

## Today's HR Solutions

Businesses have trusted MEA since 1903 to be their single source to deliver essential Human Resource services that attract, retain and motivate their workforce.

# Compensation



## Culture, Communication, Competition, and Carrie

*“It’s important to know—  
and react accordingly.”*

Bestweld is a manufacturing firm based in Pottstown, PA. They started with 10 people in 1981 and have since grown to 49 employees. In the intervening years, Bestweld also shifted its business focus from general manufacturing to specialty welding, so attracting and retaining experienced workers is a key component of their continued success. Controller Valerie Dickson says, “Having skilled workers is very important to us. Every few years we like to compare our compensation and benefits structure to what others are doing—we want to know if we’re competitive in the marketplace.” The internal assessment process Bestweld used had been in place for a few years, and they were gearing up for another review when they heard of MEA through an HR consultant. “I knew it would be a good fit as soon as we talked,” says Dickson.

### Compensation Process

Dickson says MEA staff took the time to get to know the company and its culture before conducting a market match of the compensation and benefits

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*MEA’s Compensation Consultant Carrie Theisen has spent over 10 years in compensation (four years working with MEA members) to assess, revise and review their pay rates and compensation packages. Here she provides insight into the compensation process.*

### Why should a company consider a compensation analysis?

We are in a very unique market right now—high unemployment has caused some pay rates to drop but a shortage of talent has caused other pay rates to rise dramatically. So the old practice of setting annual adjustments without looking at individual market rates is no longer effective. But companies still need to create pay structures and compensation packages that attract and retain top talent. That’s where we come in.

### How does a company know when it’s paying too much or too little for an employee?

Many companies never monitor compensation levels, so they are unaware that they may be paying too little to attract talent. While some companies choose to pay above market rates for certain positions, because they’re in a very competitive market or region, others do so unintentionally. I had one organization that had not done a salary review in many years. One of the things they were struggling with was internal equity. I conducted a pay rate study and we found that sales—the core of the organization!—was being paid at 15% below market rates while some low level administrative positions were being paid at 25% above market level! When I did some checking around I learned there was a woman in a low level position who complained a lot about her pay raise every year, so the company would give her more money to quiet her complaints. I was able to provide empirical evidence that not having guidelines caused a lot of problems. As a result, the company shifted from a reactive to goal oriented compensation process.

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package. Then MEA developed reports to show Bestweld where their compensation fit in relation to others in the industry. “MEA brought us up to date with best practices,” says Dickson. “We shared the report with our employees and I think they feel good about where they stack up in the market.”

## Membership in MEA

Bestweld was impressed enough with their compensation review that they joined MEA. “Compensation services drove us to become Members,” says Dickson. “Now we also take advantage of the continuing education, the employer hotline and the general HR support services.”



Valerie Dickson  
Controller  
Bestweld Inc.

***“We’re fairly small but it’s important to us to be the best we can be. MEA helps us do that.”***

## What’s involved in the compensation process?

Everything starts with a meeting—at no charge—because I need to see the environment and understand the culture of the organization. During the meeting we’ll talk about the company’s needs, what kind of programs they have in place and any specific business conditions that are causing the need. For example, a company may have a lot of turnover or may be having a tough time recruiting. I need to understand what’s behind the decision to review compensation. After that meeting I develop a proposal for the organization.

## What are some of the steps that might be included in a compensation services package?

Well, after the initial meeting, we always define a strategy for the review. Then we assess where the client wants to fit in the market—at market, below or above market. After I have that information in hand, I’ll look at the company’s organizational charts and review all the job descriptions. Understanding what a position entails is key because I need to match the company’s description to general market job descriptions. From there I can compare the salaries to market rates.

## Why does a company need to understand market rates?

Understanding market rates can actually help you align your internal organization more efficiently. I had one company that wanted to update the pay structure we had developed for them a few years earlier. In the intervening time period, they had created a lot of new levels in their structure. When I looked at the market rates, I could see the market didn’t support such a top heavy hierarchy. We sat down and talked and the company told me that they wanted their employees to feel as if they were constantly growing, so they kept creating new supervisory positions. But in fact, what was needed was cross-departmental knowledge. So we eliminated the traditional salary structure entirely and went with a wide band structure that facilitated lateral moves across the organization. In essence, a look at the market rates led to a cultural shift in the company.

## You talk a lot about surveys. Why are they so important to the compensation process?

It’s important to understand where your pay rates fit into the market and surveys provide that data. MEA has been conducting Member salary surveys for years, and we also have access to many other national surveys, so we have a wealth of information on which to draw. Our surveys contain over 400 jobs from more than 5,000 organizations in the MidAtlantic region and nationwide. I feel strongly that MEA’s surveys are a fantastic, inexpensive source of salary data for the small to mid-sized company in this area.

## How does MEA help me on an ongoing basis?

As part of the compensation process, we do a financial costing and analysis that show you how you can bring your salaries into alignment in a way that doesn’t disrupt your bottom line. At the conclusion of the process, I provide a final report for both high level executive review and specific salary administration guidelines.

After the final report is complete, I am always available to my clients to answer questions, and market price new jobs as they are added to the organization. It’s important for them to have someone to call to ask those kinds of questions, and I value the relationships that are created throughout the entire process.