

# Global Job Leveling at Radford: A Tailor-Made Approach for Companies Driven by Innovation

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## Introduction

As a company matures and expands its global footprint, the approach it takes for organizing its workforce will have a lasting cultural and financial impact. Organizational structure and design affects every aspect of a business, including talent mobility, compensation programs and even the speed of innovation. When headcount grows, it quickly becomes incumbent upon companies to find effective ways to organize jobs into job families where similar work is performed. A solid approach to job leveling translates into better communication with employees, more clearly defined career paths, and salary structures with greater market alignment, among many other benefits.

For example, the table below illustrates how job leveling systems can address a number of common business concerns:

Business Concern	Job Leveling Solutions	Business Results
<ul style="list-style-type: none"> <li>Inconsistent approaches to pay relative to the market, impacting the ability to attract and retain key employees</li> </ul>	<ul style="list-style-type: none"> <li>Create a salary structure anchored to market data to govern pay decisions across your business</li> </ul>	<ul style="list-style-type: none"> <li>Better reflect local market pay levels and practices</li> <li>Achieve internal and external pay equity</li> </ul>
<ul style="list-style-type: none"> <li>Inconsistent internal pay opportunities for staff in similar roles with equivalent levels of responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Assign similar jobs to consistent job grades, giving managers better guidance on pay and promotions</li> </ul>	<ul style="list-style-type: none"> <li>Greater consistency in pay decisions and outcomes</li> <li>Enhanced ability to meet legal and regulatory codes</li> </ul>
<ul style="list-style-type: none"> <li>Poor transparency regarding career progression, leading employees to question their value within the organization</li> </ul>	<ul style="list-style-type: none"> <li>Use job families to identify and illustrate available career paths around the organization to employees</li> </ul>	<ul style="list-style-type: none"> <li>Give employees a vision for long-term career success</li> <li>Better identify top talent for succession planning</li> </ul>

The business challenges outlined in the table above are certainly not unique to the technology and life sciences sectors where a majority of Radford’s clients reside; however, these concerns are exacerbated by high rates of growth and rapid demands to evolve business models and talent profiles to meet changing market forces. For technology and life sciences companies, who live and die based on their ability to innovate, these types of challenges are significant and make it all the more important to employ effective job leveling systems.

In light of this dynamic, over the past several years, our team has observed a steady shift away from highly regimented job leveling models at technology and life sciences companies, specifically point-value based systems. In Europe for example, a recent survey by our consulting practice indicates that 20% of responding companies reevaluated or redesigned their job leveling architecture in the past year, and another 30% of respondents are prioritizing updates in the year ahead.

Increasingly, human resources and talent leaders at technology and life sciences companies seek job leveling tools that have enough built-in flexibility to handle cultural differences, local and regional regulations, diverse business needs and changing talent requirements. At Radford, our global leveling approach, which is integrated into the global architecture of our surveys, meets these requirements.

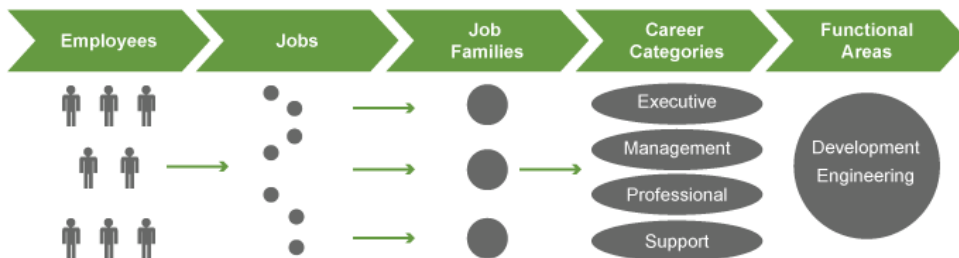
## The Radford Approach

When we talk about job leveling at Radford, we’re describing a method of creating a structure that has articulated career paths for various job families and which can support a global organization. However, this system is underpinned by job architecture, which is a method of organizing jobs into job codes, job titles and functional areas all before assigning a grade level. The chart below illustrates the relationship between job leveling and job architecture— both of which are critical to creating a solid foundation for career path mobility and highly effective salary structures.

### Job Architecture + Job Leveling

A job architecture model combines job leveling structures with career paths and job families/ job functions to provide a comprehensive platform for supporting global growth across an organization.

**Job Architecture:** a structure of organizing jobs and roles into common groups



**Job Leveling:** a structure of organizing jobs from least to most complex



To take these models a step further, the following case study describes how we can translate the sometimes abstract concepts of job architecture and job leveling into successful systems at large multinational companies:

## Case Study:

*A leading technology company headquartered in Europe with a global footprint*

### Business Challenge

Our client was undergoing rapid growth and looking to scale its domestic business into more international markets. Until this point, the client had different approaches to managing compensation programs and job grading across its functional areas and business units. The company needed to evaluate and compare its current leveling structures across the business against each other; develop a single consistent approach to leveling jobs; assign grades across the business; and develop a dual career ladder, as too much emphasis was being placed on management hierarchy at the expense of the technical individual contributor career paths.

### Solutions

Our critical first step in addressing these issues was to use current and relevant benchmarking data to begin assigning an overall job classification architecture to the various job titles at the company. We also conducted detailed interviews with senior leaders to confirm our understanding of job content, career progression criteria and global level differentiators. This allowed us to combine our draft classification architecture based on market data with specific feedback on corporate goals and culture. Next, we aligned all job roles in the proposed architecture into grade levels with salary ranges attached for each geography and functional grouping.

Finally, we undertook an impact analysis to understand the cost implications of moving to a new global system targeted at various levels of market competitiveness (e.g., the impact of setting pay to 50<sup>th</sup> vs. 60<sup>th</sup> vs. 65<sup>th</sup> percentiles of the market). Once the new system was approved by HR and business leaders, we put a robust communication process in place to train managers on using the new system in addition to a messaging platform for announcing the new system to all employees.

### Client Results

At the end of our engagement, the company had the following tools in place:

- Tailored job leveling matrices to outline level differentiation and progression for employees across different functional groupings;
- A new salary structure that was deployed in different countries and linked to robust market data from the Radford Global Technology Survey;
- Leadership buy-in via a transparent process and easy-to-understand methodology; and
- A governance process to review and update the structure on a regular basis in line with changing business demands.

It's important to remember that job leveling systems are helpful for many types of companies— from publicly-traded multinationals like the example above, to small, private, local companies seeking a flexible foundation upon which to grow. Embedding a common language for job leveling and career mapping into the culture of a company at an early age can have long lasting dividends.

Finally, it's imperative that any approach to job leveling include enough elasticity in the system so that it can be tailored to meet the demands of different companies and different markets. In the next section of this paper, we describe how Radford's approach can be customized for companies operating in Asia, Europe and the United States.

## Asia

Companies with operations in Asia often prefer to include what we call “tweener grades” into their job leveling model. These grades are intermediate steps within a global career level that have their own specific base salary or fixed compensation ranges. This allows for more frequent performance reviews and pay adjustments. This type of approach is sometimes used in China and India, where the jump in pay from one official job level to the next is steep, and the promotional velocity for lower-level employees is typically expected to be rapid.

The chart below illustrates how tweener grades can be developed specifically for Asia within the context of a larger global leveling system. (In this case, we show data for a Software Engineer Systems position in India using Radford Global Technology Survey data published in October 2014.)

### Establishing “Tweener Grades” through Global Job Leveling

Sample Leveling for a Systems Engineer (Product Development Function)

Global Grade	Radford Job Level	Annual Fixed Compensation Range			Midpoint Growth	Range Spread
		Minimum	Midpoint	Maximum		
9	P6 – Principal	2,520,000	3,600,000	4,680,000	44%	86%
8	P5 – Expert	1,750,000	2,500,000	3,250,000	32%	32%
7	P4 – Advanced	1,330,000	1,900,000	2,470,000	58%	86%
6	P3 – Career	840,000	1,200,000	1,560,000	50%	86%
5	P2 – Intermediate	560,000	800,000	1,040,000	68%	86%
4	P1 – Entry	332,000	475,000	617,500	n/a	86%
5-B	P2 – Intermediate	728,000	884,000	1,040,000	30%	43%
5-A		560,000	680,000	800,000	30%	43%

In the chart above, Global Grade 5 is subdivided into two tweener grades, 5a and 5b, in order to accommodate more frequent performance assessments. The overall fixed compensation range for Global Grade 5 remains the same, at 560,000 INR to 1,040,000 INR; however, additional pay ranges now exist within this span. In this example, we used the midpoint of Global Grade 5, typically the market median, as the maximum pay level for Grade 5a. The maximum pay level for Grade 5b is the same as the maximum pay level for Global Grade 5.

In Asia, it is also important to evaluate pay levels for support functions very carefully to separate technical positions from administrative roles and skilled production jobs whose requirements and pay levels may vary considerably. While administrative, technical and production roles can still be aligned into consistent global job levels, each of these support functions should have their own market-based pay ranges to reflect their specific values in the local market.

We also need to be aware of key markets where management talent may be paid a premium over what we typically view as comparable individual contributor positions in a dual career ladder global structure. Where this is a factor, separate market-based pay ranges can be created for management and individual contributor positions that still remain in the same global grade for purposes of internal pay equity and global consistency.

## Europe

Analytical forms of job evaluation, such as the point-factor approach, continue to dominate the landscape in many European countries due to the current regulatory environment, which requires pay equity compliance in collective labor agreements. However, European companies as a whole are starting to become less concerned with minute levels of precision in favor of approaches that facilitate more dynamic organizations that have the capacity to adapt pay and talent practices to more readily meet market demands.

Still, driving this type of change has hurdles, and HR leaders need to be aware of the many steps that might be involved in migrating to a global leveling model. Some European countries, such as Germany and Austria, have a strongly regulated labor force. For example, in Germany there is a strong influence from employee representatives (often in the form of “Works Councils”) enforced by the “Mitbestimmungsgesetz,” which requires that half the seats of the supervisory board represent the workforce. If a company wants to implement a new grading or leveling scheme, the Works Council must approve the changes and be involved in the process. While the representative body doesn’t have legal authority over determining the size of salaries, it does have a voice in the overarching scheme that underpins compensation decisions.

In general, we find that companies in Germany (and other similarly regulated markets) are attracted to the Radford approach because it is rational, transparent and equitable, while still differentiating for high performers. This should provide a solid foundation for negotiations with your Works Council. The key is to start the process in a transparent manner and to have a strong business case for why a global leveling model will support long-term growth and innovation everywhere that your company operates.

Insights from recent client engagements suggest a shift in thinking is underway among both management and employee leaders. As the results from Aon Hewitt’s 2014 Trends in Global Engagement show, career development is at the top of employee engagement goals for both employees and companies. This means that job leveling approaches quickly need to evolve beyond simply serving as defensible frameworks for pay equity. They need to also serve as backbones for career path development, international mobility and incentive plan design.

## United States

At technology and life sciences companies in the US, dual career ladders—where managers and individual contributors progress up the ranks in similar organizational levels—is now an organizational norm. Employees who have technical or scientific skills are no longer required, or even encouraged, to pursue management roles in an attempt to further their careers if that’s not their desired career path or they lack managerial skills. Companies have recognized the value of keeping experts focused on what they do best—the work itself.

Radford’s global leveling approach recognizes this organizational reality by aligning job levels with both the internal value companies place on individual contributor positions relative to managerial positions, as well as the value the market places on each type of job. The system combines individual contributors and managers into global grades where market pay suggests equivalence. Below is an example of how different job families are graded and grouped into two tracks—one for management and one for individual contributor.

### Sample Career Ladders within a Global Job Leveling System

<b>Business Leadership</b>	Executive	<b>Management</b>	7	Vice President	<b>Professional</b>	6	Principal	
	Grade 11		6	Sr. Director				
	Grade 10		5	Director				
<b>Management and Professional</b>	Grade 9		4	Sr. Manager		5	Expert	
	Grade 8		3	Manager		4	Advanced	
	Grade 7		2	Sr. Supervisor		3	Career	
	Grade 6		1	Supervisor		2	Developing	
<b>Entry Level and Support</b>	Grade 5			1	Entry	<b>Support</b>	5	Specialist
	Grade 4						4	Highly Skilled
	Grade 3						3	Senior
	Grade 2						2	Intermediate
							1	Entry

This type of dual career ladder was utilized during a recent client engagement for a US life sciences company with limited plans to expand overseas. The company had a large number of employees with PhDs and needed to ensure alignment between scientific, management and business career paths. Radford consultants successfully implemented a job leveling system that helped employees understand the different career opportunities available to them within their function and across the company. It also helped alleviate the pressure for scientists to move into management roles as the only way to advance in their careers. At the same time, the same model was employed by a rapidly growing private online gaming company with multiple large offices in the US and a few smaller satellite offices in Asia and Europe, demonstrating the flexibility of this model across different business types and different job types.

An increasing number of companies in the US are also using global leveling systems as a way to determine eligibility for all manner of compensation and benefits programs, not just for setting base salary levels. Global levels can be used to determine a position's bonus eligibility, bonus target and equity grant guidelines. While regional differences in pay levels exist, the global leveling system enables a company to be consistent in its determination of program eligibility by considering the internal equity of the positions in a given grade and then letting market practices dictate actual compensation levels.

## Conclusion

Around the world, more companies are turning to global job leveling systems as a replacement for their legacy methods of grouping similar jobs across various regions and business units—whether they currently use a points-value system, generic job descriptions or something else. Job leveling, when designed correctly, greatly simplifies how global workforces are organized and managed by introducing a common grading language across all employees and functions, while still differentiating for performance and specific market realities. Importantly, most companies that turn to job leveling find the approach to be more transparent, fairer and easier to communicate to employees. This infrastructure is also easier to maintain as a company continues to grow its workforce and geographic reach.

Radford's global sales, technology and life sciences surveys provide companies the basis for creating a job architecture that provides a framework upon which job leveling systems are built. Further, our consulting teams, with offices worldwide, understand the nuances of each market a company might operate in and have the experience and knowledge necessary to customize approaches for the particular location and circumstances of each client.

To learn more about Radford's executive compensation, broad-based compensation, compensation governance, and sales force effectiveness consulting services, please visit: [radford.com/home/consulting/](http://radford.com/home/consulting/)

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## About Radford

Radford, an Aon Hewitt company, is the leading provider of compensation intelligence and consulting services to the global technology and life sciences sectors. Our market-leading surveys, equity valuation expertise and strategic consulting help Compensation Committees and human resources leaders address their toughest challenge: attracting, engaging and retaining talent in innovation-based industries.

Radford offers clients a comprehensive suite of solutions, integrating unmatched global data capabilities with high-powered analytics and deep consulting expertise to deliver market-leading guidance to more than 2,600 organizations annually— from Fortune 100 companies to start-ups.

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