

Recommended Process To Develop Base Compensation Programs

- Step 1:** Assess the company goals, environment, strategies, culture, etc. to determine how to create compensation programs that are in alignment.
- Step 2:** Identify the overall compensation plan goals and objectives.
- Step 3:** Review job descriptions. Complete Job Analysis Questionnaire and develop/modify job descriptions as appropriate
- Step 4:** Review/Validate Exemption Status—Review the Fair Labor Standards Act by going to <http://www.dol.gov/esa/regs/statutes/whd/allfair.htm> Use Exemption Test Form, if necessary, to determine whether the position should be classified as exempt or non-exempt.
- Step 5:** Factor Analysis—Use Factor Analysis Worksheets to review and determine the capabilities level required for a person to meet the expectations of the position in each of the nine factors.
- Step 6:** Transfer the ratings from the Factor Analysis Worksheet to the Salary Grade Determination Worksheet.
- Step 7:** CEO or a designated leadership team reviews and validates the rating given to each factor.
- Step 8:** Select Salary Grade—Review the grid which outlines the salary grade point ranges. Select the appropriate column (Non-Exempt or Exempt).
- Step 9:** Finalize Salary Grade—Review other similar internal positions to see if the classification is in alignment.
- Step 10:** Develop merit plans including variable or incentive plans
- Step 11:** Communicate updates to employees. Be sure to emphasize what is valuable to the organization and how the compensation program supports those areas.

Keys to Designing an Effective Compensation Program

- ✍ An effective compensation program recognizes that monetary rewards do change employee behavior. Money is valued for what it will buy and it also serves as a powerful communicator regarding what is valuable to the organization.
- ✍ Pay people a reasonable market level for base salary compared to the external market. Maintain internal equity *only within each separate pay market*.
- ✍ Use variable pay everywhere. If you can not measure individual performance, use group results.
- ✍ Keep performance measures as simple as possible and limit the measures you track.
- ✍ Communicate the details, the rationale for the measures, the actual performance compared to targets, etc. Communicate....Communicate....Communicate