

5 Factors to Consider

Before Beginning a Compensation Study

You've made the important decision that it's time for your organization to undergo a compensation study. Conducting a compensation study will enable you to stay competitive in the market and recruit, motivate, and retain top-level talent.

But where do you begin? What steps should you take to ensure you're establishing a platform for success? Before you start, there are five key factors to consider.



1. Understand Your Business Strategy & Objectives

Before you dig into benchmarking your jobs, step back and review your strategy and objectives, so you have a firm understanding of where you're headed and what you want to achieve. If you know where you stand with the five factors in the strategy checklist, you're on the right track.

Having a strong understanding of the direction your organization is headed and its key business objectives is an imperative first step in preparing for a compensation study that will help you assess the competitiveness of your compensation program.

2. Articulate Your Compensation Philosophy

To fully articulate the strategy for your organization's compensation program, start by determining your compensation philosophy. When you go through this exercise, include:

- A definition of the market you compete in terms of industry, geographic location, and organization size.
- A decision on how you want to position the organization in the market. Do you want to lead or to meet competitors in compensation? Also, some organizations (for instance, nonprofits) may choose to lag the market in base pay, but catch up with the market through other total rewards offerings such as an affordable health care plan or more paid vacation than competitors.
- A roadmap of what you want the mix of components that make up your total rewards program to look like.

Include such factors as base pay, incentive pay, benefits, and culture. In your roadmap, consider how you want to reward employees in general and what mix of compensation components will drive the best performance.

Strategy Checklist

- Is your organization entering new markets or developing new product lines?
- Have new competitors entered your market?
- Have you identified your organization's long and short-term goals?
- What is the state of the talent markets in which your organization competes?
- How competitive do you aim to be in the talent markets where your organization operates?

3. Decide Which Jobs to Study

As you move closer to starting your study, turn your attention to internal details. Begin this phase by looking at all the jobs in your organization and determining which are important to study.

To get the best results, select a set of jobs that represent differing functions, departments, and levels of the organization. A good rule of thumb is to include jobs that cover 70 percent of the employee population in the study. However, if a specific subset of jobs is strongly affected by the market, you may choose to focus your compensation study on those specific jobs instead.

4. Update Job Descriptions

Now that you've selected which jobs to study, review and update your job descriptions to ensure correct and consistent information will be used to perform the benchmarking against the respective market. This can be accomplished by meeting with managers or by using a job description analysis questionnaire to confirm that the information is up-to-date and correct.

5. Assess Resource Availability and Expertise

Evaluate the resources required to conduct a comprehensive compensation study, including time, expertise, and technology. While your organization may possess the internal capabilities to conduct a compensation study, consider the potential benefits of partnering with experienced consultants or utilizing specialized software platforms. External expertise can:

- **Enhance accuracy and defensibility:** Experts can ensure your study adheres to best practices and legal requirements.
- **Streamline the process:** Utilizing experts or specialized software platforms can save time and resources through efficient management of the study.
- **Gain valuable insights:** External perspectives can uncover trends and provide strategic recommendations.



Ready to build a winning compensation study?

After completing these steps, consider partnering with a compensation consultant like QTI. We don't offer a one-size-fits-all approach. Our experienced consultants will work with you to understand your unique needs and goals, then guide you through the compensation study. We will help you:

- Collect and analyze market data to ensure your program is competitive.
- Interpret results and gain valuable insights into market trends.
- Develop a compensation program that attracts, motivates, and retains top talent.

About The QTI Group

Founded in 1957 as a small staffing agency, The QTI Group has grown to be a privately owned human resources firm that focuses on staffing, recruiting, executive search, and total rewards consulting. With a people-first focus and a commitment to helping organizations reach their full potential through people, The QTI Group is headquartered in Madison, Wisconsin, and has branch offices in Baraboo, Beaver Dam, Milwaukee, and Portage, Wisconsin.