who work in the field of training and development.[52] Suppose a small organization located in Colorado pays an executive in that field an annual salary of $90,000. If the organization compares this salary with salaries within its geographic area, then it will conclude that it is paying an above-average wage. However, if it uses small firms for the comparison, it will conclude that it is paying a below-average wage. Of course, a solution is to obtain data from small firms in Colorado. This is, however, somewhat difficult in practice, because the number of organizations fitting such a specific category and willing to provide data may not be large enough to make up a good comparison sample. The organization may need to use a number of different comparison groups and combine the results to arrive at the estimate that best reflects its standing relative to others. No matter the specific approach, it is critical that organizational leaders critically evaluate the usefulness of the data.

PAY-LEVEL STRATEGIES

After obtaining information about compensation in other organizations, the next step is to develop a pay strategy that determines how high pay should be. One possible compensation strategy is to pay employees more than what they can earn elsewhere. For instance, our earlier discussion of Marriott explained how the hotel chain strives to maintain a higher level of pay than other employers. But not all organizations benefit from paying more than their competitors. There are three basic strategies for pay level: meet-the-market, lag-the-market, and lead-the-market.[53] Here "the market" refers to a selected group of organizations, such as organizations in the same industry or in the same geographical area. Data about the pay of these comparative organizations is collected through the pay survey.

Meet-the-market strategy
A compensation decision to pay employees an amount similar to what they can make working for other organizations.

Lag-the-market strategy
A compensation decision to pay employees an amount below what they might earn working for another organization.

Lead-the-market strategy
A compensation decision to pay employees an amount above what they might earn working for another organization.

- An organization with a **meet-the-market strategy** establishes pay that is in the middle of the pay range for the selected group of organizations. Some employees in the organization may be paid more than they could earn elsewhere, and some may be paid less. On average, though, the pay level is the same as the average pay level for employees across the comparison group. An organization that adopts a meet-the-market strategy seeks to attract and retain quality employees but does not necessarily use compensation as a tool for maintaining a superior workforce.
- With a **lag-the-market strategy,** an organization establishes a pay level that is lower than the average in the comparison group. Of course, some employees may be paid more than similar employees working for other organizations. But the average level of pay for the entire organization is lower than the average level of pay for organizations in the comparison group. In most cases, organizations adopt a lag-the-market pay level strategy as part of a broader strategy to reduce labor costs.
- In an organization with a **lead-the-market strategy,** the average pay level is higher than the average in the comparison group. Once again, this doesn't mean that every employee will receive higher wages. However, a lead-the-market strategy suggests that the organization seeks to pay most employees more than they would be able to earn in a similar position in another organization. The labor cost for each employee may be higher in these organizations, but they expect the higher cost to be offset by higher performance and lower turnover.