Directions

Conduct scholarly research to provide a detailed 2 to 3 paragraph response to the questions listed below. Then, Provide a minimum of 2 peer replies to posts made by your classmates using scholarly references to support your responses. Please do not paraphrasing and be concise on your points, be clear and specific.

Question:

1. In what ways is internal alignment an important policy in a strategic perspective of compensation? Discuss the factors that influence internal pay structures. Based on your scholarly research, how do these shape a compensation strategy?

Peer 1

1. **Job analysis has been considered the cornerstone of human resources management. Precisely how does it support managers making pay decisions? What is the critical advantage of quantitative approaches over conventional approaches to job analysis? What would you say to managers who argue that the job analysis process is a waste of time?**

            Job analysis is defined as ‘the systematic process of collecting information that identifies similarities and differences in the work’ (Milkovich, Newman, & Gerhart, 2014, p.103). Job analysis supports managers making pay decisions through demonstrating the differences between jobs and by creating job structure – it is likely that similar jobs in similar geographic areas will have similar pay structures, whereas different jobs will have different pay structures (Milkovich et al, 2014). Thus, managers can consider how different or similar jobs are when making these decisions about employee pay. Market rates also form part of the decision making process for managers who are responsible for creating pay packages for different positions (Society for Human Resource Management, 2017).

            The critical advantage of quantitative approaches over conventional approaches to job analysis include the fact that a quantitative job analysis (QJA) requires the prospective employee to fill out an online questionnaire, whereas a conventional job analysis involves asking current employees to fill out a questionnaire in order to compile information about the job (Milkovich et al, 2014). In some cases, current employees are observed during the workday in order for managers to establish the required KSAs (knowledge, skills and abilities) needed for the job, or the current employees are asked to maintain a work diary in order for management to calculate the length of time taken to complete tasks (Society for Human Resource Management, 2017). The collection of quantifiable data through the QJA means that the data can be analyzed faster and a statistical analysis can be conducted (Milkovich et al, 2014). The disadvantage of using a conventional method such as a work diary is the fact that the data gained from this method may not correlate directly with the requirements of the job (Society for Human Resource Management, 2017). This renders the data less useful for the purpose of a job analysis, whereas statistical data can be argued to provide more objective and effective data for this purpose.

            Managers who argue that the job analysis process is a waste of time should consider the fact that discrepancies can occur – as job responsibilities can evolve over time, and individuals currently employed in those positions may even create those changes themselves (Milkovich et al, 2014). Thus, additional data should be compiled when these discrepancies occur, so that the job analysis is kept consistently accurate and up to date (Milkovich et al, 2014). The job analysis process, when worked on consistently, is a benefit to managers who are responsible for making pay decisions, rather than a waste of time.

References

Milkovich, G., Newman, J., & Gerhart, B. (2014). *Compensation. (11th ed.).*New York, NY: Mc-Graw Hill Irwin.

Society for Human Resource Management (2017). *Performing job analysis.*Retrieved from: https://www.shrm.org/resourcesandtools/tools-and-samples/toolkits/pages/performingjobanalysis.aspx

Peer 2

1. **In what ways is internal alignment an important policy in a strategic perspective of compensation? Discuss the factors that influence internal pay structures. Based on your scholarly research, how do these shape a compensation strategy?**

            Internal alignment is the pay relationships between different jobs, skills needed to perform these jobs and its competencies within an organization. “These relationships form a pay structure that should support the organization strategy, support the work flow, and motivate behavior toward organization objectives” (Milkovich, Newman, & Gerhart, 2014).

            Jobs and people’s skills are compared in terms of their relative contributions to the organizations’ business objectives.  Internal alignment also focuses on why pay relationships that motivating employees to choose increased training and greater responsibility in dealing with customers, internal pay relationships indirectly affect the capabilities of the workforce and hence the efficiency of the entire organization.  The Business for Social Responsibility (BSR) Report, 2008 defines internal alignment as the set of commitments, strategies, policies, procedures, systems and behaviors that support integrated customer decision making based on suppliers’ commercial and ethical commitment and performance. This is translated into practice by the basic techniques of reward management, job analysis, job evaluation, and performance appraisal. The focus is on comparing jobs and individuals in terms of their relative contributions to the organization’s objectives (Bratton and Gold, 2001).

            Pay relationships within the organization affect all three compensation objectives in internal alignment.  This method also affects employee decisions on whether to stay with the organization or leave the organization.  Then the organization must motivate employees to attend training and seek greater responsibility in dealing with customers, internal pay relationships indirectly affect the capabilities of the workforce and hence the efficiency of the entire organization.  Fairness is affected through employees’ comparisons of their pay to the pay of others in the organization.

            An organization will lay out a set of strategic objectives each year and they will want to see these objectives met.  To meet the objectives, the organization will provide incentives to their employees they will tie performance bonuses to the meeting of certain benchmarks of the strategic objective like revenue growth, net income growth or return on equity targets. These incentives will help the employee gain a strategic perspective, which focuses on those competitive choices that help the organization gain and sustain a competitive advantage.

            Internal alignment factors are divided into three which are External Factors, Organizational Factors and Internal and External Factors combine (Milkovich and Newman, 2014).  In external factors divided into several categories which are economic pressures, government policies, laws, and regulations, external stakeholders, cultures and customs. Then in organizational factors also divided into strategy technology, human capital, HR (Human Resource) policy, employee acceptance and cost implications.

            Some of the internal factors include the organizations strategy, and the qualifications needed to perform the job duties.  “Although employers generally try to keep their salary structures competitive, there are companies with salaries slightly lower or higher than the market rate” (Mayhew, n.d.).  Lower salaries are utilized by organizations that hire candidates with little to no experience to groom them to specific skills that go with its job description requirement.  Higher salaries are used to attract experienced candidates.  This in turn relates to the organizations ability to pay for certain skill level of its employees.  A startup company may not be able to afford to pay high level, experienced workers. “When an employer is safely operating in the black, it may revisit its compensation structure and modify salaries so they are more competitive with other employers in the industry” (Mayhew, n.d.). Other internal factors are technology, cost implications, the way the organization is designed with different job levels.  These job levels tie into other HR Policies that influence internal pay structures.  “Most organizations tie money to promotions to induce employees to apply for higher level positions.  The more levels an organization has the more promotions it should offer.  This gives the employees the sense of career progress (Milkovich, Newman, & Gerhart, 2014).  Some of the external factors include external stakeholders such as unions, stockholders, and political groups.  Government policies, laws, and regulations such as discrimination laws, minimum wage, and required health coverage are just a few examples.  The labor market is also an external factor that has a significant impact.  “When unemployment rates are high, there are many more people looking for work than there are jobs.  In this case, employers might lower their starting wages because they anticipate job seekers may settle for lower wages” (Mayhew, n.d.).  Labor market supply and demand forces are strong influences in the setting of wages.  No matter what an organizations job evaluation results indicate, it is unlikely it will be able to pay wages drastically lower or higher than the going rate (Billikopf, 2006).  All these factors greatly influence an organizations internal pay structure by dictating how an organization will meet its objectives.

            Compensation policies and practices differ widely across organizations and across employee groups within organizations.  Some organizations claim to position their base pay to meet the market, while others follow it; some design incentive schemes to emphasize long-term performance, others short term.  Some organizations employ individual based incentives while others emphasize group or team based gain-sharing schemes.  Some decentralize the administration of compensation, others do not.  Some disclose very specific information about pay to employees, such as ranges and merit guide charts, while others communicate only the broad policies, such as fairness and competitiveness.  A strategy may be intended and formally articulated in some plan or document, or it may emerge through the patterns of decisions shown by the organization’s behaviors.  Thus, strategies are both plans and patterns from the past to make survival of the organization itself (Mintzberg, 1987).  External competitiveness strategies are often expressed as leading, lagging, or matching the market (Milkovich & Newman, 2014).  In practice, many organizations pursue more than one external competitiveness strategy. These organizations may vary their external competitiveness strategies for different groups of jobs.  For instance, some organizations may lead for positions deemed critical, whereas for less significant positions they may match or lag the market (Milkovich & Newman, 2014).

            From human resource management perspective, the successes of major human resource activities are related to and/or are dependent on compensation policy and practice.  Also, more work is needed to understand both what determines variations in patterns of compensation decisions and their effects among employee and employer.  The strategic component of compensation must have alignment more involved in determining whatever to attract and retain people in jobs today.

**References**

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Gold, J. B. (2007). *Human Resource Management, Fourth Edition: Theory and Practice 4th Edition .* New York: Palgrave MacMillian.

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Mintzberg, H. (1987). The Strategy Concept II: Another Look at Why Organizations Need Strategies. *Sage Journals*, 25-32.