

Compensation Benchmarking



Making the Organization Better Prepared

Understanding Compensation Benchmarking

- ▶ Salaries differ from organization to organization even within the same Industry mainly due to the following factors:
 - Organization size
 - DNA and culture of the Company
 - Geographical variances
 - Quality of services / products
 - Experience and /or capability of employees

- ▶ With an objective to pay 'fair compensation' to employees, Compensation Benchmarking is process of comparing salaries in an organization with that of other 'comparable' organizations within the same job profiles in order to determine the 'market rate', and where required, adjustment of existing salaries based on the result of the comparison.

- ▶ Benefits of Compensation Benchmarking:
 - Improvement in employee satisfaction and retention
 - Provide means to justify a salary
 - A structured mechanism to evaluate fairness of the existing salaries
 - More awareness and knowledge about the Industry Group and competition
 - Better planning for compensation and its structuring

Key Factors: Compensation Benchmarking

- ▶ **A regular activity**

Compensation Benchmarking should be a regular exercise so that an organization can act (rather than react) proactively – based on the Industry trends.

- ▶ **Study to be Scientific**

The study should be scientific, based on comparable data, and should give a true and fair view of the market data

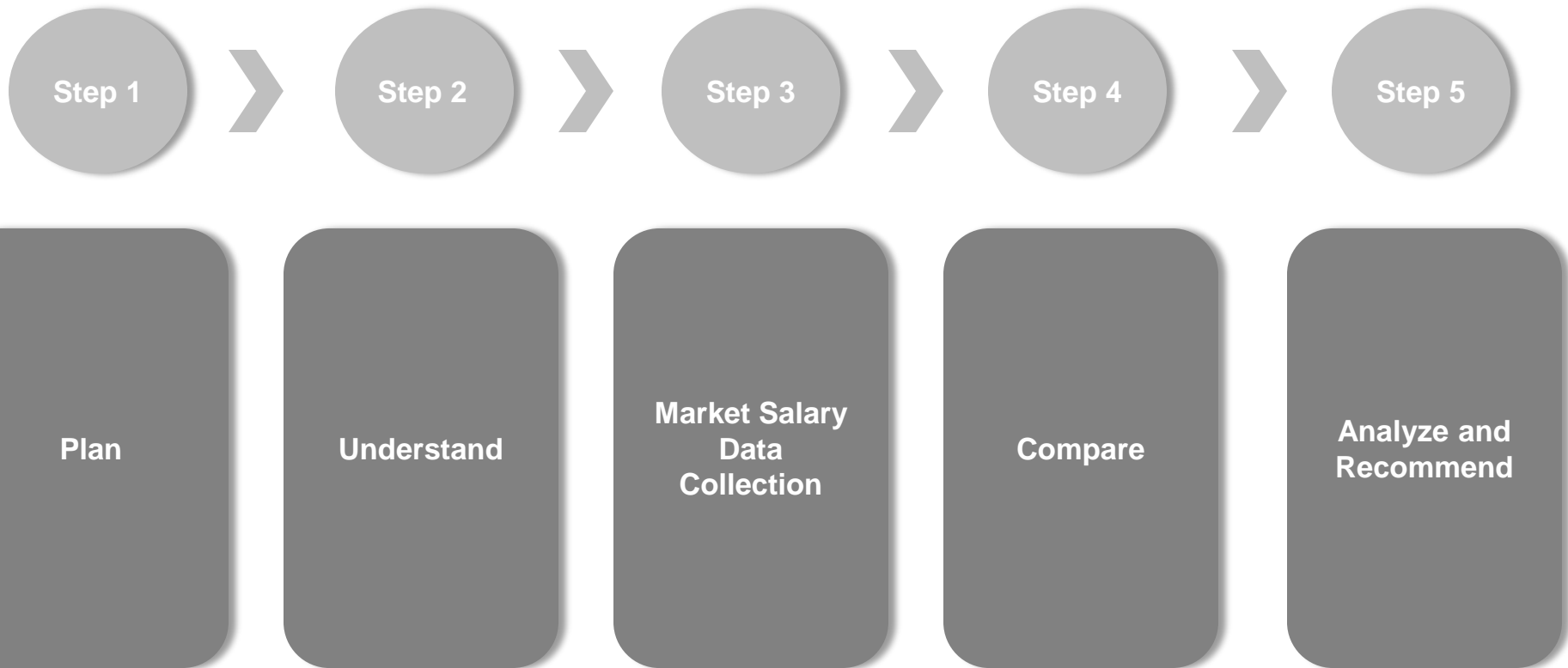
- ▶ **Study's results to be considered as indicators for salary adjustment and planning**

For adjusting salaries, results of Compensation Benchmarking should be treated as indicators rather than absolute number to be targeted. As stated earlier, due to various factors, an organization cannot be compared with another organization, similarly an individual cannot be compared with another individual, thus, it will be unjustified and may not prove beneficial to fix salaries based on what is being paid by another company.

- ▶ **Company's strategy is critical**

Factors such as business strategy and plan, budget, expected growth, and both micro & macro economic factors should be considered while taking salary alteration decisions.

Our Approach for Compensation Benchmarking



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