

The 5 Biggest Compensation Strategy Challenges for HR Leaders

HR Today | Nicole Klemp | May 2022



With today's competitive talent market compounded by economic factors like high inflation, people leaders face tremendous pressure to create a competitive compensation strategy.

Most employees want more from work than just a paycheck — they want community, purpose, career growth, and professional development. They also want fairness and equity, both in the way they're treated and how they're compensated.

Common compensation strategy challenges

To learn more about the real challenges HR professionals face when building comprehensive, fair, and competitive compensation strategies, we tapped into our HR Superstars community for insight.

Read on for five of the biggest challenges that came up in our community again and again.

Limited access to reliable benchmarks

Trouble finding accurate and helpful compensation benchmark data was mentioned quite a bit by our community members.

To ensure they remain competitive, people leaders want to see what similar companies in their industry pay employees or offer candidates for different positions. Unfortunately, that data can be hard to come by, especially for more niche roles.

Here's what a few of our community members had to say:

"[The biggest challenge is] getting reliable comparative data to ensure we're being competitive." – Scott Johnson

"In our niche market with limited data and specialized job descriptions, it's hard to find comparable data." – Karen Blakely

"Figuring out how to benchmark positions that are uncommon or a hybrid of multiple roles [is a challenge]." – Lauren Schlicker

Ensuring compensation fairness & equity

There's never been more focus on fair decision-making when it comes to compensation. But operationalizing fair pay comes with its own set of challenges, especially when equity hasn't historically been a priority in the organization.

Fortunately, there are fantastic HR leaders out there today, driving the conversation and pushing for more equitable compensation practices.

Here's what some of our community members said about this particular challenge:

"Keeping pay equitable across our company while also competing with market rates while also retaining our superstars [is a challenge]." – Sims Key

"Having an equitable comp plan for both tenured employees and new hires as well as consistency using 'grades' across the organization and taking the subjectivity out of performance reviews [are challenging]." – Karen Maxwell

"It is challenging to have transparent conversations about comp in general. This is not specific to my organization; we need a better language for communicating on the topics of pay and equity!" – Evelyn Kwong

Tying compensation to performance

Another common challenge is figuring out how to appropriately tie pay to employee performance.

If compensation is to be performance-based, then evaluations must be done fairly and consistently — and companies need the right processes and performance management technology to administer them.

Here's what we heard in the community:

"Making equitable decisions regarding how compensation relates to performance [is a challenge]." – Marilyn Repinski

"If compensation should be related to performance, [the challenge is] how often to do performance evaluations, and how to have competitive benefits packages for a high-turnover industry." – Jill Warzonek

Getting leadership alignment and buy-in

Getting company executives aligned on a compensation strategy is a sticking point for many HR leaders. Comp packages must be competitive to retain and attract great people, but many HR teams face pushback from their leaders, often over budget concerns.

But as most HR pros know, today's employees are more informed than ever and demand fairness and transparency from their leaders. Elise said it best:

"[It's a challenge when] leadership is unable to justify the comps given and fails to understand that employees are having conversations about their own salaries with one another." – Elise Walker

Staying competitive among changing market factors

It's no secret that the last few years have been tumultuous for us all, and economic factors have created uncertainty for companies and employees.

When it comes to designing a fair and competitive compensation strategy, shifting market factors can make it feel like someone keeps moving the goalpost. This is an added stress on struggling HR leaders, who are putting all their energy into supporting their organizations and helping employees maneuver constant change.

"Compensation is a moving target due to current economic conditions of attracting and retaining high-caliber talent." – Claudia Marques

"Remaining competitive against bigger companies [is a compensation challenge]." – Amber D'Angelo