

The "Learn & Earn" Series™
September 24 ,2009

"The Four Keys to Employee Retention"



THE VISIONLINK
ADVISORY GROUP

Today's Presenter:

Ken Gibson

Senior Vice President

(949) 265-5703

kgibson@vladvisors.com



Course Credit

Per State Requirements:

To receive CPE credit for today's course, you must respond to at least 75% of the monitoring events – given in the form of polls.

Each person taking the course must respond to the monitoring events from their own computer. You may not share a computer when taking the course

Next CPE Course:

“Will My Client Create Greater Wealth for Himself by Creating Greater Wealth for his Employees?”

To be held on:
Tuesday, October 20th, 2009

We're happy to provide a copy of today's slides, course syllabus/summary, and a CD of the presentation. Information will be provided at the close of the presentation about requesting these.

For questions during today's presentation:

Use the question panel
To the right of your screen

Course Objectives

- Examine the four key issues that impact retention
- Establish the criteria that great employees use in deciding whether to join and stay at a company
- Discuss the cost of turnover and why it is a bottom line issue
- Discuss the role of incentives in helping to retain key employees

Key Concepts



- There are four measures that employees make in deciding to stay or leave an organization
- Market pay data is not the only or even the best data to use in targeting compensation levels
- Retention is a bottom line issue—there are huge costs in turnover
- Great employees look to create value for the business and themselves, both short and long-term

Employee Retention

Poll #1



Semi-true Story

“I’m moving on...”

Why?



- “I’m not sure there’s a future here for me”
- “I just don’t feel like this is the right place for me”
- “I’m not sure I want to be doing this for the rest of my life”
- “I think I can make more somewhere else”

Cost of Turnover



- Average cost of replacing a non-manager is 29% of the person's annual salary.
- Average cost of replacing a manager is 46% of the person's annual salary.
- Replacement costs do not generally vary based on company size, revenue, or public/private status.
- Turnover costs an organization with 13,000 employees more than \$27 million per year.
- One employee represents \$239,888 of an organization's revenue during a one-year period.

$$T + C + R = P$$

**Long-term retention of
committed, talented personnel
means higher productivity**

4 Keys

I'm not sure there's
a future here for me

I just don't
feel like this is the right
place for me

I'm not sure I want
to be doing this
for the rest of my life

I can
make more
somewhere else

4 Keys

Compelling Future

Positive Work
Environment

Opportunities for Personal
and Professional Growth

Financial Rewards

4 Keys

Compelling Future	Positive Work Environment
15	30
35	20
Opportunities for Personal and Professional Growth	Financial Rewards

Is it possible to have all 4 of these “in spades” and still fail to retain?

Compelling Future	Positive Work Environment
25	25
25	25
Opportunities for Personal and Professional Growth	Financial Rewards

Poll #2



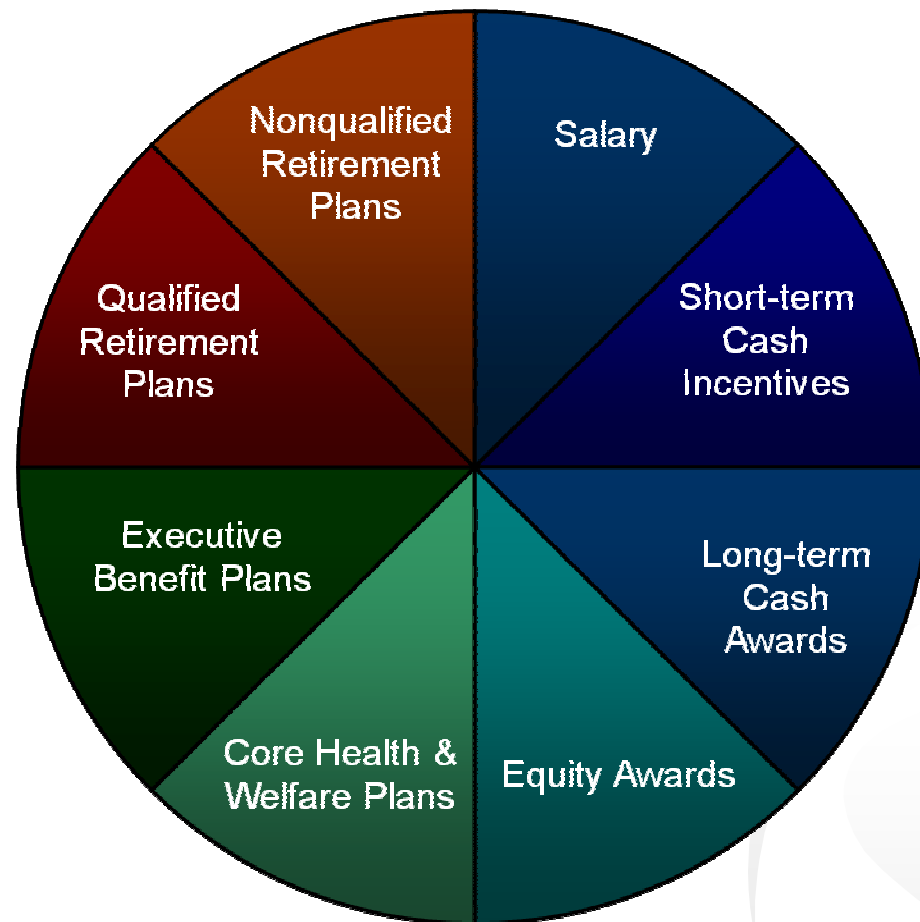
Yes

- Failure to *communicate* the vision of the future
- Failure to *communicate* the opportunities for growth
- Failure to *communicate* the total rewards proposition

Financial Rewards



- Which elements of compensation assist with retention goals?
- Is it necessary to pay “above the market” for compensation to be a contributor to retention goals?
- What are the best ways to use compensation to help achieve your retention goals?



Salaries

- Perceived as being “at market”
- Consistent methodology for applying merit increases
- Strong sense of fairness

Cash Incentives



- True “pay for performance”
- Meaningful upside
- Not arbitrary
- Communicated at beginning of the year

Long-term incentive plans



- Tied to long-term strategy
- Meaningful
- Annual grants
- Constant forfeitures (vesting schedule)

Benefits



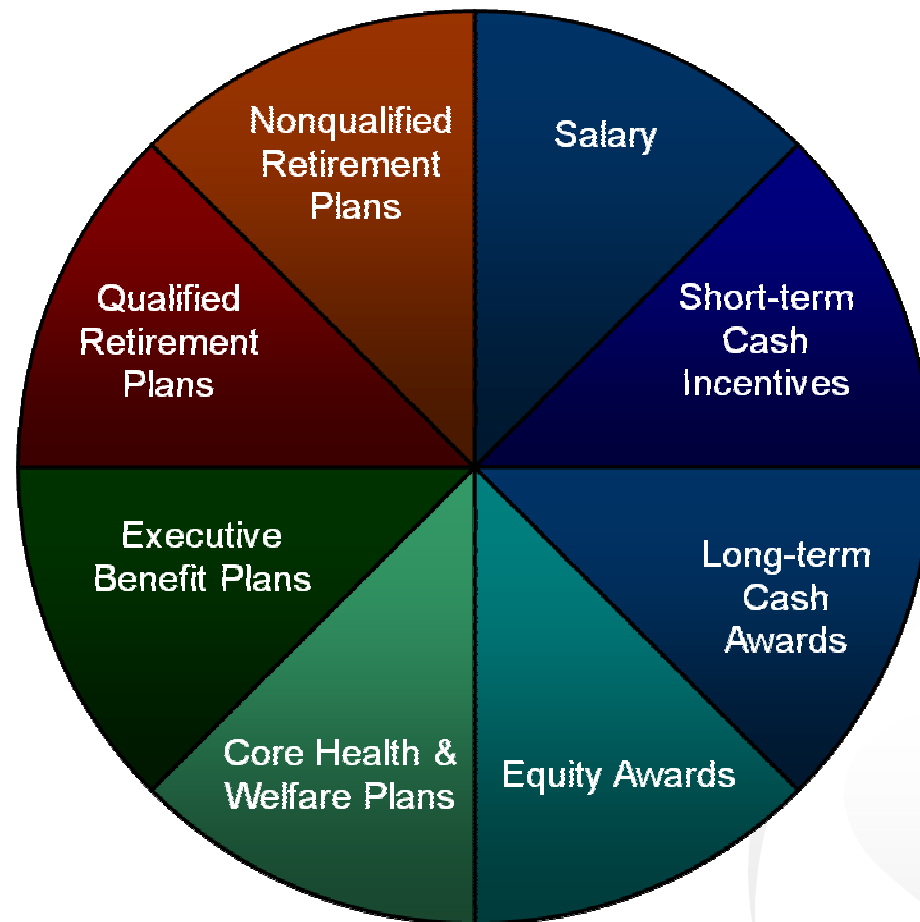
- Perceived as being “at market”
- Flexibility to address changing lifestyle needs

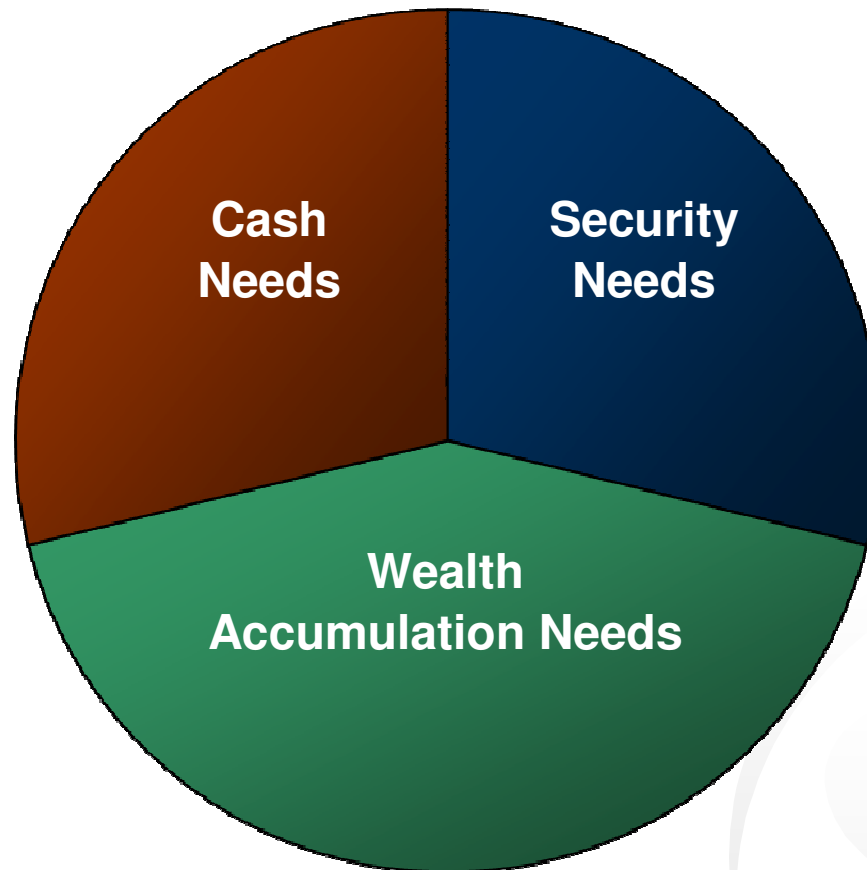
Qualified Retirement Plan

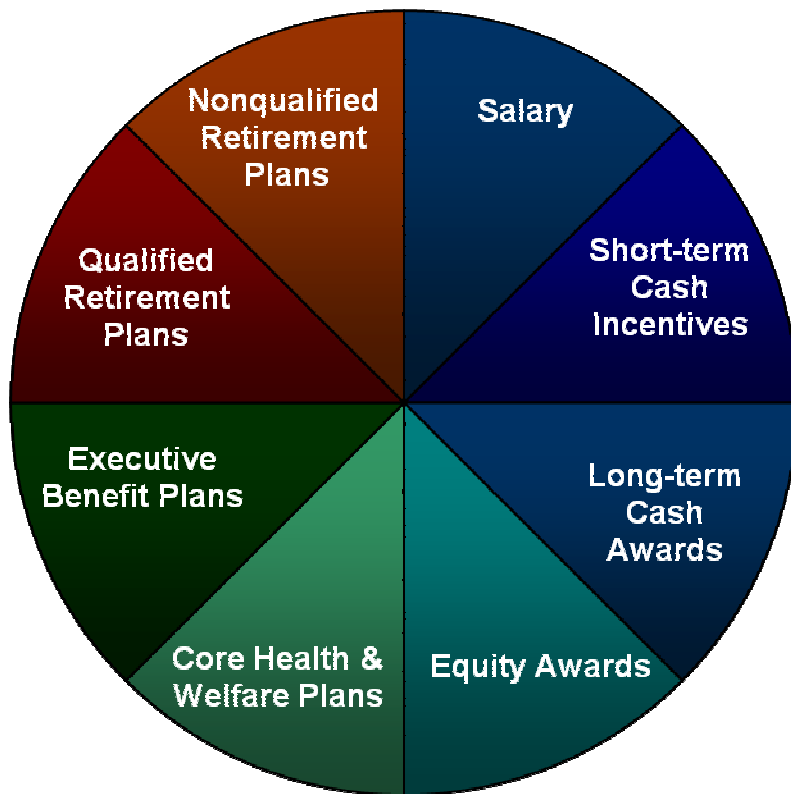
- Perception of strong performance
- Awareness that value is high and costs are low
- Value-added education or advice
- Meaningful company contribution with vesting schedule

Non-qualified Retirement Plan

- Performance based
- Company contribution (with strong vesting schedule)
- Lack of portability is a plus







Poll #3



Common question:



Are our salaries and total compensation “at market?”

Better question:



Do we adequately communicate the total rewards value that our employees will receive or accumulate over time?

Communicating my compensation plan

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:

Total Economic Value Proposition

- Does it meet my cash flow needs?
- Does it provide the level of security I desire?
- Does it offer a meaningful long-term wealth accumulation opportunity?

Fundamental Philosophy



Fair salaries, strong benefits, great
upside for short- and long-term
growth and profitability

Key questions:

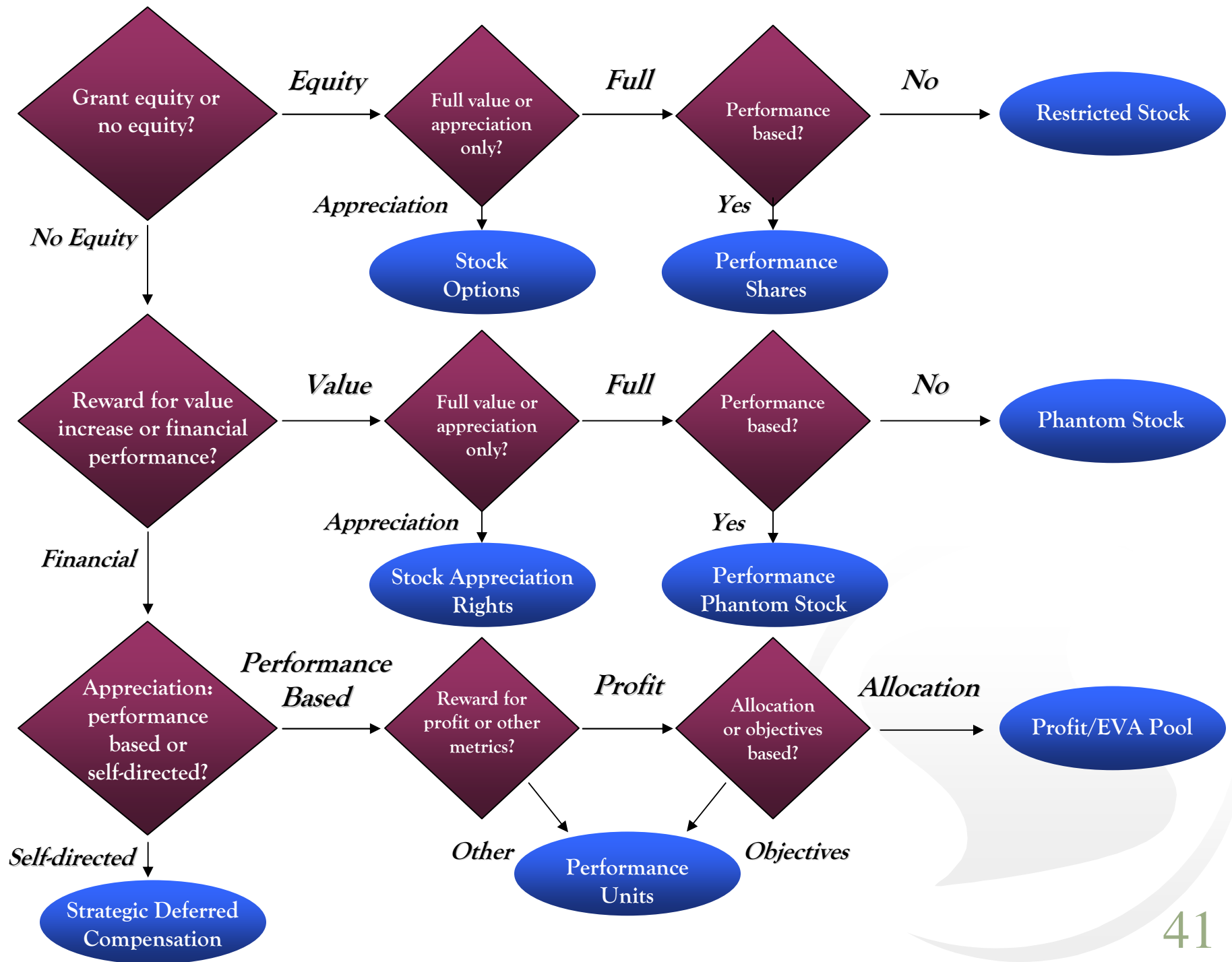


- Is our total rewards package designed to appeal to the type of people we need?
- Will it focus those people on our desired results?
- Is the value of our package sufficient to drive behavior that is challenging?

Key questions:



- Does the package properly reward people for long-term results (thereby keeping them focused on those results and not just short term goals)?
- Do the LTIPs, QRP and NQRP result in “think about it” forfeitures that assist with retention?



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4 Keys

A clear written statement
regarding our future
company, its purpose
and value

Physical plant, culture,
comfort, values, attitudes

Unique ability recognition,
career paths, no ceilings,
entrepreneurial

Attractive balance of cash,
security and accumulation
plans

Results

- Cost savings
- Higher employee productivity
- Sharper long-term commitment
- Unified vision
- Higher growth and profitability

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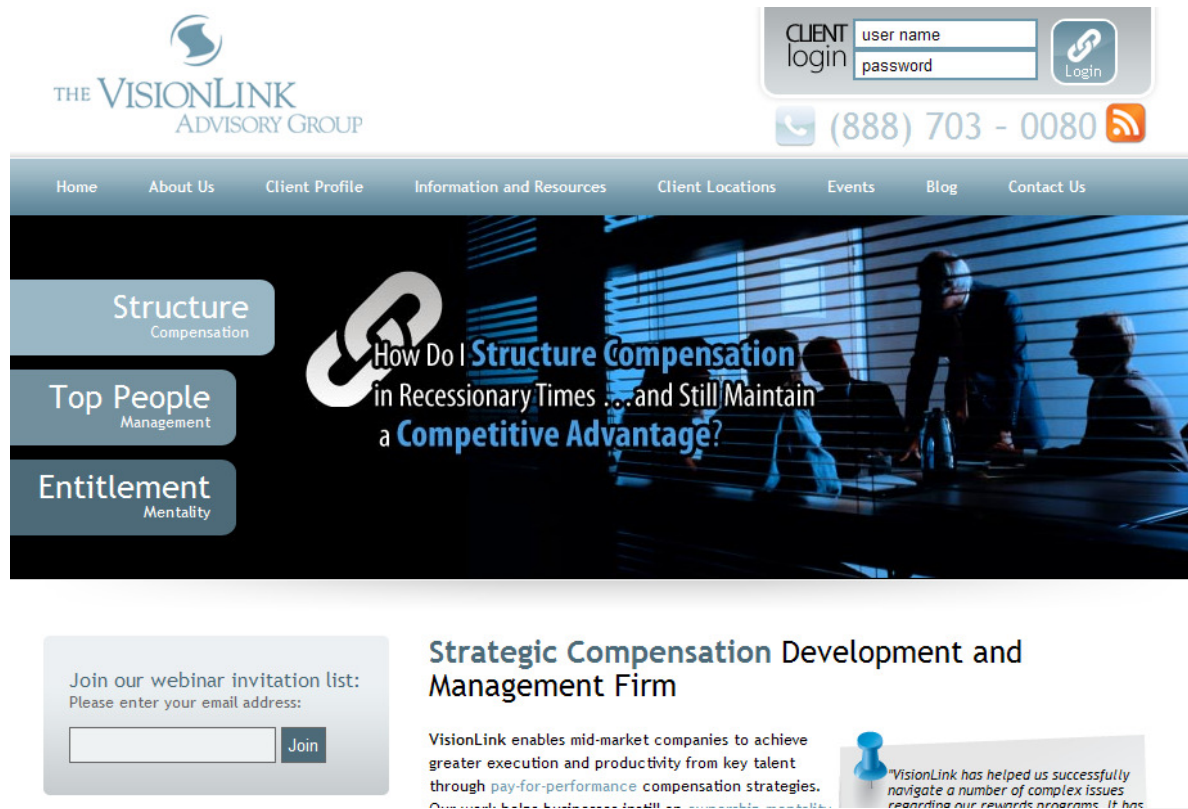
To be held on:
Tuesday, October 20th, 2009

Next Online Webinar:

**“How Much is Enough Compensation?”
*or is that even the right question to ask***

To be held on:
Tuesday, October 27th, 2009

Check out our website:
www.VLadvisors.com



You can also subscribe to our blog

Questions?

Thank you for attending

Please complete our survey form immediately following our presentation.

This will be counted as a monitoring event.

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Thank You!



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