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## Optimizing compensation strategies with workday advanced compensation: A comprehensive guide

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### Abstract

In today's competitive talent market, effective compensation management is vital for attracting, retaining, and motivating top performers. Workday Advanced Compensation provides organizations with the tools needed to design, implement, and optimize compensation strategies aligned with business objectives. This paper explores the key features of Workday Advanced Compensation, its implementation process, benefits, limitations, and real-world applications through case studies.

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### 1. Introduction

Compensation is a cornerstone of employee satisfaction and organizational success. Yet, many organizations struggle to balance competitive pay practices with budget constraints and strategic goals. Workday Advanced Compensation is a comprehensive solution that enables businesses to manage compensation programs efficiently, aligning pay practices with performance, market trends, and organizational priorities.

This white paper provides an in-depth analysis of how organizations can leverage Workday Advanced Compensation to streamline compensation strategies, enhance transparency, and foster employee satisfaction.

### 2. Overview of Workday Advanced Compensation

Workday Advanced Compensation is an extension of Workday's core human capital management (HCM) platform. It offers tools to manage <sup>[1]</sup>:

1. **Salary Plans:** Structure base pay adjustments for employees.
2. **Bonus Plans:** Allocate variable pay based on performance metrics.
3. **Equity Plans:** Distribute stock awards for long-term incentives.
4. **Budgeting and Forecasting:** Create, allocate, and monitor compensation budgets.
5. **Market Benchmarking:** Ensure pay competitiveness with integrated market data.
6. **Eligibility Rules:** Define rules for participation in various compensation programs.

### Key Features

- Real-time analytics and dashboards.
  - Configurable workflows and approval processes.
  - Integration with performance management for pay-for-performance strategies.
  - Support for global compensation programs
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### 3. Overview – Compensation review process

Each organization takes a unique approach for Compensation review. Organizations adopt varying approaches to compensation review, such as annual reviews or multi-phase reviews (e.g., mid-year for merit and promotions, end-of-year

for bonuses and equity awards). This paper talks about compensation review process from Bonus and stock cycle perspective and challenges faced and how we overcame those:

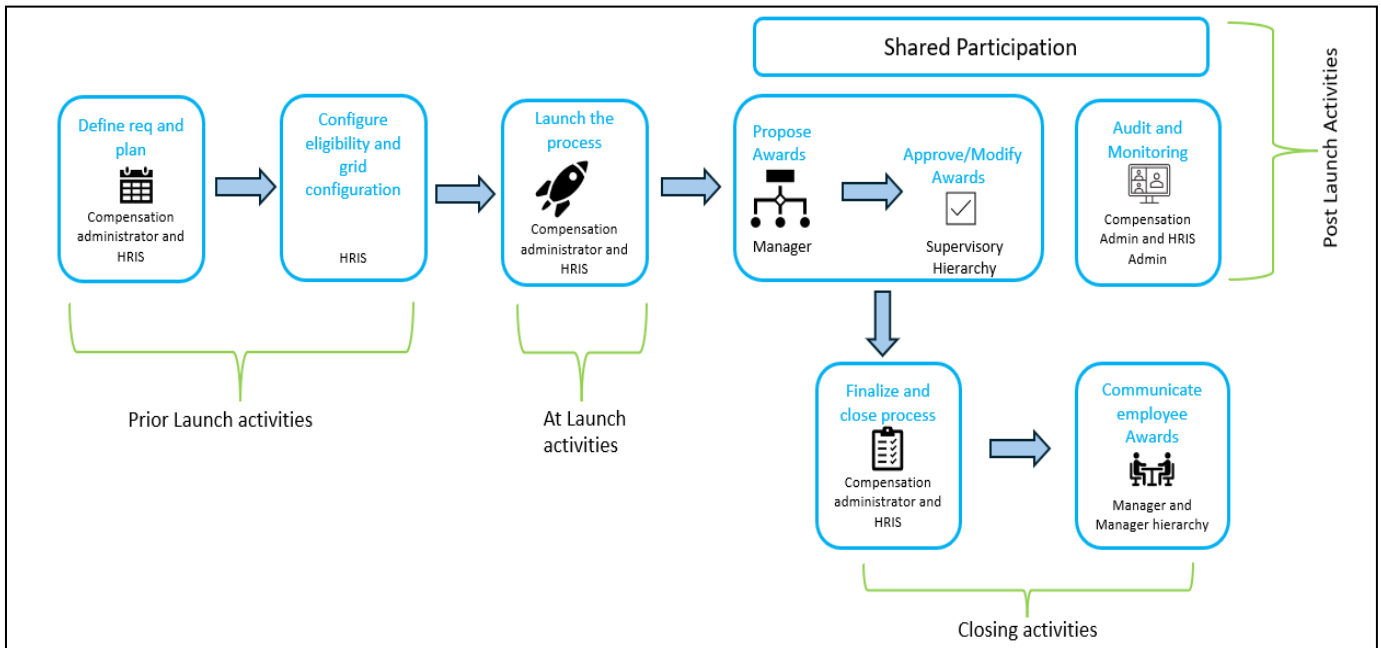


Fig 1: Overview of WD compensation review process with activities and roles [2, 3]

Compensation review process can be roughly divided into 4 stages: [3]

• **Prior Launch activities:**

- Estimated Bonus budgets available
- Defining eligibility rules
- Defining compensation score factors
- Currency conversion rates
- EIB loads that need to carry out to support cycle launch
- Define Cycle effective dates

• **At Launch Activities**

- Verify configuration
- Verify cycle effective dates
- Load data via EIB as applicable

• **Post Launch Activities**

- Manage special scenarios like On Leave employees
- Auditing parallel rule transactions
- Manager and comp team support
- Monitor progress

• **Closing activities**

- Pull forward to top level and finalize awards
- Get approval from Finance and close
- Release Merit statements
- Employee Awards Communication

#### 4. Steps to Launch Compensation Grid

Irrespective of the awards type we plan to review in a particular compensation cycle, the launch is divided in main four steps as shown below [3]:

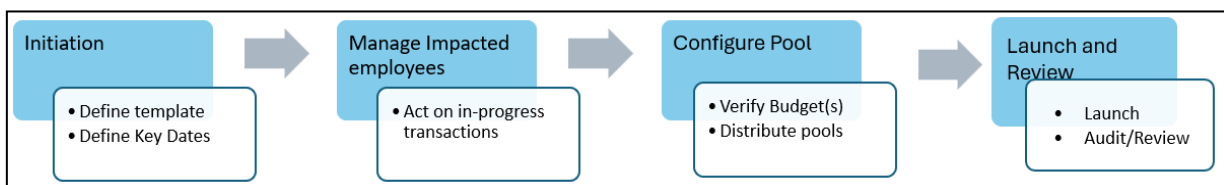


Fig 2: Compensation grids launch Steps [3]

#### 4.1 Initiation

Business process name to initiate a compensation cycle is “Initiate compensation review process”. This step needs pre-defined compensation review process template and pre-configured grid configuration.

Compensation review process template defines the key dates that must be specified at launch. These dates are crucial dates

since they define effective date of the awards, when employees can see the awards in workday, process period end date and date the compensation grid should refer to for Organization structure that is organization snapshot date. Along with this, we need to select an appropriate bonus and stock plans that need to be added for this initiation process [4].

### Initiate Compensation Review Process ✕

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#### Template

**Compensation Review Process Template** ✕ [Redacted] Bonus / Stock Review Template ... ☰

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#### Configuration

**Effective Date** \* ●/●/2024 📅

**Employee Visibility Date** ●/●/2024 📅

**Process Period End Date** \* ●/●/2024 📅

**Organization Snapshot Date** \* ●/●/2024 📅

Please select an appropriate grid configuration.

**Grid Configuration** ✕ [Redacted] Bonus and Equity Review 🗑️ ☰

**Grid Profile Configuration** ☰

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#### Award Types

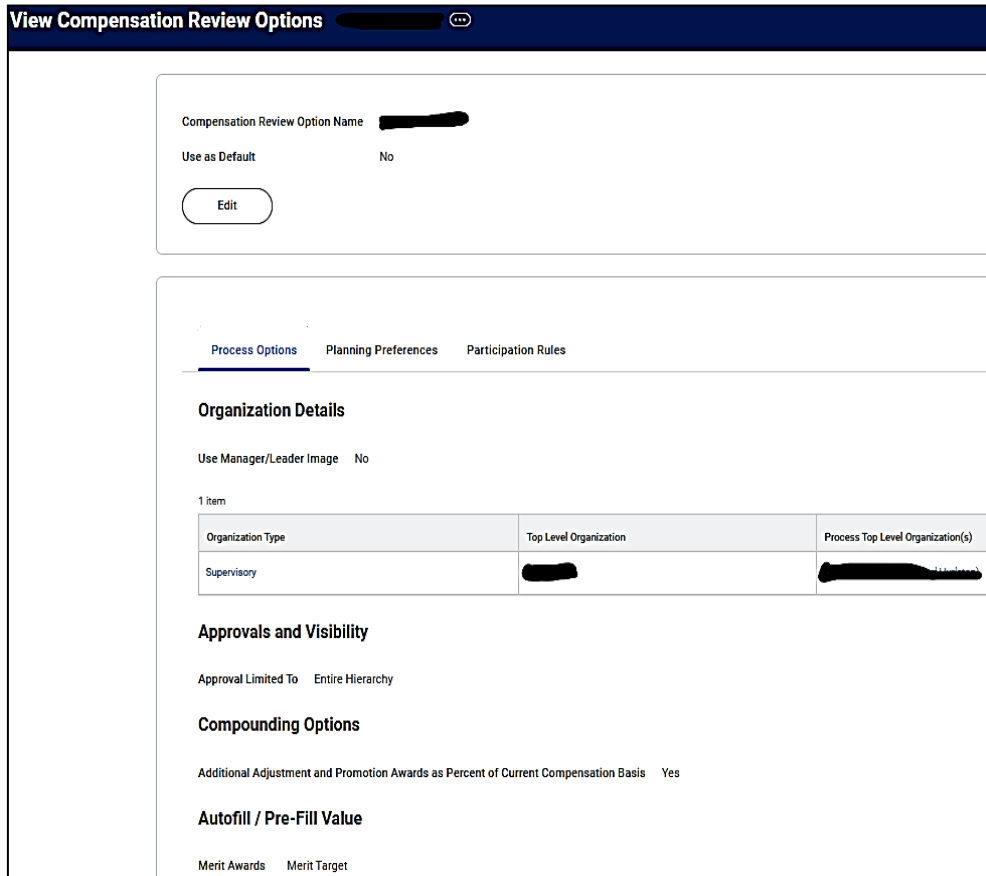
**Bonus Plans** ✕ [Redacted] Bonus Plan ... ☰  
✕ [Redacted] Bonus Plan ... ☰

**Stock Plans** ✕ [Redacted] Equity Plan ... ☰

Fig 3: Initiate compensation review process

The Configurable Grid in Workday Advanced Compensation is a customizable tool that enhances the visibility and management of compensation data. It is specifically designed to allow users, such as managers or administrators, to tailor the display and organization of information according to their needs. Changes made in the Configurable Grid (e.g., updating merit increases) are reflected in real-time, ensuring accurate

and up-to-date data for decision-making <sup>[4]</sup>. In the next screen, it auto populates few options is we have already defined compensation review options. Compensation review options consist of steps to define process options, planning preferences such as currency details, report details and pool and spend and finally Participation Rule <sup>[4]</sup>.



**View Compensation Review Options**

Compensation Review Option Name [REDACTED]

Use as Default  No

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**Process Options** | Planning Preferences | Participation Rules

**Organization Details**

Use Manager/Leader Image  No

1 item

Organization Type	Top Level Organization	Process Top Level Organization(s)
Supervisory	[REDACTED]	[REDACTED]

**Approvals and Visibility**

Approval Limited To  Entire Hierarchy

**Compounding Options**

Additional Adjustment and Promotion Awards as Percent of Current Compensation Basis  Yes

**Autofill / Pre-Fill Value**

Merit Awards  Merit Target

**Fig 4:** Compensation review Options

#### 4.2 Manage Impacted employees

This step shows if there are any in-progress events that could impact on the compensation review cycle. These can either be ignored or canceled. WD recommends having all the compensation related process either to be completed or canceled before the launch process for cleaner process. In our organization, we review all in progress transactions 2 weeks before the launch date and reach out to related organizations HRBP to take appropriate action by launch date. If no action is taken by launch date, we cancel these transactions before we start with the compensation grid launch activities.

#### 4.3 Configure and distribute Pool

This step shows the pool/budget that would be used for this bonus review cycle for each top-level Organization. By default, Workday uses a bottom-up approach and uses plan definitions to calculate individual target budget for bonus awards. By adding this, WD determines estimated cost, and initial pool amounts for whole organization. Alternative to this approach is to go top-down approach, that is we can enter custom budget amount for each award type [3]. We use a bottom-up budget approach. At this stage of the launch, verification of the bonus budget pool was crucial for our latest bonus equity launch since we changed the way the company score card was used. At this stage, Compensation admins validate this bonus pool amount and give us a go ahead to proceed further in the process.

#### 4.4 Launch and Review

Last stage in the process is to Launch the actual compensation review event. Once launched, all the managers receive tasks in their My Tasks on Workday and the business process enters shared participation mode. This enables the

participating managers to propose employee awards during the process without moving the business process forward, enabling improved collaboration between various organizations. The process continues to roll up the organization hierarchy until it reaches the top of the hierarchy [2].

If notifications are enabled, everyone involved in the process can receive the inbox item on their organization email accounts. This stage of the compensation review takes longer and runs for a week or even beyond 3 weeks for few organizations. At this stage, Compensation admins audit the spending periodically and keep tab on the while process

#### 5. Real-World Challenges and Solutions

- **Scenario 1:** Varying performance factors led to budget limitations
- **Problem:** Organization faced bonus budget constraints, but leaders decided to limit bonus budgets cut for some specific organizations. So, the company performance factor varied for each organization (earlier years it was the same across the whole organization)
- **Solution:** Earlier years we used default compensation goals under compensation scorecards. We created compensation eligibility rules for each sub organization to identify specific employees in an organization. Added these new rules under scorecard profile goals and defined company performance goals for each sub organization as requirements have specified. This change is required through testing across organization and budget calculations and budget verifications before this could be moved to production. We carried out number of tests and verified the change works as expected.

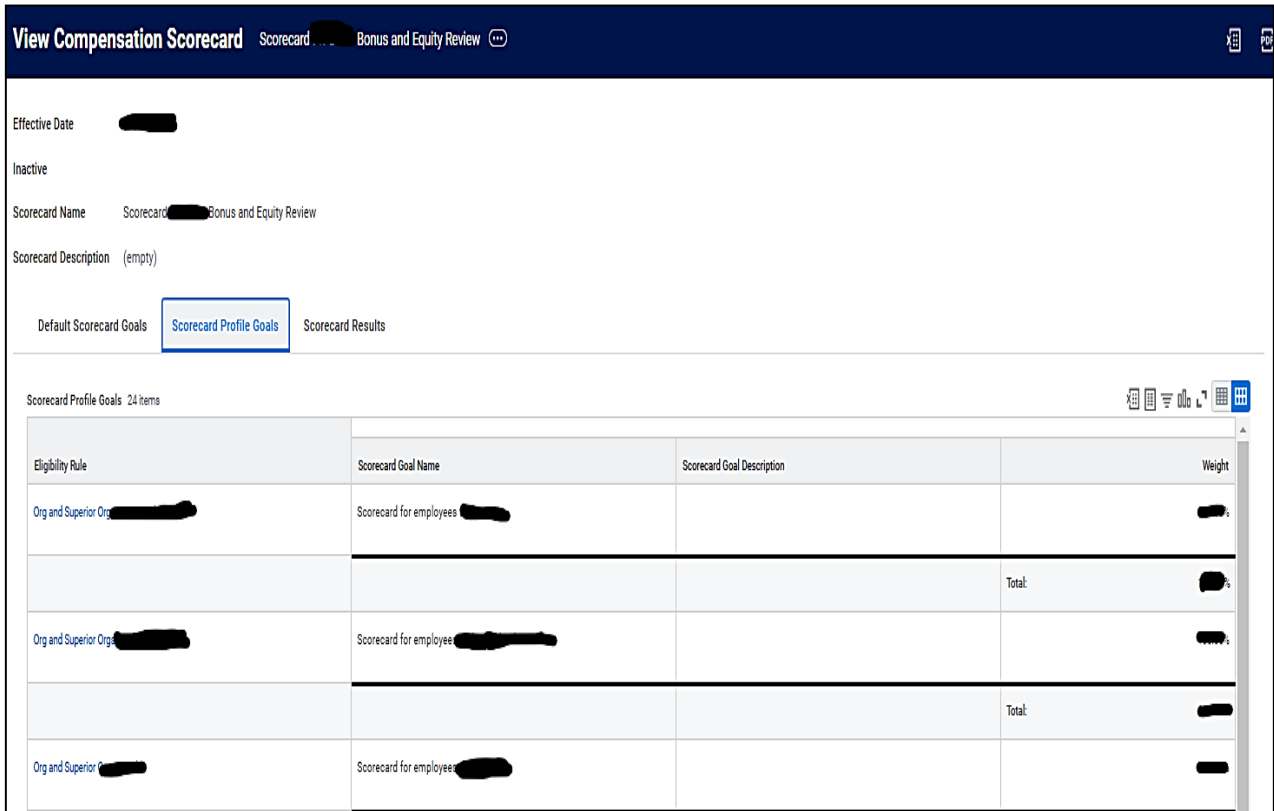


Fig 5: View compensation Scorecard

- **Scenario 2:** Large number of employee count became ineligible for compensation review
- **Problem:** Due to some constraints, a part of the organization from a specific country were removed from the Bonus and Equity compensation review process.
- **Solution:** Employee removal could be carried out manually with actions available with the compensation event. The number of employees that were taken out was

more than 120 and so manual removal was not a feasible and effective solution. This was handled with Mass operation Management Task. These tasks need an Input Report that specifies eligible employees. A custom report was created specifying a cycle name and added filter conditions for country specific criteria to filter employees that need to be taken out and removed from the process [4].

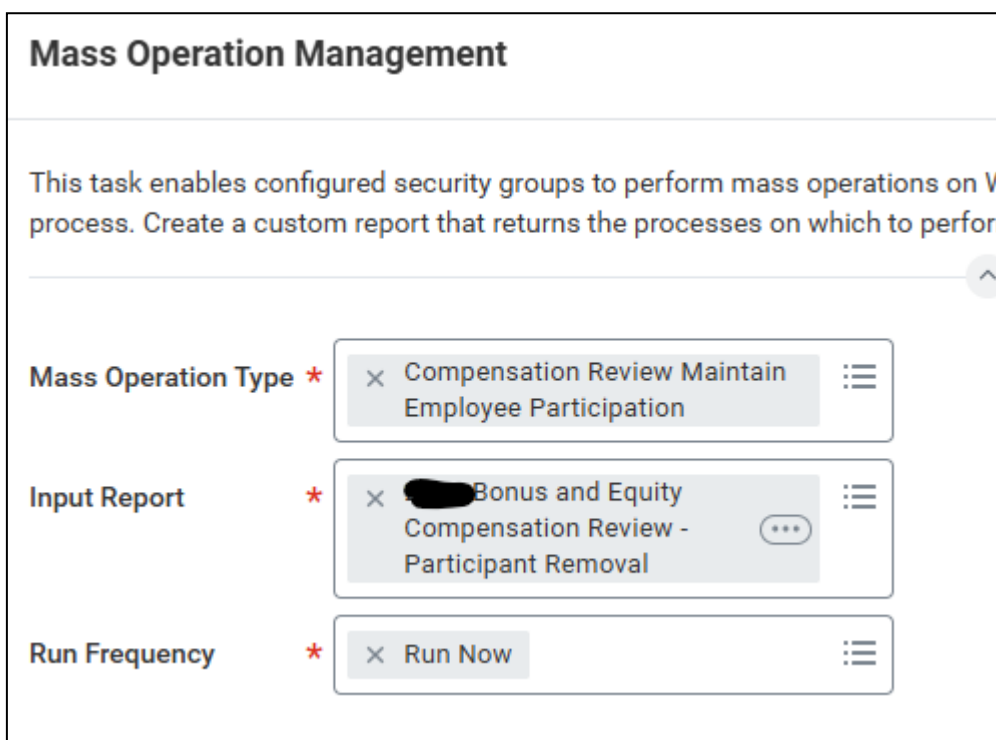


Fig 6: Mass Operation Management

- **Scenario 3: Complex Eligibility Rules for Stock Grants**
- **Problem:** Managing diverse stock grant rules across regions was challenging.
- **Solution:** The organization configured region and job level-specific eligibility rules in Workday, streamlining the process and reducing manual errors. The compensation eligibility rules created were used in the Stock Participation Rate Table to define the participation rate then. For example, if any employee is in a sale and in an entry level job then their participation rate was defined as 80%. That means if medium stock range for that job level and location is \$40,000, employee is eligible for \$32,000 stocks.

Organization loads the minimum and maximum stock ranges as well and has added a warning message if anyone exceeds the midpoint of the stock with participation rate, so that as well helps with staying within the stock budget for whole organization.

## 6. Limitations of Workday Advanced Compensation

- **Implementation Complexity:** Requires significant time and resources for configuration and training.
- **Data Accuracy Dependence:** Effectiveness relies on the accuracy and completeness of data.
- **Learning Curve:** Users may face a steep learning curve without adequate training.
- **Cost:** Initial setup and ongoing subscription fees may be high for smaller organizations.

## 7. Conclusion

Workday Advanced Compensation is a powerful tool for organizations seeking to optimize their compensation strategies. By aligning pay practices with business goals, automating workflows, and leveraging real-time analytics, businesses can achieve greater transparency, equity, and efficiency in their compensation programs. While there are challenges to implementation, these can be mitigated with proper planning and execution.

Organizations that adopt Workday Advanced Compensation can build a motivated workforce, drive performance, and remain competitive in an evolving talent landscape.

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