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WHITE PAPER

Compensation Reports:
Eight Standards Every Nonprofit Should Know Before Selecting A Survey

In today's tough economic climate, nonprofit organizations need reliable information when making critical decisions that involve the organization's compensation and benefit expenses. The average nonprofit allocates more than 49%* of its total organizational budget to employee salaries, taxes and benefits. For most organizations, employee compensation is the single most challenging expense category to manage. One tool that nonprofits can use to gain control of compensation expenses is an industry-specific salary and benefits survey. Successful for-profit organizations routinely use salary and benefits surveys to make decisions about employee salary levels and to gauge the competitiveness of their benefit offerings. Additional benefits for nonprofits include the ability to conduct intermediate sanctions compliance reviews and benchmark compensation practices against similar nonprofit organizations. In recent years, a variety of salary and benefits surveys have been marketed to nonprofit organizations. On the surface these surveys might appear to be the same, but in reality there are significant differences. Sorting through these differences and selecting the right compensation report can be a challenge. The key is to use a set of criteria that will allow you to evaluate all surveys in the same manner. The following eight standards can be used to quickly and effectively evaluate the merits of any salary and benefit survey for your organization.

1. Defined Survey Methodology

A well planned compensation survey has a defined methodology. It answers questions about the focus and scope of the survey, the source of information, and the data collection method. In terms of focus, the best information will always come from surveys that are focused exclusively on one specific industry (e.g. nonprofit organizations) or functional area (e.g. accounting positions). A survey with a specific focus is more likely to produce valid and reliable information that can be acted upon to make compensation decisions. Survey scope defines what type of information is being gathering in the survey. Some surveys just collect salary information. Others go beyond just collecting salary information and gather detailed information about benefit offerings.

As the old saying goes, consider the source. Knowing where the data came from in a survey is critical. When it comes to compensation surveys, the best data is gathered directly from organizations through the use of a questionnaire. Some surveys compile data from public sources and use this second hand data within the survey. This data is frequently too general and dated to be of any real use when making important compensation decisions. As a way to determine if a survey has the right methodology to fit the needs of your organization, ask yourself the following questions:

- **Is the survey focused on nonprofit organizations exclusively, or does it include for-profit organizations?**
- **Does the survey capture both salary and benefits information?**
- **Is the data coming directly from nonprofit organizations and not second hand sources?**
- **Was the data collected from a survey questionnaire completed by a nonprofit organization?**

2. Complete Position Coverage

The most valuable salary and benefit surveys gather information about all the positions within the nonprofit sector. These surveys provide position coverage from entry to senior level (where appropriate) instead of grouping all levels of experience into one position. Additionally, each survey should provide a detailed list of positions that are included in the survey. When reviewing a survey for complete position coverage, ask the question:

- **Does the survey provide compensation information for all of the positions within my organization?**

3. Benchmark Jobs

Quality compensation surveys make use of benchmark jobs to accommodate for the many differences in the type, focus, size and programs offered by nonprofit organizations. Because of these differences, similar job titles used across multiple organizations are likely to have differing levels of responsibility and scope associated with them. This can present a problem when it comes time to accurately compare the compensation for a specific position across organizations.

The use of benchmark jobs helps level the playing field by asking survey participants to match their organization's positions to a predefined list of positions using job descriptions, not job titles. Additionally, high quality surveys make it easy for participants to match jobs by using job families. Job families group relevant jobs together by functional area of responsibility. For example, Planned Giving Officer, Special Events Coordinator, Annual Giving Director, and Prospect Researcher would all be part of an Income Development job family. The combined use of benchmark jobs and job families is a best practice in survey design. Next time you evaluate a survey, ask the following question:

- **Does the survey make use of benchmark jobs and job families?**

4. Comprehensive Data Collection

A first-rate compensation survey will provide you with most of the information you need to thoroughly assess the cost effectiveness and competitiveness of your organization's compensation offerings. The industry standard for comparing employee pay is total cash compensation which includes salary and bonus/incentive payments. Detailed information regarding total cash compensation that should be captured in a survey would include: minimum salary, maximum salary, current salary, FLSA exemption status, years in position; bonus eligibility, maximum bonus, and bonus paid. Using the total cash compensation metric gives organizations the most accurate tool in the market to compare employee pay practices.

Organizations offer a variety of benefits to their employees that can change over time. The best compensation surveys will provide comprehensive benefits information regarding employee eligibility, plan types offered, and plan costs for the following key areas: medical, dental, vision, life, disability, retirement, leave, general benefits, and special executive benefits. A survey that provides comprehensive salary and benefits information allows organizations to compare existing practices and evaluate new compensation offerings. When trying to determine if a survey provides comprehensive data collection, ask the following questions:

- **Does the survey provide total cash compensation data for all positions?**
- **Does the survey provide information about employee eligibility, plan types offered and plan costs for all my organization's benefit offerings?**

5. Statistical Analysis

The top surveys make use of a few customary statistics to analyze and report information. Presenting the survey results by percentiles or quartiles allows readers to quickly assess an organization's performance within a specific area. For example, an organization paying its program director in the 90^{th} percentile would be paying more than 90 percent of all other organizations in the market for that specific position. Having access to this type of statistical information allows organizations to accurately evaluate the competitiveness of their pay structures. Additional statistics like averages, median, minimum, and maximum allow organizations using survey data to have a complete view of the total cash compensation for a given position on which to make compensation comparisons. When selecting a compensation survey to use for compensation analysis purposes, ask the following question:

- **Will the survey give me the statistical measures needed to accurately assess the competitiveness of my organization's compensation practices?**

6. Multi-Dimensional Reporting

The most useful surveys provide information about benefit and pay practices at multiple levels. Compensation data would generally be reported at the individual position, job family and operating unit levels. In addition, compensation and benefits data would both be sorted and presented by the key demographics of the organizations that participated in the survey. The most common demographics include the following: A) Geographic Location of the organization. This might include groupings at the region, state, statistical metropolitan area, city, or zip code levels. B) Financial Size of the organization. Organizations are generally grouped by the size of their operating budgets. C) Primary Focus of the nonprofit organization. Most groupings include categories like Arts & Culture, Health, Religious, Youth, Housing, Environmental, etc… D) Number of Employees.

Being able to sort and view information at a variety of different levels allows for easier and more accurate comparisons. Most importantly, it allows each organization using the survey to benchmark themselves against those organizations that most closely match them in terms of geographic location, financial size, focus, and number of employees. Having access to data that is reported at multiple levels and by key demographics will provide users with the most accurate and valuable benchmarking data available. When reviewing the type of reports available for a survey, ask the following questions:

- **Does the survey provide compensation data at the individual position, job family and operating unit levels?**
- **Will the survey allow me to quickly and easily compare my**

organization to survey responses by key demographics like location, size, focus, and number of employees?

7. Performance Metrics

A good survey will give you reliable information that can be used to accurately measure the competitiveness of your organization's salary and benefit offerings. A great survey will give you all of that plus, metrics that can be used to measure your organization's cost, employee productivity, turnover, and more. Performance metrics allow organizations to evaluate the appropriateness of their compensation costs, productivity, turnover, and other key areas when compared against peer organizations by location, financial size, number of employees, and organizational focus.

Let's take a look at how cost metrics work. Cost metrics are generally used at the job family and operating unit levels. For example, an organization could use a cost metric like, "total compensation costs as a percentage of total organizational expenses", to evaluate how its employee costs for information technology compare to similar nonprofit organizations. Included with this metric would be information showing the percentile rankings of all organizations within the comparison group. Having access to compensation survey data that links to performance metrics gives organizations additional information they can use to evaluate and manage compensation programs. To determine if a survey contains the right type of performance metrics, ask the following question:

- **Does the survey include key performance metrics around employee cost, productivity or turnover?**

8. Continuous Improvement

The best surveys are designed to get even better over time. They look for ways to improve data accuracy, participant ease of use and information validity as part of a continuous improvement process. Determining if a survey has a continuous improvement focus isn't always easy but you can look for the following signs. Seeking user feedback is a sure sign that the creators of the survey value input. Look for feedback questions that ask what improvements or changes should be made in future surveys to improve accuracy, thoroughness or ease of use. See if the survey instrument captures information about the participating organization's position titles or position alignment relative to the benchmark jobs in the survey. Gathering this type of information allows the survey benchmark positions to be updated on a regular basis to ensure accuracy and relevance. And finally, determine if the survey offers guidance to participants including a glossary of terms, user's guides, instructions and help functions. A continuous improvement mindset is necessary to ensure that a survey remains useful and relevant for the marketplace. When trying to determine if a survey is focused on continual improvement, ask the following question:

- **Does the survey seek user feedback or provide an opportunity to seek assistance when completing the survey questionnaire?**

Incorporating the eight standards outlined above in your search for a comprehensive salary and benefits survey will enable you to quickly review and discern which surveys are worthy of your time and your organization's resources. A quality compensation survey is a valuable tool that can be used by nonprofits to accurately assess the competitiveness of its salary and benefit offerings and successfully manage employee expense. The best surveys for the nonprofit sector will be created by those organizations that have significant experience and deep expertise working with nonprofits. The next time you are thinking about participating in a survey or purchasing a compensation report, remember to use the standards. You won't be disappointed.

**Source: Bluewater Nonprofit Solutions compensation benchmark study.*

About the author:

Bluewater Nonprofit Solutions is the nationwide leader in providing surveys and business solutions to nonprofit organizations. The company was founded by former nonprofit executives with more than 25 years of leadership experience. Bluewater provides customized compensation, constituent engagement and customer satisfaction surveys to meet the needs of all nonprofit organizations. Bluewater's innovative business solutions help nonprofit executives grow revenue, reduce costs and manage organizational performance to improve mission delivery. To learn more about Bluewater, visit: www.bwnps.com.