations are falling short in their efforts to address these risks. Survey participants were asked to indicate how effectively their organization is responding to the risks they identified.

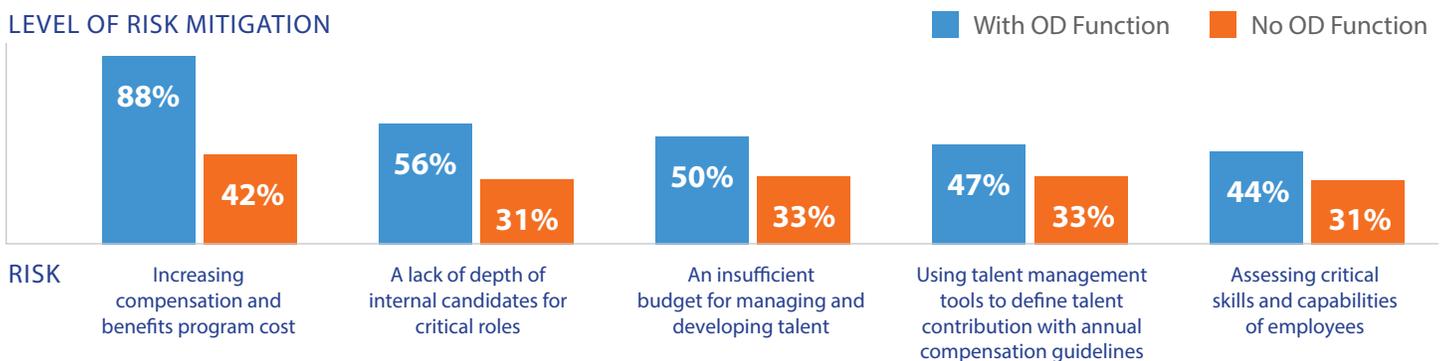
Key areas where respondents indicated they were not taking effective action—or taking no action—included:



Creating Stronger Talent Strategies

So what does it take to create more effective talent strategies? The survey results point to the need for a greater alignment between organization design and compensation with workforce analytics identified as one of the key underpinnings, with respect to both processes and tools.

Organizations that reported having a distinct Organization Design Function had more favourable responses when it came to rating how well they were addressing key talent risks compared to those without an OD Function:



Percentages represent the level of effective risk management relative to the stated talent risk.



Overall results suggest closer links between organization design and compensation contribute to a more effective foundation for addressing talent risks. When organization design and delivery is aligned with compensation design and delivery, it is easier to ensure there are clear connections between the business strategy, the organizational structure and the total rewards offering.

When these three elements come together, an organization creates a powerful platform to support more informed decision-making across a range of compensation and talent management areas.

This can help facilitate:

- Better management of total rewards costs
- Better organizational structures and job designs, guided by more consistent rules with respect to elements such as job levels, reporting layers, and titling
- Greater clarity with respect to internal mobility and career planning and
- Stronger staffing and succession plans.

The survey results suggest that while organizations are facing significant talent risks, they also have significant opportunities to create a stronger – and more holistic – platform to better manage those risks in the years ahead.



THE REPORT STUDY

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Detailed study results will be published later this fall. To obtain a copy, please contact:

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