



Job Evaluation – Trends and the Digital Environment

Why does digitalization have an impact on job evaluation?

Job evaluation and grading have been a core HR process over many years, whereby organizations typically rely on one single evaluation method. Those methodologies have not undergone any significant changes and have not been directly impacted by any other major trend. The HR process of job evaluation and grading often requires a high level of technical expertise and partially an ongoing support of resources, depending on the chosen evaluation methodology. Job evaluation and grading build the fundamental framework for other HR processes in the talent lifecycle.

While this implies no real need for change, we observe an emerging trend in the market to alter traditional approaches to job

evaluation and grading in order to develop a more flexible approach for agile organizations on the one hand and enable a digital organization and a digital culture on the other hand. In this context, digitalization acts as a catalyst for the development of job architectures and grading structures as these have to sustain the digital organization. Correspondingly, the methods and tools of job evaluation have to also meet the requirements of digitalization.

What is driving this trend and what role does job evaluation play in light of the digital transformation?

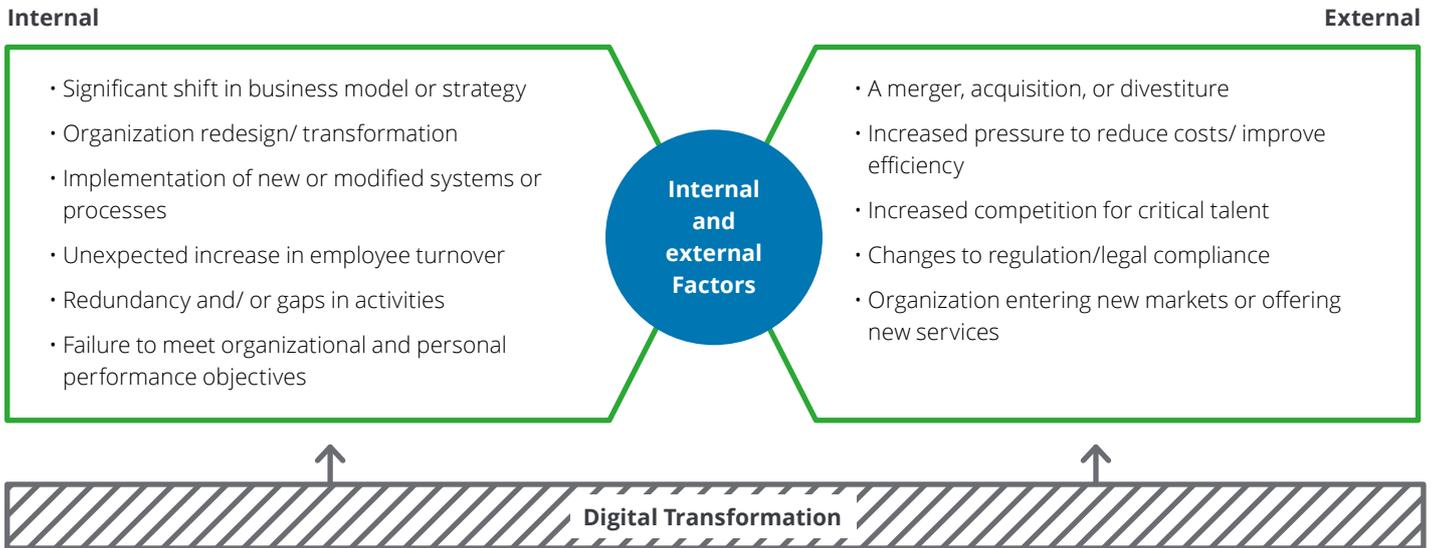
Enabling digital transformation through job evaluation

Larger projects in the area of job evaluation and grading are typically triggered either by a single event or by multiple factors – both within and outside the organization. Internal factors often relate to organization (re-) design and transformation whereas external factors for job architecture (re-)design comprise companies’ M&A activity or new market strategies. The graphic below provides a non-exhaustive list of internal and external factors.

Nonetheless, one of the key and overarching reasons for the currently observed change in the market is digital transformation. Since 2010, the market has been steadily racing to the cloud. Many major companies have started replacing their legacy systems with cloud technology where cloud-based solutions are also changing various HR processes. High-performing digital companies at the same time focus on iterative improvement by promoting collaboration and teamwork to build a new

digital culture. The concept of “network of teams” has evolved where employees are highly networked and collaborate across teams and projects, and goals frequently change.

One main aspect to consider in this regard is the reinvention of performance management as one of the critical elements and key trends in the market for the shift towards agile organizations and networked teams.¹ The other key aspect is job evaluation and grading which has to be flexible and rapid enough to adapt to changes in the organization. Replacing jobs with roles that are described more generically in the context of a harmonized job architecture can be an effective way to consider frequent organizational changes and create less effort in terms of evaluation and re-evaluation exercises. Many companies have started developing broader role-based grading structures that provide the required flexibility for agile organizations and reduce the overall number of roles to be evaluated.



¹Bersin by Deloitte, Perspective 2016, HR Technology Disruptions for 2017: Nine Trends Reinventing the HR Software Market, Deloitte Development LLC

How can job evaluation enable digital transformation?

Before implementing cloud-based solutions and while initiating a digital transformation across the workforce, in the first place a structured approach to streamlining job architecture is required. Compensation and performance management, organizational levels, job grades, career paths, and job families have to be determined, in order to structure and harmonize the organization. This enables organizations to make efficient use of digital processes and improve the above-mentioned approach to networking teams. From an HR perspective, the organization will benefit from a consistent management and efficient analysis of compensation and

performance data through a consistent job architecture on the one hand and digital HR processes and tools, in particular compensation and performance management, on the other hand.

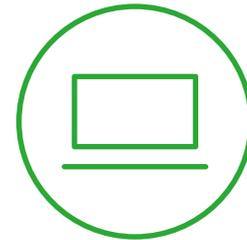
Hence, job evaluation and grading are the core enabler to changing nature of jobs and making alterations to digital compensation and performance management practices. A harmonized job structure and model enables an efficient and transparent transformation into the digital environment for the entire organization including HR processes and is thus a major milestone in this context.

How, in turn, is job evaluation affected by digitalization?

Job evaluation and grading methods and tools themselves need to fit into the digital setting. These methods and tools are in turn affected by digitalization.



On the methods side, job evaluation and grading have to be flexible enough in order to match and adapt to agile organizations and their network and project- and role-based structures, unlike methodologies that have predefined criteria. Roles and jobs in agile organizations are typically driven by a shifting business context and a changing complexity that requires the capacity to continuously adapt and the agility to activate technical and behavioral skills by jobholders. Methods should therefore be able to reflect the changing complexity and context of jobs and roles in order to avoid continuous and costly job evaluation and grading efforts.



On the tools side, the systems have to be embedded in cloud-based solutions that allow for interacting technologies, data, and processes. Utilizing these technologies in an efficient way as well as having access to organizational data, such as organizational charts, role profiles, or job descriptions, reduces administrative costs, improves the efficiency of evaluation and grading processes, and increases data accuracy. Moreover, it may unlock the link to organizational design and operating model questions as well as strategic workforce planning and analytics. Finally, running evaluation tools on mobile and cloud technologies will allow for greater centralization and governance.

Selecting the appropriate job evaluation system

Analytical methods are usually the more well-known and widely spread systems in the market. In general, these methods are highly complex, require a lot of effort, resources and knowledge to maintain the systems and merely show an apparent objectivity and accuracy of the results. Due to the complexity of the systems, companies also see themselves in a relationship of dependence on consultancies in which ongoing evaluation and grading support from those providers is often inevitable. The further main disadvantage to these systems is that they may not fit well enough into the above-mentioned context of agile and flexible organizations that want to promote the concept of a "network of teams" and project-based environments.

Selecting an appropriate job evaluation system is not a simple task. Possible approaches generally range from complex analytical methods to mere market-oriented methods. These methodologies are developed according to a different set of criteria and include more formal and quantifiable systems on the one hand and more informal, qualitative systems on the other hand. Examples include point-scoring methods, factor comparison, ranking order methods, paired comparison, or grading based on external market weights.

Some key guiding questions for selecting the job evaluation system are:



What are the corporate vision and business priorities in the next 3-5 years? What are the key strategic objectives of job evaluation and grading?

How does job evaluation support the HR strategy? How much digital integration with other HR systems and processes is required?

What are the expected opportunities and resulting benefits through digital compensation, performance, and HR management?

How adaptable is the job evaluation and grading system to organizational and market changes as well as digital transformation?

What are the requirements regarding transparency, governance, and understanding of the job evaluation approach within the organization?

Client case	Description
Chemical Products	<p>Client background: The company is a mainly independent European subsidiary of a global Japanese chemical products leader. The European business is growing rapidly and has ca. 100 employees in the area of sales, finance, and customer service.</p> <p>Job evaluation approach: Paired comparison of key reference positions based on criteria and definition of company-specific job levels</p> <p>Value delivered: Easy-to-use evaluation system with job grades allowing to build in further company growth</p>
Industrial Technology Products	<p>Client background: The company is a German mid-sized company in the field of industrial technology products with ca. 2,500 employees worldwide. Due to the recent acquisition of a competitor, the company is targeting the integration of the company following the development of a new org-design and target operating model.</p> <p>Job evaluation approach: Development of job families and a criteria-based job leveling matrix. Bridging of company job levels to the system of benchmark data providers.</p> <p>Value delivered: Company-specific solution considering new org-design and developing a link to market compensation</p>
Global Logistics & Transportation	<p>Client background: The company is a global operator of transportation and logistics services. The company is very decentralized and has no job grading in place. With a view to redesigning the organization, the entire company is being evaluated to determine a grading structure as part of the new job architecture and organizational design project.</p> <p>Job evaluation approach: Deloitte’s Job Evaluation System (JES), a criteria-based analytical evaluation method</p> <p>Value delivered: Full evaluation of global organization through the flexible JES method that considers a changing organization</p>

Based on our project experience serving various clients in the market, we often advise our customers in selecting the appropriate job evaluation system. Deloitte, for example, offers different job evaluation systems, thus allowing a best-fit solution for the specific client situation and context. It also simultaneously ensures that the decision on selecting the job evaluation system shall be independent of any benchmark data provision. Naturally, all systems require a link or bridge to market data to determine compensation levels. The table on the left provides an overview of sample client cases and the logic behind the use of different evaluation systems.

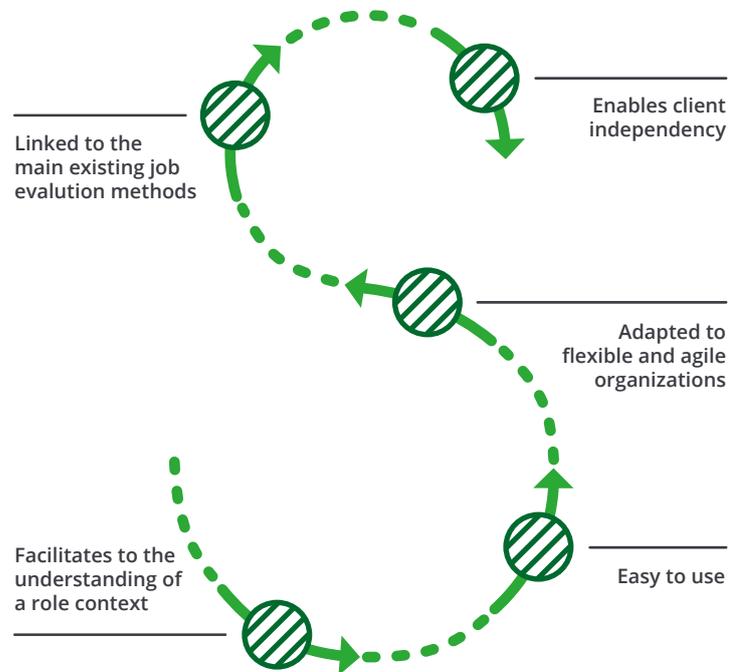
Why is Deloitte's Job Evaluation System (JES) a best-fit approach for digital transformation?

The Deloitte Job Evaluation System (JES) is a method used to measure levels of responsibility and clarify organizational structures. JES is a criteria-based method used to provide consistent responsibility measurement and clarify organizational structures through the analysis of added value contributions. It is a simple and reliable methodology with three criteria ensuring a transparent evaluation and explaining the level of responsibility.

JES is also a flexible, "non-bureaucratic" methodology suited to agile organizations,

unlike other methodologies that have predefined criteria. At the same time, JES correlates with other evaluation systems on the market, therefore enabling clients to change their grading method and obtain salary benchmarks from other service providers.

Finally, it ensures a quick and smooth implementation and knowledge transfer to support a digital culture, thus the client can continue JES independently.



Conclusions

As the digital transformation is underway and the "network of teams" is evolving, job structuring and evaluation are a cornerstone of promoting a digital organization. Defining the approach to implement or modify the job and grading structure in the first place will allow streamlining compensation, performance management, and analytics as well as other core HR processes to enable their efficient digitalization in the future. Without a systematic approach and smooth implementation of job evaluation and grading structures, companies are unlikely to succeed in shifting their organization towards the digital age. Moreover,

the job evaluation systems and tools have to be flexible enough to adapt to agile organizations on the one hand as well as be embedded into digital processes from a technology perspective on the other hand. Finally, selecting the appropriate job evaluation system is not a straightforward exercise but requires a holistic review and understanding of the business priorities and strategic objectives, the desired level of digital integration, and a clear vision of the future communications and governance model for the organization. A best-fit solution for job evaluation will drive flexible and agile organizations in their digital transformation.

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