

Best Practices Review Summary

Current Trends in Classification Approaches

Organizations are considering a number of classification approaches that include:

- Competency-based job classification that is often accompanied by broad banding that enables organizations to reward the acquisition and demonstration of the competencies required for job and/or organization success.
- More flexible, person-based pay systems which allow for salary range penetration that is linked to the value the organization derives from a specific grouping of skills that an individual brings to the organization.
- Generic job classification matrices that provide organizations with the ability to quickly assess the value of positions that are undergoing considerable evolution.

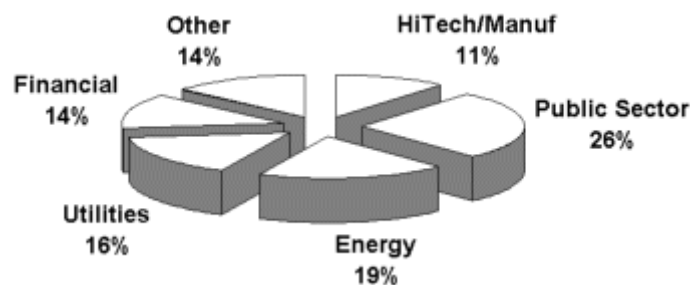
Job classification system features that emerging include:

- Focus on fewer customized factors that are linked to their strategy. E.g. wowing the customer, thinking outside the box and reflect the core competencies required for future success.
- Requisite organization models that are fairly generic and describe the nature of the work that is typically done at each level in the organization.
- One of the key learnings from the literature review is that the type of classification system that an organization should reflect the structure of the organization and the current business environment. For example, a highly structured, multi-layered organization that needs to preserve its current structure, should choose a very different model than a company that has a flat structure and positions and/or roles that are in a constant state of change.

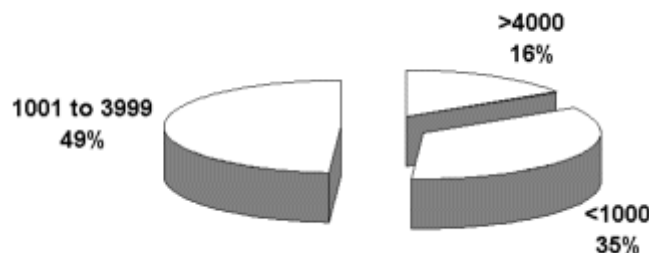
General Trends from Best Practices Interviews

Demographics

The sample consisted of 38 organizations from across Canada in the following industry sectors:



The size of organizations, by number of employees:



69% of the organizations have one or more unions.

Classification Approach

- The majority of respondents reported a fairly high level of satisfaction (averaging 7 out of 10) with their current classification system.
- Organizations primarily use job classification for classifying or placing jobs into pay bands, or maintaining internal equity.
- Other uses identified by organizations include:
 - Pay Equity compliance,

- Reinforcing corporate values,
- Performance management.
- 71% reported their classification system is linked to their business strategy through identifying and using factors that reflect the business strategies and the key competencies needed to achieve them.
- The most common approaches of Classification Systems include:
 - Traditional Point Factor or Factor Comparison
 - Generic Benchmarks by Job Family (often based upon point factor methodology)
 - Career Banding based on competencies descriptions
 - Market-Driven
- The evolving trend is towards more use of generic and broad band classification strategies, at least for administration. Many of the generic systems are derivatives of a point factor or factor comparison approach.
- Classification systems typically had one or more of the following :

<i>Feature</i>	<i>Percentage</i>
Benchmark Positions	86%
Position Questionnaires	57%
Use of Job Families	59%
Use of Committees	50%

- This supports the growing trend towards generic systems and away from detailed evaluation requiring on-going classification committees.
- 60% of organizations use more than one classification system, generally having separate systems for executive positions and often unionized positions. Consistency between the systems is typically a Human Resources and/or Management Role.
- The vast majority of organizations described some level of involvement and role for all groups (Executive, Senior Management, Team Leaders, Employees, Union, and Human Resources).

Factors Affecting the Success of the Classification System

- The single most important factor identified as critical to a successful job classification system is **clear alignment of the classification system with the organization's strategic directions.**
- The other 3 key organizational factors which contributed to the successful introduction and administration of the classification system were:
 - **Executive and Management support and involvement.** Commitment at all levels of management, so that they own the system and their actions support it.
 - **Involvement by employees.** Input and feedback through the design, implementation, and ongoing use phases allows employees to share in ownership of the system, while limiting the direct control over the system design.
 - **Communication.** Open communication of system and values allows all levels of employees to understand how the system works and what the expected results are and what that means to them in their own terms.

Lessons Learned

Some organizations identified some "lessons learned" that are useful to consider:

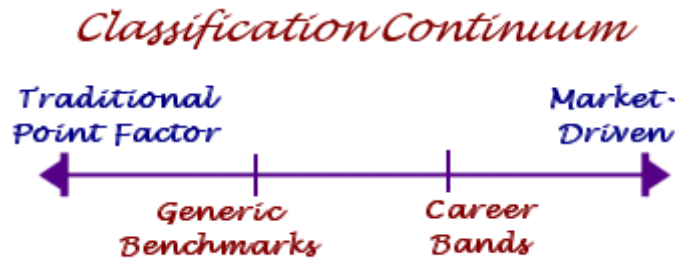
- Communicate early and often, so that there is clear understanding of:
 - what the process is,
 - who is involved and what their role is,
 - what outcomes are expected, and
 - when specific phases will be completed
- The larger the movement in classification philosophy, e.g. from traditional point factor to career bands, the more time and effort that is necessary in communicating and educating employees at all levels.
- In a benchmark or career band system, the clustering of similar positions in the initial stages, can save a significant amount of time. This can also reduce the number of different positions that must be classified and provides a valuable focus for employee and team leader involvement.
- Allocate sufficient time and resources for educating and training employees at all levels about the new system and how it works. Be prepared for a lengthy learning curve.

Best Practices Observations

- "The single most important factor identified as critical to a successful job classification system is clear alignment of the classification system with the organization's strategic directions."
- The development of integrated human resource strategies aligned with organizational direction reinforce the same principles and values that make it easier for employees to understand Human Resources' processes and their relevance to organizational success. Please see Table 1 below.
- Successful classification system typically has clear links to many other Human Resources' processes as demonstrated in Table 2 below.
- There is strong evidence to suggest that positions are no longer being viewed as narrowly defined jobs with very specific duties and processes. Instead there is a migration to the view of positions as roles that focus on accomplishing results.
- The goals of many emerging classification systems are focused on:
 - A streamlined process, that is fast and easy to administer.
 - Placing the prime responsibility for classification, compensation and performance decisions with the management of operating units.
 - Human Resources' role as a technical resources to managers and monitoring results for internal equity.
 - Open systems that all levels within the organization have access to including factors or benchmarks and specific position descriptions.

These goals support the migration path that many organizations are taking from the traditional point factor systems towards career bands. These are typically supported by competencies and often tied to market-based compensation.

The classification approaches identified in this study could be placed along a continuum, with traditional point factor at one end and market-driven strategies at the other. The 2 other distinct strategies identified were generic benchmarks and career bands, although many of the systems observed were variations and combinations that fell between these 2 strategies.



Human Resource Strategy Development

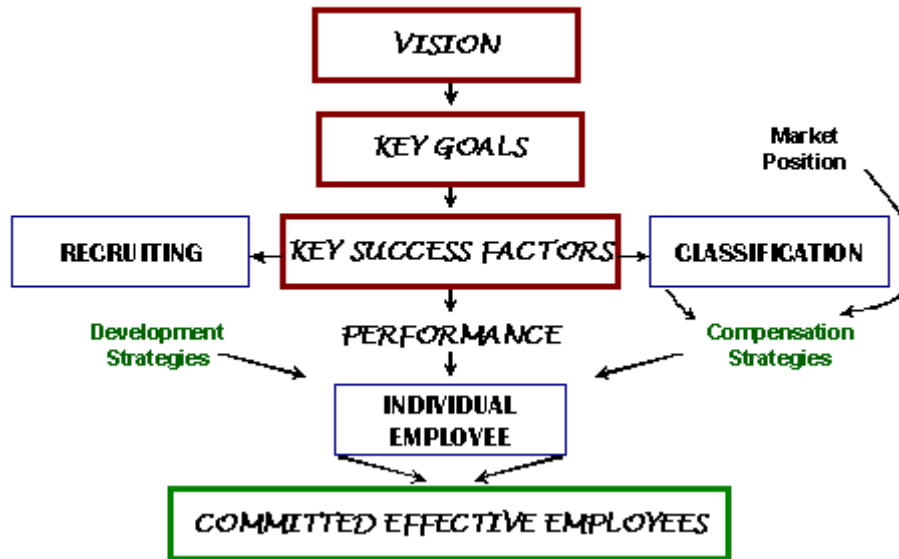


Table 1

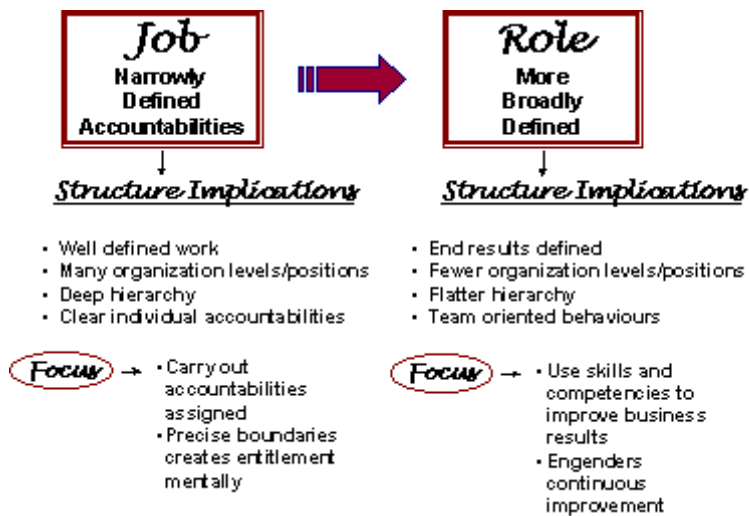


Table 2

CLASSIFICATION SYSTEM CONTINUUM

Components	Traditional Point Factor	Generic Benchmarks	Career Bands/ Competencies	Market Driven
Internal References	Benchmarks	Benchmarks	Benchmarks	Market Benchmarks only
Data Collection	Detailed Job Description Or Questionnaires	High Level Factor And Job Family Descriptions	Competency Descriptions For Each Level Of Expertise	Market Data Collected
Roles	HR Key Role <ul style="list-style-type: none"> • Descriptions • Committee Member Or Chair 	Jobs Slotted By: Line, Line and HR, Or HR alone HR Review Optional	Jobs Slotted By Line HR May Review Recommendations Of Line	Line Management/ HR
Committee Role	Line Committees <ul style="list-style-type: none"> • Evaluate benchmarks • Approve Evaluations 	Line Committee during design phase Optional for on-going	Line committee may be involved during design phase.	Not Required
Links to other HR Practices	Maybe loosely linked to recruiting Salary ranges are based upon point bands	Strong links to employee development within job families Compensation is salary ranges or broad bands	Strong links to performance management, employee development Compensation often market-based broad bands	Few strong links Performance management typically the strongest Compensation based on market-based rates/bands
Pros	Internal Equity Maintained Defensible re: Pay Equity Can determine small differences between jobs	Can align with org focus Managerial flexibility Reflects Job Family characteristics	Focus On roles & results Managerial flexibility Directly aligned to org focus through competencies	Supports full managerial control and discretion of classification placement. Very simple and responsive to change

		May be transition towards Competency-based system More focus on roles Easy to understand & administer & is flexible Defensible re: Pay Equity	Defensible re: Pay Equity	
Cons	Time Consuming <ul style="list-style-type: none"> Detailed descriptions for each job May be difficult to align with org focus May require frequent reclassifications 	Minor job differences may not be captured	Time-consuming to develop and implement Communication and education must be extensive Low Internal Equity Focus	No Internal Equity focus Defensibility re: Pay Equity is a greater challenge

For more information on Innovative Classification Systems:

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We conduct the **Information & Advanced Technology Compensation Survey**

The IT Compensation Standard in Western Canada

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