

Ensuring Fair and Competitive Compensation in a Close-Knit Organization

ISSUES:

A small, 20-person New York City based organization had recently spun-off from its large parent organization and management found itself facing tough questions about the fairness and competitiveness of its compensation. Like many smaller organizations, the employees wore many hats, and the working relationships were very close. The CEO wanted to create a culture of accountability and high performance, without disrupting the collaborative atmosphere.

A past history of nearly automatic pay increases meant that people with long tenures had relatively high salaries, regardless of their skills or their job performance. Newer employees, with more up-to-date skills, were often paid less than their peers. In effect, the organization was paying for tenure rather than for skills or performance.

Finally, many employees felt their salaries were not competitive with similar positions in other organizations. The organization was at risk of losing key people if it didn't fix these problems.

SOLUTION:

First, establishing competitive pay levels was addressed. There were two issues to overcome:

(1) Because staff members worked collaboratively, the job titles did not reflect people's actual responsibilities. HR+Survey Solutions focused on job responsibilities and undertook a thorough review of each job description and conducted in-depth interviews with each staff member, to ensure that no job responsibility was overlooked.

(2) Choosing a comparative industry was complicated. The organization was a non-profit, but it served an unusual need that required employees to have skills and experience from the healthcare or insurance industries. While the organization was competing in the for-profit market for many of its candidates; pricing all the jobs at for-profit levels was not appropriate, since it would mean that the organization was overpaying for some positions. HR+Survey Solutions worked to map the jobs to positions in the appropriate industries.

To support a culture of accountability and high performance, we assisted management in refining and implementing new performance management guidelines to ensure that employees took responsibility for their own performance – a departure from the historical mind-set where the manager was solely responsible for the performance appraisal.

We then developed a salary administration manual with a subtle twist – it was as much a training document for the management, who had limited HR experience, as it was a manual to help ensure that the system maintained its integrity going forward.

RESULTS:

As a result of this work, management felt comfortable regarding their pay decisions and now had the confidence to make necessary changes and new tools to more effectively manage performance. The proof of the effectiveness of our work was that after a year there was no unwanted turnover.

An unexpected benefit occurred when their new auditors conducted due diligence regarding compensation. Management provided them with the salary structure, competitive assessment and salary manual and the topic was immediately put to rest.

One of the success factors was the open lines of communication established during the project. This included an introductory breakfast to kick-off the project, interviews with each employee, and a final group meeting where we: (1) rolled out the program and spoke candidly about the challenges of setting competitive compensation levels, (2) set expectations regarding the program, (3) provided some "Comp. 101" training and (4) answered questions. Employees were engaged during our meetings and the feedback was all positive – this established credibility and set the stage for successful implementation of the program.

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