

Scratch O/D

ODK-2402

COMPETITIVE COMPENSATION

Use this design kit to build a total compensation strategy that attracts and retains the talent you need.

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COMPENSATION IS A BUILDING BLOCK OF CULTURE

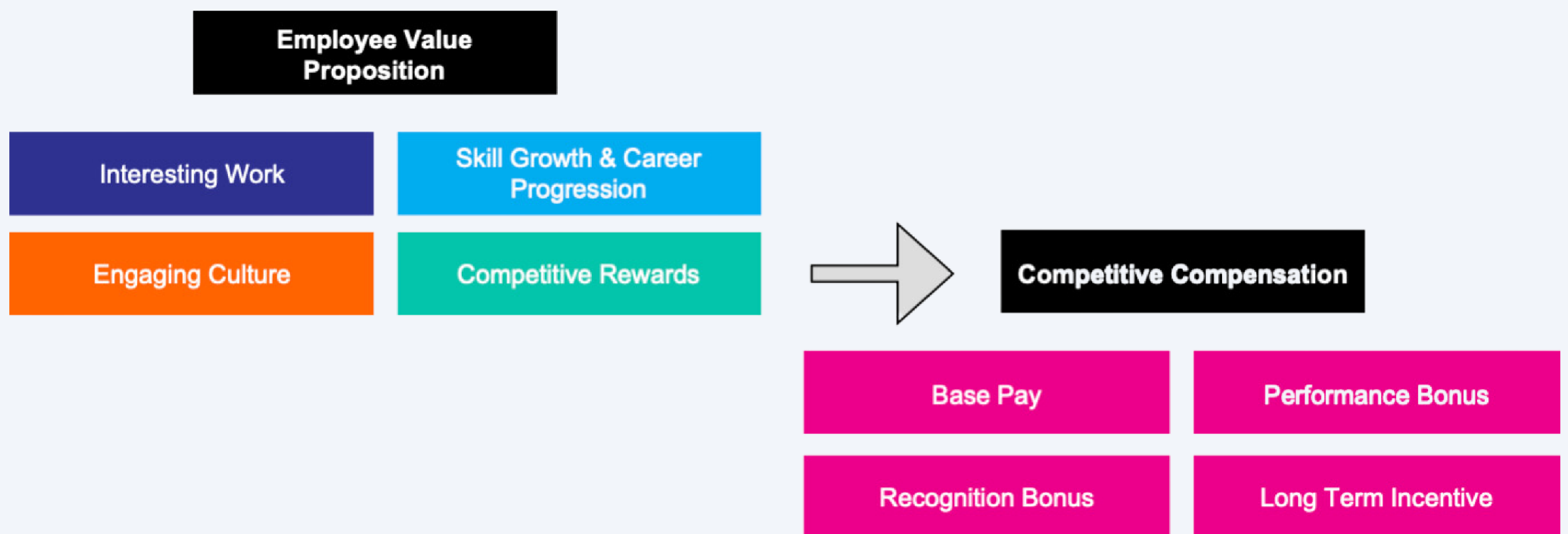


How people are paid is a recurring “Moment of Truth” that demonstrates cultural values and is fundamental in building trust and transparency.

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PLACE COMPENSATION IN CONTEXT OF A FULL VALUE PROPOSITION



Base Pay - (Salary): Fixed pay that provides a baseline of safety and security and reflects a fair market value for the ability to complete specific work assignments. Salary bands are the basis for equitable and transparent pay practices.

Performance Pay - (Annual Bonus): Variable pay determined by meeting business targets that represent how well the company executes as a group. Individual payments are set proportionately based on role/skillset and are a great way to share in successful outcomes but can be a negative factor if goals are not met.

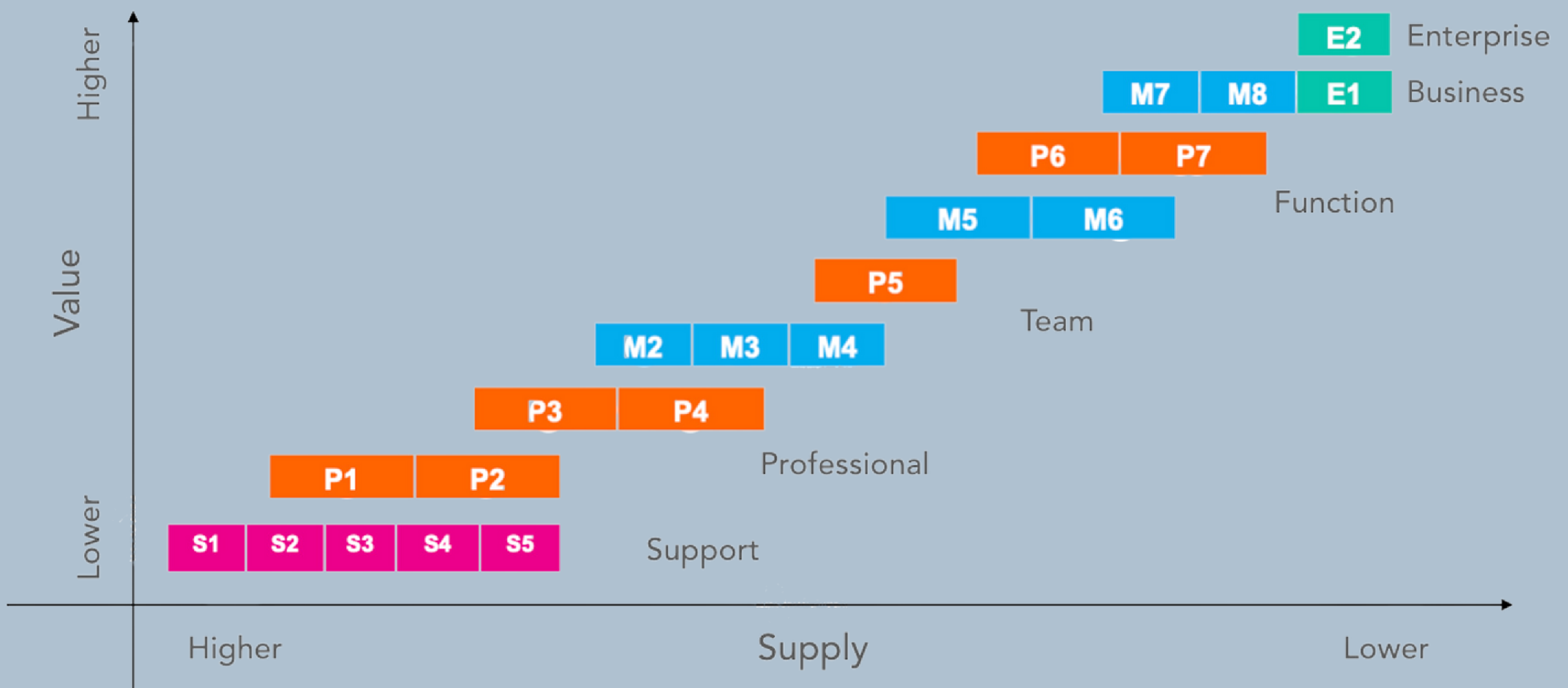
Recognition Pay - (Target Bonus): Used to reward or appreciate a specific individual accomplishment that is valued by the business. This could be doing “additional work” like covering for an open role, taking on extra responsibility out of a normal role, achieving an extraordinary outcome on a meaningful assignment, for acquiring a body of work, or “buying out” a contract (new hire bonus).

Long Term Incentive - (Equity): Provides long-term (multiple years) incentive to stay with the company based on: a.) accumulated prior contributions and b.) continuing strategic value for the company or team.



UNDERSTAND THE BROAD TALENT MARKET BEYOND YOUR ORGANIZATION

Roles differ by level and **skills** differ by function



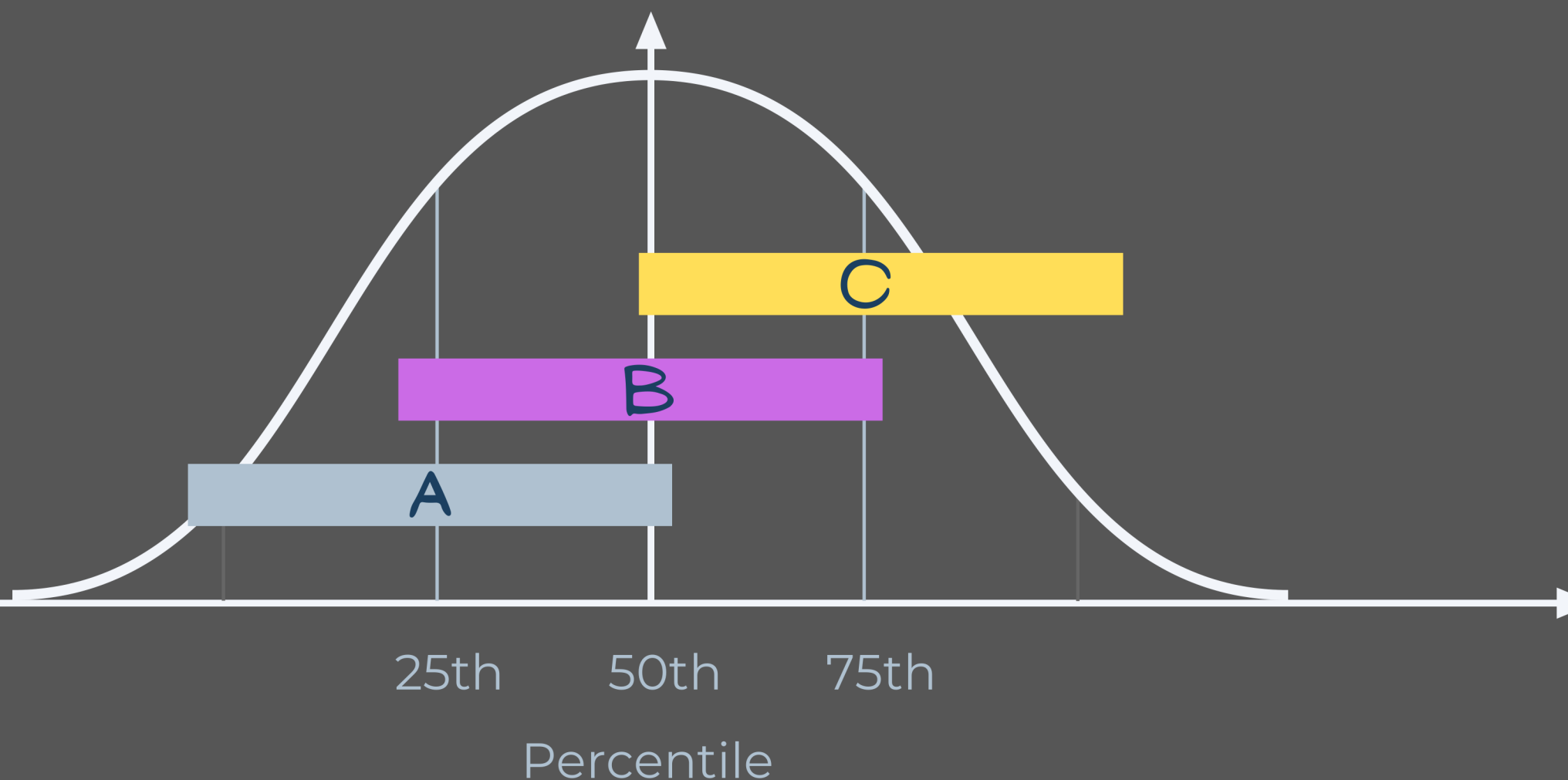
There is a market for talent both inside and outside a company, and all markets have supply and demand dynamics. Generally there is high demand and low supply for higher level **Roles** due to their greater influence on the enterprise and business. Similarly, the market for exceptional engineering talent has constrained supply and high demand, so those **Skills** are more valuable because they are critical to value creation and harder to find.

Beware of title inflation where pay and level are misaligned.



ESTABLISH A PAY BAND FOR EACH ROLE AND LEVEL

Each pay band should reflect your competitive strategy for a specific skillset, role, and market, while aligning with internal values and importance to your business.

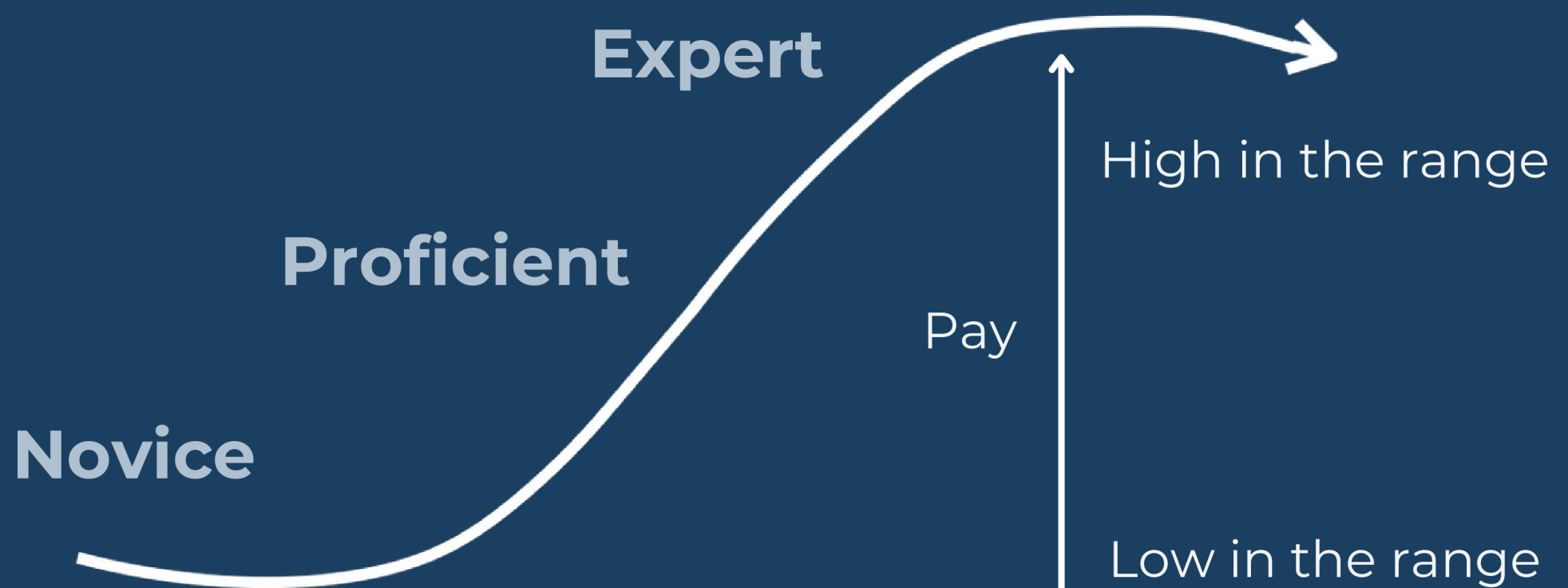


Example pay bands A (25th), B (50th), and C (75th) represent different strategies within the overall market for a particular role.



SET SALARIES FOR GROWTH NOT TENURE OR EFFORT

Transparent ranges and equitable practices shift performance dialogue from discussing raises to discussing development.



Assess work evidence (not experience or tenure) to determine progress within a role. Pay within the range should vary based on growth from novice to expert, not effort exerted or by ranking individuals against each other.



EVALUATE YOUR POPULATION FOR ALIGNMENT AND EQUITY

Talent Radar								
Individual Details		Career & Compensation Details						
Employee Name	Current Title	Current Job Level	Most Recent Capability Assessment	Salary Range Penetration	Current Salary	Annual Bonus Target %	Bonus Target \$	Total Cash Compensation
	VP, Software Engineering	M7	Proficient	50%	\$250,000	26%	\$65,000	\$315,000
	VP, Infrastructure Engineering	M7	Proficient	50%	\$250,000	26%	\$65,000	\$315,000
	VP, Controller	M7	Proficient	62%	\$225,000	26%	\$58,500	\$283,500
	VP, HR Operations	M7	Developing	45%	\$245,000	26%	\$63,700	\$308,700
	VP, Data Engineering	M8	Expert	73%	\$300,000	30%	\$90,000	\$390,000
	VP, Financial Planning & Analysis	M8	Expert	34%	\$257,500	30%	\$77,250	\$334,750
	VP, Business Operations	M8	Proficient	55%	\$255,000	26%	\$66,300	\$321,300
	VP, Investor Relations & Administration	P7	New	50%	\$240,000	26%	\$62,400	\$302,400

Level and progress within the level are the rational basis for determining pay increases and equity analysis. There will always be differences in pay, the key is having differences reflect pay strategy, not title, negative bias or “squeaky wheel” negotiations.



#ScratchOD is the best way to
design and build a
#WinningOrganization

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