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Question: We will be starting a project to overhaul our classification and compensation system. As we plan for the project, we want to establish criteria by which we can measure success. Do you have any pearls of wisdom for us that would help us define success for our classification and compensation study?

CompDoctor: You have asked a very insightful question. With capital projects, success can easily be measured through completion of the project on or ahead of schedule and at a cost that is within the established budget. Whether the project was needed is not really an issue since the decision to move forward with the project, be it construction of a new highway, a new park, a new building, a flood control project, or even a major reconstruction effort, was probably based on the need for the project. When you take on projects like a classification and/or compensation study, things are not quite as tangible since the physical product is often a report. And the implementation of the report will affect every employee in the organization.

While you can certainly use the basic criteria of completion on schedule and within budget, we think these criteria may be the wrong way to measure success. Rather, we believe that a key success measure is: did the study accomplish what you wanted it to accomplish? Or, put another way, did it solve the problems that gave rise to the study in the first place? From our perspective, success can, and should, be measured in a variety of ways, as follows:

- **Why did you undertake the project in the first place?** We have addressed the issue of why an organization should undertake a review of its classification and/or compensation program in prior columns. We suggest that you review our column on determining whether your system is out of whack that was published in 2006 as a guide to addressing this issue. Determining success has to start

with a definition of your problems and/or issues. Simply stated, one cannot determine success if you have no idea where you are going.

- **Were stakeholders involved?** One of the biggest problems that we encounter is that many organizations attempt to conduct classification and/or compensation studies as administrative activities that are solely the realm of human resources. The fact that changes in classification and compensation programs seem to be of considerable interest to employees, operating managers, executives, policy makers, and, dare we even breathe the word, the general public, tells us that stakeholders need to be involved if a project is to be completed successfully. The degree of involvement will vary but our last column addressed this issue in terms of the composition of a project steering committee. While stakeholder involvement through the steering committee is critical to overall project success, there clearly needs to be greater involvement of the various stakeholders if the project is to have a successful outcome. This does not mean that you are negotiating a solution to your problems or issues. For those agencies that have unionized workforces, you will ultimately need to negotiate or at least meet and confer with the affected employee organizations over implementation of some of the recommendations coming out of the process. However, the negotiations should be on implementation issues and not the study process or the data that is produced through the study.

- **Do stakeholders understand why the changes that have been proposed are necessary?** Organizational change is always a challenge. Change that affects people directly is even tougher, especially when one is addressing something as personal as the job classification structure and individual position allocation into a new or revised class structure. Add to that the issue of pay and we are dealing with two of the most delicate parts of the human anatomy: egos

and wallets. When dealing with organizational change, we have found that it is imperative that the stakeholders understand from the very beginning the problems you are trying to address and why they need to be addressed. In the private sector, there are currently numerous organizations that are undergoing major change. Just look at the travel industry. Consolidation of airlines resulting in integration of workforces is a good example of organizational change that has been very difficult for many stakeholders. The auto industry had different problems to address but major changes were needed for the various companies to survive. Nevertheless, in both instances, one party may feel that it should be kept whole and that may or may not be possible, depending on the situation. When stakeholders create barriers to change, the success of the change initiative is jeopardized, along with the outright success and/or survival of the organization. Without involvement of the stakeholders in the process, though, the likelihood of failure will be much more likely than if stakeholders are involved throughout the process. The important thing to remember is that there needs to be a balance. If you are looking for peace, love and harmony, as well as full acceptance of the changes by all stakeholders, then you should either stop the process before starting or consider instituting a substance abuse testing program for the decision-makers, as this simply will not happen. Understanding what and why changes are needed is one thing. Full acceptance and support of the changes is another.

- **To what degree are you able to implement the changes that are proposed?** Many of the changes that come out of a classification and/or compensation study may be implemented by administrative action. That is often the case with agencies that do not have formal civil service systems that require approval of any changes to a classification system or changes in the classification of individual positions. When independent bodies, such as


civil service commissions are involved, they need to be kept in the loop from the beginning regarding the need for the changes that are being addressed. Clearly, if the policymaking body for the agency, such as a city council or county board, has adopted a classification and compensation philosophy and strategy that spells out the type of system that is needed, then this becomes less of a problem. On the compensation side of the equation, you may need to negotiate or meet and confer on the implementation of changes to the manner in which pay is delivered. Depending on the number of bargaining units involved, and the degree of change that is needed, this may require a multiyear strategy to achieve the desired results.

- **Did the changes that are proposed address the issues that caused you to do the study in the first place?** The first issue that we addressed above is making sure you know what issues you are trying to address. At the end of the day, you absolutely need to be

able to say that you did address each issue and that you have addressed it one way or another. If the problem was big enough to tackle in the first place, you certainly need to be able to show how it was addressed. Simply throwing up your hands and saying that there is no solution is simply not going to be acceptable to those who agreed up front that you had a problem.

So, now you know how to determine if you have led a successful project. The point we are trying to make is simply that completion of the project on schedule and within budget is not a realistic way to measure success. Rather, you may have had a successful project even if the project takes longer than planned and/or goes over budget because you elected to take the steps necessary to involve stakeholders throughout the process. You will note that involvement is not the same as agreement. It also does not mean that you have to negotiate with the participants. It also does not mean acceding to the will of individual employees who

may or may not understand all of the issues involved. What you want to achieve is participation and understanding of issues and solutions by the key stakeholder groups. If you do that, we believe that you will be well on your way to being successful. Getting the study results implemented, so long as you address the issues that you defined at the beginning of the process, will then result in a successful project.

The Comp Doctor™ is the team of Jim Fox and Bruce Lawson of Fox Lawson & Associates LLC, a compensation and human resources consulting firm that specializes in assisting governments in fixing their compensation and classification systems. They are seriously irreverent about their specialty. You may find them on the Web at www.foxlawson.com. If you have a question, you would like to have them answer, please write to them at jfox@foxlawson.com or blawson@foxlawson.com. They will try to include it in the next issue of Comp Doctor™. —

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for the workforce to have the opportunity to earn more money may be to achieve goals and objectives that are aligned with what the organization needs to accomplish. In this situation, everyone wins—employees, taxpayers, service beneficiaries and the organization itself.

Conclusion

Our study of a sample of cities in difficult labor markets shows that leaders in these cities are pushing the envelope with pay and rewards to retain scarce talent, particularly skilled professionals who have employment and career opportunities in the private sector. The cities studied are testing and implementing programs to give first priority to retaining these people by expanding their competitive market analysis, adding additional outcomes and results and skills and competencies to describe levels in the classification system, and providing variable pay with lump-sum awards for outcomes and results and increased skill utilization. These cities are not standing still. Rather, they are proactively experimenting, communicating and moving forward to retain scarce talent through pay and rewards while being cognizant of their responsibilities to provide value to taxpayers and the beneficiaries of city services.

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