

Beyond the Peer Median

Building a more relevant market view of executive pay

Traditional peer benchmarking is essential, but it can be incomplete. Role-specific comparator sets, multi-view benchmarking and regression analysis can help support or challenge traditional assumptions and spotlight where judgment should carry more weight.



The Problem

Traditional executive benchmarking may not be telling the whole story.

Executive compensation decisions are typically grounded in market comparisons to a corporate peer group, a standardized compensation survey or both. These sources establish consistent external reference points and provide management and the compensation committee with a defensible basis for evaluating pay levels.

However, this approach has limitations. For example, a corporate peer group may be well constructed overall, yet include few incumbents whose responsibilities closely match certain executive roles. Standard survey job codes can broaden the sample, but reporting-level differences and inconsistent role labels can lead to less precision. Because executive benchmarks often rely on small, single-incumbent samples, the result can be disproportionately affected by partial-year incumbents, interim assignments, special awards or other unique outliers. Understanding which of these factors is driving uncertainty helps determine whether the analysis needs a more tailored lens.

For management and compensation committees, the first step is to identify which uncertainty matters: job match, observation quality, market definition or scale. Those are different questions and call for different responses.

Where the market signal can weaken:

Job Match/ Observation Quality	Market Definition	Scale
Combined responsibilities, unique titles, differing reporting levels or specialized backgrounds. Limited samples increase exposure to outliers and data suppression.	Corporate peers may not represent the companies that recruit or supply talent for a specific role.	A business, function or regulated platform may be materially larger or smaller than the peer group midpoint based on assets, revenue, client assets, transaction volume or other relevant measures.

Three tools to strengthen market reference:

Custom Benchmarking/ Incumbent Review	Role-Specific and Multi-View Benchmarking	Regression Analysis
QUESTION: Are the people and pay observations appropriate and comparable?	QUESTION: Is the corporate peer group the right market for this role?	QUESTION: Does the median adequately reflect company or business scale?
WHAT IT ADDS: Tailors the analysis to role scope and offers opportunities to source data across different but comparable benchmarks while reviewing for outliers.	WHAT IT ADDS: Tests the conclusion across role-specific (e.g., technology) and broader talent-market comparator sets (e.g., a regional bank looking at leveled global bank data).	WHAT IT ADDS: Estimates pay based on the observed relationship between pay and scale (e.g., assets, revenue, market cap, headcount) within a validated market.

Custom Benchmarking

Custom review turns survey output into decision-ready evidence.

Surveys provide broad coverage and consistent definitions. For C-suite benchmarking, custom incumbent review helps confirm whether the roles and pay observations behind the statistics are appropriate.

Large compensation surveys are designed to make market data both scalable and consistent across a broad range of firms. Standardized job families, levels, scope codes and pay definitions create a common framework across companies and roles, making surveys useful for well-defined positions with clear structures and sufficient sample sizes.

However, executive roles often require more judgment. Responsibilities may be structured differently across companies, titles may not align to the same reporting level, and incumbents with the same title can vary materially in enterprise scope, business-line scale, P&L ownership or regulatory mandate. Observed pay may also reflect a promotion year, interim assignment, co-head arrangement or nonrecurring award rather than the recurring market rate.

Custom benchmarking supplements the survey by moving from a job-code match to an incumbent-level review. It starts by defining the role, then selects comparable executives based on actual responsibilities and explains the relevant market changes and pay nuances in detail. The result gives decision makers additional assurance that each observation belongs in the comparison.

Where a standard survey match may need incumbent-level review:

Situation	Why a Standard Match Can Be Incomplete	What Incumbent-Level Review Adds
Hybrid or differently labeled role	Responsibilities may span functions, and comparable executives may sit in different survey jobs or be disclosed under another title.	Select incumbents based on actual accountabilities rather than the label alone.
Hierarchy and reporting model	The same title may describe an enterprise, divisional, regional or second-level role with different decision rights.	Validate reporting line, P&L ownership, span of control and level in the organization.
Sparse sample or outlier	With one incumbent per company, one unusual observation can move the median or quartiles.	Incumbent level control over the observation set, ensuring all incumbents included in the benchmark are appropriate.
Partial-year or interim case	A promotion, new hire, interim appointment or co-head arrangement may not represent a normal full-year role.	Apply consistent rules to exclude or flag unusual cases and, where appropriate, annualize partial-year compensation.
Nonrecurring pay event	Sign-on, make-whole, retention, transaction or transformation awards can overstate ongoing market pay.	Separate special awards from recurring compensation before calculating the result.

Executive benchmarking often relies on one observation per company and a small number of directly comparable roles. That makes each match more influential than it would be in a broader employee survey. A single combined role, interim incumbent or special award can materially affect the reported median or quartiles. Custom benchmarking reduces that risk by documenting the one-to-one role matches and adjustment methodologies.

Role-Specific and Multi-View Benchmarking

The corporate peer group does not have the same relevance for every role.

The next question is whether the comparator universe fits the role. Corporate peers are chosen for company-level comparability, but the relevant labor market for a specific executive may reflect different responsibilities, business mix, regulatory complexity or talent sources than a peer set designed to represent the company overall.

Corporate peer groups play an important governance role by giving directors and investors a familiar comparison set, typically grounded in industry, size, ownership and operating profile. However, because these criteria are defined at the company level, they do not necessarily show whether each peer has a comparable role for every executive or whether the most relevant employers for a specific position are included.

Why role relevance can differ within the same corporate peer group:

Role	Comparator Dimension	Why the Corporate Peer Set May Be Incomplete
CHRO	Workforce scale, talent strategy, human capital complexity, culture and regulatory expectations	Same-industry peers can differ materially in workforce composition, talent-market exposure, employee relations complexity and human capital oversight responsibilities.
CIO/CTO	Platform scale, transaction volume, technology spend, data complexity, cyber and resiliency obligations	The talent market may include payments, data, cloud and FinTech platforms whose scale is not captured by assets or revenue alone.
Business Line Leader	Business-line revenue, assets or client assets, product breadth, growth mandate and risk profile	Enterprise peers may have very different wealth, capital markets, payments or lending businesses despite similar overall asset size.

Role-specific benchmarking addresses this by defining comparators around actual accountabilities, organizational context and credible talent flows. Multi-view benchmarking can retain the corporate peer set and add one or two purpose-defined alternatives, such as a role-specific custom set or a broader talent market view. For financial services roles, comparability may depend on the relative scale and complexity of a specific business, such as wealth management, capital markets, payments or commercial banking, which may not be apparent from enterprise assets or overall company size.

The relevant market may also cross industries. A financial services company evaluating a technology executive, for example, may look to technology companies that compete for the same talent and place similar value on transferable technical and platform experience. When the ranges are similar, the original peer result appears validated. When they differ, the comparison helps identify whether role scope, business mix or the relevant talent market is influencing the outcome.

Regression Analysis

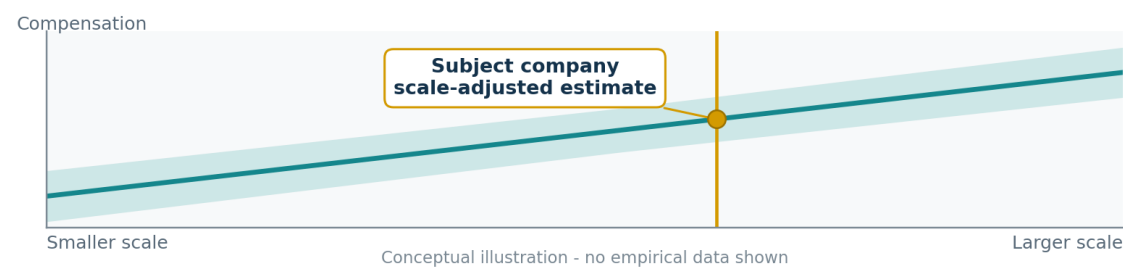
Regression adds a scale-adjusted view of market pay.

After role match and comparator relevance are tested, regression addresses a different question: whether the median adequately reflects the company's or business unit's scale.

Regression may be appropriate when the peer set provides a useful market reference but does not cleanly position the company or role at median. A client may sit above or below the peer group on overall size (such as when the most relevant peer universe is too small to support reliable median positioning), or when a specific executive role oversees a business, function or risk profile that is materially larger or smaller than the company-level comparison suggests.

Regression helps in these scenarios by translating the observed market relationship between pay and size into a company-specific reference point. Using measures such as revenue, assets, market capitalization or employees, it estimates what compensation would look like at the company's scale and where segment data is available. This calculation can also be applied to a business unit rather than total enterprise size.

Regression estimates the market relationship at the subject company's scale



Where regression adds value – and where it does not:

What Regression Adds	Limitations to Keep Visible
Continuous reference Evaluates the company at its actual position (or future aspirational position) on the selected scale measure rather than only inside a peer group bucket.	Data quality still comes first Regression cannot repair weak job matches, unusual pay treatment or an incorrectly defined talent market. As such, this is best completed as an add-on to custom benchmarking analyses.
Interpretation at the edges Helps when the subject sits near the high or low end of the comparator range or when few like-sized observations exist.	Model choices matter Results depend on the sample, business-relevant scale variable, model form and treatment of correlated measures. You may need to test multiple single variables / multivariate models to determine the best fit.
Separation of scale and peer mix Shows whether a market result is consistent with the broader pay-versus-scale relationship.	Uncertainty remains Small samples and dispersed observations widen confidence ranges and reduce precision. i.e., more data generally provides higher confidence.
Diagnostics Makes outliers, unexplained variation and sensitivity to alternative scale measures more visible.	Not a recommendation The estimate does not decide individual positioning, performance, retention need, internal equity or affordability.

Decisioning Guide

Match the analytical approach to the decision question.

The right level of analysis should be guided by the issue most likely to change the committee's view of the market and the confidence it can place in the resulting pay reference.

Use the preceding pages as a diagnostic: Is there weakness in a role match, comparator universe or scale position? A routine decision with clear matches and a stable sample may not require every tool. Additional work adds value when it answers a question that could affect the recommendation.

Custom review validates observations; role-specific and multi-view benchmarking test market relevance; regression tests scale. Management and the committee should then consider pay philosophy, role performance, future succession needs, retention risk, internal equity and ultimately affordability before setting final pay positioning.

Decision guide: When each layer adds value

Layer	Add It When	Question Answered	Typical Contribution
1. Traditional peer/survey context	Common role, clear matches, stable sample and company size positioned near market median.	What does the conventional reference show?	Starting range and governance due diligence context.
2. Custom incumbent review	The role is hybrid, labels or hierarchies differ, the sample is sparse, or partial-year and special-pay cases may affect the result.	Are the matched people and pay observations comparable?	A validated pay sample with documented inclusions, exclusions and sensitivities.
3. Role-specific and multi-view benchmarking	The corporate peer set does not fully represent the role, talent market, business mix or regulatory context.	Does the market conclusion change under another reasonable comparator definition?	Role-relevant ranges and a clear read on convergence or divergence across views.
4. Regression analysis	The subject sits near the edge of the comparator range, few like-sized observations exist, or scale appears to be a material driver.	What pay level is implied by the relevant enterprise, business-line or platform scale?	A continuous scale-adjusted estimate, confidence range and model diagnostics.
5. Committee judgment	The external evidence has been established and company-specific positioning must be determined.	How should this company position pay for this executive?	A final rationale reflecting all the critical factors.

From benchmark to recommendation:

1. Start With the Baseline	2. Validate the Observations	3. Test Scale	4. Apply Context
Disclosed peer group and relevant survey context	Custom review when job matches, data quality or talent market is a concern	Add regression analysis as an additional point of reference where scale is a concern	Overlay critical factors on top of the market reference points produced during steps 1 to 3

Turning Market Complexity into Decision Support

Aon's Talent practice helps organizations move beyond a single peer median by combining role-level market data, custom comparator design, multi-view benchmarking and scale-sensitive regression analysis. The result is a clearer view of where the market signal is strong, where assumptions might be shaping the conclusion and where management or committee judgment should carry greater weight.

Our team can support executive compensation benchmarking, role-specific talent-market analysis, peer-set sensitivity testing and board-ready decision materials tailored to an organization's strategy, operating model and governance needs.

To discuss how this approach could support an upcoming pay decision, contact Greg Camarco at greg.camarco@aon.com or your Aon Talent representative.

CUSTOM BENCHMARKING

Role-first matching against a defined, decision-relevant comparator set.

MULTI-VIEW ANALYSIS

Targeted peer cuts and role-specific views that reveal sensitivity and convergence.

REGRESSION GUIDEPOSTS

Scale-adjusted market estimates, diagnostics and confidence ranges.

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