

How to Launch Your Compensation Strategy

We know launching a compensation strategy can be overwhelming - yet it's an important part of ensuring your culture is intentional and rewards the behavior you want to see. We've worked hard to simplify this process so that you're able to take a thoughtful and strategic approach to developing your own compensation strategy.

In conjunction with *The People Design House* (a people operations consultancy), we have created a ten step guide to launching your compensation strategy. This process often takes about 4 weeks to complete, mostly dependent on the availability and level of engagement across your key decision makers.

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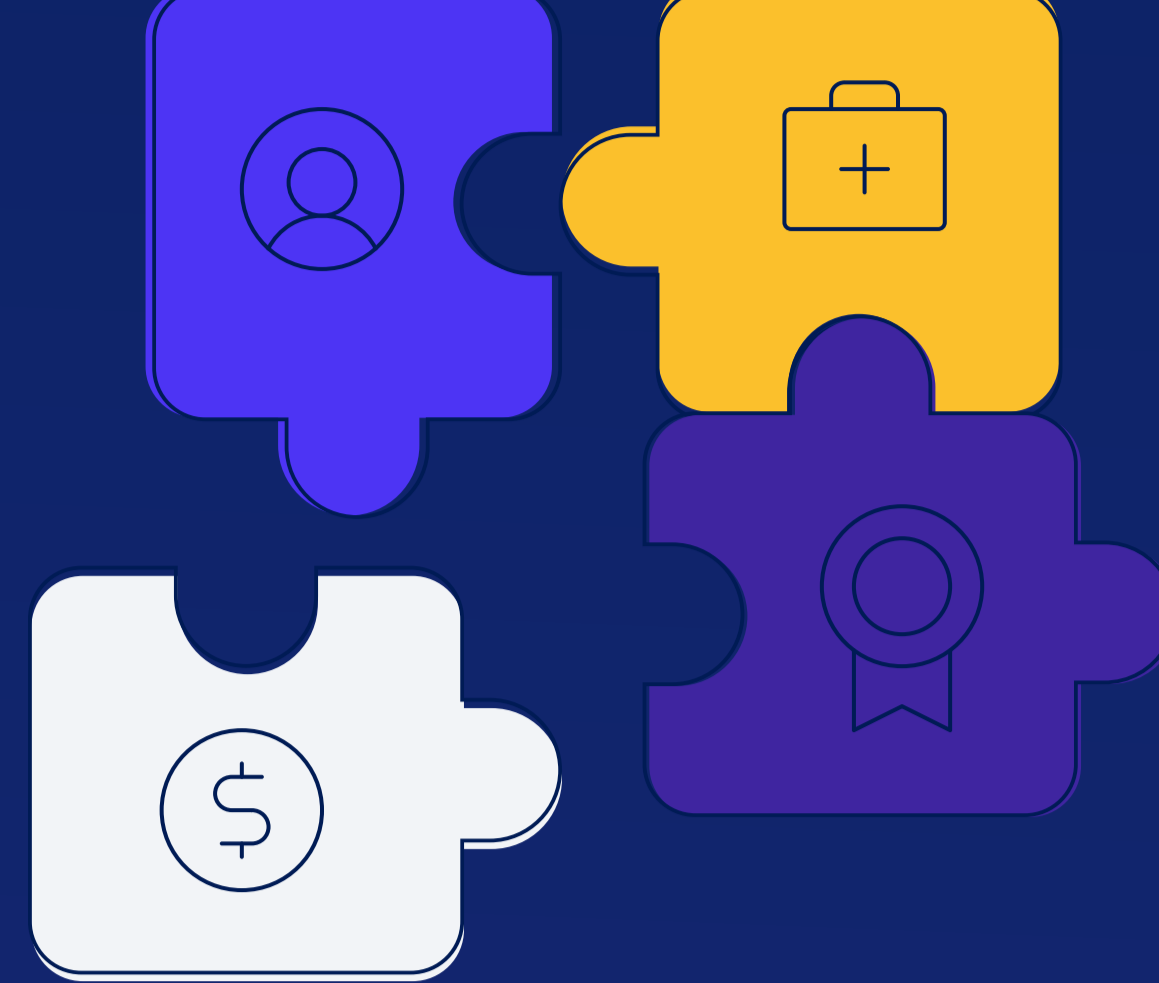
STEP 1

Create a Compensation Philosophy

Typically, when a company first establishes a Compensation Philosophy, it's easy to think that it's just about determining what market percentage to anchor your compensation bands. In reality, designing these bands is only one piece of a much larger puzzle. A compensation philosophy allows you to:

- Be intentional and thoughtful about compensation decisions
- Be proactive instead of reactive
- Establish a single source of truth for compensation decisions, contributing to driving buy-in and executing consistently against the framework

[Here's a template to help you get started →](#)



STEP 2

Define Your Market

Market data, and how you use it, is not one size fits all. Determining the best type of market data for benchmarking compensation should be informed by factors such as location, industry, growth stage, competitors, internal values, and strategic direction. We call this your Data Philosophy.

Select a market data source (Pave, Connery, Radford, etc.)

Define your market

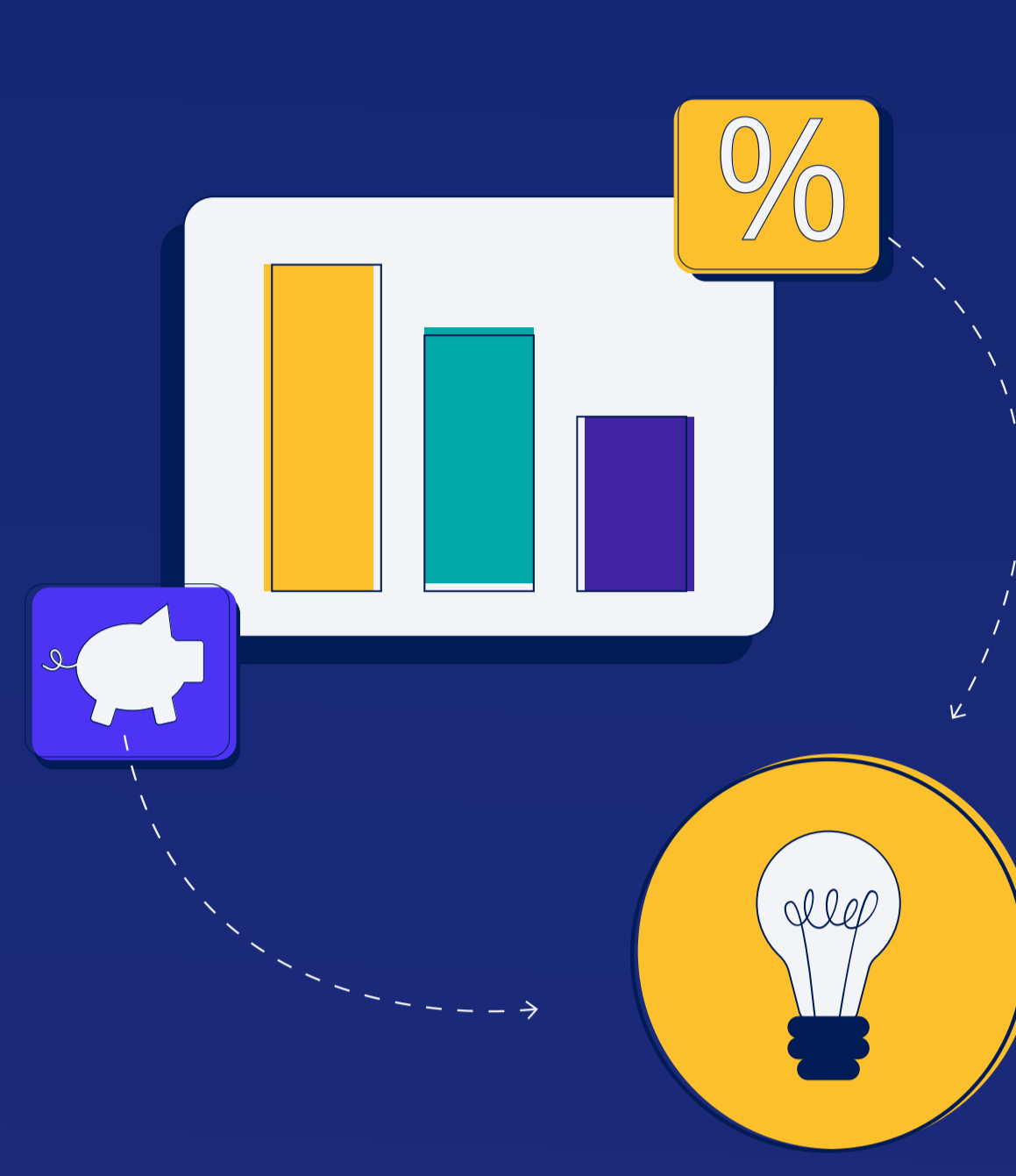
- Define your current and near-term state
- List your current industry/size/stage
- List your potential size/stage for the next 1-2 years

Define your competitors

- List the companies you're competing with for talent
- Define their industry/size/stage
- Compare to your industry/size/stage

List which key functions you need to hire

Create compensation bands as a result of these inputs



STEP 3

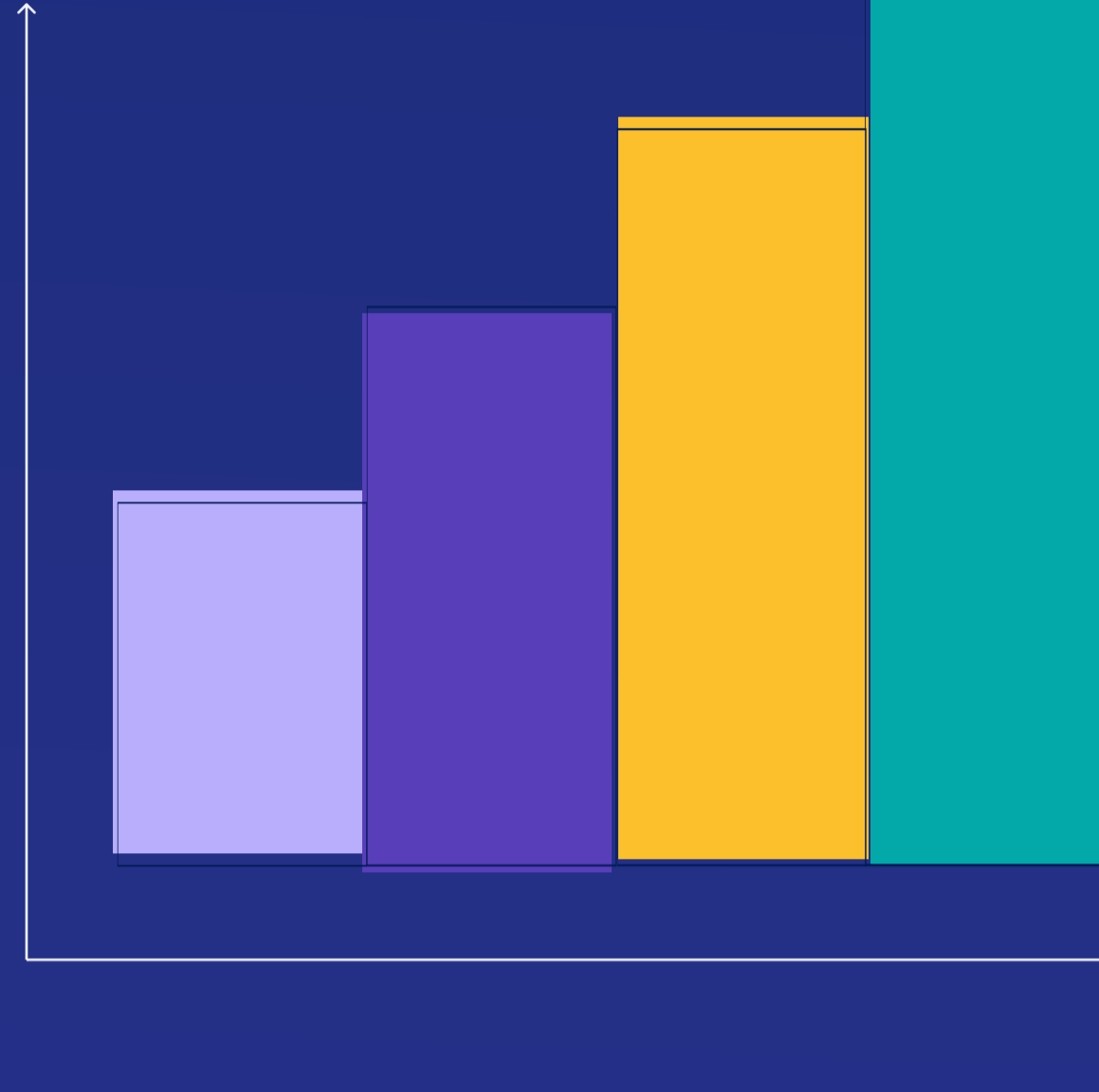
Design Levels

A level structure is a map of how roles progress in an organization. Often levels are defined by certain categories that describe the job, including job scope, complexity and the needs to accomplish the role, such as knowledge and application. Levels are usually the backbone to most strategies, and create clear guardrails for equitable salaries regardless of a candidate's demographics and negotiation skills.

Obtain the level definitions from your data source

Every data source has a level definitions rubric, review it, and ensure it matches your company's values

Add functional specific level definitions if appropriate



STEP 4

Enlist Your Leaders

Your company leaders provide strategic input and insights based on what they know about their teams functional expertise. Enlisting key stakeholders to help translate your compensation program to employees will be a critical part of building trust across the organization.

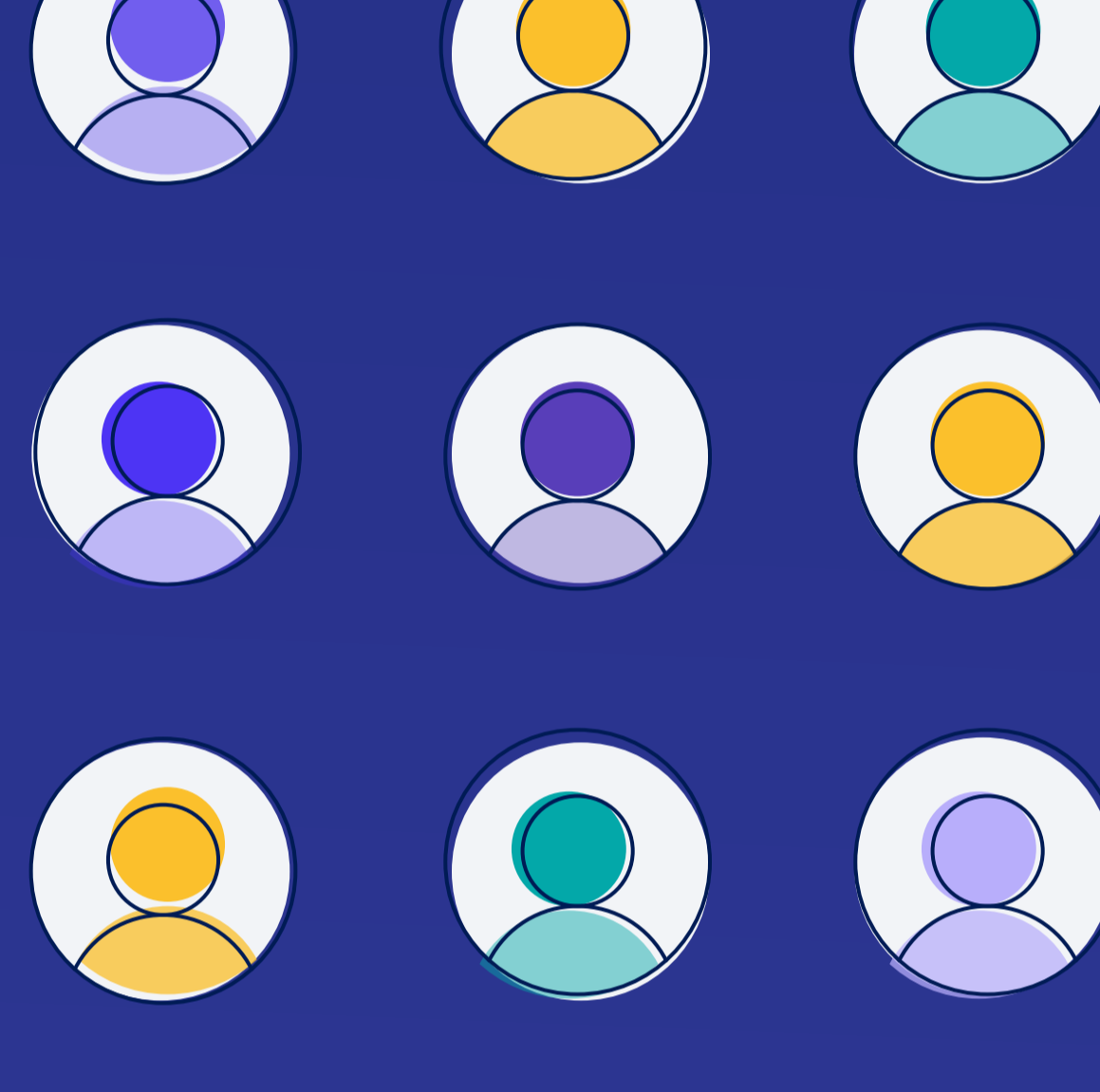
Identify functional organizational leaders in your organization who will influence your philosophy

Create a one-pager, overview or slide deck with:

- What is our compensation strategy
- What are levels and why are they important
- What are the key points to take away
- What are their roles and responsibilities

Host a meeting to communicate or share via email

Ask for feedback



STEP 5

Level Your Team

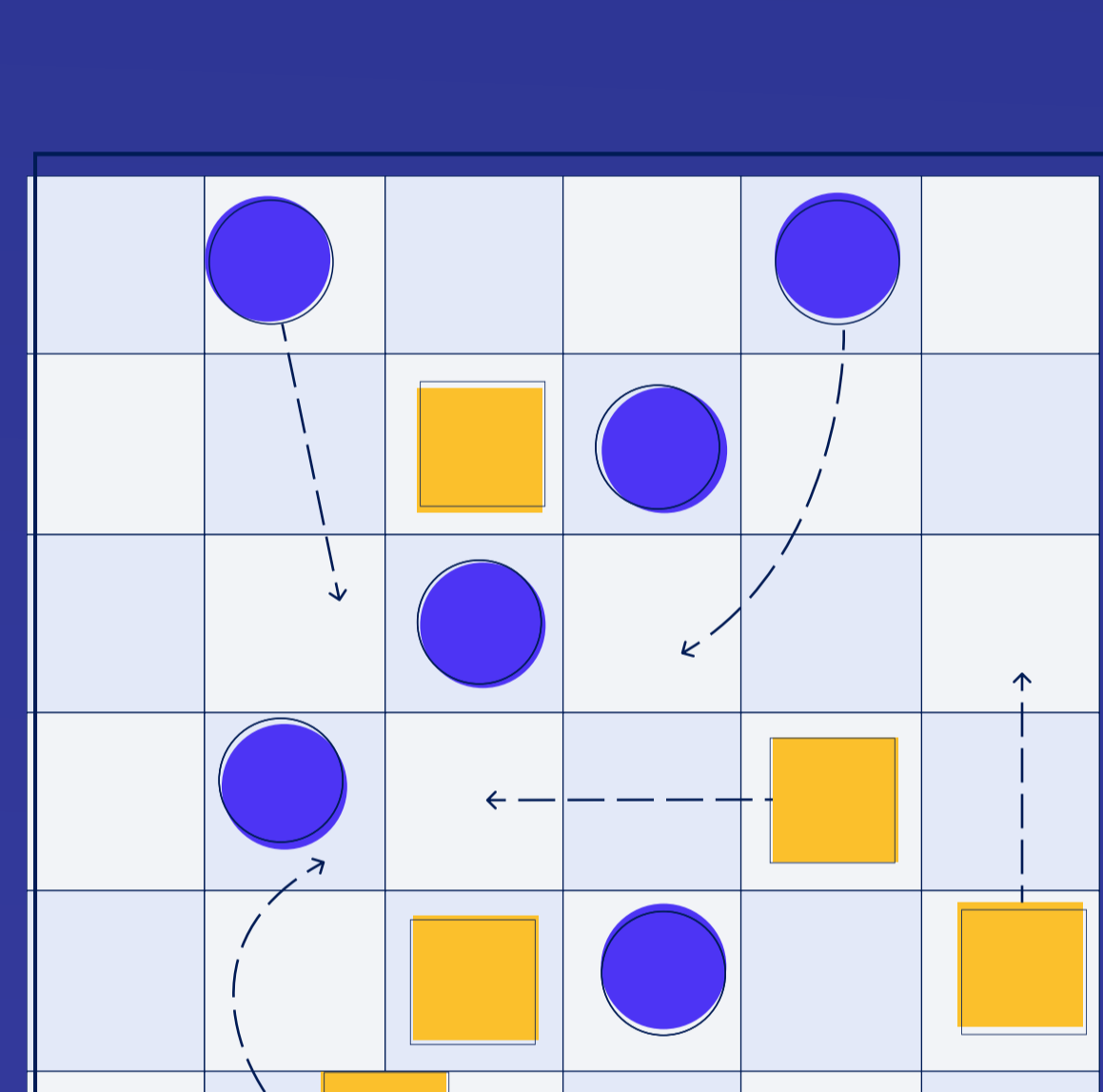
Levels clarify behaviors or skills that indicate seniority and expertise in a role and measure performance accordingly. Additionally, they create an environment of growth where employees are rewarded with career progress.

Train leaders/managers on the leveling process

Ask managers to level each role

Run level analytics* to identify trends and level distribution for calibration discussions

*Levels refer to the way in which your organization is broken apart by expertise, seniority and performance. Level analytics can be used to understand how your company is distributed across various seniority bands. It is important to have a clear breakdown of the individuals associated with each level to ensure that the calibration process is as equitable as possible (e.g. you would not want to bucket an entry-level IC in the same level as an experienced senior manager)



STEP 6

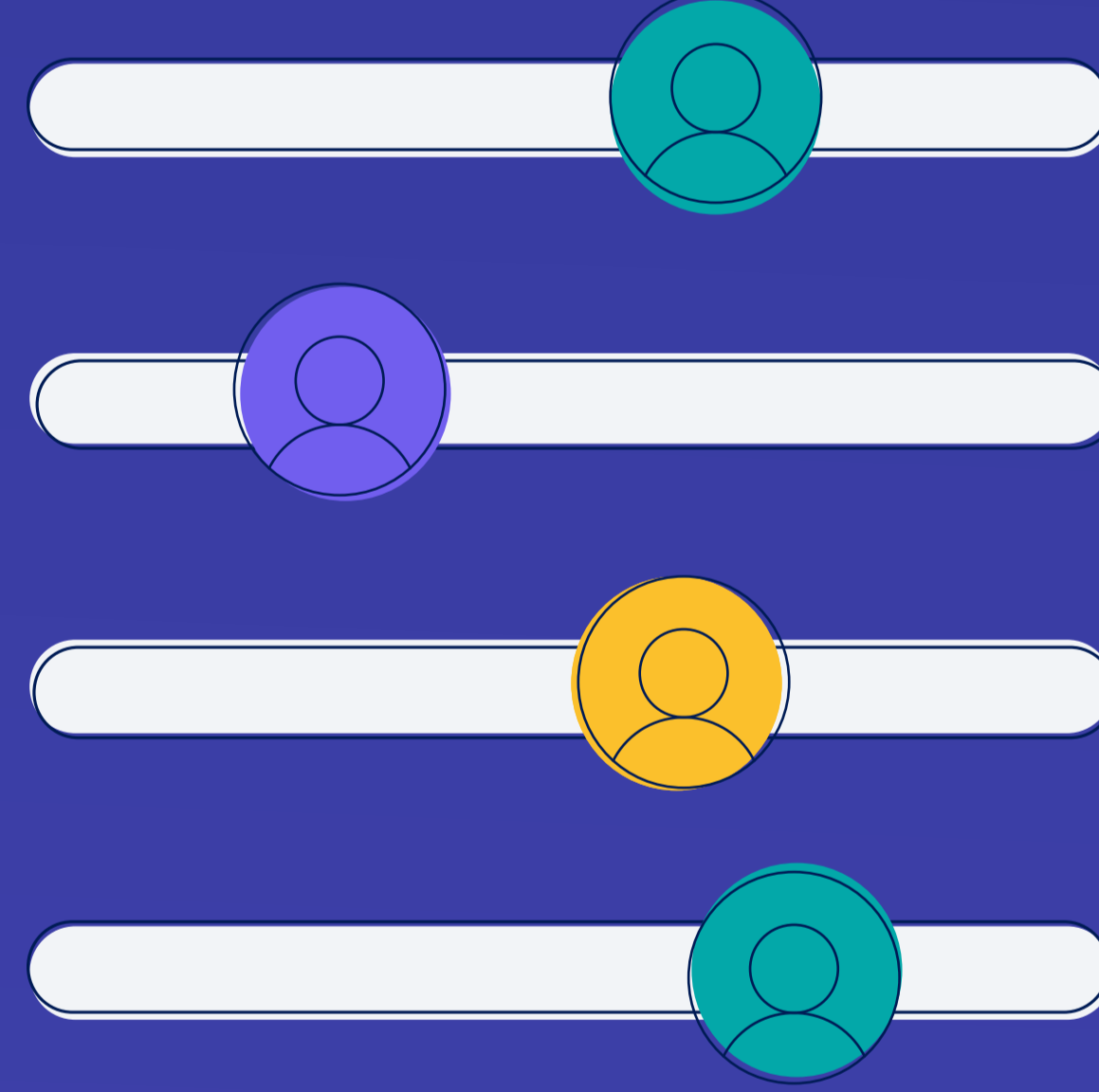
Calibrate Your Team

Calibration helps ensure consistency and reduce bias in leveling across the organization and among different disciplines. A calibration team is typically made up of your most senior leaders across disciplines. Best practice is to identify who is going to be the final decision maker on levels, such as the CEO/Co-founder or Compensation Committee.

Select the calibration team with representation across functions

Review all employees within the same level to ensure consistency

Discuss adjustments or differences of opinions with managers/leaders



STEP 7

Analyze Data

Once calibration is complete, it's time to run analytics again to review trends and sense check leveling outcomes.

Model to see which employees are within bands according to the market data

Decide on which situations get compensation adjustments and which ones don't



STEP 8

Make Compensation Adjustments

You may determine that some employees should receive compensation adjustments based on your new benchmarks.

Identify affected employees and make adjustments to their compensation based on market data

Draft letters for affected employees

Draft talking points for conversation

Host conversation with employees receiving an adjustment

Make changes in payroll



STEP 9

Design Rollout & Prepare Managers

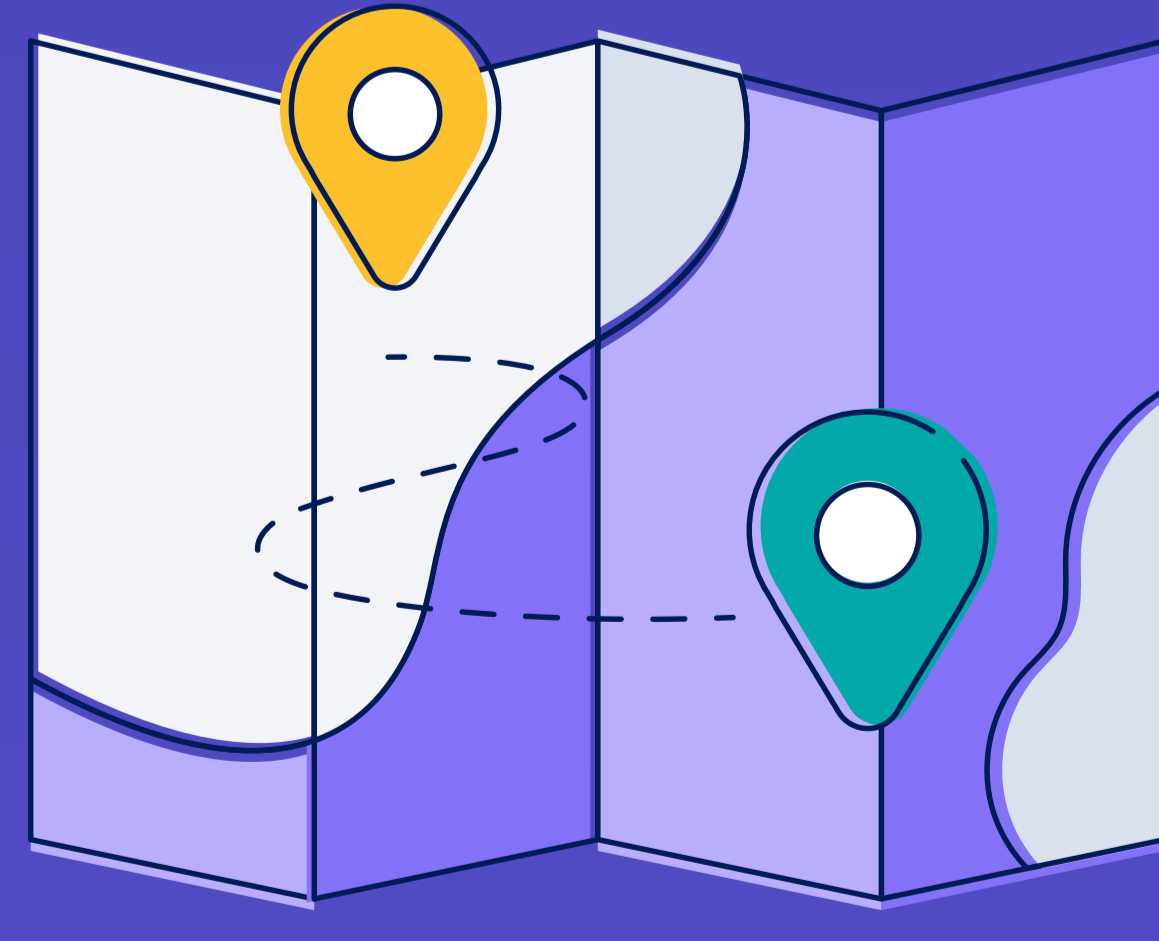
Now that you've completed your compensation benchmarking, designing a thoughtful rollout plan, including educating and empowering managers, is key. It's critical to ensure that the employees on your team understand the programs and processes that have been built to support them.

Develop a rollout plan

Draft talking points to share at an All Hands meeting

Draft overview + FAQ sheet about compensation strategy

Train managers on how to talk about compensation with their employees



STEP 10

Rollout!

It's go time! Based on your rollout plan, your communications may take several forms and happen over days or even weeks. Here are some examples of where and how to share your new compensation strategy:

Share talking points at All Hands

Email overview + FAQs to all employees

Have managers bring it up in their next one-on-ones

