

# The SCOOP

AUGUST 2020

## Shift in Perspective: Pay for Talent

**Pay for performance** is a widely used approach to compensate employees, and for many years it has worked well. While paying employees based on past performance makes sense, maintaining and developing talent for evolving needs may require a different approach.

A **pay for talent** approach to compensation differentiates pay based on the talent and skills of the employee and the needs of the organization.

**Pay for talent** is a dynamic and flexible approach to compensation and focuses on a variety of factors including:

- Valuable knowledge and skills
- Employee potential and performance
- Critical roles

Driving Compensation Differentiation	
Pay for Performance	Pay for Talent
Based on past performance	Based on the overall value employees provide to the organization

Whether changes are brought about by a global pandemic, changing technology, or other yet-to-be identified factors, the tasks that need to be accomplished and the skills needed to accomplish those tasks are changing.



Rather than paying for past performance, a **pay for talent** approach compensates employees for utilizing critical talent and skills for the benefit of the organization.

**Pay for performance** can be thought of as a backward looking approach, while **pay for talent** is forward looking, compensating employees for the talent and skills needed now and in the near future.

## Signs a **PAY FOR TALENT** Approach Might Fit Your Organization

- ◇ *Job descriptions are continually out of date/needing to be modified*
- ◇ *You find yourself creating and hiring for "hybrid" jobs requiring disparate skill sets*
- ◇ *You frequently modify roles to fit an individual incumbent's skills*
- ◇ *Technology, the shift to remote work, or other external factors has significantly impacted how work is accomplished, requiring additional training and/or different skills*

### STEPS TO CONSIDER WITH A TALENT-CENTRIC APPROACH TO PAY

- Identify the talent (knowledge and skills) required for the next 12 months and prioritize the knowledge and skills that are critical to organizational success.
- Identify the employees that possess the required knowledge and skills.
- Develop compensation increase processes that focus on these individuals.

Building the future workforce requires a greater focus on the skills needed to drive the organization's success, rather than simply filling defined roles. To be prepared for this shift, Gartner Inc. suggests:

- Encouraging employees to develop critical skills that could open up multiple opportunities for their career development, rather than preparing for a specific next role.
- Offering greater career development support to employees in critical roles who lack critical skills to achieve continued success.
- Designing roles and structures around outcomes to increase agility and flexibility.
- Providing employees with varied, adaptive and flexible roles so they acquire cross-functional knowledge and training.

"It's critical for business leaders to understand that large-scale shifts are changing how people work and how business gets done," says Brian Kropp, Vice President, Gartner. "HR leaders who respond effectively can ensure their organizations stand out from competitors."

### SUMMARY

There is no one-size-fits-all solution to compensation, nor will a change in approach take place overnight. However, considering options for the future will help ensure your organization is prepared as the workplace, workforce and required skills continue to change.

Foundations Consulting helps organizations review and renew compensation strategies to ensure you attract and retain the employees needed to meet future business challenges.

### Meet the Foundations CONSULTING TEAM



**BETH OSTREM**  
651-282-8718  
beth.ostrem@  
farmcreditfoundations.com



**HEIDI NELSON**  
651-282-8446  
heidi.nelson@  
farmcreditfoundations.com



**HEATHER BINGER**  
651-282-8807  
heather.binger@  
farmcreditfoundations.com



**CLAIRE BRANDENBURG**  
651-282-8449  
claire.brandenburg@  
farmcreditfoundations.com



**AMY RYAN**  
651-282-8498  
amy.ryan@  
farmcreditfoundations.com