

# Biggest Compensation Strategy Challenges for HR Leaders: A Study

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## Abstract

**Introduction:** Effective compensation strategies are playing a significant role as it helps to outline the effective approaches of business toward pay and advantages for the employees of the organizations

**Literature Review:** There are different elements in the compensation strategy which include the position of the business in the market, cash flow rates, rules and regulations of the business organization, salary base principles, and benefits of employees.

**Methodology:** Therefore to obtain informational key data about the challenges of the biggest compensation strategies in the business organization for HR leaders 55 surveys have been collected.

**Findings:** It can be observed that the significance value is 0.000 which is lower than 0.05 hence it can be conclude that this hypothesis is correlated.

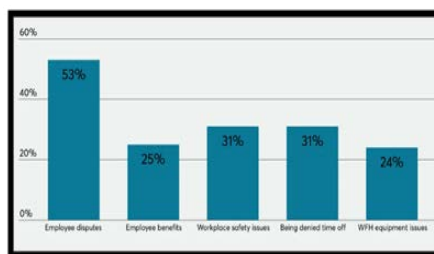
**Conclusion and Recommendation:** Thus, the study presents a proper underlying concept, impacts, and challenges associated with the biggest compensation strategy for HR leaders.

**Keywords:** Biggest Compensation Strategy, Human Resource Management, HR Leaders, Challenges of Compensation Strategy

## Introduction

In a world full of developing and emerging business industries, most business organizations are facing challenges in terms of different factors and one of the emerging factors is the challenges associated with the biggest compensation strategies. In addition to this, this provocation re majorly faced by human resource leaders as they are the building block of any organization (Ahmed et al.). Moreover, effective compensation strategies are playing a significant role as it helps to outline the effective approaches of business toward pay and advantages for the employees of the organizations. There are different elements in the compensation strategy which include the position of the business in the market, cash flow rates, rules and regulations of the business organization, salary base principles, and benefits of employees (Al Hamad).

**Figure 1 Challenges of HR leaders**



Source: Influenced by Al Hamad, 2022

The above represented graph sheds the light on the challenges faced by HR leader in an organization. It has been seen that is associated with the budget of the business organization and due to this reason the HR leaders are facing challenges due to the implication of compensation strategies (Anwar and Abdullah). In any organization, a compensation strategy aims to develop the guiding rules and principles to analyze what goes into the compensation scheme and what elements are required to be prioritized.

## **Research Aim and Objectives**

### **Aim**

The significant aim of the study is to analyze the challenges of the biggest compensation strategies in the business organization for HR leaders

### **Research Objectives**

- RO<sub>1</sub>: To highlight the relationship between the HR leaders and the biggest compensation strategies
- RO<sub>2</sub>: To estimate the strong connection between the impact of organizational equity and compensation strategies in business organization
- RO<sub>3</sub>: To determine the significant association between the performance levels of organizations and compensation strategies
- RO<sub>4</sub>: To analyze the positive relationship between employee engagement levels and the biggest compensation strategies

### **Research Questions**

- RQ<sub>1</sub>: What is the relationship between the HR leaders and the biggest compensation strategies?
- RQ<sub>2</sub>: What is the strong connection between the impact of human resource leaders and compensation strategies in business organizations?
- RQ<sub>3</sub>: What is the significant association between the performance levels of organizations and compensation strategies?
- RQ<sub>4</sub>: What is the positive relationship between employee engagement levels and the biggest compensation strategies?

## **Literature Review**

Overview of biggest compensation strategies in the business organization, there are different problems associated with compensation strategies and companies are required to understand the loopholes. Ignoring the issues can lead to developing dissatisfied and unengaged employees which may future impact the productivity and profitability rates by enhancing the turnover rates (Azizi et al.). In addition to this, the major player in the management of the business's operations is the human resource leaders and operational managers. They develop and create compensation strategies to attract the intention of employees to develop a strong working team. However, human resource leaders face different kinds of issues and provocations in terms of the biggest compensation strategies in the business organization. In this context, an effective compensation strategy plays a significant role which helps in enabling clarity in salary making and other associated beneficial decisions for the growth and development of the organization (Berger and Berger). It provides a clear structural framework for compensation and can improve the competition levels by attracting and appreciating talents. Moreover, it has been observed that business organizations having effective compensation strategies are more likely to grow and develop as their employees are more productive and efficient due to a high level of job satisfaction. It is not only the development of compensation strategies. However, it is also important to establish an aligned organizational culture to support the cooperation procedures of the company (Hamilton and Sodeman). These implications in any business organization can help to motivate value and encourage employees to feel satisfied. To achieve the organizational targeted goals, HR leaders need to encourage the employees to perform effectively and efficiently to improve the productivity level to increase profitability and economic growth.

## **Challenges of Biggest Compensation Strategies for HR Leaders in Business Organization**

Several kinds of issue may arise in a business organization due to the compensations strategies and the leader face challenges due to this reason. There are major challenges which include internal, external,

and perceived equity and executive compensation. Along with this, the other issues are geographical differentials, rewarding employees, and the growth of salary (Hamouche). There are different elements in the compensation strategy which include the position of the business in the market, cash flow rates, rules and regulations of the business organization, salary base principles, and benefits of employees. Moreover, internal equity has the potential to lower employee engagement and increase turnover rates (Jerónimo et al.). In addition to this, internal equity plays a major role as it is associated with the comparable positions of employees in the organization. On the other hand, external equity is just the opposite, external companies which are willing to pay the same for the same skills are considered external equity and it can distract the employees (Mira et al.). Due to this, companies are required to broaden their compensation strategies to reduce the adverse impact on the HR leaders.

## Research Methodology

### Data Collection

In this research study, there has been the selection of a primary quantitative method in the form of survey analysis with the help of 55 participants providing survey questions associated with the research topic. Moreover, there has been the incorporating effective research methodology help to ensure systematic growth which will further support the future implications. In addition to this, it also helps to support the value, reliability, and authenticity of the collected data (Nonnekes et al.). Therefore to obtain informational key data about the challenges of the biggest compensation strategies in the business organization for HR leaders 55 surveys have been collected. Thus, the primary data collection method has been taken into consideration throughout the study.

### Data Analysis

Data analysis is one of the essential approaches that specifically involve the analysis of the gathered data and help to alter it into more significant informational key data (Stewart and Brown). In addition to this, it can be beneficial to the reach study and will support future implications. Moreover,

it helps to ensure the appropriate presentation and highlighting of the obtained data. As per the opinion of (Stone et al.), the process of the data collection method is decisive as it helps to present an appropriate analysis and highlights the real outcomes. Therefore, quantitative analysis has been taken into consideration to estimate the quantitative data for the study. In this context, qualitative data analysis assists to draw valuable insight from the gathered data, and due to this reason quantitative data analysis methods have been considered in the research process.

## Findings

### Demographic analysis

#### Age

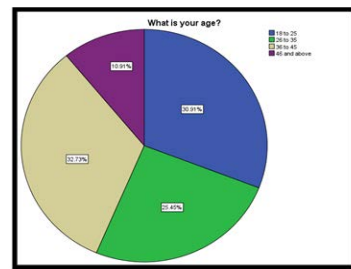


Figure 2 Age (SPSS)

The graph represents that there are 32.73% of the 18 to 25 age group 30.91% participant are from the 36 to 45 age group 25.45% of the people from the age group of 26 to 35.

#### Gender

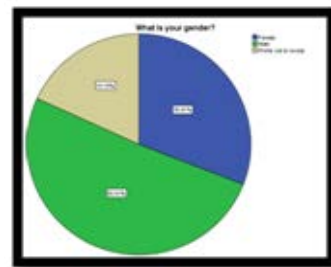
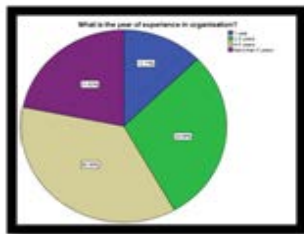


Figure 3 Gender (SPSS)

The above graph sheds the light on the factor gender, where 50.91% are male, 30.91% are female and the other are from the other gender.

**Experience**



**Figure 4 Experience Level (SPSS)**

Figure 4 highlights the experience level of individual on the basis of the past experience level. However there are the majority of participants that is 36.36% are having more than 4-5 years of experience and 29.09% of people are having 2-3 year experience.

**Table 1 Descriptive Statistics**

Descriptive Statistics							
	N	Minimum	Maximum	Mean		Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
DV	54	1	5	3.96	.137	1.009	1.017
IV 1	55	1	5	4.11	.134	.994	.988
IV 2	55	1	5	4.05	.136	1.008	1.015
IV 3	54	1	5	4.19	.127	.933	.871
IV 4	52	1	5	4.17	.119	.857	.734
Valid N (list wise)	50						

The above represented table is shedding the light and independent variable that has been developed on the descriptive statistics of the both dependent during the research study.

**Hypothesis 1 (H1): There is a Relationship between the HR Leaders and the Biggest Compensation Strategies**

Model Summary <sup>b</sup>										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.806 <sup>a</sup>	.650	.643	.603	.650	96.384	1	52	.000	2.031

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35.028	1	35.028	96.384	.000 <sup>b</sup>
	Residual	18.898	52	.363		
	Total	53.926	53			

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.631	.349		1.808	.076
	IV 1	.810	.083	.806	9.818	.000

The above shown table is associated with the data relevant to the first hypothesis. By analyzing the above table, it can be observed that the significance value is 0.000 which is lower than 0.05 hence it can be conclude that this hypothesis is correlated.

**Hypothesis 2 (H2): There is a strong connection between the impact of human resource leaders and compensation strategies in business organizations**

Model Summary <sup>b</sup>										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.664 <sup>a</sup>	.441	.430	.761	.441	41.023	1	52	.000	2.076

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.781	1	23.781	41.023	.000 <sup>b</sup>
	Residual	30.145	52	.580		
	Total	53.926	53			

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.292	.430		3.007	.004
	IV 2	.659	.103	.664	6.405	.000

The above shown table is associated with the data relevant to the first hypothesis. By analyzing the above table, it can be observed that the significance value is 0.000 which is lower than 0.05 hence it can be conclude that this hypothesis is correlated.

**Hypothesis 3 (H3): There is a significant association between the performance levels of organizations and compensation strategies**

Model Summary <sup>b</sup>										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.589 <sup>a</sup>	.347	.334	.831	.347	27.109	1	51	.000	1.986

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.715	1	18.715	27.109	.000 <sup>b</sup>
	Residual	35.209	51	.690		
	Total	53.925	52			

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.294	.525		2.464	.017
	IV 3	.637	.122	.589	5.207	.000

The above shown table is associated with the data relevant to the first hypothesis. By analyzing the above table, it can be observed that the significance value is 0.000 which is lower than 0.05 hence it can be conclude that this hypothesis is correlated.

**Hypothesis 4 (H4): There is the positive relationship between employee engagement levels and the biggest compensation strategies**

Model Summary <sup>b</sup>										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.666 <sup>a</sup>	.444	.432	.768	.444	39.059	1	49	.000	2.005

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.030	1	23.030	39.059	.000 <sup>b</sup>
	Residual	28.892	49	.590		
	Total	51.922	50			

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.684	.535		1.278	.207
	IV 4	.785	.126	.666	6.250	.000

The above shown table is associated with the data relevant to the first hypothesis. By analyzing the above table, it can be observed that the significance value is 0.000 which is lower than 0.05 hence it can be conclude that this hypothesis is correlated.

**Discussion**

In this research study, to collect authentic and reliable data, the primary quantitative data collection method has been implicated and taken into consideration to support the research study and its future implication. Moreover, quantitative methods in the form of survey analysis have been implicated to draw the real-time context of informational key data extract. As suggested by (Yong et al.), quantitative analysis assists to draw reliable and authentic information to develop accurate and real results for analysis. Additionally, quantitative analysis has been performed with the implication of effective software which is IBM SPSS software to develop a statistical and graphical format of the outcomes. Thus, from the data analysis, it has been notated that there is a strong relationship between compensation strategies and HR leaders.

**Recommendation**

From the data analysis, it has been identified that a lack of internal, external, and perceived equity and executive compensation are the major underlying factor that is developing challenges in the compensation strategies of business organizations (Yusliza et al.). Therefore, due to this reason, it is highly suggested to improve the business’s organizational equity to motivate and encourage employees to generate a high level of productivity and profitability. Thus, HR leaders need to improve to their full potential to reduce the adverse effects of compensation strategies. Moreover, companies also need to improve the organizational culture to understand the desirability of the employee. These approaches can be performed by tracking the compensation matrices and planning.

**Conclusion**

Therefore the study has focused on and highlighted the underlying factors related to the biggest compensation challenges for HR leaders. However, the growth of the introduction of the biggest compensation strategies in the business organization has a uniform growth rate. Additionally, there has been proper quantitative analysis of the collected data indicating that there is a strong connection between

the biggest compensation strategies and the HR leaders. Thus, the study presents a proper underlying concept, impacts, and challenges associated with the biggest compensation strategy for HR leaders.

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