

Perspective

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International Position Evaluation: one management tool with several business applications

An interview with Antonis Christidis, Mercer Principal and International Position Evaluation (IPE) leader for the Europe, Middle East and Africa (EMEA) region

International Position Evaluation

A job evaluation methodology offers organisations an independent method of comparing various aspects of jobs and then levelling/ranking those jobs accordingly. This allows them to overcome the ambiguities caused by comparing job titles alone, and gives them an objective basis on which to determine pay in a way that allows them to balance internal equity and external competitiveness.

But the benefits of Mercer's International Position Evaluation (IPE) methodology are far reaching. IPE can be used to help make better mobility-related decisions, develop career paths and talent management frameworks, as well as to ensure that an organisation complies with equal pay legislation and creates the conditions for fast post-merger integration.

In this article, you will find answers to:

- How can IPE help with mobility?
- How can IPE support pay equity?
- How can IPE help with career pathing?
- How can IPE help in M&A situations?

Q: How can Mercer's IPE help with mobility?

A: Here's a simple example. The German sales director of an international company is offered a job to lead the company's local operations in the Czech Republic. Because the role is a general management position offering international exposure, and due to the absence of an evaluation methodology, this move would be perceived as a step up the career ladder – a "promotion".

In reality, the job of a sales director in Germany, which is a big market, offers more autonomy and has a greater impact on the company overall than the general manager role in the Czech Republic. The overall strategy for the Czech business had already been determined previously, and the role of the general manager is to simply implement it – it may have a broader scope than just sales but definitely less of an overall impact on the main company's bottom line.



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So, although the new job was perceived to constitute a “promotion”, in reality it was a lateral move – and this is likely to cause frustration and disengagement.

Adopting a common approach to sizing jobs and creating grading structures across a company’s operations prevents these sorts of mistakes. Anyone can tell at a glance what the “stature” and characteristics of any particular job are, and this provides the organisation with a common language across geographies.

Q: How can Mercer’s IPE help with internal equity and equal pay?

A: Interest in this topic has been increasing in recent years for two reasons: the impact internal pay equity has on the overall organisational climate, as well as equal pay legislation, which sets specific rules on how companies should pay employees for their contributions.

The concept of “internal equity” – that is, fairness in terms of the way people performing similar jobs are treated for them – has moved in and out of fashion over the past 40 years. The days when an individual would join a company and expect to stay there for 35 years, progressing up the hierarchy and receiving an attractive pension at retirement, are long gone. That period was characterised by a strong focus on internal equity around pay, as employees were essentially “part of the family”.

This situation changed in the 1980s and 1990s with the advent of “downsizing”, and maximising the earnings potential became the critical factor in making career choices. This led to the situation whereby companies moved away from traditional ideas of “position class” and job stature in favour of “market pricing” – that is, they were only interested in external pay comparisons based on job title.

In recent years companies have started looking at this in a more balanced way, combining market pricing with position evaluation. The trend has become increasingly pronounced, with growing pressure on budgets and the need to set pay according to the contribution a position makes to the company’s bottom line rather than only looking at the contribution the market thinks it should be making. Titles and salaries alone can be misleading, and in setting pay a company should take into account both internal equity and external competitiveness.

Mercer’s IPE methodology places the greatest focus on the impact a job makes in contributing to an organisation’s overall results. Many position evaluation systems have traditionally placed the biggest premium on knowledge.

It’s a subtle shift, but an important one – and companies subscribing to the value of the impact a job has reap considerable dividends in terms of complying with equal pay legislation, which has at its heart the notion of “equal pay for equal contribution”.

In equal-pay cases the courts would generally take two factors into account:

- 1) Does the company apply an analytical job evaluation methodology to measure the actual contribution of jobs?



2) If so, how does the company apply the methodology? Does the organisation measure the actual contribution of the position, or does it benchmark the position against some standard or “norm”? The latter is clearly more broad brush than the former, because however “typical” any particular job might be, there are also some specifics that differentiate it from the rest. Companies that use an analytical methodology and can demonstrate why they sized a job as they did have a far more robust defence against discrimination charges.

Q: How can Mercer’s IPE help with career pathing and talent management?

A: Job evaluation is about job understanding. The ability to perform a valid evaluation – that is, to break down a job’s duties and responsibilities to give you a clear picture about what it really requires – suggests that you have a good understanding of the job’s content and organisational context. It is then much easier to identify logical career path moves, and create training and development frameworks to ensure that jobholders are well-equipped to move up the corporate ladder. For example, by examining the analytical evaluations of your jobs you might find similarities that suggest someone could move relatively easily between HR and Finance (given the necessary technical training), whereas a move from Finance into the more aggressive environment of Sales would be less likely to be a successful transition. This is because HR and Finance have similar profiles in terms of their impact to the business, while Sales is much more “direct” in terms of contribution.

Having a more thorough understanding of the components of any given job – the nature of impact it makes, the knowledge needed to perform it, and communication and innovation requirements – can help you better understand its behavioural implications and thus better assess talent-related issues.

Q: How can Mercer’s IPE help companies make more successful acquisitions?

A: Consider a company that is looking at two potential targets with broadly similar balance sheets, but one evaluates and maintains (because companies and jobs evolve all the time) proper job structures underpinning their career paths, mobility, talent management and reward systems, and the other doesn’t. It should be very clear which target to pursue.

As surveys consistently show, a large number of mergers and acquisitions fail to create value, and one of the biggest barriers is poor post-merger integration. The better the “housekeeping” in a company, the easier it is to understand and integrate, and the more quickly a return on the investment achieved.

Equally, two companies may merge and find that they had different approaches to reward, mobility and talent management in their individual organisations. Given the need to achieve rapid post-merger synergies, evaluating their jobs under the new organisation and creating a common grading structure could be an important first step towards better integration. It would allow the unified company to better integrate reward and talent arrangements as well as lay the foundation for creating a common culture.



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Q: What advantages does Mercer's IPE have compared to other analytical job evaluation methodologies?

A: Some methodologies require so many inputs that they become overly complex and unwieldy, while others are too generic. IPE, on the other hand, is sophisticated – deeply rooted in the modern dynamic business environment – and user-friendly – it can be easily understood and applied by nonexperts and supported by a well-praised e-tool – eIPE Unlimited. This means that, in implementing IPE, debates about job stature are rare, which in turn means a faster implementation cycle and better control over costs. It further means that HR executives in companies that use IPE find it easier to explain how jobs are sized to their nonexpert line managers, ensuring their buy-in and support.

Overall, this suggests a smoother implementation and maintenance process, which is why no negative sentiments have been attached to IPE by the hundreds of companies around the world that have implemented it.

For more information on Mercer's IPE, please visit www.imercer.com/ipe.

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