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WHY TITLES SHOULD MATTER TO ORGANIZATIONS

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Job titles are more than just words next to employees' names or organizational chart boxes. Titles should indicate an employee's level and responsibilities to those both within and outside of an organization. Titles provide context to the employee and can aid in a consistent approach to identifying job level, career path and compensation. Externally, job titles are an indicator of seniority, knowledge and experience. In the current climate, many employees are working from home, which may continue for a meaningful period of time as the country slowly moves out of quarantine. A strong titling structure helps to maintain organizational normalcy by providing employees a resource to easily identify jobs, careers and compensation opportunities.

TITLES MATTER - ORGANIZATIONALLY SPEAKING

When used properly, job titles enhance the structure of an organization by categorizing each position in the organization. When it comes to compensation, titles can be used to manage an organization's compensation plan. Job titles can be tied to pay grades and incentive plan levels.

However, when job titles are redundant, misaligned, or outdated, managing employee expectations becomes reactionary rather than planned and an organization may neglect to leverage individuals' skills and abilities. Two employees doing the same work but holding different titles can create several issues:



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Titling appears to be straightforward and logical, assuming there are no changes to an organization's structure; however, the number of job titles tends to increase through growth, merger and acquisition activity, and business maturation. This expansion of titles may lead to issues that are damaging to the organization and potentially pose legal concerns. For example, problems arise when employees performing the same role have different job titles and compensation or employees with the same titles and compensation perform noticeably different activities.

The following example provides some context to the impact titling has on organizational operations and compensation:



If the current disconnected structures are left in place, the degree of variation in job functions and inconsistent use of job titles will create challenges in defining similar roles and responsibilities and standardizing processes and procedures across the new combined organization. When titles proliferate, the amount of time spent on compensation programs increases. The ability to hire and promote could be heavily impacted by the lack of title standardization and may result in compensation disparities among similar or equal jobs. In addition, the lack of consistency will hinder the organization's ability to streamline operations and discover synergies.

Performing an in-depth analysis of organizational titling structure provides better transparency and increased clarity in employee communications. In addition, communication of a robust titling structure and job responsibilities may have a positive impact on employee productivity and satisfaction. For an organization to operate as a single entity, consistent language, titling methodology, and compensation practices need to be implemented. This will enable parity throughout the organization and mobility both within departments or lines of business and across the organization. Consistent titling and compensation will also facilitate the hiring process, as roles and responsibilities are clearly defined prior to the start of any external or internal search.

Job titles should be generic yet descriptive. Achieving a balance so that a generic title describes a job, is broad enough to include more than one employee and matches to survey titles is difficult, but achievable. Keeping the approach to titling simple is preferred by many organizations that seek to streamline job title nomenclature. Job titles for all positions become clear indicators of a job's level, role and responsibility.

Generally, titles are tied to compensation through job descriptions and market research. In order to match pay competitively, job titles should line up with survey titles, and there should be a strong understanding of the roles and responsibilities associated with survey titles. Pay programs can be designed to reflect the external and internal value of an organization's jobs.

¹ <https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/job-leveling.aspx>



EMPLOYEE PERCEPTION

An employee's ability to understand how their job fits into an organization's hierarchy and the skills and experience needed for advancement are a critical piece of employee satisfaction. Titling information provides a reference point to understand comparable positions. Titling issues that can negatively impact employee job satisfaction include:

1

**LACK OF ACCURACY IN TITLING:
TWO EMPLOYEES IN DIFFERENT
FUNCTIONS HAVE THE SAME TITLE**

2

**TOO MANY (OR TOO FEW) TITLES:
THE PERCEPTION THAT EVERYONE
HAS A DIFFERENT TITLE...OR
EVERYONE IS A VICE PRESIDENT**

3

**TITLE INFLATION: THE SAME JOB
GETS A MORE GRANDIOSE TITLE
OVER TIME WITHOUT A CHANGE IN
JOB DESCRIPTION OR DUTIES**

All of the above can impact compensation and morale as employees struggle to understand their place in the organization, their contribution and their value to the organization. Belief that compensation is unfair (or uncompetitive), may be due to any of these issues; however, an organization's inability to appropriately represent a job within an organizational hierarchy and attribute accurate market values is one of the biggest drivers.¹

A titling structure that is suited to an organization's needs will provide a consistent framework for job levels, career path and compensation. Externally, a clear titling structure will be a straightforward indicator of seniority, experience and knowledge.

As organizations navigate through the COVID-19 pandemic and remote work becomes more normalized, understanding organizational structure is critical to employees maintaining a strong understanding of job expectations and career paths. A robust titling structure will provide employees with an easy tool to define roles both internally and externally. In addition, if organizational change is on the horizon as a result of the need to restructure compensation, conducting a systematic analysis of organizational titles can provide a solid foundation for go-forward compensation structures and variable pay programs.

¹ <https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/job-leveling.aspx>

