



Before and After Automated Compensation Management

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EXECUTIVE SUMMARY

Nintendo’s Challenge

- Inefficiencies and inaccuracies in the traditional spreadsheet-based compensation approach.
- Managing the annual process took a tremendous amount of time.
- Compensation was an administrative-driven, time consuming task.

Solution

- Automation of the spreadsheet compensation approach made the decision to move easy.
- New system enables efficient use of time.
- Compensation is now an information-laden, strategic process used to drive Nintendo’s success.

Working at Nintendo should be all fun and games, right? Not in the old days of spreadsheet-based compensation management. The compensation team used to approach the annual review cycle at Nintendo with dread. While the company’s North American operation is relatively small—approximately 1,150 U.S. and 60 Canadian employees—it is also complex. The HR department at Nintendo of America (NOA) serves seven distinct companies, all with different rules and varying compensation practices. Company wide bonuses, with awards based on line manager discretion, are also a part of the annual cycle and contribute to the complexity. Like many companies, Nintendo’s long-established approach to managing the data of the annual merit and bonus award cycle was spreadsheet-based ...with lots and lots of spreadsheets. The inefficiencies and inaccuracies in the traditional approach made the initial decision to move to an automated compensation system an easy one.

Too Many Spreadsheets, Not Enough Information

Prior to automating the compensation system, the compensation team sent 180 password-protected spreadsheets to the management staff. They would review the spreadsheets and pass them upwards to their managers for review and consolidation. Sixty spreadsheets would be returned to human resources six weeks later for final processing. While the compensation team made every effort to ensure accuracy, double and triple checking spreadsheets for errors, the process itself provided too many opportunities for mistakes. For example, prior to automation, a manager recommended an employee for a promotion and entered it on the employee’s own spreadsheet. The manager approved the promotion but failed to copy it onto the management spreadsheet. As a result, the promotion was never rolled up and approved by executive management. The error was not caught until the entire compensation process was completed and the original manager wondered who stopped the promotion. While the team quickly fixed this error and the promoted employee wasn’t affected, it didn’t inspire much confidence in the spreadsheet system. While there will always be human errors, the team anticipated that a centralized Web-based system would eliminate the need for repeated data entry, eliminating the resulting errors as well.

In addition, the spreadsheet-based process limited executive management’s ability to make well-examined decisions about the compensation of the organization as a whole. These top level managers were making micro-level compensation decisions—looking at one spreadsheet, one small department group or one subgroup at a time—with no macro-level view of the whole organization until the very end of the process, when the opportunity to make changes was limited. Perhaps the strongest motivator to find a better way to manage this annual process was the company’s own lost time. The team spent more than a month preparing the initial spreadsheets, verifying information and splitting the master spreadsheet into sheets for line managers. Once they were finally in the hands of managers, the team made revisions to reflect new hires and terminations, transfers within the company and updates to employee data. At the end of the process, it consolidated multiple spreadsheets, then copied the master spreadsheet to enable manipulation for analytical reports. In essence, compensation professionals spent many days of each cycle doing clerical work.

When someone had a question about whether or not a promotion was appropriate, sometimes the team didn't have the bandwidth to provide an answer. It couldn't be the strategic advisers that Nintendo deserved and needed because team members were too busy with the administration.

Automation—Aaahhh...

It is a different world in the compensation department at Nintendo. The team implemented an automated compensation tool from Nuvosoft (now part of Plateau Software) in the spring of 2005 and has just completed its second review cycle using this tool. Internally, the system is known as CompNsate and has received glowing reviews on all fronts. As anticipated, at the simplest level, this new system has improved the process. The same 180 managers now input their recommendations into CompNsate. No one is required to "roll up" the data as it is all done online in a centralized database, significantly reducing the opportunity for data-entry error. Human resources and senior management can "see" where the process is at any time. As the team hoped, Nintendo's organizational leaders can now make solid decisions with all of the information at their fingertips. CompNsate provides them with individual employee data, as well as department and division-level totals. It also provides graphical analytical tools so they can drill down to examine their groups at any level. The team is able to create and deliver standard system reports so that managers have exactly the information they need to make decisions.

The day-to-day role of the compensation staff is now different. Most of the system setup can be done in weeks instead of months. The team does occasionally play the role of system administrator—helping a manager troubleshoot an access issue or updating bad data from the HR system. But now team members spend most of their time providing compensation expertise.

Selling the System to Management

It was an easy sell to convince management the system was worth the expense. The team focused on the estimated return on investment (ROI) and the benefits of improved accuracy of data and an increased opportunity for data analysis. It calculated an ROI of \$20,000 annually based on actual Nintendo wage data. This assumed a percentage of time saved based on the efficiency of the new product versus the current spreadsheet method. The improved accuracy of an online system was also attractive to management, as in the past it had worked with spreadsheets that are susceptible to human error. A Web-based, database-driven system securely holds historical information, allowing for greater depth in reporting and in compensation awards. In addition, maintaining the information in a database ensures that everyone is working with the same set of data throughout the process, and this significantly reduces the chances for error.

Choosing an Automated Compensation-Management System

To choose a product, each organization needs a clear understanding of its users' needs, and the right internal committee for decision-making is a necessity. Nintendo had a multidisciplinary team with an experienced project manager, the compensation analyst, the HR manager, and IT and finance representatives.

This committee put together a list of requirements and sat in on the product demonstrations. As the committee reviewed a variety of applications, it was able to refine system requirements. The team kicked off the project considering systems that met baseline needs—but as it saw the bells and whistles each system offered, it was able to expand the understanding of what a new system could do for Nintendo, and from that, expand the list of requirements. After deciding on an online system, the group further refined the selection criteria. A system that was flexible and easy to integrate with the current system (UltiPro HRMS) was desirable. Of course, the system had to be able to handle the basic items well (merit, bonus, etc.). The company also wanted support for hierarchical workflow, simple, secure sign-on for managers, a partner for the company's market-pricing vendor and a vendor with a collaborative design approach. The team also looked for a system that was configurable versus customizable. This is an important distinction. It was necessary to have a system that was flexible enough to allow minor changes to the practice without the costly consulting fees required by a customization. Nintendo also wanted to avoid a customized system that was not easy to upgrade.

Implementing the New System

Because there isn't an "out-of-the box solution" for compensation-management automation, the implementation process with the vendor was crucial. The team worked through the vendor's comprehensive requirements document together to ensure a complete needs assessment. The vendor provided an application/implementation plan and timeline that included initial configuration, training and testing. During implementation, the compensation team drove the testing efforts. While it was tempting to think of testing as the responsibility of HRIS or IT team members, only compensation staff members had the functional expertise to know if the system was really following Nintendo's business rules. The team spent a few dedicated weeks working through the details of the system.

The Keys to Internal Success

The project would not have succeeded without internal dedication to implementation by the compensation team and IT support. The compensation team provided internal project management, ensuring that development was on track, testing was planned and conducted and IT was focused on ensuring the infrastructure necessary to support a new application. The team found it invaluable to have a project manager that can bridge the gap between compensation and IT. While many companies are moving to online training for technology, small group training for compensation with executives was more effective for Nintendo because it offered the opportunity for questions and sharing of information about compensation policy—something that doesn't happen during a strictly technical training session. For compensation, the process is simple and easy to manage. The team has been able to save time and money, improve the overall accuracy of the system and provide reports that offer executives information that allows them to strategically use compensation data. Compensation is no longer an administration-driven, time-consuming task, but an information-laden, strategic process used to drive Nintendo's success.