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Developing a Compensation Philosophy - Part 4 in the Series

BUSINESS ADVISORS, COMPENSATION STUDIES, HEALTH CARE, HIGHER EDUCATION, NOT-FOR-PROFIT
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A compensation philosophy can be useful to a board of directors of a nonprofit in developing compensation processes and determining pay packages for new and existing employees. It can define the principles and guidelines for the organization's compensation programs and help to focus the board on the most important issues when making compensation decisions.

A compensation philosophy should have as its foundation an understanding of the organization's strategy, goals and culture, and can be first drafted by a compensation committee or special task force before being presented to the full board for approval. Input can be gathered from members of senior staff who understand the organization's history and culture.

Consider including the following elements:

- The objectives of the compensation plan.
 - Example: To attract, retain and motivate employees who will support and advance the organization's mission.
- The organization's marketplace and desired position within it.
 - Example: Comparable organizations will be within the social services sector in the Pittsburgh region with a budget between \$20-50 million. Target compensation will be paid at the median of the peer group.
- How compensation will be linked to performance and whether the organization is open to incorporating incentive compensation elements.
- Details of the compensation structure, as necessary. (e.g., established salary levels based on positions within the organization).
- Other characteristics of the program
 - Example: The system will be documented and clearly communicated to all staff.

The purpose of the compensation philosophy is not to document particular salaries awarded to particular positions, but to set forth guidelines for the overall compensation structure as well as the compensation elements included within the system.

Schneider Downs Business Advisory Group provides compensation studies to aid organizations in understanding the market and documenting their reasonable compensation processes. Please [contact us](#) to discuss how we can assist you with your advisory needs.

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