

The Most Admired: How They Pay

Best-in-breed firms don't necessarily need to pay the most starting out. Here's why.

BY JOHN KIMELMAN

The companies we most admire are the ones that make all the smart moves. Hiring great talent? Check. Offering creative, innovative products and services? Check again. Being financially sound but also socially responsible? Yes. Paying more? Well...

As it is with all things about money, compensation at most top-draw firms tends to be a more complex matter. Indeed, a recent Korn Ferry analysis suggested that the most admired companies don't necessarily pay the most—particularly in the entry-level range. But that may suggest a much broader if more modern approach to rewarding and engaging workers today, one that helps show why the best firms manage to stay on their perches while others struggle.

For the analysis, Korn Ferry, which provides the hard data for Fortune magazine's annual list of "World's Most Admired" companies, compared pay across different job levels for the most and least admired firms in the United States and the United Kingdom—and found that entry-level work didn't pay top dollar at the best in breed. On average, clerical roles at the most admired US companies are paid \$41,771 in total pay, or 5 percent less than at the less admired companies. In the UK, clerical workers made 9 percent less in total pay, while

junior professionals made 12 percent less. (The junior level was paid similarly between the most and least admired firms in the US.)

Experts say these figures aren't entirely surprising: Admired companies tend to have stronger brands, superior training programs and other attributes that young employees who are starting their careers desire even more than a higher salary. "An employee can say, 'I'm part of a successful organization, one that I will be proud to tell others that I work for, and one that will look good on my resume,'"

says Mark Royal, a senior principal at Korn Ferry and an expert on employee engagement.

The Takeaway

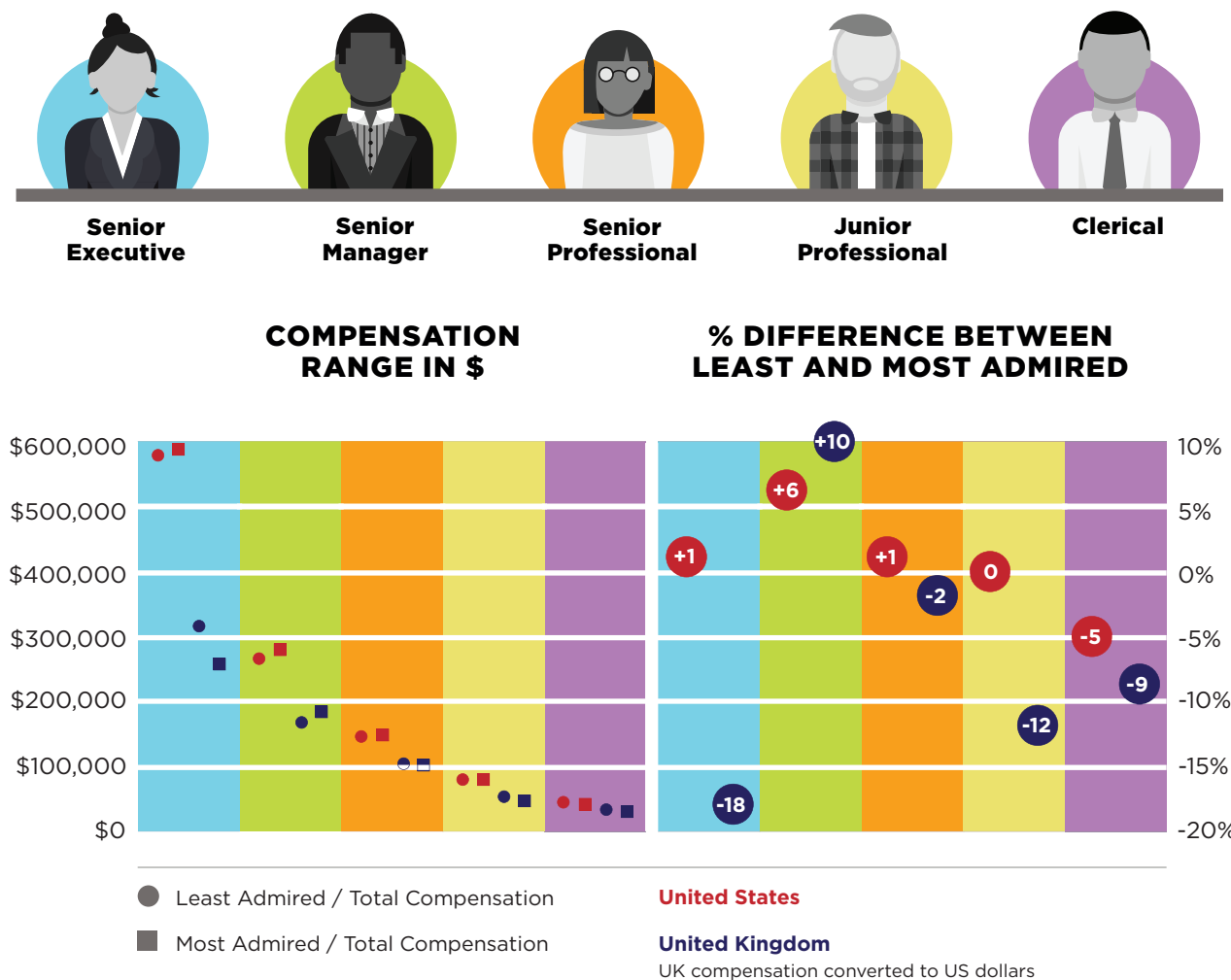
The best firms have learned to be very deliberate on pay.

Tom McMullen, a Korn Ferry senior client partner who specializes in reward programs, says best-in-breed firms also take a smarter approach toward compensation, starting

out lower but aiming to move stronger-performing workers up the ranks quickly. The emphasis on homegrown talent both boosts morale but also saves on costs. "Those who are promoted over the years are usually paid in the lower half of the salary range," says McMullen. "If you have to bring in

COMPENSATION DIFFERENCES

AT THE LEAST VS. MOST ADMIRED COMPANIES IN THE US AND UK



hired guns from the outside, you will usually pay a premium for that.”

The patterns are less clear at the higher-paying roles; best-in-breed firms in the US apparently believe paying more is necessary, while those in the UK don't. Either way, with falling unemployment rates creating a “buyers' market” for workers, the formula for compensation has been shifting. A key emphasis today: a company's purpose and culture. Kathryn Shaw, a professor of economics at Stanford Graduate School of Business who has

studied how workers are paid and promoted at major US corporations, says young workers will forgo pay for a satisfying culture. “You even see the willingness to take a pay cut to go work for the right company,” she says.

Shaw says that admired firms offer workers the ability to “feel that the work they do is of importance to the company and that they are not just an interchangeable cog in the wheel.” In the end, the job satisfaction in the work is higher, she says, even if the pay isn't. ●