



TALENT TRANSFORMATION EXPERT

## Stop Worrying That Overpaid Employees Are Crushing the Bottom Line: 7 Steps to Fair & Competitive Compensation

Eliminate compensation guesswork! Stop overpaying employees! Reduce the risk of losing your top performers!

Picture Jocelyn, a seasoned HR professional. She was well-trained and had many years of experience in HR. She thought it was all coming together at her company. Turnover was non-existent and she had lines of applicants waiting to be hired. All was good until her supervisor, Hal, the company's CFO, walked into her office.

"We have a problem," he said. "We are losing bids to our competitors and if we can't get it turned around, layoffs will be in the near future."

Jocelyn was floored, as the company had never had a layoff in its long and profitable history. Turns out, they were losing bids due to their high labor costs.

How smart is your company? Smart companies have up-to-date compensation plans that support their business objectives and ensure their long-term success. As a leader in your organization, it's important that you can efficiently lead your company through either developing or updating its current compensation plan. With that in mind, here is a brief guide to compensation planning. Whether you are creating a formal compensation plan for the first time, or updating an old one, the following series of checklists will help you through the process.

### Step 1: Plan Ahead

1. Get buy-in from company leadership. Include input from key players at your company.
2. Update your job descriptions. Make sure you have written job descriptions for every position in your organization.
3. Develop your compensation philosophy. Consider your company's organizational profile; i.e. are you a small start-up; a medium-sized, growing company; or a large, established entity?

### Step 2: Perform Salary Benchmarking

1. Select sources of salary market data. Published data, traditional surveys, Internet surveys, or custom surveys can all work.
2. Choose positions to benchmark. When selecting your benchmark jobs, start with those positions that are standard across different industries, such as HR generalist, accountant and administrative assistant. Next, choose industry-specific positions that are standard at your company compared to positions in other organizations within your industry.

### **Step 3: Establish Your Pay Grades and Salary Ranges**

1. Create pay grades. You'll want to select the number of grades that allows you to appropriately distinguish between the different difficulty levels of the jobs.
2. Calculate the midpoint of each salary range. The market midpoint is the median value of the aged, weighted market data for the position or positions.
3. Determine salary range widths by position. Generally, the wider the salary ranges the more opportunity there is for employees to move up in salary.
4. Calculate the minimum and maximum of each salary range. After you calculate the midpoint for the salary range you'll be able to complete this final step.

### **Step 4: Model the Plan**

1. Test the plan and then retest it! Identify all the potential risks involved, not only to the company, but to the employees. It must be equitable and acceptable to both.
2. Check its accuracy and the systems that will report it. The worst thing you can do is make a mistake in someone's compensation right out of the gate.

### **Step 5: Complete Compensation Analytics**

1. Analyze employee pay. Once you have created formal salary ranges, you want to make sure that you compare your employees' or incumbents' pay against the typical salary range.
2. Choose who to green or red circle. It may be necessary to bring any employee below the minimum of the salary range up to the range minimum, unless there are justifiable, business reasons why the person is below the minimum. Second, you may want to consider implementing a red-circle policy for freezing the salaries of those individuals who are over the top of the

### **Step 6: Be Consistent and Schedule Regular Updates**

Once you have established your formal compensation plan and are putting it into practice, consistent adherence to your documented pay practices and policies, as well as regular updating, is your best defense against charges of pay inequity from employees and outside agencies.

## Step 7: Implementation

1. Leadership must be the biggest and loudest supporter of the plan. They need to believe in it, not necessarily be involved in it. They should kick it off as an event. It's not a matter of flipping a switch. It's a matter of generating excitement: Describing the possibilities of achieving 100%+ of the plan for the growth and future of the company. Then actually show the employees the financial rewards that come from it.

2. Of all the steps, this one seems to be the hardest for companies to do. Some companies even change the plan while implementing it simply because leadership doesn't want to deal with the fight back. Accept that there will always be someone who doesn't like it. That is not the reason to give up on it.

To cut HR costs and save significant time and money, you must maintain an effective compensation system that reflects real-time market rates and truly matches your organization and your employees.

Be smart like Jocelyn! She called Ed Krow to get the horsepower she needed to revamp her compensation system. Her company was paying nearly 20% over market rates for its workforce. Ed Krow brought compensation back in line and made the organization competitive again. Layoffs averted!

In the midst of people chaos, Ed Krow gets things back on track and puts you in the driver's seat.

*Ed is the Talent Transformation Expert for businesses looking to achieve 8 figure growth. He delivers captivating, high-energy keynote presentations that challenge the traditional model of HR and prepare decision makers for motivating their people with a win-win strategy.*

*In his career, Ed has helped over 250 clients, including Fortune 500 companies, achieve talent and culture transformations. As a result, audiences value Ed's deep understanding of the employee/employer dynamic and his ability create a connection with them right away. On stage, he provides practical approaches, tools, and relevant stories to inspire action.*

*A speaker, trainer and coach certified by The John Maxwell Team; Ed's topics bring a refreshing perspective on how to leverage what is commonly viewed as "people problems" and turn negative growth into business success.*

*Ed is a member of the National Speakers Association, the Forbes Coaches Council, and a regular contributor to Forbes.com. He is the author of "Strategic HR: Driving Bottom Line Results Through Your People".*

*When he's not on stage or helping clients, Ed teaches at Millersville University. His first love is family, with golf vying for a tight second. If you do catch him at home, he's likely cheering for the Notre Dame or Baltimore Ravens football teams.*

The logo for Ed Krow features the name "Ed Krow" in a white, cursive script. The letter "E" is highlighted in a bright yellow color. To the right of the name is a white silhouette of a bird perched on a branch.

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