

Insights

Balancing Compliance Cost and Value

For Compensation Managers

Human Resources Made Simple Through Technology

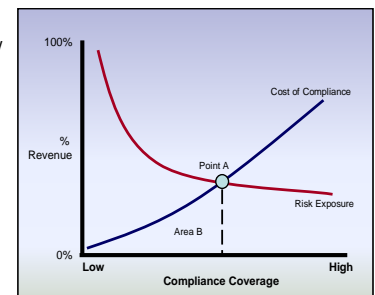
A Small Question of Balance?

Without giving away too much about my age, I admit my favorite rock group growing up was the Moody Blues, and one of my favorite albums (oops, so much for age determination) was their "Question of Balance". Managers and stakeholders in businesses of all sizes struggle daily with the question of balancing compliance costs with the ultimate value to both their customers and to their employees and shareholders. The good news is compensation risk management can be a very good value.

Our clients continually emphasize the cost avoidance benefits of compliance rather than the value enhancement potential. That is easy to understand. On the one hand, lawyers are a lot like dentists; we think they are fine people but we just prefer not to engage with them professionally unless we have to, and they tend to be expensive and so are the consequences typically of having to engage them. On the other hand, there are so many regulations, how do you focus on which areas of compliance to emphasize?

Consider a basic economic model of risk management such as the model at the right. The amount of investment in compliance offers reduced risk exposure up to some point of diminishing returns (Pt A). An effective management team will select compliance actions that represent the biggest risk-management values for their prioritized investment, those in area B.

Compensation management is necessary for effective risk management, and can offer significant value to boot. Beginning with job descriptions as the foundation of a reasoned and actionable framework, a technology-based solutions such as [DBDescriptions™](#) offers an excellent blend of cost-avoidance and business value –enhancing investment.



Statute	Focus Area
Equal Pay Act	Basis for: - Job evaluations - Wage comparisons - Equitable salary plans
Fair Labor Standards Act (FLSA)	Determining exempt/non exempt status
Americans with Disability Act (ADA)	Help determine if accommodations are required to perform essential positions duties

Job descriptions aid in the compliance with several laws as illustrated in the table. Poorly defined or out of date job descriptions lead to risky business decisions. Wrongful termination suits frequently begin, and more importantly end with a concise and compliant job description. The costs of defending these types of allegations can be minimized and, in most cases, avoided with a consistent set of descriptions that are reviewed and vetted on a regular basis. A clear best practice is to review all job descriptions as part of the annual performance appraisal process.

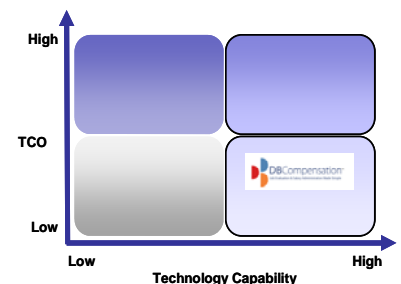
Avoiding costs for non-compliance is important, but probably pales in comparison to the value loss of hiring and training new employees. Retention of key skills during uncertain economic times is critical to maintaining business growth. According to Blair Johanson,

President of Johanson Group Consulting, "Clear expectations help align employee values to company values." Alignment drives job satisfaction, and that reduces turnover.

Sound IT governance demands that technology support key business initiatives at the best cost; the total cost of ownership which includes purchase and maintenance, installation, and total cost for employees to attain productive use of the technology. As the graphic shows DBCompensation™ is uniquely poised to deliver just such exceptional value.

A recent Aberdeen Group study found that best-in-class (BIC) companies are emphasizing IT investments with the criteria shown in the table below. [DBCompensation™](#) comprehensively addresses these requirements and provides exceptional value.

Criteria	DBCompensation™ Contribution	Value
Reduce compliance cost	Defensible compliant job descriptions	Reduced risk and legal cost avoidance Increased employee alignment Improved job satisfaction
Greater visibility for better decisions	Comprehensive and consistent framework for compensation management	Equitable and competitive salary plans Increased retention and reduced cost of hiring Eliminate job and pay creep
Mitigate operational risk	Secure SaaS technology Trusted knowledge and expertise	Reduced total cost of ownership Easy integration with existing platform(s)



Let us show you how to start achieving the balance that differentiates truly BIC firms from the others.