MARKET BENCHMARKING

PROCESS STEP OVERVIEW

Refer to the steps on the Market Benchmarking Process Overview marketing collateral piece.

Step 1 – Position / Job Information: A solid Job Description or completed Job Analysis Questionnaire (often referred to as JAQ) is needed to benchmark a job.

1. The job description should contain detailed information about the job, department, reporting relationships, supervisory responsibilities, level of education, years of experience and any certification(s) required for the job.
2. The job's qualifications are critical in conducting the market benchmarking for a given role.

Step 2 – Market Data Scopes: Gather the needed scope data that will be used to market benchmark the role(s). Refer to the Client Market Data Request Form to assist in capturing the market data scope information. Scope data includes the following information:

1. The organization's total number of employees.
    a. This is the total number of employees in the US organization, not total employees for a given department.
2. Industry such as Government, Nonprofit, Financial Services, Healthcare, etc. for use with the CompAnalyst database.
3. SIC or NAICS code for use with the Economic Research Institute (ERI) database.
    a. SIC code is a 4-digit code; NAICS is a 6-digit code.
    b. The client's Finance department is a good resource for obtaining this information.
4. The geographic area to be used for benchmarking. Only one geographic area should be used per employee group, e.g., nonexempt, exempt, and manager level positions may benchmark to local data, director level roles regional data, and executive level roles national data.
    a. The geographic area is generally defined as the city, region, etc. from which the job is typically recruited; a local metropolitan city, regional (Midwest, South, Northeast, etc.) or national [US] data].
    b. Statewide data is not typically used.
5. The relevant financial metric.
    a. For-profit companies tend to utilize revenues as the financial metric.
    b. Nonprofit companies tend to use employee and/or annual budget size.
    c. Banking, credit unions and other financial institutions tend to use employee size and/or asset size.
    d. Generally, the financial metric is the total organization's annual financial revenues, budget, etc. It is not the financial measurement for a specific department, region, sales goal, etc., nor is it a projection of future growth.
6. Compensation Philosophy. Compensation philosophy is the competitive position in the marketplace that the client desires to pay its' employees.

a. The philosophy can be different for various employee groups, e.g., nonexempt, exempt, managers may have a compensation philosophy at the base pay 50th percentile, whereas directors and above may have a compensation philosophy at the total cash compensation 50th percentile.

Step 3 –Job Match Review: After obtaining approval on the market data scopes, the next step in the process is to use your survey database(s) and pull the best survey job descriptor matches for a given job. *(If your agreement permits, Compensation $ense will do that for you).* Market matches are then sent to the client for review. Some helpful hints for researching and pulling benchmark matches are included in a separate document titled Researching and Pulling Benchmark Matches.

1. When sending the market matches to the client for review, provide the client with the verbiage / instructions on How to Review Market Benchmark Matches Email Template. It might be best to refer to this as Job Match Review Guidelines with your client. This template can be copied and pasted into an email, sent as a separate document attached to the email, or embedded into the file which contains the job match review matches.
2. The job matches can be printed from page 2 of the Individual Market Results Template (see Step 4), printed, and sent to the client. *Job matches are best sent as a pdf file for review. You should include the Match Review Template as page one of the pdf file after you print it.*
3. The client should review the matches for each job and provide feedback as to whether they concur that the matches align to the job(s) being benchmarked.
    a. The client's feedback may be obtained either in person, teleconference or on the job match review sheet itself.
    b. Additional matches may need to be searched if the client feels what they have been provided does not accurately describe the job at least 70%.

Step 4 –Gathering External Salary Survey Data: It is recommended that actual external salary data from the survey database(s) be recorded on the Individual Market Result Template as respective job matches are being obtained for review. *This saves time*. However, it is acceptable to record the external salary data after the approved benchmark matches are returned.

a. Once you have obtained approval on the job matches, salary survey job match data is then recorded in the Individual Market Results Template. **This template is for internal use only and is NOT TO BE sent to the client! The final market data results are provided on the Consolidated Market Data Summary document (Step 5).**
a. External market data is typically pulled for the 25th, 50th, and 75th percentiles for both base pay and total cash compensation. Total cash compensation includes any annual bonus, incentives, or commissions.
    - Overtime compensation, deferred compensation, equity, and benefit information <u>is excluded</u> from the salary survey data.

- Occasionally, a client may request the 90th percentile data. If a client requests data percentiles other than the 25th, 50th, 75th, an additional fee should be charged.

Step 5 – Consolidated Market Data Summary: Once all the market data has been obtained from the various survey(s), return the aggregated data via the Report Template also referred to as the Consolidated Market Data Summary Template. This template includes(s) the title of the survey job(s), education, and years of experience for the job, the respective survey job titles from the approved job matches and other relevant information such as years of experience, revenues, etc.

a. Client copies should have formulas removed prior to sending.
b. Survey scope data can be added to the bottom of the template for ease of client reference
c. Depending upon the project scope, it is ideal to create one template a year per client and add the benchmarking results to Consolidated Market Data template throughout the year as requests are received to do conduct additional benchmarking.