1. **Develop a program outline.**
   - Set an objective for the program.
   - Establish target dates for implementation and completion.
   - Determine a budget.

2. **Designate an individual to oversee designing the compensation program.**
   - Determine whether this position will be permanent or temporary.
   - Determine who will oversee the program once it is established.
   - Determine the cost of going outside versus looking inside.
   - Determine the cost of a consultant’s review.

3. **Develop a compensation philosophy.**
   - Form a compensation committee (presumably consisting of officers or at least including one officer of the company).
   - Decide what, if any, differences should exist in pay structures for executives, professional employees, sales employees, and so on (e.g., hourly versus salaried rates, incentive-based versus non-contingent pay).
   - Determine whether the company should set salaries at, above, or below market.
   - Decide the extent to which employee benefits should replace or supplement cash compensation.

4. **Conduct a job analysis of all positions.**
   - Conduct a general task analysis by major departments. What tasks must be accomplished by whom?
   - Get input from applicable senior officials of marketing, finance, sales, administration, and other appropriate departments to determine the organizational structure and primary functions of each.
   - Interview department managers and key employees, as necessary, to determine their specific job functions.
   - Decide which job classifications should be exempt and which should be non-exempt.
   - Develop model job descriptions for exempt and non-exempt positions and distribute the models to incumbents for review and comment; adjust job descriptions if necessary.
   - Develop a final draft of job descriptions.
   - Meet with department managers, as necessary, to review job descriptions.
   - Finalize and document all job descriptions.
5. **Evaluate jobs.**
   - Rank the jobs within each department, and then rank jobs between and among departments.
   - Verify ranking by comparing it to industry market data concerning the ranking, and adjust if necessary.
   - Prepare a matrix organizational review.
   - On the basis of required tasks and forecasted business plans, develop a matrix of jobs crossing lines and departments.
   - Compare the matrix with data from both the company structure and the industry-wide market.
   - Prepare flow charts of all ranks for each department for ease of interpretation and assessment.
   - Present data and charts to the compensation committee for review and adjustment.

6. **Determine grades.**
   - Establish the number of levels - senior, junior, intermediate, and beginner - for each job family and assign a grade to each level.
   - Determine the number of pay grades, or monetary range of a position at a particular level, within each department.

7. **Establish grade pricing and salary range.**
   - Establish benchmark (key) jobs.
   - Review the market price of benchmark jobs within the industry.
   - Establish a trend line in accordance with company philosophy (i.e., where the company wants to be in relation to salary ranges in the industry).

8. **Determine an appropriate salary structure.**
   - Determine the difference between each salary step.
   - Determine a minimum and a maximum percent spread.
   - Slot the remaining jobs.
   - Review job descriptions.
   - Verify the purpose, necessity, or other reasons for maintaining a position.
   - Meet with the compensation committee for review, adjustments, and approval.

9. **Develop a salary administration policy.**
   - Develop and document the general company policy.
   - Develop and document specific policies for selected groups.
   - Develop and document a strategy for merit raises and other pay increases, such as cost-of-living adjustments, bonuses, annual reviews, and promotions.
   - Develop and document procedures to justify the policy (e.g., performance appraisal forms, a merit raise schedule).
   - Meet with the compensation committee for review, adjustments, and approval.
**10. Obtain top executives’ approval of the basic salary program.**

- Develop and present cost impact studies that project the expense of bringing the present staff up to the proposed levels.
- Present data to the compensation committee for review, adjustment, and approval.
- Present data to the executive operating committee (senior managers and officers) for review and approval.

**11. Communicate the final program to employees and managers.**

- Present the plan to the compensation committee for feedback, adjustments, review, and approval.
- Make a presentation to executive staff managers for approval or change, and incorporate necessary changes.
- Develop a plan for communicating the new program to employees, using slide shows or movies, literature, handouts, etc.
- Make presentations to managers and employees. Implement the program.
- Design and develop detailed systems, procedures, and forms.
- Work with HR information systems staff to establish effective implementation procedures, to develop appropriate data input forms, and to create effective monitoring reports for senior managers.
- Have the necessary forms printed.
- Develop and determine format specifications for all reports.
- Execute test runs on the human resources information system.
- Execute the program.

**12. Monitor the program.**

- Monitor feedback from managers.
- Make changes where necessary.
- Find flaws or problems in the program and adjust or modify where necessary.