

VisionLink

How Do I Get Sustained Performance from My Key People?

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Financial Visions

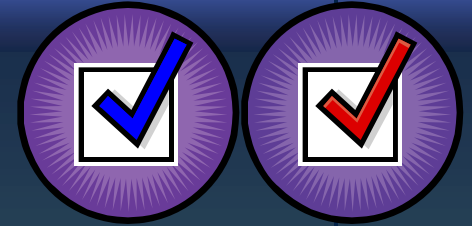
September 23, 2008



THE VISIONLINK
ADVISORY GROUP

The VisionLink Advisory Group ♦ www.vladvisors.com

True or False?



- Sustained performance is a good thing
- Reducing turnover among your key employees will save money over the long run
- Presenting a compelling future is crucial to the retention of talented employees
- The best compensation device for employee retention is a long-term incentive plan
- Everyone agrees that incentive plans work

Today's presenter

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We're happy to provide a copy of today's slides. Information will be provided at the close of the presentation.

For questions during today's presentation:

*Use the question panel
to the right of your screen*



Sustained Performance

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Sustained Optimal Performance

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Sustained Optimal Performance

- Top line growth
- Bottom line growth
- Proper return on equity

Sustained Optimal Performance— what's required?

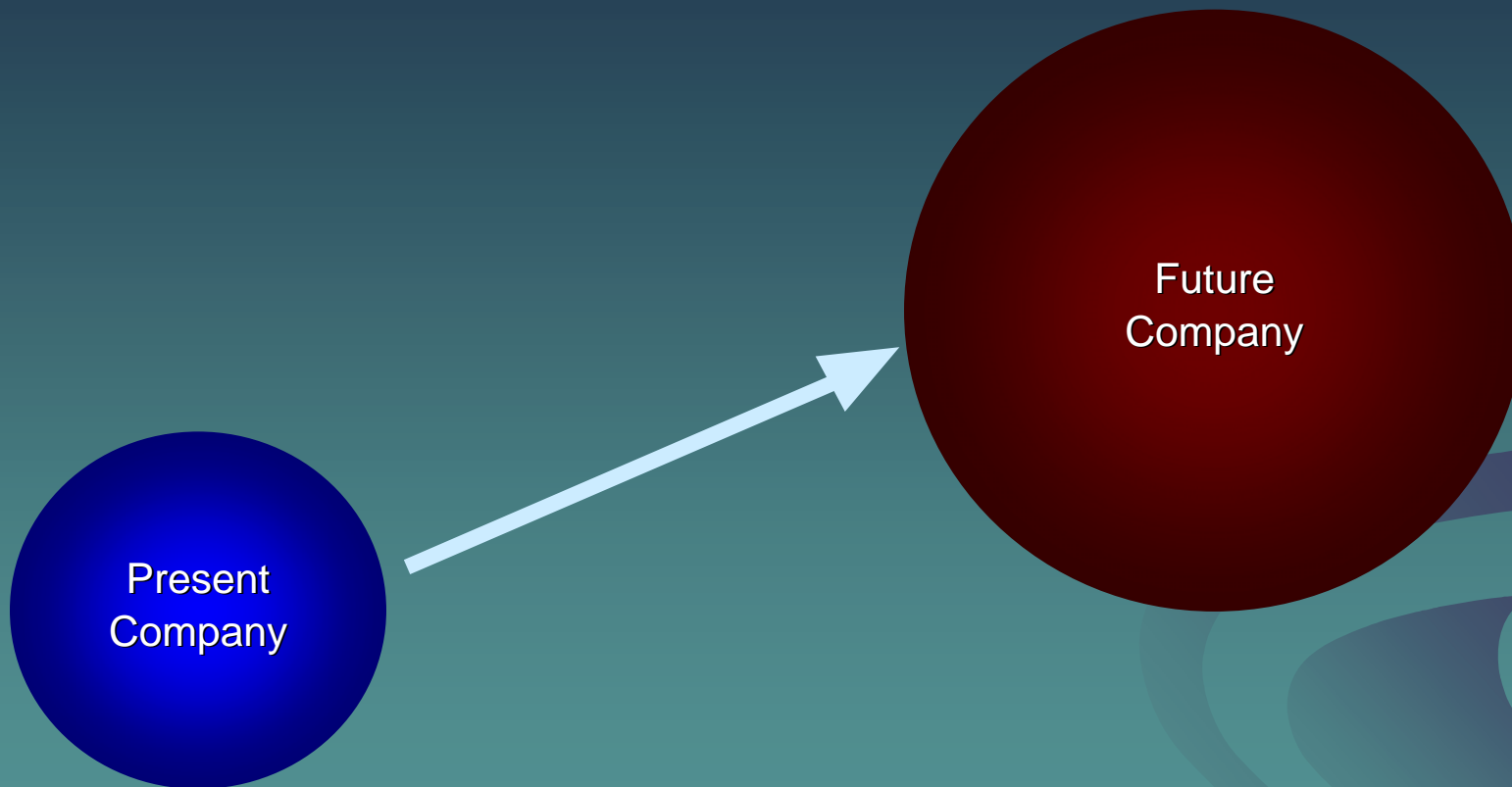
- The right talent
- The right outlook and attitude

Sustained Optimal Performance— outlook and attitude?

- Future thinkers
- Believers
- Doers (results oriented)
- Achievers (ambitious)
- Team players



Optimal Future Company



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Optimal Future Company

- Hypothetical
- Maximum output/productivity of all human and financial capital
- “Perfect” execution of the business plan

How close can we come?

- Best talent
- Well defined and communicated plan
- Excellent execution (day-to-day)
- Sustainable sacrifice and commitment (ownership)



Retention plus sustained high performance?

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Poll

QUICKPOLL

What is the optimal number of years a company should expect to retain a high performer?

Please select one:

- ☐ 1-3
- ☐ 4-6
- ☐ 7-9
- ☐ 10 or more

Submit

QUICKPOLL

What is the optimal number of years a company should expect to retain a high performer?

Poll Results (single answer required):

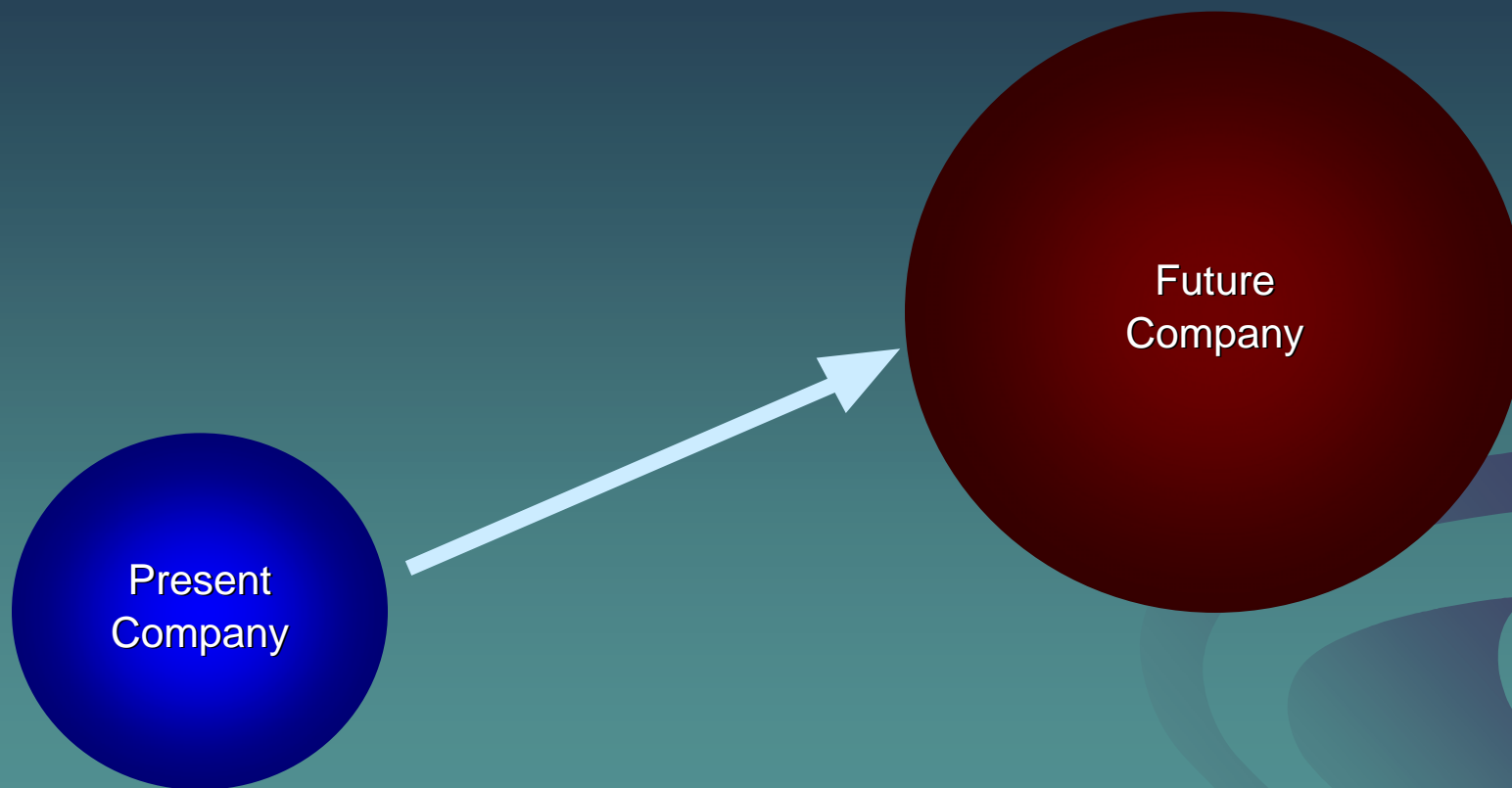


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High performers will remain with a company if they:

- See a compelling future
- Enjoy the environment
- See opportunities for growth and challenge
- Believe in the value of the rewards

Optimal Future Company



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Where and how does compensation fit in?

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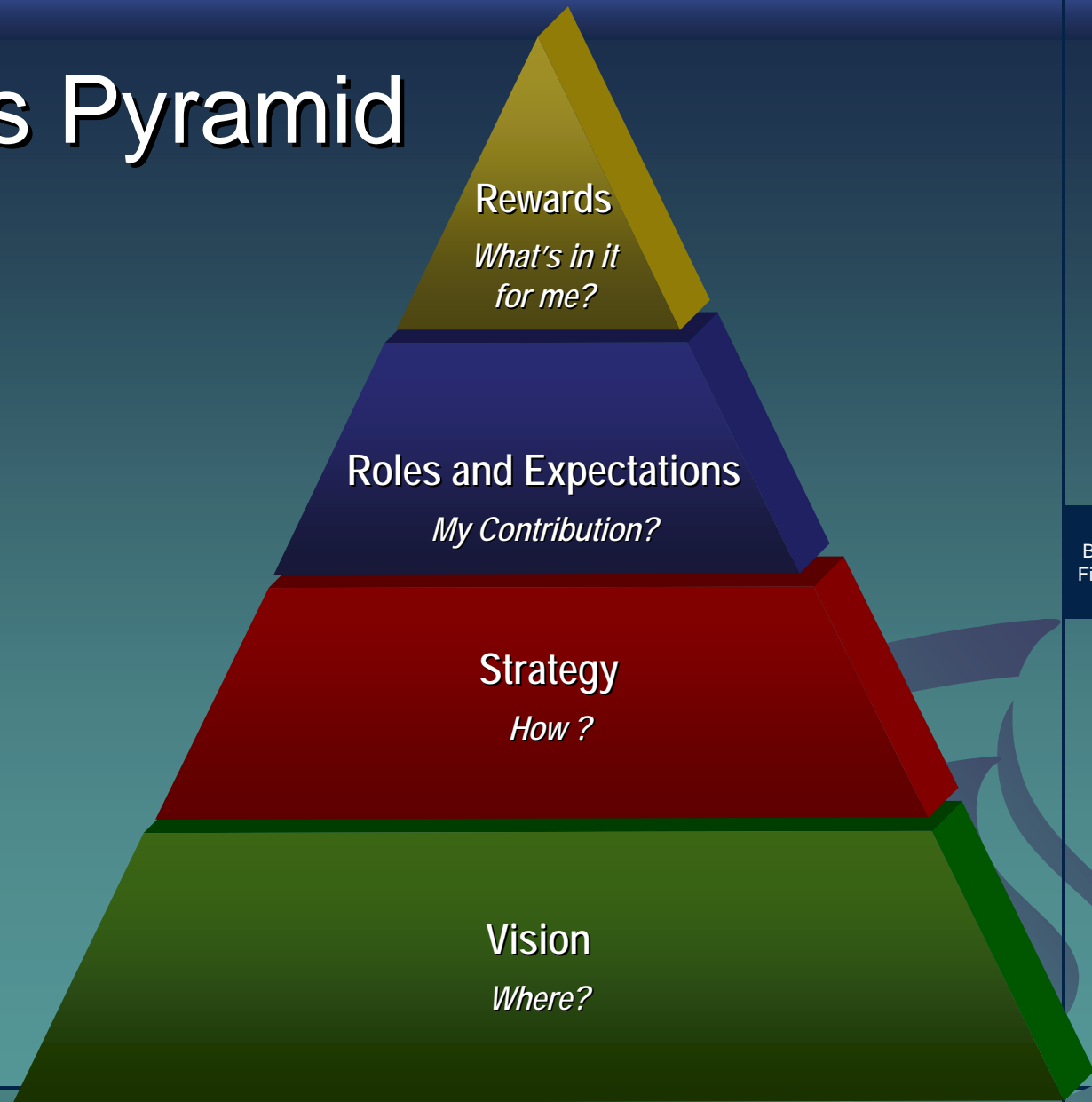
Incentive plans do work when they...

- ...communicate
- ...reinforce
- ...inspire

Incentive plans don't work when they...

- ...obscure
- ...misalign
- ...coerce

Rewards Pyramid



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Rewards to Results



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"Here is
our
Business
Plan"



I see where we're going
and I believe
we can get there.



"Here is
your
Incentive
Plan"



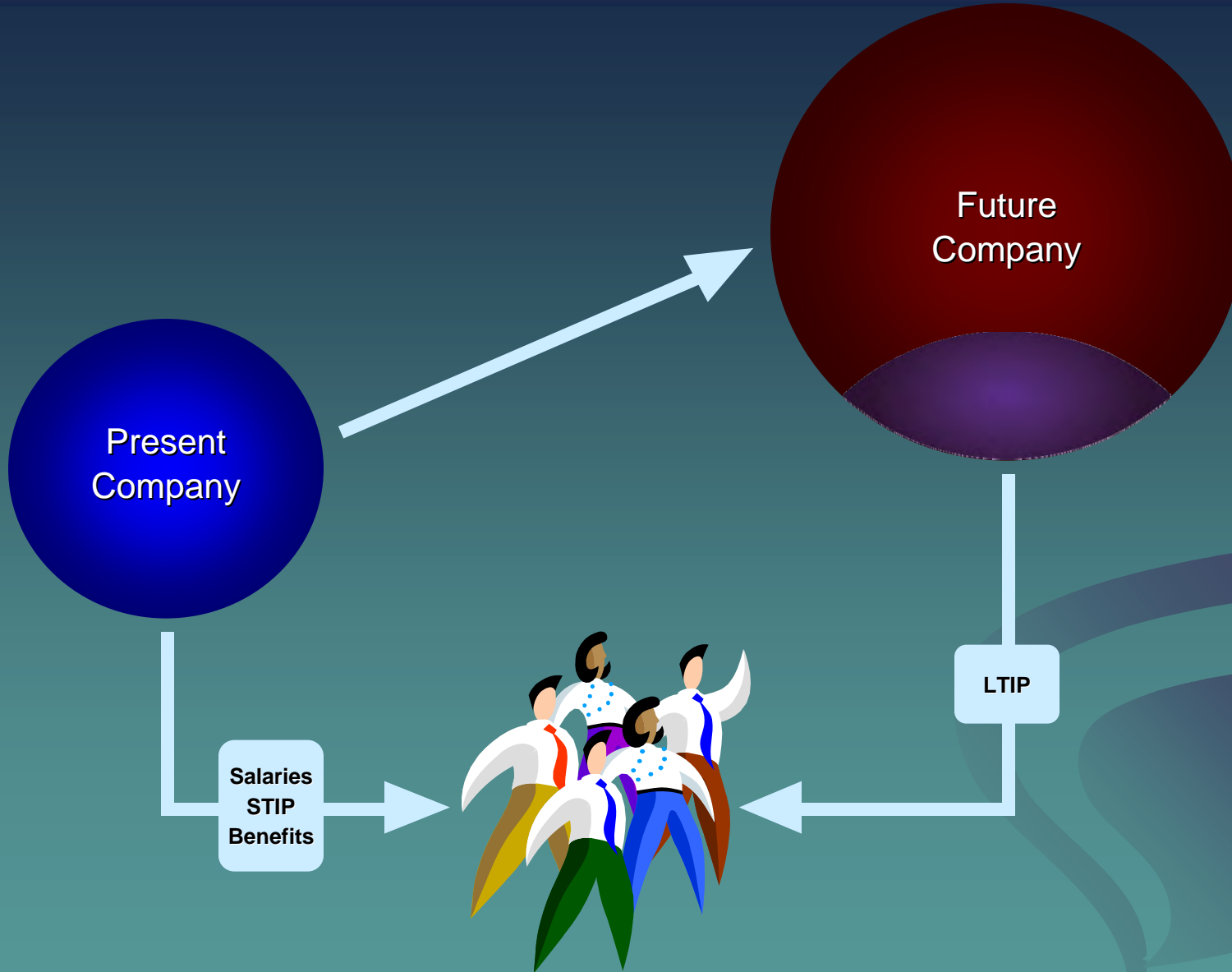
I understand it.

I see how it links
to the business plan.

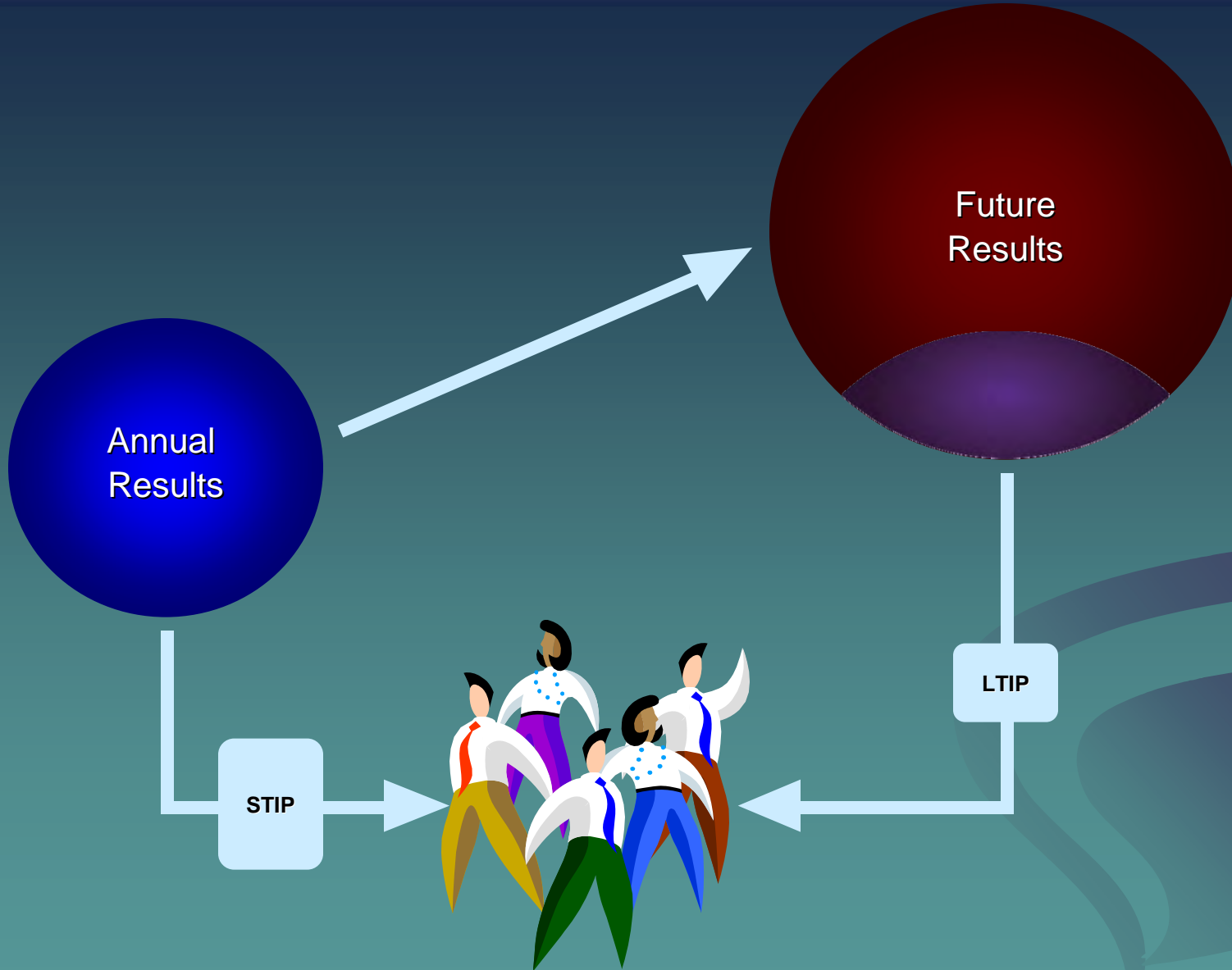
I understand what I
am to contribute.

It means a lot to me.

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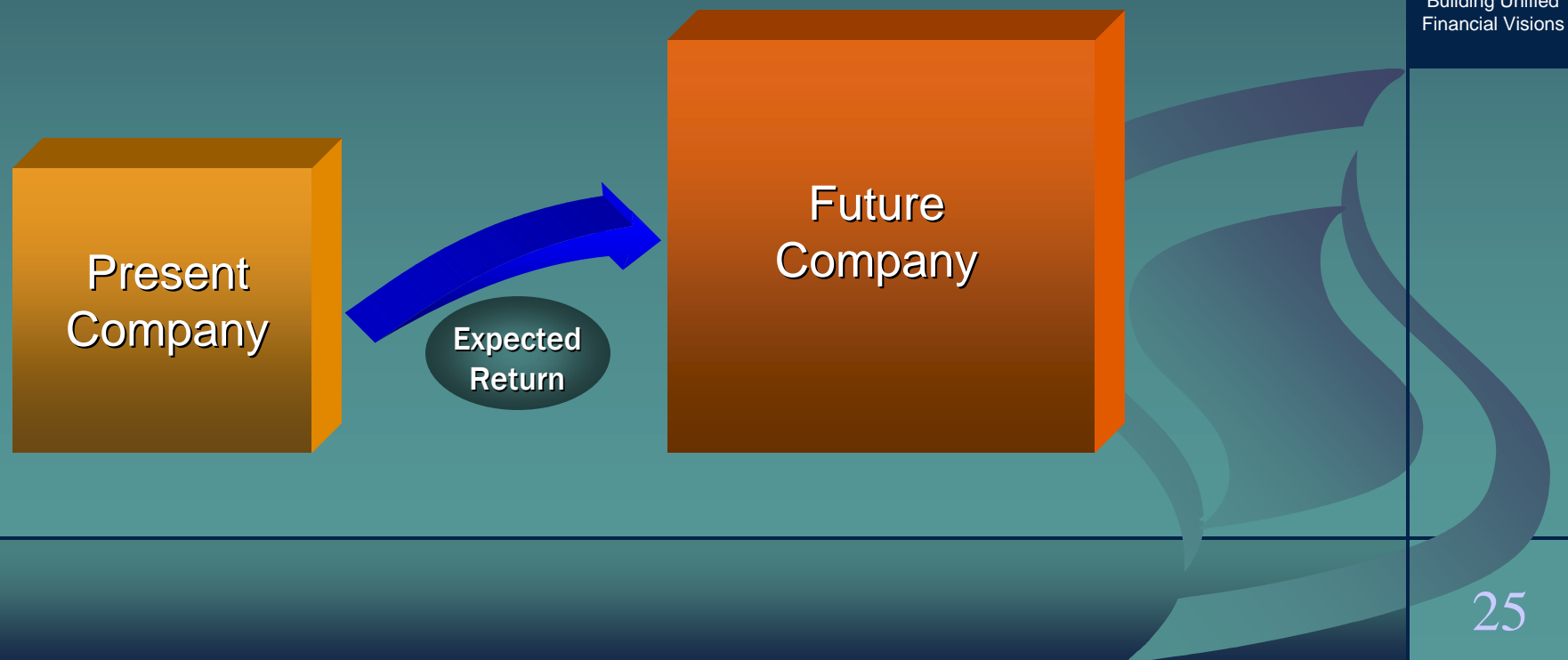


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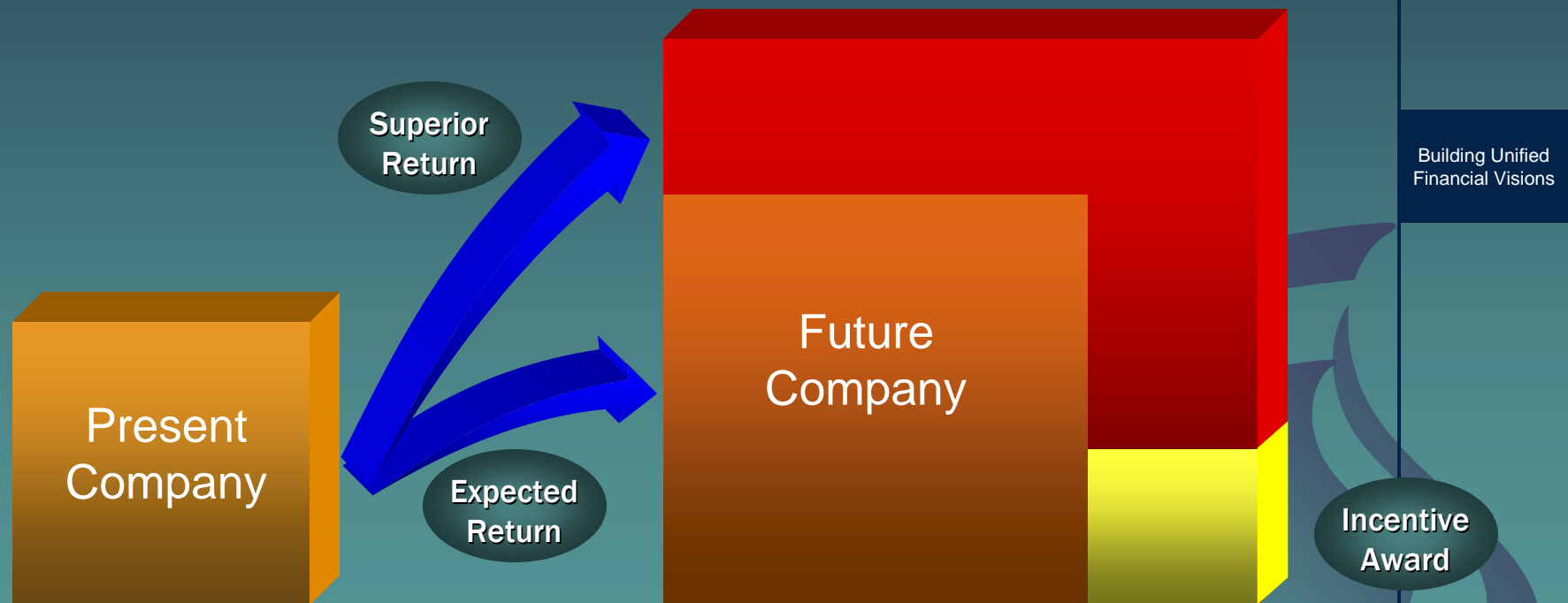


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Creating value added results



Creating value added results



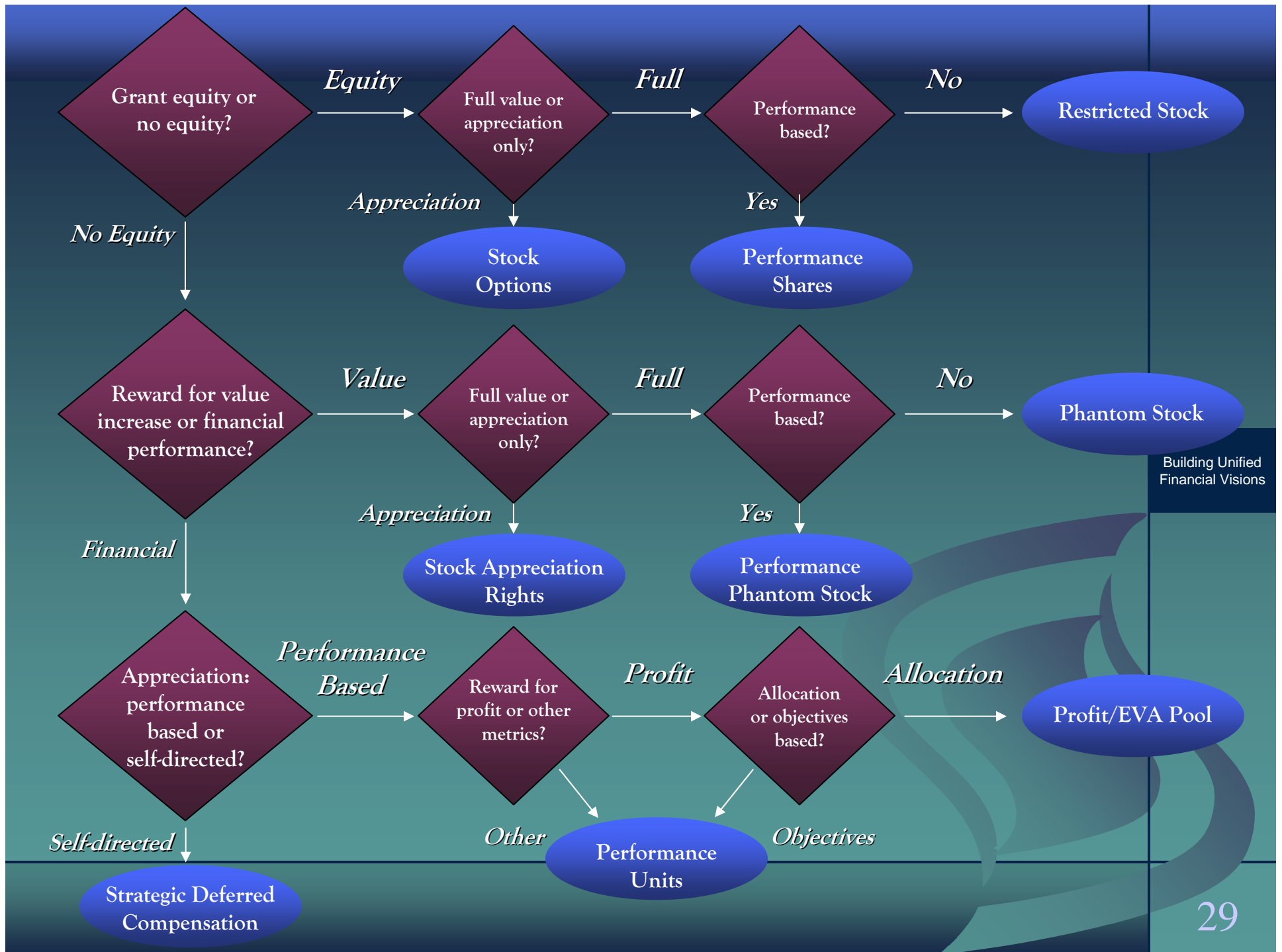
Most common compensation mistake

Failure to install and maintain an
effective long-term incentive plan



Long-Term Incentive Plan Decision Tree

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Which plan is right for your company?



A few “best practice” tips

- Class year vesting
 - Cliff—3 year
 - Cumulative—4-5 years
- Annual grants (not one-time)
- Start at top, work down
- Model cash flow, consider pre-funding

Employee Value Statement

Year	1	2	3	4	5
5-Year Plan Achievement Level	100%	100%	100%	100%	100%
Current and Inflated Salary	\$ 160,000	\$ 166,400	\$ 173,056	\$ 179,978	\$ 187,177
Cash Incentives Paid at Target	\$ 64,000	\$ 66,560	\$ 69,222	\$ 71,991	\$ 74,871
LTIP Vested Value at Year End	\$ -	\$ 74,000	\$ 186,000	\$ 311,000	\$ 448,000
Retirement Plan Value (at 7%)	\$ 17,120	\$ 36,123	\$ 57,169	\$ 80,428	\$ 106,086
Total Cash Received	\$ 224,000	\$ 232,960	\$ 242,278	\$ 251,970	\$ 262,048
Total Wealth Accumulation	\$ 17,120	\$ 110,123	\$ 243,169	\$ 391,428	\$ 554,086
Total Paid or Accumulated	\$ 241,120	\$ 567,083	\$ 942,407	\$ 1,342,636	\$ 1,767,343

Caveat:

Entrepreneurial employees

- Confident of their personal intellectual property
- Willing to invest (take a risk)
 - Flexible on guarantees
 - Open to upside
- Will sacrifice short-term gain for long-term rewards

The diagram consists of two large overlapping circles. The left circle is purple and contains an illustration of a woman in a white top with blue dots and purple pants. Below it is a purple box with the text 'Entrepreneurial Attitude' and 'Right Fit Unique Ability'. The right circle is green and contains an illustration of a man in a black suit. Below it is a green box with the text 'Compelling Future' and 'Valuable Upside Rewards with Strong Alignment'. The intersection of the two circles is a darker purple and contains the text 'Sustained Optimal Performance'.

**Sustained
Optimal
Performance**

Entrepreneurial Attitude

Right Fit
Unique Ability

Compelling Future

Valuable Upside Rewards
with Strong Alignment



Where do you start?

A clear assessment of where you stand with
your employees
(I.e., do they have an Entrepreneurial
Mentality?)

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Measuring Employee “Ownership”

- Net Ownership Score (NOS)
- Examines four responses:
 - Understanding
 - Importance
 - Contribution
 - Connection

Typical Score

Component	Clear	Unsure	Not Clear	Score
Understanding	4	3	3	1
Importance	3	5	2	1
Contribution	4	2	4	0
Connection	3	5	2	1
Composite				0.7

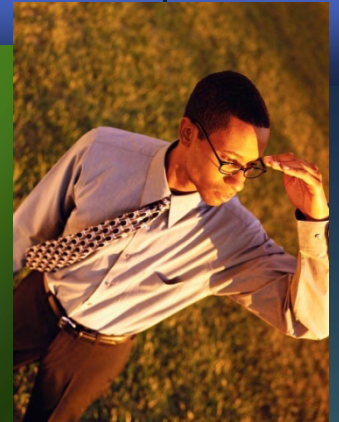
Positive Score

Component	Clear	Unsure	Not Clear	Score
Understanding	9	1	0	9
Importance	7	2	1	6
Contribution	8	2	0	8
Connection	9	1	0	9
Composite				8.0

Complimentary Offer

- Net Ownership Score Assessment
- Confidential (and no obligation)

Conclusions



- Sustained optimal performance results from the tight linkage of (a) a compelling future, (b) right fit talent, and (c) strong upside rewards programs
- To be effective, incentive plans must (a) communicate, (b) reinforce, and (c) inspire
- The biggest mistake made in most companies' rewards program is the lack of a strong long-term incentive plan

Next Online Seminar:



**“10 Steps to Building a Great
Incentive Plan”**

To be held on:

Tuesday, October 28th, 2008

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Thank you for attending

Please complete our brief survey immediately following our presentation.

We value your input.

*You may request a copy of our slides and the
NOS Assessment.*

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Thank You!



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