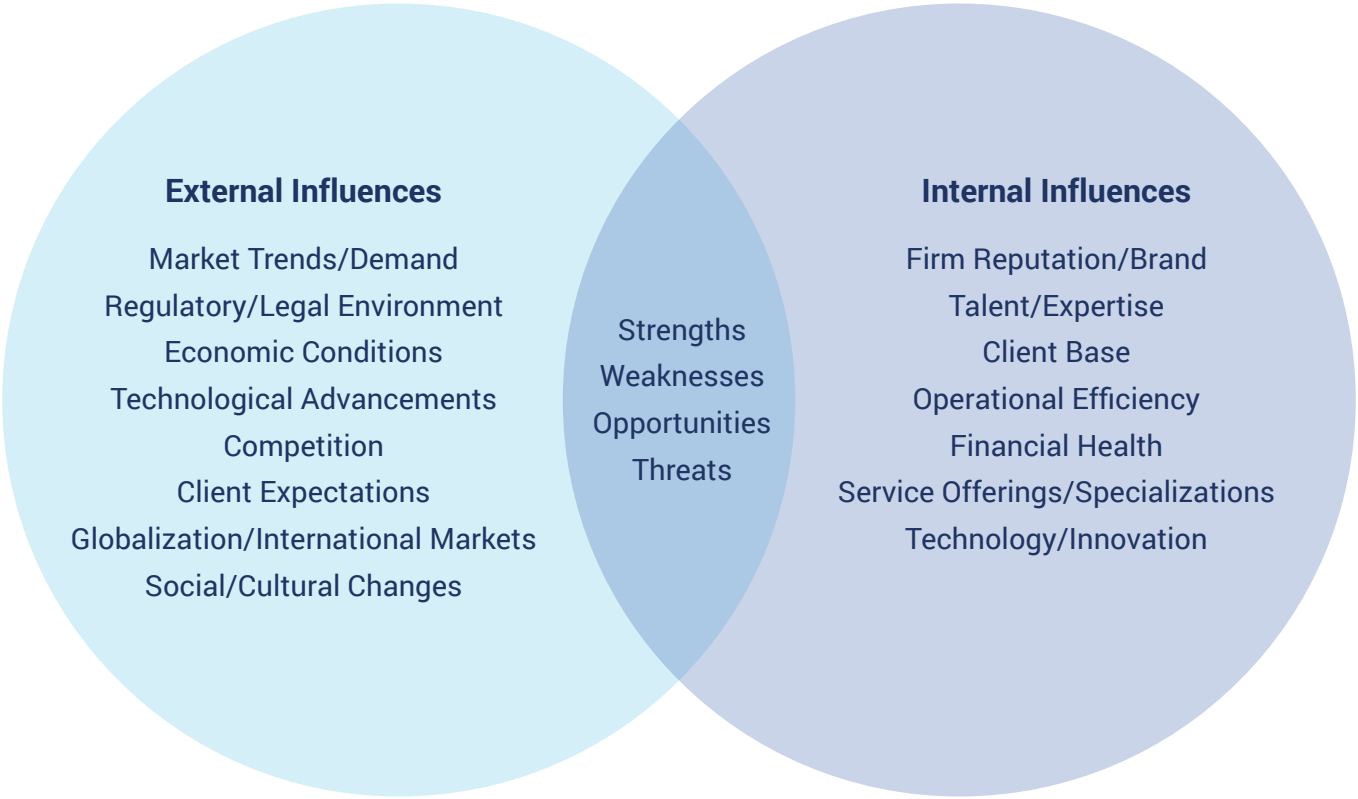
Compensation Matters™: Organizational Analysis

Organizational Analysis Definition: *The process of identifying and analyzing the basic components of an organization in order to understand it's underlying structure and business performance*

Starting a Compensation Program: Key Steps for Success

Launching a compensation program is a significant undertaking. Whether you're working with a large organization that has many roles and functions or a start-up with a few key players wearing multiple hats, you need to find a place to begin. In a constantly changing business environment, there's never a perfect time to start. While sooner is often better, the most critical factor is being prepared.

Internal/External Business Environment



Understanding Your Firm and your Business Environment
Before diving into your compensation program, it's essential to conduct thorough research to understand the landscape you're working with. This includes both the external environment—industry trends, competitors, regulatory issues, and economic, financial, and technological influences—as well as the internal workings of your firm. You should have a solid understanding of the firm's mission, goals, services, resources, culture, management, and operations.

Conducting a SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) can provide valuable insights into your firm's capabilities and potential challenges. Your compensation program should build on your firm's strengths and opportunities while addressing any weaknesses or risks.

Building the Right Team and Securing Buy-In
Developing a compensation program is a complex process—it requires collaboration and support from across the organization. One critical element for success is gaining buy-in from senior management. Without the active support of top leadership, it will be challenging to secure the involvement of key departments. So before you begin, be sure that the CEO, COO, and other senior leaders are on board with the project.

Once you have senior management, assemble a project team to lead the initiative. Your team should represent various departments and functions to ensure diversity of input and a well-rounded approach.

Analyzing Your Organizational Structure
With the support of senior management and a clear understanding of the firm's landscape, your next step is to analyze the organizational structure. This involves reviewing existing organizational charts to understand how departments and functions interconnect. If formal charts don't exist, create an Organizational Outline that lists jobs within each department and their reporting structure. Every organization has a hierarchy—whether formal or informal—and having a visual representation will make it easier to understand the relationships within the firm.

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

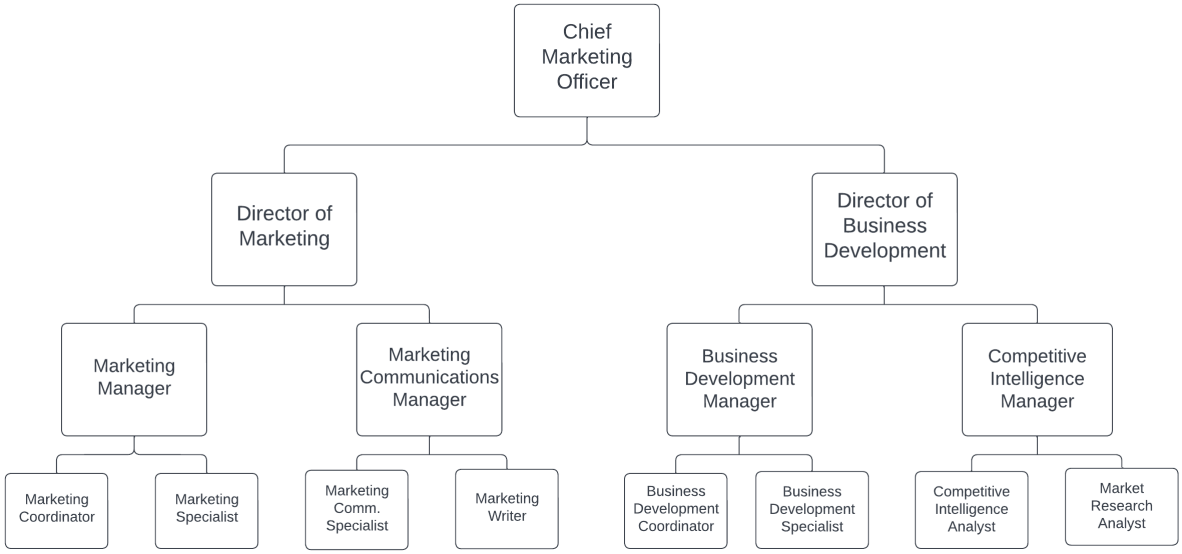
B. Director of Business Development

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 to identify your organization's hierarchy is by examining how it values its employees through its pay structure. Sorting pay levels from high to low can provide insight into the current value hierarchy. This simple exercise can be relatively quick, especially for small organizations, and can reveal potential issues that the new compensation program should address.

Once you understand the current hierarchy, you can dive deeper into each department using the process known as **Job Analysis.**