

Rev Up Those Hybrids!

I love to challenge my senior business students with the question; "Why is Columbus like a business without strategic management?" The answer includes observations such as he didn't know where he was going when he departed, didn't know where he was when he arrived and didn't know where he had been when he returned. Certainly a good GPS system would have helped him navigate. Exact navigation is even more critical to good compensation management success in today's business climate.



Debate is increasing once again on whether it is better to use job evaluation or market pricing to determine employee compensation. Our position is that using just one is like trying to navigate with just longitude or just latitude, but not both.

Job evaluation is an analysis and valuation approach to job classifications within an organization. It effectively creates an internal audit of a firm's positions. Market pricing conversely uses external data points to assign value to company compensation for positions. Therefore it can provide balance through external scanning.

"People often see the two approaches as competitors, rather than as compatible tools,"

*Christine Tande
Tandehill Human Capital*

It seems obvious that both techniques provide essential data to determining equitable and fair compensation practice. Much like establishing your position requires **BOTH** longitude and latitude. However each discipline comes with questions and concerns. Addressing key concerns of each methodology helps drive a firm toward a more balanced and proactive compensation management philosophy. Combining them into an effective hybrid policy drives increased business value through sound talent management.

The main concern with job evaluation is the often repeated lament that only increased complexity ensures good valuations. This is true to some degree, but the research and real-world applications definitively demonstrate that a sound methodology such as the Job Evaluation and Salary Administration (JESAP) effectively implemented in a software tool such as DBCompensation™ eliminate complexity and drive internal consistency.

Market pricing on the other hand allows management to understand critical external elements that may be driving salary and benefit expectations affecting retention and recruiting. Certainly technology has provided more and more available data. However, across companies and industries easily obtained data adheres to a definite Pareto effect. What to do about the anomalies such as:

- Special circumstances requiring enhanced position values (e.g. certain IT position in tech companies, or accounting positions in audit-sensitive sectors)
- Unique positions or titles.

Market data is good. Knowing how to apply it to unique or varying circumstances is better. This takes skill and expertise to establish initially, but is certainly sustainable once the initial philosophy is embedded in company culture. Combining it with your internal job valuations to drive decision making is ultimately the best.

Clearly navigating the dangerous conditions require exact positioning. Using a hybrid approach that encompasses both job evaluation to clearly establish the internal value of a position, and application of market pricing information with appropriate guidance create a more precise situation where your company is truly managing compensation, fully aware of where you are headed and how you will ultimately get there.