

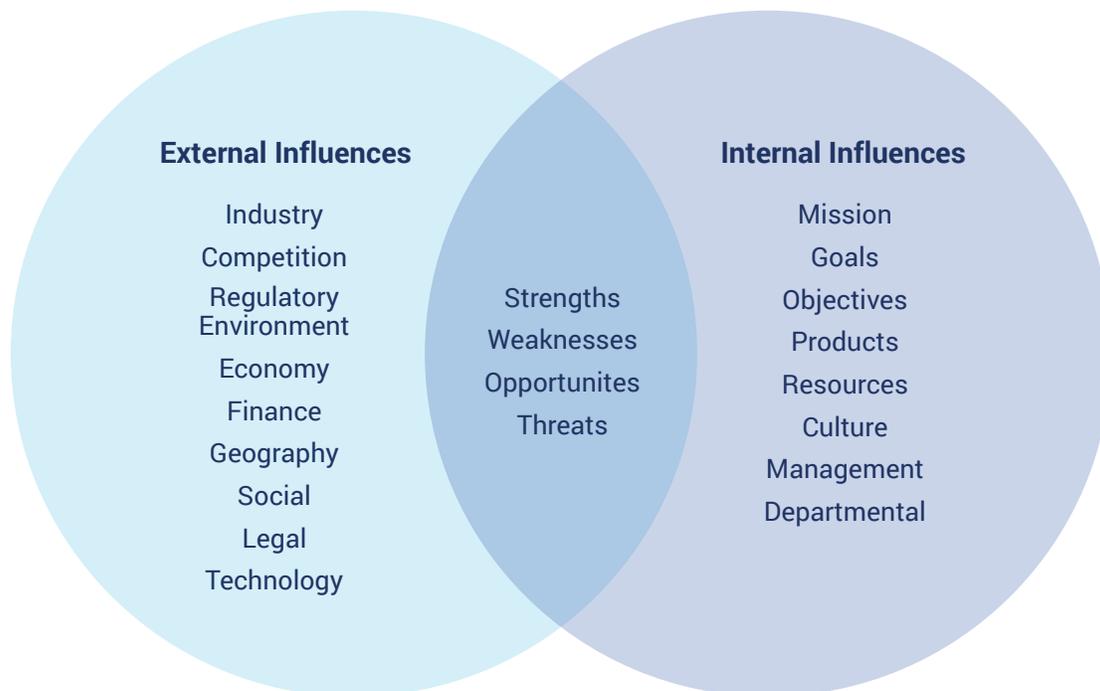


Compensation Matters™: Organizational Analysis

Organizational Analysis Definition: The process of identifying and analyzing the basic components of an organization in order to understand its underlying structure and business performance.

Beginning a compensation program is a major proposition. Whether you are dealing with a large organization that has a multitude of jobs and functions, or a start-up company with only a few key players who wear multiple hats, you will need to find somewhere to begin. Given that the only constant is change, there is no “right time” to do this. Although sooner is probably better than later, the most important thing is to be prepared.

Internal/External Business Environment



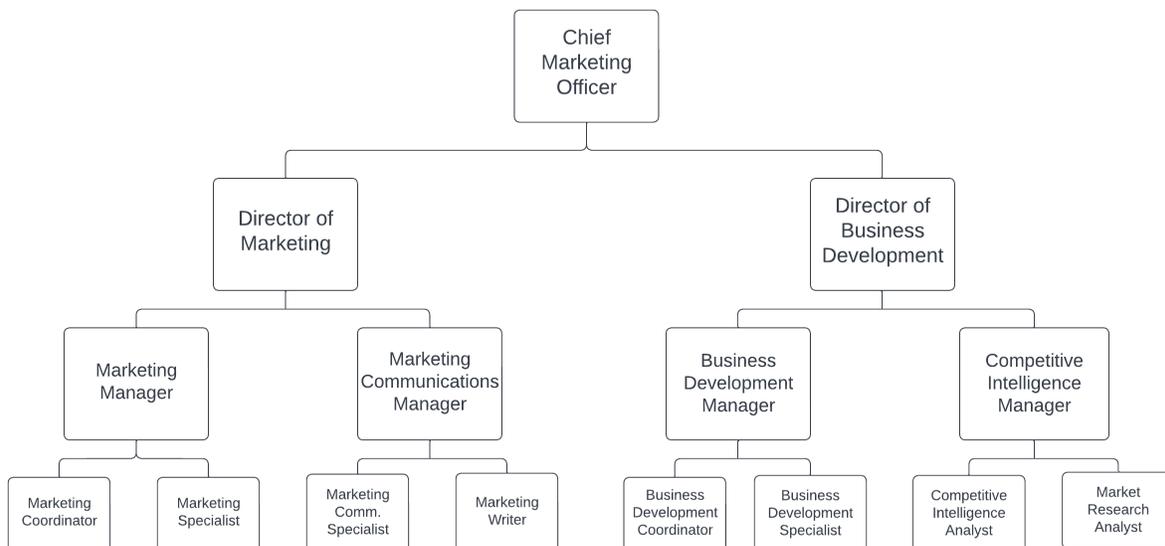
Before diving in, you'll need to do some research to determine the nature of the beast that you're dealing with. In addition to understanding the company's external environment (industry, competitors, regulatory environment, economic, financial, geographic, social, legal and technological influences), you should have a core knowledge of the company's internal workings (its mission, goals, objectives, products, resources, culture, management, and overall departmental structure). Doing a SWOT analysis to identify the organization's strengths, weaknesses, opportunities and threats will highlight current capabilities and help identify potential areas of concern. In order to be successful, the compensation program that you create should build upon and enhance the organization's strengths and opportunities, while recognizing and taking into account any possible weaknesses or potential threats.

If this seems like a lot of work, that's because it is. It may take a village. This is the time to think about who is going to be on your project team. As an aside, one of the prerequisites for a successful compensation program is buy-in from top management. Your project will need support from key department members and if the CEO/COO is not on board, you're not likely to get this.

Assuming you have the backing of top management and that you've gained a foundational knowledge of your company, begin by analyzing the company's organizational charts to understand the interrelationship of its departments and functions. If organizational charts don't exist, and you don't have the time or inclination to develop them, you can make an Organizational Outline that lists jobs in each department in a reporting structure. Every organization has a hierarchy, whether formal or informal, and it's a lot easier to understand what that is if you have a visual representation. Here's an example:

- I. Chief Marketing Officer
 - A. Director of Marketing
 - 1. Marketing Manager
 - a. Marketing Coordinator
 - b. Marketing Specialist
 - 2. Marketing Communications Manager
 - a. Marketing Communications Specialist
 - b. Marketing Writer
 - B. Director of Business Development
 - 1. Business Development Manager
 - a. Business Development Coordinator
 - b. Business Development Specialist
 - 2. Competitive Intelligence Manager
 - a. Competitive Intelligence Analyst
 - b. Market Research Analyst
 - C. Etc.

Please note that in the outline hierarchy above, the individual outline levels (A, B, 1, 2, a, b, etc.) may or may not have similar level titles. These designations identify reporting relationships and should translate directly into a traditional organizational chart like this:



Another way of identifying your organization's hierarchy is to look at how it "values" its human resources through its pay structure. Arraying an organization's pay from high to low will give you a fairly good idea of the current value hierarchy. For a small organization this can be relatively quick to do and can be enlightening. It will also point out potential issues that the new compensation program should take into consideration and possibly address.

Once you understand the existing hierarchy, you will be ready to delve deeper into each department through the process known as **Job Analysis**.