

# Scary, Ugly, Nasty

Job Leveling Questions You Fear Being Asked!

Milwaukee Area Compensation Association

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# But first... a competition



# Which CEO job is bigger?

1. Wal-Mart (\$400B rev, \$13B profits, 2MM ees)
2. Conoco Philips (\$230B rev, -\$17B profits, 35K ees).
3. General Electric (\$183B rev, \$17B profits, 320K ees)

# Which top BU leader job is bigger? (\$2.5B diversified consumer products company)

1. North America (3 countries) \$1B revenues
2. Western Europe (10 countries) \$1B revenues
3. Both jobs are the same size

# Which CFO job is bigger? (\$5B company)

1. Public company – widely held
2. Private company – closely held
3. Both jobs are the same size

Which top HR job is bigger?  
(\$30B company, 1000 HR employees)

- 1: Centralized (i.e., solid line reports)
- 2: Strategic staff/advisory function w/  
small corporate staff.
- 3: Both jobs are the same size

# Which top Sales job is bigger? (\$50B company, 5000 sales employees)

- 1: Centralized (i.e., solid line reports)
- 2: Strategic global accounts and staff/advisory function to business units.
- 3: Both jobs are the size

# Which top legal job is bigger? (\$5B company)

1. With a span of control of 7 direct reports. Limited external law firm usage
2. Span of control of 2 direct reports. Significant external law firm usage.
3. Both jobs are the same size

Which top Information Technology job is bigger?  
(\$5B company)

1: Large healthcare system

2: Diversified financial services firm

3: Retail apparel chain

# How many of these statements are true regarding job evaluation (JE)?

1. **JE takes into account the skills required for outstanding job performance**
2. **Some form of JE is used by at least 90% of organizations**
3. **Job autonomy is a common JE factor**
4. **Effect on errors is a common JE factor**
5. **Market supply and demand of job talent is a common JE factor**
6. **Achievement of MBOs is a common JE factor**
7. **Most JEs are done by the HR function**
8. **A minority of companies conduct proactive JE audits**
9. **You need a job description to evaluate a job**
10. **The first reference to JE was found in Iraq**

# How many of these statements are true regarding job evaluation (JE)?

1. **JE takes into account the skills required for outstanding job performance (F)**
2. **Some form of JE is used by at least 90% of organizations (T)**
3. **Job autonomy is a common JE factor (T)**
4. **Effect on errors is a common JE factor (F)**
5. **Market supply and demand of job talent is a common JE factor (F)**
6. **Achievement of MBOs is a common JE factor (F)**
7. **Most JEs are done by the HR function (T)**
8. **A minority of companies conduct proactive JE audits (T)**
9. **You need a job description to evaluate a job (F)**
10. **The first reference to JE was found in Iraq (T)**

# Some background

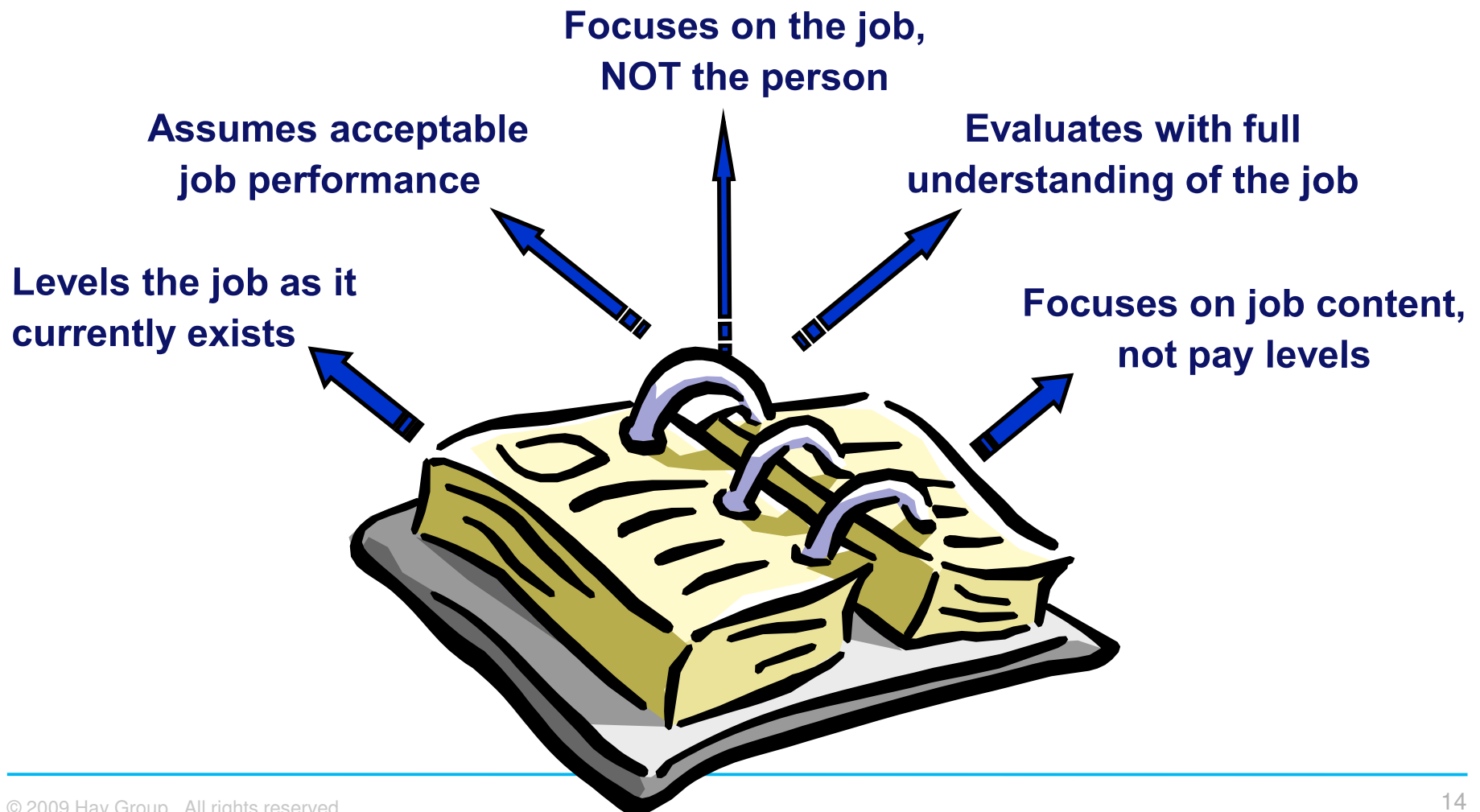


## Job Evaluation: What is it?

- A Methodology - Determining the intrinsic value of work to the organization using measurement criteria and scales
- A Process – Using the job evaluation methodology to add value to the organization, by establishing clear job knowledge / skills / abilities, aligning work with rewards, and determining the capability requirements for jobs

**Disciplined & Consistent Judgment**

# Job Evaluation Considerations



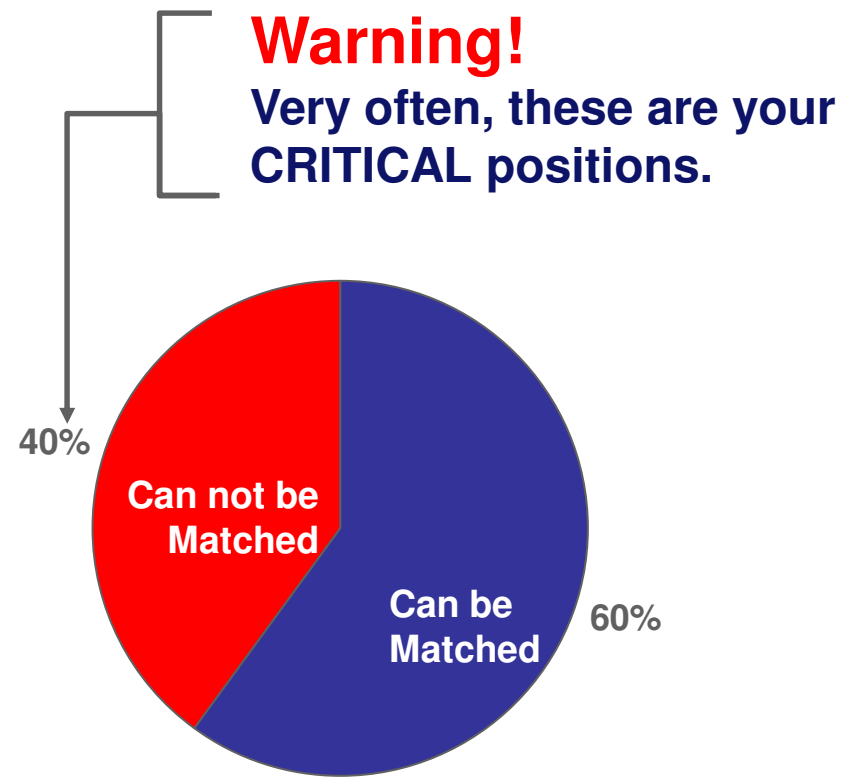
# The Business Case: Work Valuing Outcomes

**58% of companies believe that 60% or more of their positions can be matched to the market.**

Sounds Good

But what are the characteristics of the remaining jobs?

Many of the jobs you can't match are the ones you've designed uniquely to give you a competitive advantage!



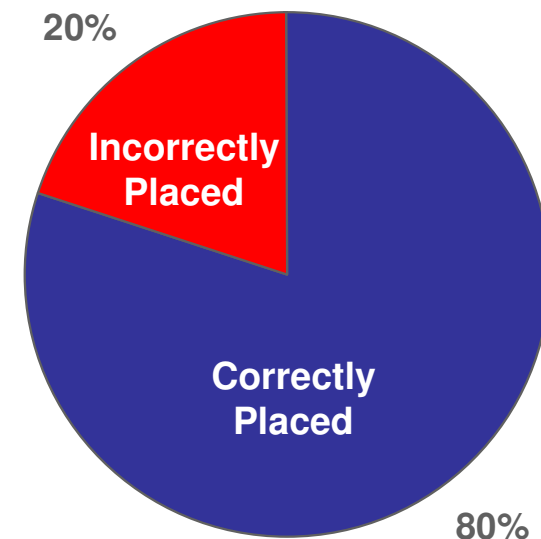
# The Business Case: Work Valuing Outcomes

**60% of organizations believe that at least 80% of their positions are in the appropriate range...**

**Again, this sounds Good.**

**But, if 20% of your positions are not in the right grade, you are wasting 2% of payroll annually!**

**And, 40% of the respondents believe that more than 20% of their jobs are in the wrong grade or range.**



# The Business Case: Bottom Line Impact

- Consider this scenario:
  - 1000 positions
  - \$50,000 average total compensation
  - Grade structure with about 15% midpoint difference between grades
- If 20% of the positions are mis-evaluated by one grade, the bottom line impact will be \$1.2MM annually. (1000 x \$50,000 x 15% x 20% = \$1.5MM)
- On total payroll of \$50 million, this represents 3% waste annually

This is an impact on revenue of \$15MM for an organization with a 10% profit margin

# What Does Line Management Want?

- Executives are interested in what the market average is for a job title – but this only tells part of the story
- They also want to know:
  - What the market pays for their jobs - considering role complexity and responsibility
  - What the variables are that make a job worth more or less
  - How to link market data to internal career paths
- At the end of the day, executives have a limited budget for compensation and they want to spend it as effectively as possible

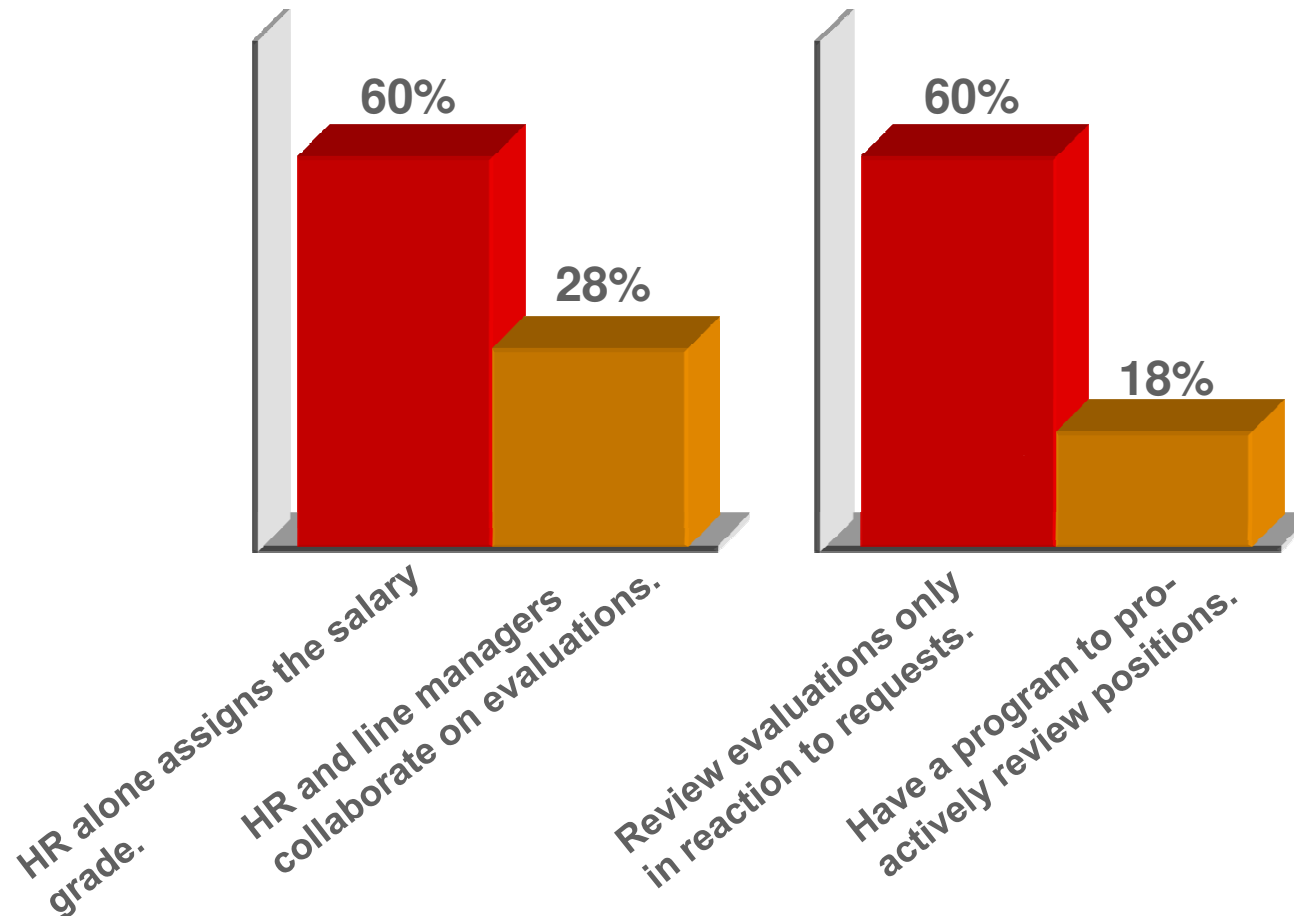
# Job Evaluation Prevalence

Many use simple processes

	Prevalence	Rated as Effective or Very Effective
<b>Point factor job evaluation</b>	<b>27%</b>	<b>82%</b>
<b>Functional job family modeling</b>	<b>8%</b>	<b>80%</b>
<b>Whole job comparison</b>	<b>23%</b>	<b>76%</b>
<b>Skill-based or competency-based job leveling</b>	<b>7%</b>	<b>75%</b>
<b>Broad banding / career banding</b>	<b>9%</b>	<b>66%</b>
<b>Other</b>	<b>23%</b>	

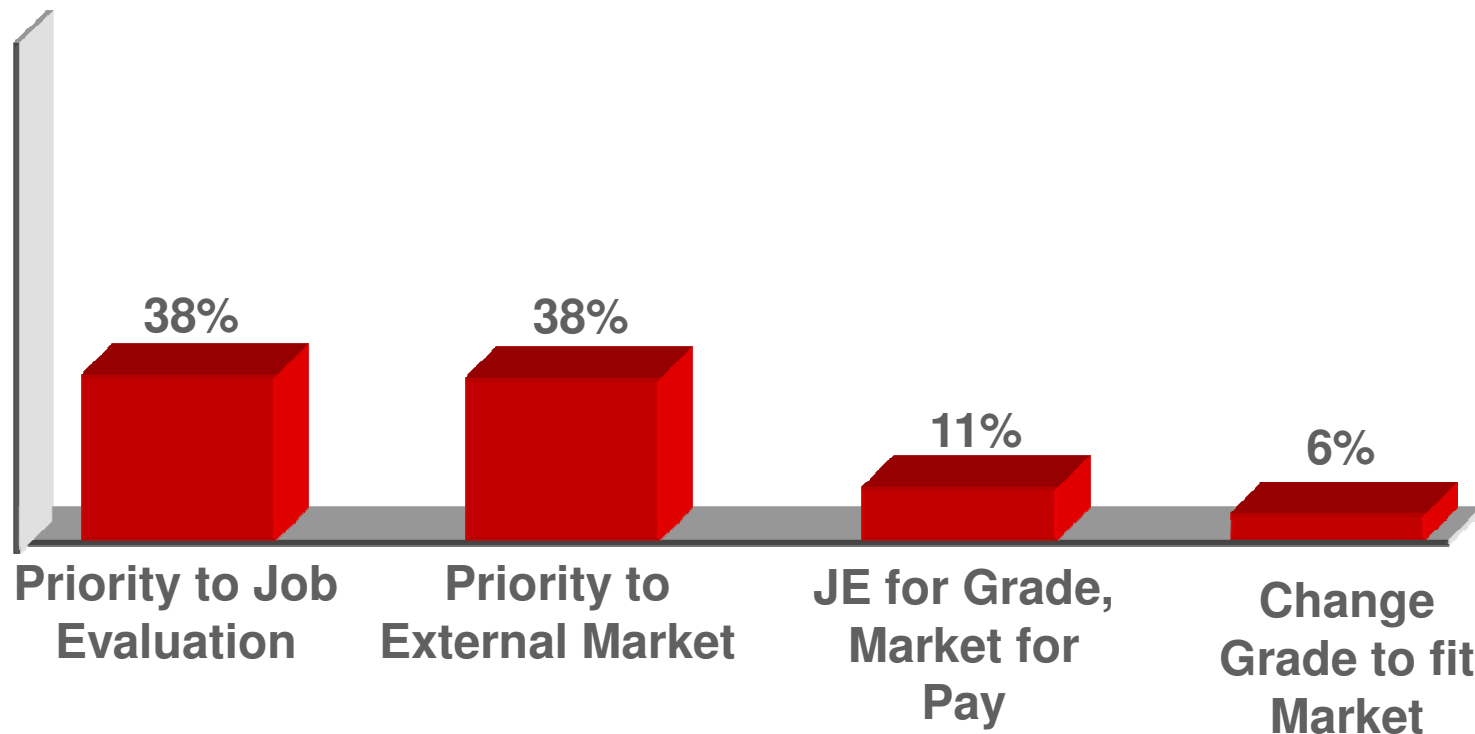
# Job Evaluation Processes: HR still taking the lead

Human Resources is doing the work... reactively\*:



# Resolving Conflicts Between Market Pricing and Job Evaluation

**When there are conflicts between job evaluation and market data:**



# Resolving Conflicts Between Market Pricing and Job Evaluation

- Our recommendations
  - Key is to include this as part of reward strategy
  - Agree to principles before a review of specific market data and be able to defend business rationale
  - Be consistent in application of decision rules

Let's get nasty!



**#1**

**If people are the organization's most important asset, why isn't the Chief HR Officer's job evaluated higher (or at least the same as) the Chief Financial Officer's job?**

**#2**

**Managing flight risk - how do you respond to manager's comment that I must promote this person or they will leave?**

**#3**

**How do you take into  
consideration magnitude in start-  
ups / fast growing businesses?**

**#4**

**Why do we primarily consider revenues or operating budgets in measuring magnitude and not market capitalization or profitability?**

**#5**

**Why does hierarchy seem to have a big impact in job evaluation? How come it is almost impossible for an expert to have a higher grade than its manager?**

**#6**

**How does reducing staff and increasing workload affect job evaluation?**

**#7**

**Outsourcing - how does  
outsourcing activities and staff  
impact job evaluation?**

**#8**

**How is “risk” taken into account  
in job evaluation?**

# Your (Nasty) Questions?

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