

Top 4 Factors to Consider

Before Starting
a Compensation Study

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You've made the important decision that it's time for your business 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 four key factors to consider.

1. Understand Your Business's Strategy and Objectives

Before you dig into benchmarking your pay, step back and review your business's 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 three factors in the strategy checklist on this page, you're on the right track.

Having a strong understanding of the direction your company 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 business'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, geography, and company size.
- A decision on how you want to position the business in the market. Do you want to lead or to meet competitors in compensation? Also, some companies (for instance, nonprofits) may choose to lag the market in base pay, but catch up with the market through options 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 compensation 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 business entering new markets or developing new product lines?
- Have new competitors entered your market?
- Have you identified your business's long- and short-term goals?



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 company 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 company. 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 Description and Job Titles

Now that you've selected which jobs to study, review and update job descriptions and job titles to ensure correct and consistent information is being used to compare jobs to their 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.

After completing these four steps, a natural next step for many companies is to partner with a compensation consultant. A compensation consultant will guide you through the compensation study by assisting with information collection and analysis, interpretation of the results, and implementation of the new compensation program. Additionally, compensation consultants have access to numerous data sources and can provide valuable insight into market conditions.

QTI's team of experienced compensation consultants is ready to guide you through your compensation study and help develop a compensation program that will drive results.

ABOUT THE QTI GROUP

The QTI Group, headquartered in Madison, WI, is a privately owned human resources (HR) organization providing staffing solutions, professional and executive recruiting, HR consulting, and HR partnership services to businesses and organizations. Our key services help businesses reach their full potential through people. The QTI Group has been an active member of the business community since 1957. With a rich history of growth, innovation, and community engagement, QTI has nine offices in Wisconsin. For more information about how The QTI Group can help you with your human resources needs, call **608.257.1057** or email qti@qtigroup.com.