

Why Participate in Compensation Surveys?

Many Human Resources professionals, particularly those in smaller companies, struggle to convince their management to pay to participate in one or more compensation surveys. Why? The answer, typically, is “... it’s too expensive ...”

However,

- Would you guess at your sales revenue from your top ten customers?
- Do you price your leading products based upon a conversation with a former employee or an independent sales representative?
- Do you want to pay \$40,000 more than you need to for your new Vice President of Marketing?

Of course, not!

Almost all companies, even small ones, use as much valid, competitive data as possible to inform all areas of their operations. They do not depend upon hearsay, internet postings or anecdotal information to manage their businesses. Why then would a company choose to depend on anecdotal information such as employment interviews, head-hunters' “data” or internet salary self-postings to set pay for their new positions, determine promotional compensation adjustments, or determine salary budgets?

Are industry-specific salary surveys really too expensive for your company’s smaller budget? Not if you think it through. Typically, **total costs of workforce**¹ average nearly 70% of company operating expenses.² Can you really afford to guess at what and how to pay your employees?

This article presents a number of the benefits of industry-specific compensation surveys as well as ideas for helping the HR professional “sell” management on the benefits of participating.

¹ **Total Cost of Workforce (TCOW)** is defined as the total costs of all salaries, wages direct and indirect cash or equity compensation for all employees. TCOW includes all costs for contingent temporary or contract workers whenever the organization primarily directs the work of such labor. TCOW includes all company provided or paid employee benefits, perks and rewards. Such costs also include all company retirement related costs for both current and former employees. TCOW includes all enterprise training costs provided to employees and or contingent labor. All recruiting costs not already included incurred as workforce acquisition costs. All employee relations, severance and legal settlements paid to current and former employees or contingent labor.

² “Managing an Organization’s Biggest Cost: The Workforce”, *Human Concepts*, 2012

Valid, up-to-date industry-specific compensation information provides a clear competitive advantage. Armed with current market data, you don't pay more or less than you need to remain competitive. You have a clear oversight of the job market and can be assured you are making competitive offers. You make your compensation decisions based upon data rather than upon hearsay.

Industry-specific compensation data informs the full range of decisions regarding compensation and rewards: base salaries; bonuses; equity; sales incentive plans; management incentive plans; perquisites. Without it, decisions are made piece-meal or you are only partially informed. Competitive industry data becomes a key element in your company's human resources decisions such as for hiring, for promotions and for salary adjustments.

Comprehensive compensation data on all the jobs in your industry's major functions ensure that pay is consistent and defensible across your company, even when pay rates differ by job function. You no longer will have to trade opinions or "feelings" about pay with top management ... you will have the data to make your case.

Regular participation in industry-specific compensation surveys provides trend information by position. Pay rates do not move in lock-step, and not all disciplines or levels experience compensation changes of the same magnitude or at the same time. Similarly, jobs are constantly changing and developing. Survey data enable you to understand what competitors are paying for hot jobs.

The information that you gain from having industry-specific trend and market data make you an expert. No need to buckle under to the Vice President of Sales who wants to pay 30% more than market to his former colleague.

CONFIDENTIALITY

Many smaller companies worry about the security of the compensation information that they provide as part of their participation in a compensation survey. Valid, industry-specific surveys have been conducted for multiple years by respected consulting firms with the support of their participants because they ensure the confidentiality of the data they handle and provide. It is in their best interest to guard the confidentiality of the data that they handle. In addition, valid compensation surveys are protected by Department of Justice and Federal Trade Commission "Safe Harbor" guidelines to ensure that compensation surveys do not support any actions that would be construed as constraint of trade.

IN SUMMARY

Valid, up-to-date, industry specific compensation surveys provide the comprehensive data needed to allow you to attract, retain and motivate your employees while exercising prudent management of what the company spends on its workforce.

CRONER SURVEYS

The Croner Company conducts nine industry-specific surveys on a regular, typically annual basis to provide our participants with all the benefits described above.

- Our surveys are participant only and use the annual input of participants to inform the content and jobs to be included in the survey.
- We pay particular attention to job matching and follow up on all data to ensure the validity of reported market-based pay levels.
- All data that are collected and presented are maintained in strict confidence. Our participant survey portal uses the most up-to-date encryption and access security. All Croner data sit behind three impermeable firewalls that are monitored constantly. Data are further protected by the reporting rules that govern what data are reported. Survey reporting complies fully with the “Safe Harbor” guidelines promulgated by the Department of Justice and the Federal Trade Commission.
- We provide a comprehensive picture of industry pay rates and practices, allowing you to design and modify both short- and long-term incentive plans. Our surveys cover bonus plans, product-development incentive plans, equity and long-term cash plans. Some cover 401(k), benefits and paid time off practices.

Our surveys cover also sales incentive plans, allowing you to validate or modify your plan designs with data on thresholds, award scales, caps, frequency of payments, targets and measures.

Croner data guide the determination of minimum and maximum performance levels as well as award “caps”. The Award Scales presented in the survey report inform the creation of your plan’s award “line”, i.e., plan awards at various outcomes compared to target. Similarly, the survey informs the determination of whether to use quantitative, qualitative or a mix of measures; whether to provide “kickers” for exceeding targets; when and how frequently to pay; how to set annual revenue targets by level of position. With her hand on the Croner Software Games Survey, the HR professional can

substantiate each feature of her proposed sales incentive plan to your company's top and sales managements.

The main body of data provided by Croner surveys relates to base salaries. Our surveys typically survey from 100 to 350 jobs specific to the industry surveyed. In addition to data on pay for these positions, paired comparisons enable the HR professional to track year-to-year changes in various compensation levels as well as to identify differentials between and among levels.

In addition to a free custom cut of the survey data, The Croner Company participant portal enables customized searches through the survey results. SEC reporting rules are strictly adhered to.

Twice a year, we conduct a survey of current salary budgets among participating companies. As a participant in a Croner survey, the HR compensation professional will receive a report on each of these salary budget surveys to help guide her in her salary budgeting decisions.

Does Participation Make Sense for Your Company?

- Participants use the Croner Software Games Compensation Survey as their compensation "bible" for making pay decisions throughout the year
- The Survey helps the compensation manager raise management's awareness of the utility and important of the survey and industry-specific market data
- The survey results are used to set defensible salary ranges, pay levels and pay programs.
- The survey helps the HR professional enhance her professional roles and standing within the organization
- The Survey results help companies gain and retain a more advantageous, competitive compensation position in the labor markets where they compete for their human resources

How does you company want to make decisions regarding ~70% of its costs?

Please contact us today at www.croner.biz to discuss participation in our surveys.