Cross-Market Positioning Tool

Introduction

For clients participating in a number of remuneration benchmarking studies, Vencon Research International has developed a simple methodology for quickly determining the firm's competitive market position across all markets, at all levels, and for all remuneration elements.

The "Cross-Market Positioning Tool" uses the same MS Excel format as that adopted for Vencon's individual country Consultant Remuneration reports, but adds a dynamic 'colour coding' facility to the output, in order to quickly highlight variations from the norm, or from the firm's designated market position.

The tool may be utilised to view results at a glance across either a number of countries, or alternatively across multiple Lines-of-Business within a single country. Furthermore, the threshold at which the colour-delineation occurs can be varied at will by the client, making this a high utility device for compensation planning across multiple markets.

Overall Data Summary

The Cross-Market Positioning Tool utilises the same multiple 'tab' structure within an MS Excel work-book as the Raw Data Tables provided with every Consultant Remuneration Report; that is, a separate Excel data-sheet is provided for Base Salary, Expected Actual Total Cash Compensation, Target Total Cash Compensation, Actual Percentage Bonus Payment and Target Percentage Bonus Payment. All 5 data-sets are duplicated for both Firm-weighted and Incumbent-weighted data, giving a total of 10 'tabs'.

The layout and structure will therefore be familiar to any frequent user of the Vencon Research remuneration data.

However, whereas the individual country reports set out one line of data per firm, the Positioning Tool instead is constructed as one line per country (for multiple country analyses) or one line per Line-of-Business (for analysis of multiple lines across a single geography).

The Positioning Tool thus acts as an Executive Summary of the firm's position across multiple markets. For each market, and each remuneration element, the data-table presents both the median value for all other firms in the respective survey, and the commissioning firm's own median value per career level.

Further, the data-table reports the client firm's relative position in the market at each career step in terms of Compa-Ratio, and Percentile level within the competitor group. These positions are automatically colour-coded on a 'traffic light' basis, to readily identify where the firms position is within a central or pre-determined band, slightly outside the pre-determined level or seriously adrift. It thus provides an 'at-a-glance' summary of issues which may need to be addressed, or whether the firm is within the bounds of its agreed market position per country, per career level and per remuneration element

Finally, the title of the report from which the data were extracted is identified within the data-table, to enable more detailed examination should this prove appropriate.

Compa-Ratio

The Compa-Ratio used in the Positioning Tool is calculated as the firm's reported salary, averaged across each career level, as a percentage of the salary for all other firms in that survey. In standard cases, the tool sets this comparison against "median" values. Thus a Compa-Ratio of 100% would mean that the firm is paying exactly the same as the median for all other firms.

By default, the firms Compa-Ratio will be colour-coded Green if their Compa-Ratio is within certain percent, for example +/- 10% of the median for all other firms (i.e. within the range 90%-110% of the median). It would be highlighted as Yellow if it is more than +/- 10% but less than for example +/- 15%, and Red if outside these limits.

The range settings for all three 'colour-code' parameters should be defined and can be easily changed by the user, whereby the colour-coding will automatically adjust accordingly.

Thus, in a tight market, where it may be important to be within +/- 5% of the median, the Boundary Levels can be set in 5% steps, enabling outliers to be identified in line with the firm's remuneration policies.

Finally, the client firm's Compa-Ratio position for each career level is presented across all geographies or lines-of-business as a simple bar chart, normalised against a score of 100% (whereby the market reference value would normally be the median), giving a further 'at-a-glance' summary of the firm positioning in the competitive market.
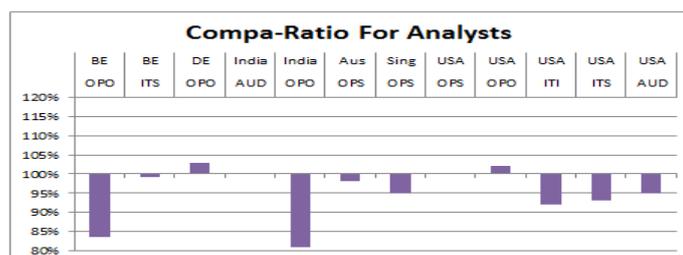
On request, the Compa-Ratio can be determined against an alternative reference value. For example, if the firm has a policy of targeting an Upper Quartile remuneration position, this value can be set as the determinant or market reference, and the percentage variance would be calculated from this value.

Percentiles

In addition to Compa-Ratio the Positioning Tool also reports the firm's Percentile Ranking per career level, per country (and per remuneration element). The percentile ranking represents the firm's position within the overall market from 0% (the lowest paying firm in the sample) to 100% (the highest paying firm). By definition, the median is represented by the 50% level.

Again, these values are colour-coded, using a 'traffic light' format.

By default, the firm's percentile score will be coded Green if within +/- one Standard Deviation of the median (which, for a normal distribution, takes in roughly $^2/_3$rds of the whole sample), Yellow if within two Standard Deviations (about 97% of the sample) and Red if within the third Standard Deviation (i.e. either in the lowest or highest 2% of the sample).
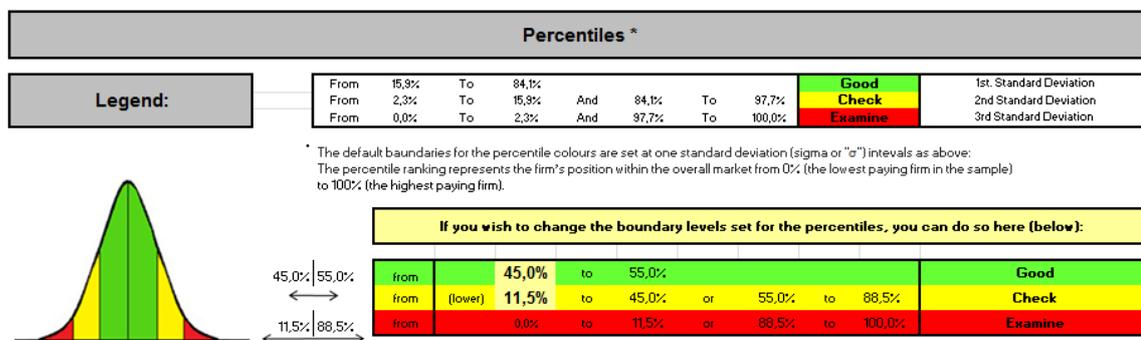
Again, the thresholds for this colour-coding can be varied by the user.

Thus, if the remuneration policy is to be within +/- 10% of the median, and never to be outside the Lower or Upper Quartiles, the Green boundaries may be set at 40% and 60%, the Yellow at 25% and 75% and the Red boundaries will automatically calculate to be outside those limits.

The data-table with then automatically adjust the colour-code to show career levels and geographies (or lines-of-business) within the desired range, and any falling within the 'unacceptable' category.

The Cross-Market Positioning Tool thus provides a powerful, graphic illustration of the firm's remuneration position across all markets, career levels and remuneration elements.

Availability

The Cross-Market Positioning Tool is compiled to order by Vencon Research for clients who have purchased multiple reports, either across numerous geographies, or several lines-of-business in a single geography, and require a single source summary to document their overall market position.

The Cross-Market Positioning Tool is normally compiled at the same time as the reports themselves, and can thus be made available to the central Compensation or HR Head as soon as the reports are released.

On request, threshold levels and reference point for Compa-Ratio and Percentile analyses can be varied to client requirement, although these are designed to permit modelling by the Compensation / HR team themselves if desired.