MSCALES—A Broadbanding Approach for Information Technology Professionals

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This paper focuses the compensation component of a comprehensive and integrated organizational change solution. Its purpose is to change IT organizations from technology to customer focused. MSCALES utilizes a broadbanding position classification strategy and a skills-based compensation program which shifts the focus of compensation from attributes of a given job to the skills/competencies of people who are capable of performing various jobs.

It balances:

- Market conditions,
- Skills,
- Competencies,
- Application of skills/competencies to produce results,
- Longevity,
- Education, and
- Sharing of rewards based on outcomes;

when making compensation decisions.

This presentation will describe:

- need for cultural change;
- broadband construction;
- skills/competency assessment with proficiency ratings;
- multi-directional assessment;
- strategic skills development; and
- consensus building.
MSCALES - A Broadbanding Approach for Information Technology Professionals

Need To Change

To be a 21st century world class organization, the University of Michigan’s Information Technology Division, like most IT organizations, needed to change. It needed to change from a bureaucracy to a provider which emphasizes service and customer satisfaction. It needed to reduce its propensity toward valuing technically elegant solutions for technology’s sake. Instead, it needed to focus more on providing customers with practical solutions to business problems. The extent to which technology solves problems on campus, will enhance the rendition of teaching, learning, research and administrative services to the students/customers at UM. If the centrally supported information technology provider is unable to satisfactorily harness the powers of technology to solve the University’s problems, other IT service providers will.

The Information Technology Division (ITD) at the University of Michigan (UM) recognized the need to change and summarizes these goals as indicated below:

<table>
<thead>
<tr>
<th>FROM</th>
<th>TO</th>
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<tbody>
<tr>
<td>Monopolistic</td>
<td>Competitive</td>
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<tr>
<td>Technology focused</td>
<td>Customer focused</td>
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<tr>
<td>Sole practitioner</td>
<td>Partner in business solutions</td>
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<td>Services when ready</td>
<td>Services on demand, when needed</td>
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<tr>
<td>Laissez faire</td>
<td>Entrepreneurial</td>
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This ability to change, without wholesale replacement of the human resource base, will determine the extent to which IT organizations will continue to provide value added services on University campuses across the country. The alternative service providers are already lining up at the University’s Purchasing Director’s and Chief Financial Officer’s doors to offer outsourcing as the panacea. They say “we can solve your problems, because we listen and work with users to provide high quality business solutions at reasonable costs”. They can. They have to, in order to survive. If the future holds, as many believe, an assault on higher education funding, outsourcing of IT services will become a reasonable, achievable and cost effective option. The attractiveness of outsourcing will be enhanced by non-University providers who nimbly respond to customers’ needs.

Strategy For Change

The most valuable assets enjoyed by an organization are its human resources. Organizations pay the lion’s share of their budgets for these resources which convert human capital into value added solutions - valued output to its customers. How do we convey, in no uncertain terms, the need to change?

By:
- Broadbanding?
- or Changing the organization structure to more efficiently deliver services?
- or Changing how much we pay?
- or Changing the way we pay?

No to each, individually! By replacing or with and, we are now embarking on the need to change the culture in our information technology organizations. We must change our rules of engagement, how we get thing done. This reflects the CULTURE CHANGE imperative that IT organizations face.

The leadership at Michigan has faced up to this reality. It must change its culture. Culture can be defined as
“the cumulative perception of how the organization treats people and how people expect to treat one another. It is based on consistent and persistent management action, as seen by employees, vendors, and customers.”

ITD as an organization is attempting to change. It has (or will shortly) change the following management systems:

1. **Compensation** - Reforming compensation as an enabler to support the attainment of the lofty goals described in the preceding paragraph. The compensation system MSCALES described herein is a movement to a skills and competency based pay system which is intended to strategically align with the organization’s objectives and to increase employee effectiveness. Hence, a major outcome is to structure skill and competency based pay to focus employees on learning and exhibiting skills that result in improved productivity and effectiveness.

2. **Employee-Organization Partners in Strategic Staff Development** - Changing the employer and the employee relationship from an antagonistic and entitlement posture - where employees want more pay for their output; and employers want greater productivity in exchange for meager raises - to an employee-organization partnership. Both employees and employers recognize that investments in staff development contribute to increased staff value, improved performance and hence to pay.

3. **Organizational Structure and Culture** - Transforming from a functional hierarchical structure to a cross-functional project oriented structure, that values its customers and works with them to solve business problems.


This paper will focus on the first and second points, compensation and staff development components of a comprehensive and integrated organization change solution.

**Communicating The Urgency For Change**

How did we communicate the need to change in the workplace? We knew that the paradigm that we embraced in the years past would not serve us well in the years to come. ITD had clearly articulated its Mission, Purpose, and Values. We invested resources in developing and rolling out ITD’s Management Expectations. We participated and trained staff in Total Quality Management and Managing Diversity. We began a comprehensive program of work-planning and performance evaluation which emphasized not only what staff were to do, but how they were to perform their tasks. We even addressed and published a report on Recognition and Celebration.

All of the aforementioned changes were superimposed on a functional, bureaucratic, hierarchical organizational structure. We espoused lofty values and utilized a meager merit increase program to reinforce and induce behaviors which we hoped would lead to the attainment of the necessary, albeit ambitious goals. The structures intended to enable the change were insufficient to support this massive change effort. The leadership did not successfully communicate to staff the immediacy and urgency of change.

We needed the staff at UM’s Information Technology Division to pay attention. Our strategy was to reorganize from a functional hierarchical, bureaucratic structure to a project based, matrix organization that facilitates the flexible deployment of human resources, to nimbly respond to satisfying customer needs. Changing the organization caught the staff’s glance. Changing the compensation scheme is the communication tool that has focused and has held the organization’s attention.

**Alignment**

The changes that preceded MSCALES were necessary components for organizational change, but they were not sufficient. The key attribute which would lead to the success of MSCALES is alignment. It has to be viewed as complementary to the organization’s scheme for success. It must direct how one transforms the ‘froms’ to the ‘tos’ discussed earlier. MSCALES emphasizes the 3P’s, changes to placement, pay, and people.

A technically able staff is necessary, although not sufficient, to meet the challenge of ITD’s mission. The staff, in addition to having state of the art programming, consulting, analytical or technical writing skills, must also exhibit
the requisite attributes or competencies, if ITD is to successfully live up to its mission. Once staff with the desired skill sets and competencies are recruited, they must be trained and deployed strategically. This strategic deployment, without bureaucratic delays, is most critical when staff are needed for the numerous projects on which ITD simultaneously works.

ITD is proposing a classification and compensation strategy which offers the following advantages:

- customized or adjusted to align closely with the division’s strategic goals and business objectives;
- utilized to deploy staff in a matrix manner across several projects requiring a variety of skills and competencies without bureaucratic paper shuffling;
- a communication tool which guides staff to focus their career development efforts consistent with job characteristics, rather than focusing their efforts on justifying the attainment of higher salary grades or titles; and,
- benchmarked to the current classification system as a foundation. However, when making compensation decisions, the focus must be more on what the staff member brings to the job and less on what the job is.

MSCALES is a three tiered compensation strategy that contains:

I. Broadbanding - converts 140 position classifications to five functionally defined broad bands.

II. Compensation Reform - moves the organization from a marginal pseudo-meritocracy to a compensation system which places value on the skills and competencies exhibited by the staff in the achievement of business successes for ITD, and

III. Strategic Staff Development - guides the staff to make the necessary changes utilizing multi-directional feedback in conjunction with strategic investments in staff training and development. It directs the joint venture where the organization contributes resources and the staff contributes “sweat equity” to create increased value, as they “partner” to satisfy customers.

MSCALES and the changes in our workplace culture that lead to successful business outcomes are a joint development -- a joint venture between the staff of ITD and its leadership. The process for implementing this initiative is the key point of this paper. The what is clearly non trivial; but how to put it into play, is key. The compensation components outlined herein are both sound and revolutionary. Few organizations have a systemic solution for skills and competency based compensation that effectively integrates the attainment of skills and competencies with their demonstration.

Staff Involvement In Program Development

MSCALES has gone through four drafts. Each has been impacted by the comments received from both customers and peers. The peer review process includes members of the University’s Human Resources and Affirmative Action (HR/AA) Management Team and ITD’s Operations Lead Team (OLT). The customer review process includes those impacted by the program - the staff of ITD. Staff involvement in the development of MSCALES is critical and has been extremely valuable.

During the second week of July 1995, this draft program proposal was released to the peer reviewers and comments were gathered through the second week of August. Five focus group meetings were held in various ITD locations during the last two weeks of July, which attracted over two hundred attendees (approximately one third of ITD staff).

The major objective of the focus group meetings was to present the program at its current phase of conception. Any initial impressions or reactions of attendees were recorded. Input gained from these focus groups molded subsequent drafts of the document.
Volunteers were solicited to participate on a Banding Advisory Team, which helped refine the program design. They were also expected to act as change agents in the staff roll-out process. This team, a cross-functional group of thirty staff members worked from November 1995 through March 1996 to refine the processes outlined within this document.

Their charge was to formulate guidelines, validate and help to roll out the MSCALES program. More specifically, the BAT members provided key input to the process which defines, categorizes and assigns to salary band zones the requisite competencies which provide entry into the zones (currently conceived as band quartiles). In addition, the BAT was asked to provide a recommendation to the ITD OLT regarding equity related guidelines and timelines for correcting salary levels which fall outside of their appropriate zone within the salary band. These outliers will be identified after performing analyses of salaries utilizing the new compensation principles.

Much of their thoughtful efforts is reflected in this document.

The actual processing of the changes proposed for fiscal year 1996-97, including Broadband assignments were performed with an effective date of September 1996. The validation of the final design of the compensation related components, based on the findings of the BAT, and finalized by the Office of Management Strategies in conjunction with the Office of Human Resources and Affirmative Action (HR/AA), will be competed by January 1, 1997.

**MSCALES - Defined**

MSCALES has three principle components to the program. It has a Broadbanding scheme for position classifications, compensation reform for salary setting, and strategic staff development for salary enhancement. While intended to work in tandem, these principle components can stand alone and can be implemented in a phased manner.

As a classification/compensation system, MSCALES balances:

- **M**arket conditions,
- **S**kill sets of staff,
- **C**ompetencies of staff,
- **A**pplication of skills and competencies to produce outcomes,
- **L**ongevity,
- **E**ducation and reward,
- **S**haring based on organizational performance.

when making compensation decisions.

Simply put, MSCALES is a people-based pay system which pays on the basis of what the person brings to the job and how they perform, not simply based upon what position the staff member occupies. It is a system which combines the three traditional human resources (HR) measurement processes - job analysis, job evaluation and performance appraisal. While it is true that MSCALES utilizes the traditional HR measurement processes, these processes are modified to be consistent with principles of Total Quality.

**Person Versus Job Analysis**

Job analysis is the least modified process; it is also relegated in importance. The status-quo, which endorses making the bureaucratic investment in creating new positions, processing reclassification paperwork, etc. hopes to provide the staff incremental career progression.

Career progression, in this manner, is often divorced from quality principles and detracts from customer satisfaction and respect for people and ideas. The emphasis of effort is misplaced, focusing on bureaucracy, rather than focusing on the quality of each person’s skills and competencies as applied to the value of the work performed.
Much effort is expended in pursuit of differentiating a position’s task set from one which is lower classified (and lower paid) and molding the language of the job description to match more closely those of higher classified positions. The current job classification scheme causes hiring managers to try to put different sized pegs into a fixed, often wrong sized set of holes.

The number of pegs is conceivably as different as the number of permutations of the number of employees, their skill/competency sets, and the number of discrete job requirements. Job analysis, as a process, is a good test to ensure that certain types of jobs are compensated reasonably, relative to other types of jobs. The job analysis function of making market comparisons for salary setting are valid for a class of employees in the aggregate, but less significant for any given individual staff member.

Job/person evaluation is best described as the staff member’s readiness to perform the requirements of the job. It includes an analysis of the what the person brings to the job in terms of skills (e.g. programming, consulting, analysis) and competencies (i.e., requisite qualities such as; entrepreneurship, customer service orientation, empowerment, etc.).

Like traditional compensation systems, salary levels are set based upon the results of the job/position analysis and the job/person evaluation. Salary levels are set, usually based upon sources such as resume review, interview results, and the checking of references. Changes in salary levels, require an evaluative process that contains both the job/position and job/person analytical components. This evaluation process is not designed to be unilateral, from manager to employee, but rather as a multi-source/multi-directional assessment process. Under MSCALES, this multi-directional feedback mechanism considers input from the staff member, those to whom the staff member reports, those who the staff member serves (customers) and colleagues.

Salary increases are based on the results of a work planning process, setting of organization targets/goals or quality indicators, performance appraisals, and measurement of quality indicators. This is a pay for performance system that has traditional merit components providing sufficient flexibility to incorporate variable pay options and organizational gain sharing. While group reward systems are desired and may be appended to the architecture of MSCALES, this document focuses on individual compensation as it relates to the staff member’s contribution to the organization’s work. The goal is to tie salary increases to the enhancement of human capital, as this capital is applied to the performance objectives of ITD.

**MSCALES - Program Design**

**Broadbanding**

ITD currently has 140 position classifications for its approximately 605 staff members. The proposed banding structure collapses these 140 position classifications into five career broad bands. They are functionally described below and contain the following breakdown of position classifications and staff contained within the bands:

<table>
<thead>
<tr>
<th>CAREER BAND DESCRIPTION</th>
<th># CLASSIFICATIONS</th>
<th># STAFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial (Exempt P&amp;A S.G. 8-UG)</td>
<td>39</td>
<td>95</td>
</tr>
<tr>
<td>Technologist (Exempt P&amp;A S.G. 6-15)</td>
<td>50</td>
<td>344</td>
</tr>
<tr>
<td>Technical Support (NonEx Tech S.G. 6-19; P&amp;A2-6)</td>
<td>22</td>
<td>68</td>
</tr>
<tr>
<td>Administrative (Exempt P&amp;A S.G. 6-14)</td>
<td>10</td>
<td>24</td>
</tr>
<tr>
<td>Administrative Support (NonEx Office S.G. 1-11 P&amp;A 3-6)</td>
<td>19</td>
<td>74</td>
</tr>
<tr>
<td></td>
<td>140</td>
<td>605</td>
</tr>
</tbody>
</table>

P&A stands for the Professional and Administrative job family which houses most programmers, systems analysts, team leaders, etc...
Tech. stands for the Technical job family, which houses lower level technical positions which can be described as para-professional.
Office stands for the office job family which houses primarily clerical positions.
S.G. stands for salary grade.
Non-Ex. stands for non-exempt (as opposed to exempt) status under the Fair Labor Standards Act.
**Salary Bands**

This proposal would map the seven career bands to three respective salary bands:

- **Salary Band One**  
  $25,000 - $137,500  
  Applies to the Managerial Band & Technologist Band

- **Salary Band Two**  
  $22,500 - $90,000  
  Applies to the Administrative Band

- **Salary Band Three**  
  $15,000 - $60,000  
  Applies to the Support Bands-Administrative & Tech

No member in any salary band is permitted to enter the fourth quartile of the compensation range without approval of the UM Chief Information Officer and Executive Director-ITD.

**Congruence Of Salary Bands To Career Bands**

This salary band structure allows for an equal opportunity to earn regardless of which career track a staff member may choose. In salary bands one and three there is wage parity in both the technical and administrative/managerial career tracks. ITD believes that there is a need for senior/guru level technical staff. It is contrary to the organization’s mission to force such staff members into a managerial track which may be contrary to both their proclivities and career objectives. It should be understood, however that the value of one’s work and hence, their salary, will be based upon a market comparison. Market norms for comparable facilities, based upon sources such as Mercer Group studies, Big Ten comparisons and other sources held in ITD-Human Resources or the University’s Office of Human Resources and Affirmative Action, will impact salary determination under MSCALES.

**MSCALES - Compensation Reform**

**Current Situation - Setting Salaries**

In the current environment, salaries are set based upon the hiring manager’s assessment of the employee’s education and experience, utilizing these factors as supported through interviewing interactions and reference checking to evidence a candidate’s perceived ability to perform the requirements of the position. The salary is then set based upon comparing the successful candidate’s experience (measured in years) and education to those holding a similar position.

Current University compensation systems combine an assessment of the person’s education, experience and their achievement of a “management defined” skill threshold to determine a staff member's placement in a position classification, associated salary grade and salary range. After placement into the right “position classification”, the setting of salaries becomes somewhat mechanical, unless tampered with. Examples of tampering which introduce some bias into the system include:

- an individual’s ability to negotiate persuasively and aggressively;
- the hiring manager’s persistence in pressing for a higher salary when working with human resources staff;
- the urgency of the need to fill the position; and,
- the financial condition of the hiring unit.

**Current Situation - Internal Equity**

While this method has produced reasonable internal equity, (administratively defined as unexplained variances between comparable staffs’ salaries not exceeding five percent), the system is far from perfect.

This system is based upon equity viewed from a narrow prospective - that which can be objectively measured. Unfortunately, what is usually most significant in terms of impacting an organization’s success is not what the staff
member did in the past, but rather what they are now doing to contribute to the achievement of the organization’s objectives. Most significantly, it has been determined that the what that an individual staff member achieves is often outweighed by the how the achievement is effected. However, it is usually the how which contributes or detracts from team building and customer focus needed to produce the necessary synergy that thrusts an organization forward.

Schuster and Zingheim in their work on The New Pay would say that “the only situation in which some of the ‘old’ solutions --such as internal equity driven point factor plans, cost of living increases disguised as merit plans, and goals such as being a 75th percentile payer of base pay without concern for the ability to pay are appropriate is in organizations that need not compete for business and are not interested in encouraging employee excellence.” (emphasis added)

**New View - Internal Equity**

The belief advanced through this document is that differences in salary levels between staff are not bad, as long as they are explainable and not contributed to by biases. The best explanation for Person A earning more than Person B is because they contribute more effectively to the organization’s objectives. In a sales organization, if Person A sells more widgets than Person B, then A earns a greater commission. Assuming other factors being equal, such as the size of the territory and marketing support, this difference is not deemed to be “inequitable”. Since ITD is not purely a sales organization, there must be other ways of differentially compensating for differential contributions. Hence, the concept of possessing and demonstrating different skill and competency levels.

**How MSABLES Relates To Current University Compensation Processes**

MSABLES is a skills based compensation program. It is intended to shift the focus from attributes of the job to attributes (skills and competencies) of the person. The approach which is advanced in this document is intended to add value to the traditional job analysis or Hay point scoring approach. MSABLES, in order to yield the desired results, must systematically bridge the gap between objectively analyzing the duties or activities performed to linking the skills, competencies, and other attributes which should impact compensation. The rationale for this additional rigor is to customize the compensation setting process for today’s information technology environment at the University of Michigan.

MSABLES maps current position classifications to broad bands, based upon the functional nature of the positions. This mapping reflects the results of Hay point scoring which uses the following factors to determine a point count which leads to the assignment of a salary grade:

**The factors are:**

- Knowledge Required
- Organizational Breadth
- Amount and Nature of Human Contact
- Independence of Action
- Difficulty of Thinking and Decision Making
- Responsibility and Impact

The objective is to adapt this form of position analysis to an analysis of the skills required to perform the tasks scored utilizing Hay points. This process is used to define a scoring methodology for assigning value to skills and competencies. Hay point analysis is a means for comparing each classification to all other classifications on a methodical and objective basis. It is not designed for evaluating individual jobs or positions, nor is it designed for evaluating the performance of any individual person. MSABLES is designed to provide an objective basis for comparing a portfolio of skills and competencies to all other portfolios of skills and competencies. In so doing, individuals with their unique combinations of skills/competencies can be compared to one another to form a basis for discussing differences in compensation levels.

This approach utilizes the appendix of the MSABLES document which maps UM positions and their respective classifications to the bands and displays the mean salaries for each of the positions. This mean salary provides a
metric which reflects the relative value which ITD has placed on a given task set, as described by a job description. If one is to assume that the incumbent of each position is fully capable to perform the task set, then one should be able to infer the needed skills, competencies, education and experience that a fully capable person would need in order to adequately do the job.

Hence, it is necessary to review each job description to harvest the skills and competencies from the job description. There should then be some ranking protocols which reflect the relative values of certain skills relative to others. A point scoring methodology can be used to link point counts to quartiles or zones within the bands which can then be mapped to dollar values which can be pegged to points, and hence, dollar values across the salary band.

A point scoring methodology can be used which demonstrates a statistical relationship which correlates (does not conflict) with the position classification methodology utilized by the University (Hay system). Currently, ITD and HR/AA are in the process of reviewing the scoring algorithm for validity. This validation will occur prior to implementation.

Skills, Competencies And Zones

The bands are divided into four zones representing a salary range (currently assumed to be quartiles). Each zone will have a separate set of skill sets (as exhibited in the job description for the position held) and which are validated by the Banding Advisory Team. The criteria for entering a zone requires that an employee has the requisite skill set and can demonstrate the acquisition and consistent application of competencies.

Therefore, setting salary levels, and increasing them has to include more than a simple, albeit objective, analysis of one’s education and experience. To do so successfully, one must also introduce an analysis of the skills and competencies that a staff member brings to the employment relationship. Employees will increasingly be compensated for the acquisition and application of skills and competencies which produce added value and achieve favorable organizational outcomes. Put another way, the exchange that will occur between the organization and the staff member is meaningful pay for meaningful work produced through the acquisition and application of valued skills and competencies.

Analysis of staff skills, abilities or proficiencies - expertness that comes from training, practice, and practical applications is not new. Current compensation systems, often containing a performance evaluation component (whether formal or informal) include an assessment of the skills which a staff member applies when doing the organization’s work. For example, programming skills, technical writing skills, consulting skills, and financial analysis skills can be categorized as novice level, mid-level, or guru level, admittedly with some degree of subjectivity or measurement bias. The categorizing scheme which MSCALES utilizes to describe employees and their placement within the quartiles (or zones) of the broad bands are:

| Zone One | Meeting baseline expectations - The staff member is relatively new and is actively learning. |
| Zone Two | Competent/Proficient - The staff member reflects the full proficiency in a broad range of their skills and competencies. They also work independently (without active supervision). |
| Zone Three | Advanced/Coach - The staff member exhibits a depth and breadth of the knowledge, skills, and competencies pertinent to their given discipline/profession. They coach others (participating in knowledge transfer) and handle multiple, complex products/projects. |
| Zone Four | Expert/Mentor - The staff member is a role model within their profession and the University community. They are active participants and often drivers in the development of organizational strategies. |

Adding Competencies And Proficiency Levels To The Salary Setting Process

Competency development is crucial to an organization’s success. Many organizations, especially those in high tech industries, often have highly skilled staff members. Skills, like programming, consulting, technical writing, accounting, repairing hardware, engineering systems and pulling fiber, etc. are necessary for the success of the Information Technology Division - the enterprise. Necessary are these skills, but they are not sufficient for the
success of ITD. There are certain behavioral traits which are necessary for ITD staff to exhibit in order to facilitate successful service provision for its customers.

Many of these competencies are considered core, that is, to be exhibited by all staff irrespective of their particular skill set. Development of these competencies is involuntary - required to be a productive member of the ITD team. This approach links the achievement of these core competencies to the proficiency assessment of the staff member’s skill level.

This component of competency formation differs from the voluntary component, in which staff members contract with the organization to develop more personally specific competencies which are non-core. The Professional Development Contract, its role in skill and competency development and ultimate impact on compensation will be discussed in the next section. First, we will look at core competency formation and skill proficiency assessment.

The skills analysis process and its associated point counts are based on an assumption that the incumbent is a fully capable staff member. There is a need to develop an index which normalizes based upon the incumbents actual proficiency level and degree of competency development. The following scale which adapts the scale to encompass ITD’s core competencies is suggested for use. The ratings which should be assigned to each skill area are:

- 0 Can’t do
- 1 Can do; needs supervision and some assistance
- 2 Can do satisfactorily; needs periodic supervision and some assistance
- 3 Can perform (individually or collaboratively); with customer focus; with acceptable speed and quality; without supervision or assistance
- 4 Can perform (individually or collaboratively); with customer focus; with more than acceptable speed and quality; without supervision or assistance
- 5 Can perform (individually or collaboratively); with customer focus; with more than acceptable speed and quality; with initiative and adaptability for dealing with special problems; without supervision or assistance
- 6 Can perform (individually or collaboratively); with customer focus; with more than acceptable speed and quality; with initiative and adaptability for dealing with special problems; with the ability to lead and develop others; without supervision or assistance

This scale will hereinafter be referred to as the MSCALES Inverted Pyramid of Performance Capability. This rating system is linked to an index which adjusts the skills point count upward to reflect a premium which ITD is willing to pay for competencies and proficiency which exceeds the fully capable level (defined as level 3). Likewise, a rating of less than three discounts the compensation level, reflecting the discount which the organization expects for employing a less than fully capable skill set.

Competencies are underlying characteristics, traits or behaviors of an individual or team that can be shown to predict effective or superior performance in a job or situation. Effectively defining competencies and rewarding employees for consistently demonstrating these behaviors enables the organization to be successful to accomplish its mission, business and customer service objectives. ITD believes that its performance will be enhanced by including within its compensation policy the clear definition of and analysis of competencies. To do so will help to predict the employee’s ability to achieve the outcomes for which they and the organization are held accountable.

The advantages derived from integrating competencies into MSCALES (ITD’s Broadbanding compensation system) are that it:

a. helps to target and control pay within bands - it makes pay differentials rationally based;
b. promotes the value of superior job performance; and
c. communicates the organizationally determined indicators of success to staff.

**Salary Administration - Recommended Practices**

This recommendation results from negotiations between ITD and HR/AA. Discussions have been held with BAT members. Further discussions will be held to more fully develop and operationalize these recommendations if they are deemed to be acceptable.
No one will lose money as a result of converting to MScales.

Those staff members whose salaries are deemed through formulaic algorithm (developed jointly by ITD and HR/AA and housed in HR/AA) to be unreasonable will be determined to have a GAP.

A gap, which implies an actual salary is unreasonably set, is defined as differing from the formulaic determined salary by a determined threshold value. While this threshold has not yet been finalized, (i.e. still under negotiation with HR/AA), the current proposal would set the reasonableness threshold at 1/16 of the dollar value between the minimum and maximum range of the applicable salary band.

Where a gap exists, and the staff member’s actual salary is higher than the threshold of reasonableness, then the staff member’s salary will be “red circled”, and no increase will be made to the staff member’s salary, until their applied skill/competency set would show their salary to fall within the range of reasonableness.

Conversely, where the staff member’s actual salary is lower than the formulaic determined salary, considering the threshold of reasonableness, the staff member will participate in a supplemental pool of salary increase dollars earmarked for “closing the gap”. The staff member will continue to participate in the “Gap Adjustment” pool for as many periods as a gap exists AND the staff member continues to receive a merit increase.

This provision is believed to moderate massive changes in salary levels, and to ensure that massive influx of dollars is not required to implement MScales.

The salary increase pool would consist of at least three components. The components are: the traditional merit, the Professional Development Contract payment, and the gap adjustment. The budget for the sum of the pools would be the budgeted increase in annual salaries within ITD (less a reserve held in anticipation of exceptions). Traditional sources of salary increases within ITD have been merit/salary program increases, reclassification or promotional increases. The setting of these pools would be variable, depending upon areas which ITD leadership wishes to emphasize, subject to budgetary realities. Details of each year’s plan would be determined as a part of the annual budget process, which precedes each fiscal year.

SALARY ADMINISTRATION - A SHARED RESPONSIBILITY

Salary administration in an MScales environment is a shared responsibility. Functional Managers, Professional Development Managers, HR/AA staff must work together to ensure that the following outcomes are achieved:

Functional Managers must help to identify functional competencies and skill sets that will contribute to superior performance of their desired task set. An assessment of the project’s difficulty or risk elements should be specified as high risk projects may justify pay differentials (combat pay).

Professional Development Managers must ensure that work planning, successful formation of professional development contracts, multi-directional performance evaluations and coaching are performed to create an environment where achievement or competencies is possible and where exhibited, appropriately rewarded.

HR/AA, as co-sponsors of this program, must provide their expertise to ensure that our program design is rational and its application is in compliance with the Equal Employment Opportunity Commission (EEOC) standards and the Fair Labor Standards Act (FLSA).
MSCALES - Strategic Staff Development

Work Planning, Professional Development Contracts And Multi-Directional Assessment

ITD will continue to employ its work planning process. The current work planning tools will be modified to more clearly match the principles contained within this program, once approved.

Note that there will be incremental movement along the band while within a zone. It is anticipated that there will be at least two work planning session per year which include a performance assessment component that will provide coaching and will lead to an annual compensation adjustment decision.

That is, feedback is provided twice a year, salary adjustments will occur once per year under MSCALES. The components which comprise the salary increase pool, discussed above, will be impacted by ITD’s present and future processes of Work Planning, Professional Development Contracts and Multi-Directional Assessment.

The assessment process is a multi-source process. It is proposed that during the twice a year periods (in January and in July), a tool (yet to be designed) will be completed by:

a. the employee being reviewed;
b. at least three peers agreed to by the Professional Development Manager and employee;
c. the Professional Development Manager, who will summarize the periodic project related evaluations secured from functional managers; and,
d. customers of the employee.

The major focus of this assessment is to determine whether the skills and competencies consistently exhibited meet or exceed the targeted achievement levels as articulated in the employee’s work plan.

Three hundred and sixty degree feedback is a multi-directional (rater) process for gaining information that can be utilized to tie our demonstrated competencies to organizational needs.

This feedback correlates with broadbanding in the following manner:

1) creates a means to provide data that can be used for our professional development and work planning;
2) broadens the scope from which data can be obtained;
3) is focused on proficiency and performance, rather than exposure to new skills;
4) enables us to minimize, yet not totally remove, subjective perceptions of our strengths and weaknesses; and,
5) focuses on connections between our performance and organizational needs.

Although 360 degree feedback will initially heighten our awareness of developmental needs, it's impact on individual marketability and value to the organization is an ultimate outcome. While broadbanding increases individual responsibility for career development, ITD does not diminish it's responsibility to provide feedback that will assist in meeting our mutual needs (individual career and organizational). Three hundred and sixty degree feedback represents the means to that end.

Any feedback instrument has the potential to create anxiety, but the choice of instrument and resultant process, will take into consideration the impact of data on motivating a self-directed developmental plan, improving self-awareness and learning from experiences. Consequently, several instruments which are currently being used for a variety of organizational settings will be examined, rather than creating our own.
Credibility, impact and integrity in the instrument’s implementation will be important for our success. An initial pilot process which includes members of the ITD Senior Management Team, the Professional Development Managers and Central Administrative Staff is currently under way. The current instrument being utilized is a product called Benchmarks, developed by the Center for Creative Leadership.

CONCLUSION

ITD has concluded that the current compensation/classification system of the University does not meet its needs. It does not encourage skills enhancement. Its rigidity of position classifications restricts flexibility in the deployment of human resources. It focuses more on internal equity based upon the education and years of experience that the holder of a position has, rather than on the individual’s skills, competencies and their application to the organization’s work. It encourages movement from the staff member’s desired career track (often from technical to management) in order to enhance salary levels. It does not adequately support variable pay or differential pay strategies (especially in a project environment).

ITD believes that MS CALES addresses those deficiencies and enhances the current compensation/classification scheme.

MS CALES balances:

- Market conditions,
- Skill sets of staff,
- Competencies of staff,
- Application of skills and competencies to produce outcomes,
- Longevity,
- Education and reward,
- Sharing based on organizational performance when making compensation related decisions

Once implemented, staff members will be encouraged to continually develop their skills and competencies, as their development will greatly influence their pay. Since MS CALES is a pay for performance system, compensation decisions affecting an employee are impacted by that employee’s application of their skills and competencies to add value to the organization.

MS CALES, as a part of a comprehensive and integrated organizational change solution will help to transform University of Michigan’s Information Technology Division into a 21st century world class organization. Through MS CALES, ITD will become the competitive, customer focused, partner who provides business solutions contributing to the University’s mission.
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**Endnotes**


3 The AMOD scale was originally created in 1968 by Robert E. Adams as the DACUM rating scale. Also contributing to its creation were LeBlanc Sweeny, Lantz Doucet West and Shaw.