

November 24 ,2009

**“How Do I Get My Employees Focused  
on What’s Most Important to My  
Company's' Growth?”**



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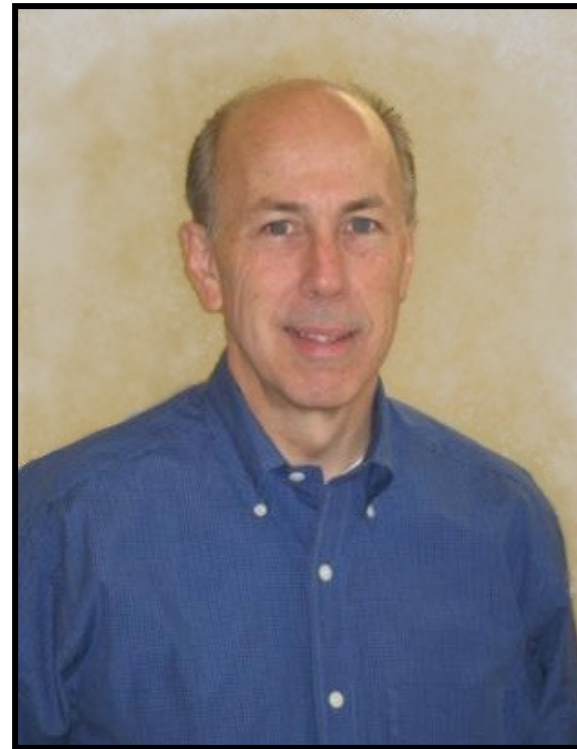
Today's Presenter:

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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

# Key Concepts



- How do we focus our employees on what's most important to grow our company?
- How do we get our employees to think like owners?
- What are the best ways to link desired results to our incentive plan?
- How will we know when our compensation plans are producing a positive return for shareholders?
- How will we know when there is alignment between our business and compensation strategies?

# What's important?



- Fulfilling the business plan
- Sustainable growth
- Appropriate return on capital for shareholders

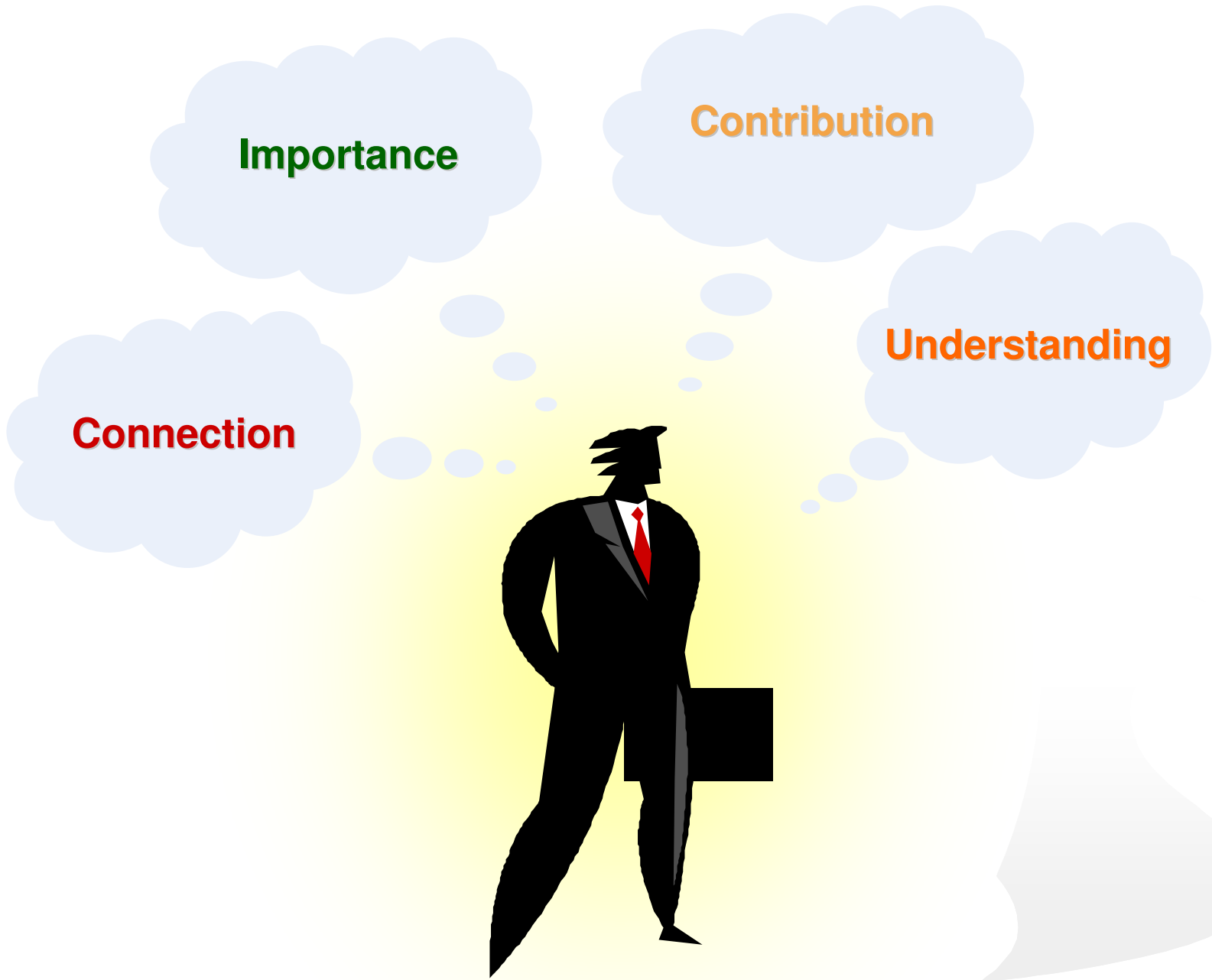
# What's desired of employees?

- Daily behavior that is designed to fulfill the business plan
- Accountable decision making that reflects awareness of their impact on plan
- Dedicated and committed effort

# Ownership Mentality

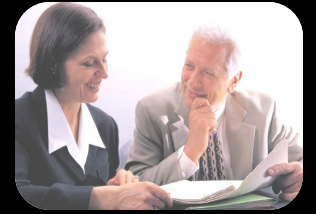


- I understand the company's goals
- Achievement of the company's goals is important to me
- I see how I can make a contribution to the goals
- I see the connection between the company's goals and the achievement of my own goals

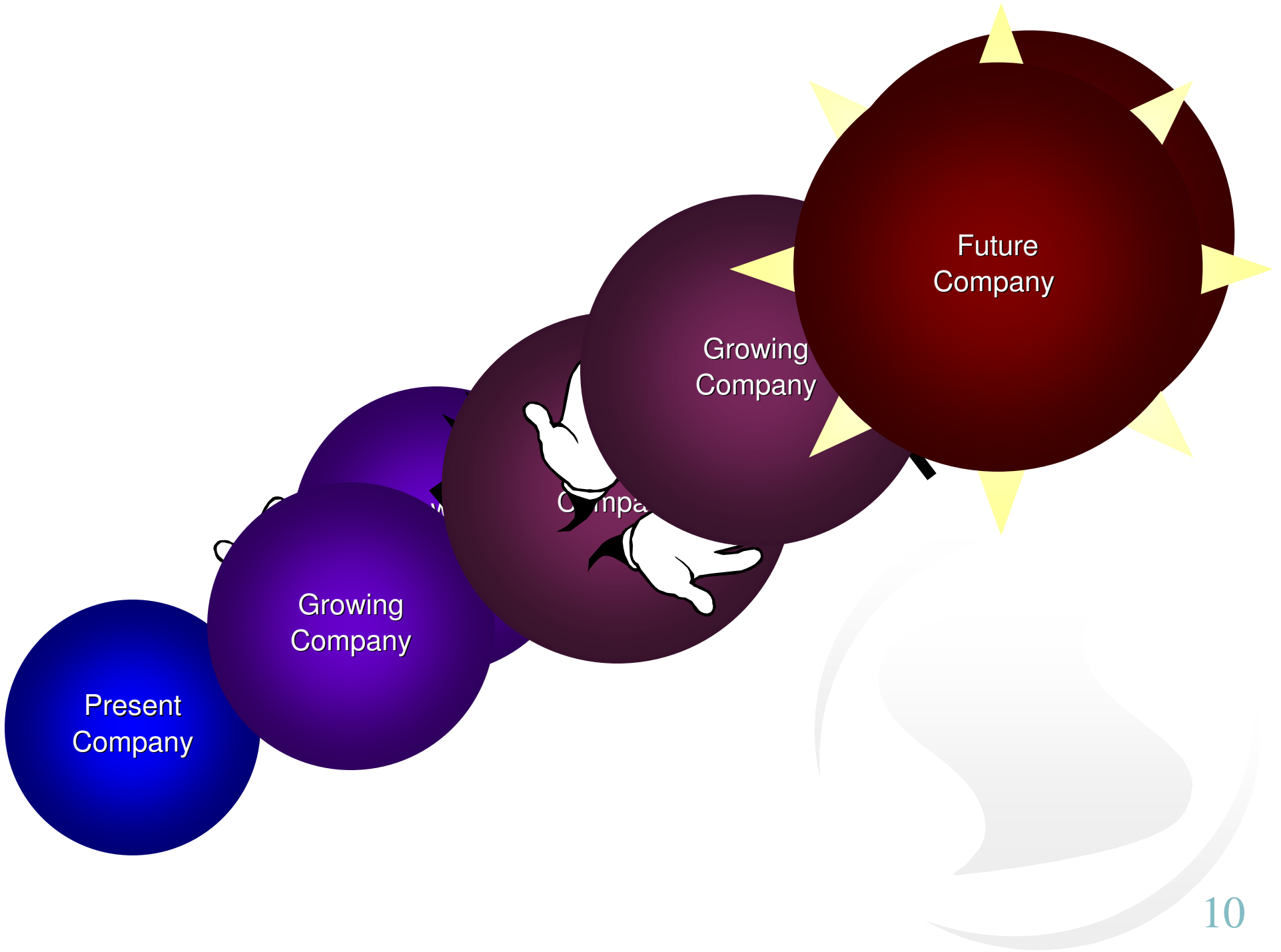




# Daily Decision-Making



- What has to happen?
- What can enhance?
- What can hinder?



# Rewards Pyramid



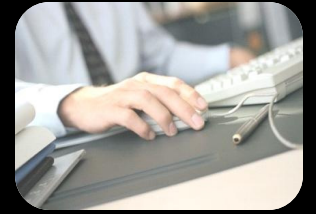
# Rewards to Results



# Incentive plan design

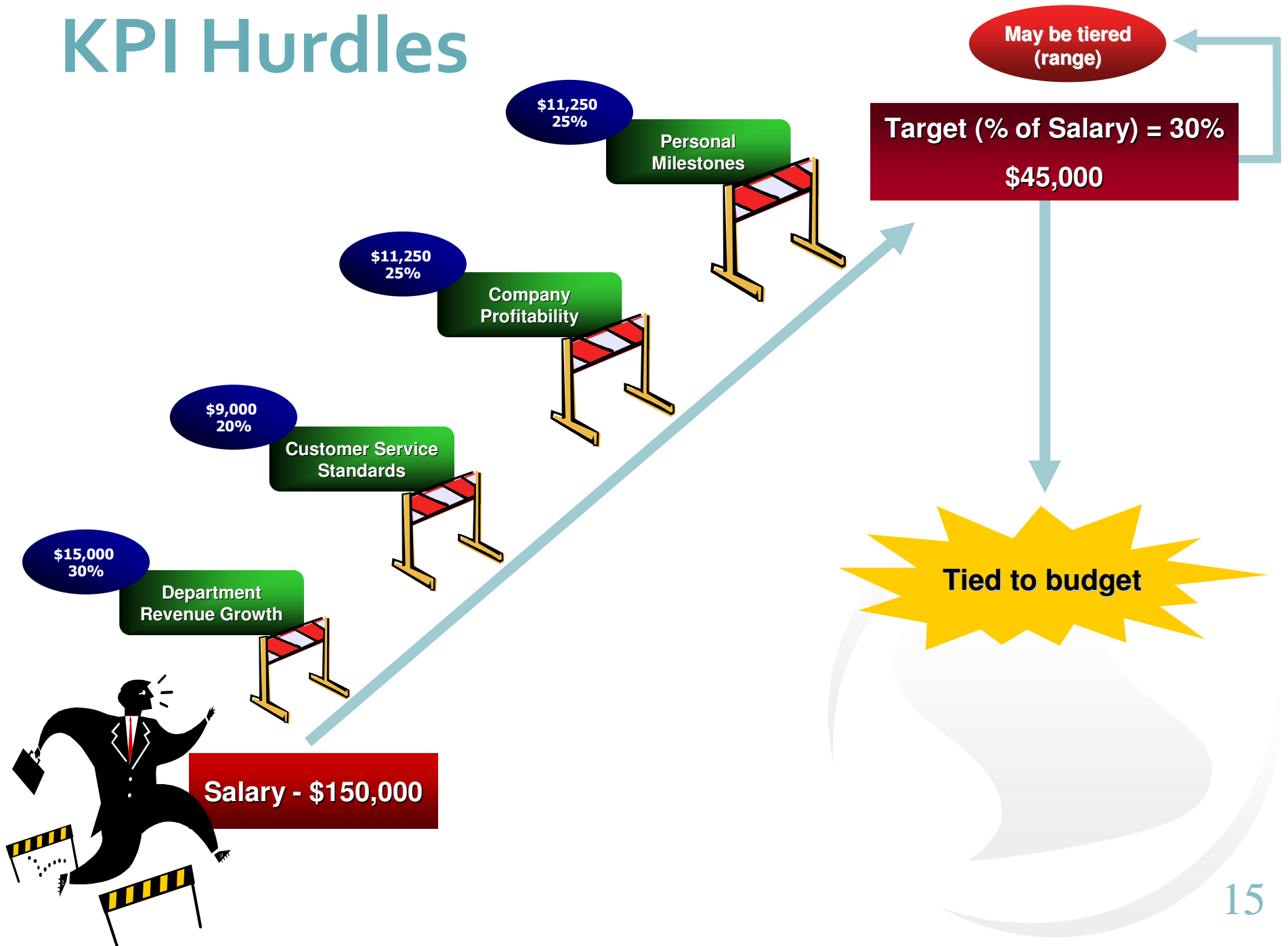


# Two Approaches



- KPI Hurdles
- Overall Results Focus

# KPI Hurdles



# KPI Hurdles: *Pros and Cons*

- **Pros**

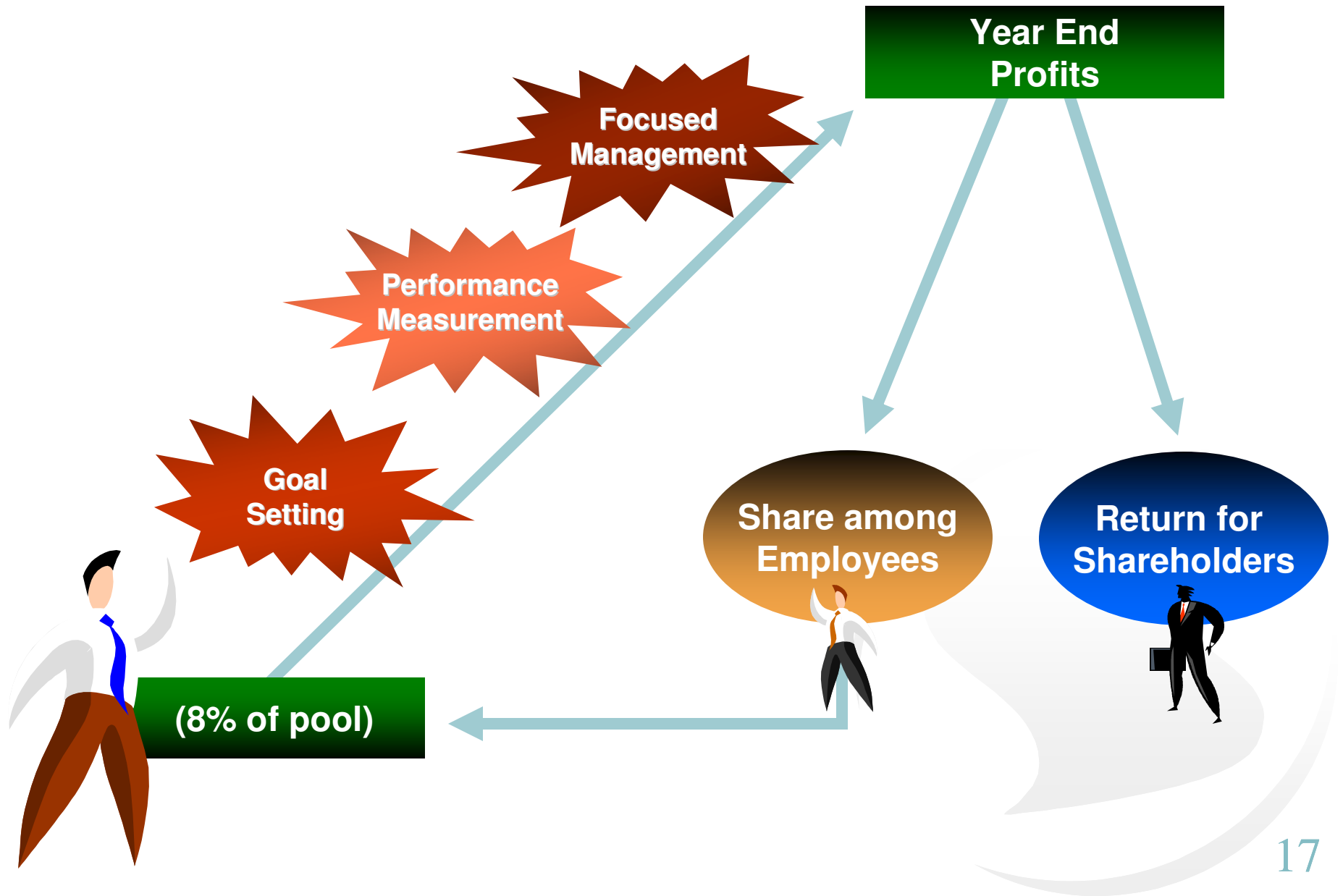
- Strong line-of-sight
- High accountability (closer to the results)

- **Cons**

- Caps
- Requires careful allocation and assessment



# Overall Results



# Overall Results: *Pros and Cons*

## ■ Pros

- Unified focus (we're all in this together)
- Only measurement that may really matter

## ■ Cons

- May permit coasting
- Requires concentrated performance management effort

# POLL



**Which is better?**



**Can we measure the return  
on our compensation plan  
for shareholders?**

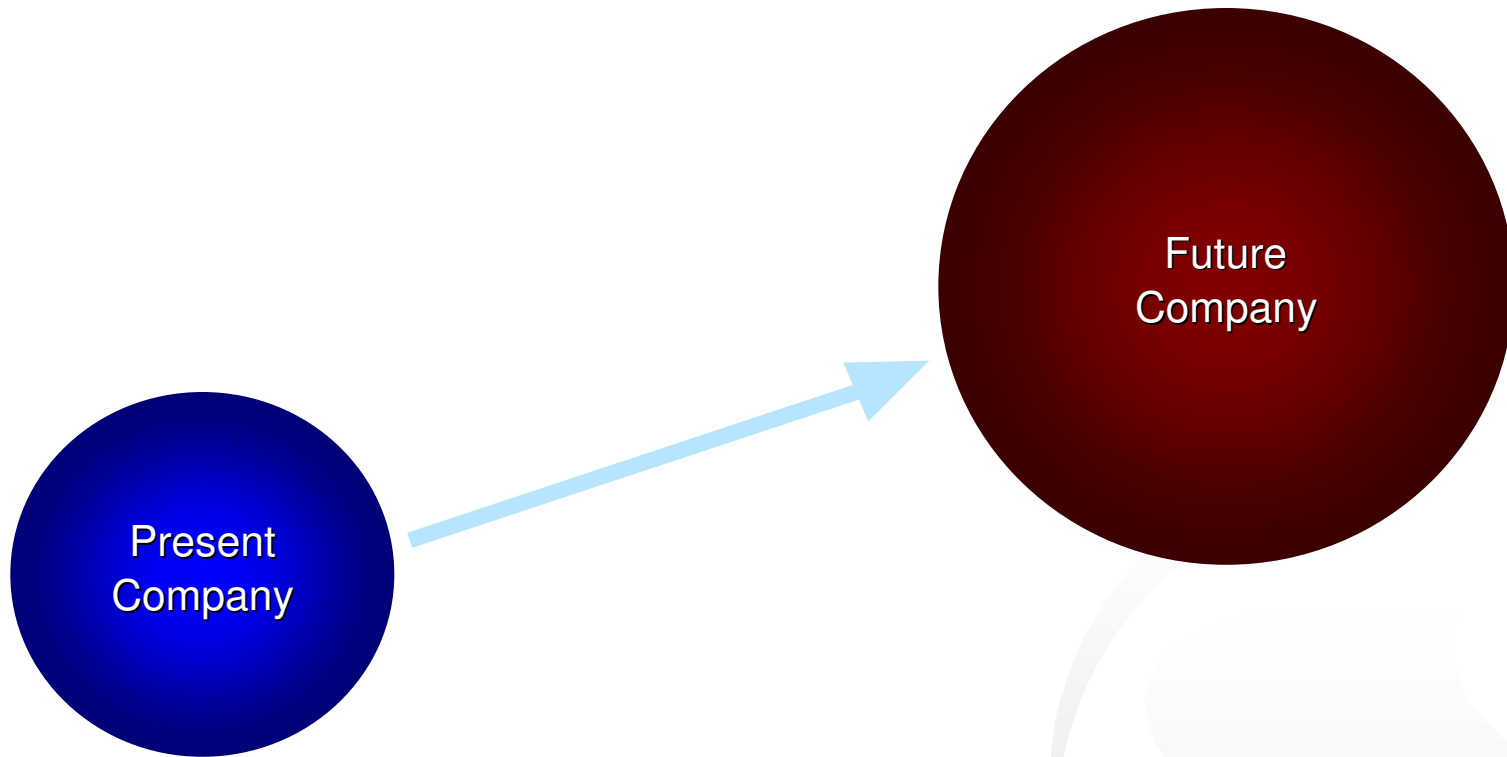
# Consider your Total Rewards Budget

Salaries	\$ _____
Commissions	\$ _____
Bonuses	\$ _____
Deferred award accruals (LTIP)	\$ _____
Core benefits	\$ _____
Executive benefits	\$ _____
Retirement contributions	\$ _____
Payroll taxes	\$ _____
<b>TOTAL:</b>	<b>\$ XXXX</b>

What return do you get on  
that investment?

\_\_\_\_\_ %







**Start with your Capital Account:**

**Shareholder's Equity + Debt**

**This is the capital you've  
committed to the creation of  
Future Company**

## What is your cost of capital?

Think of this as an opportunity cost; i.e., the fair return on capital left in the business (or borrowed) to be used by management to create Future Company

\_\_\_\_\_ %

**Will this return be sufficient to  
produce Future Company?**

**From what asset will the additional  
return be generated?**

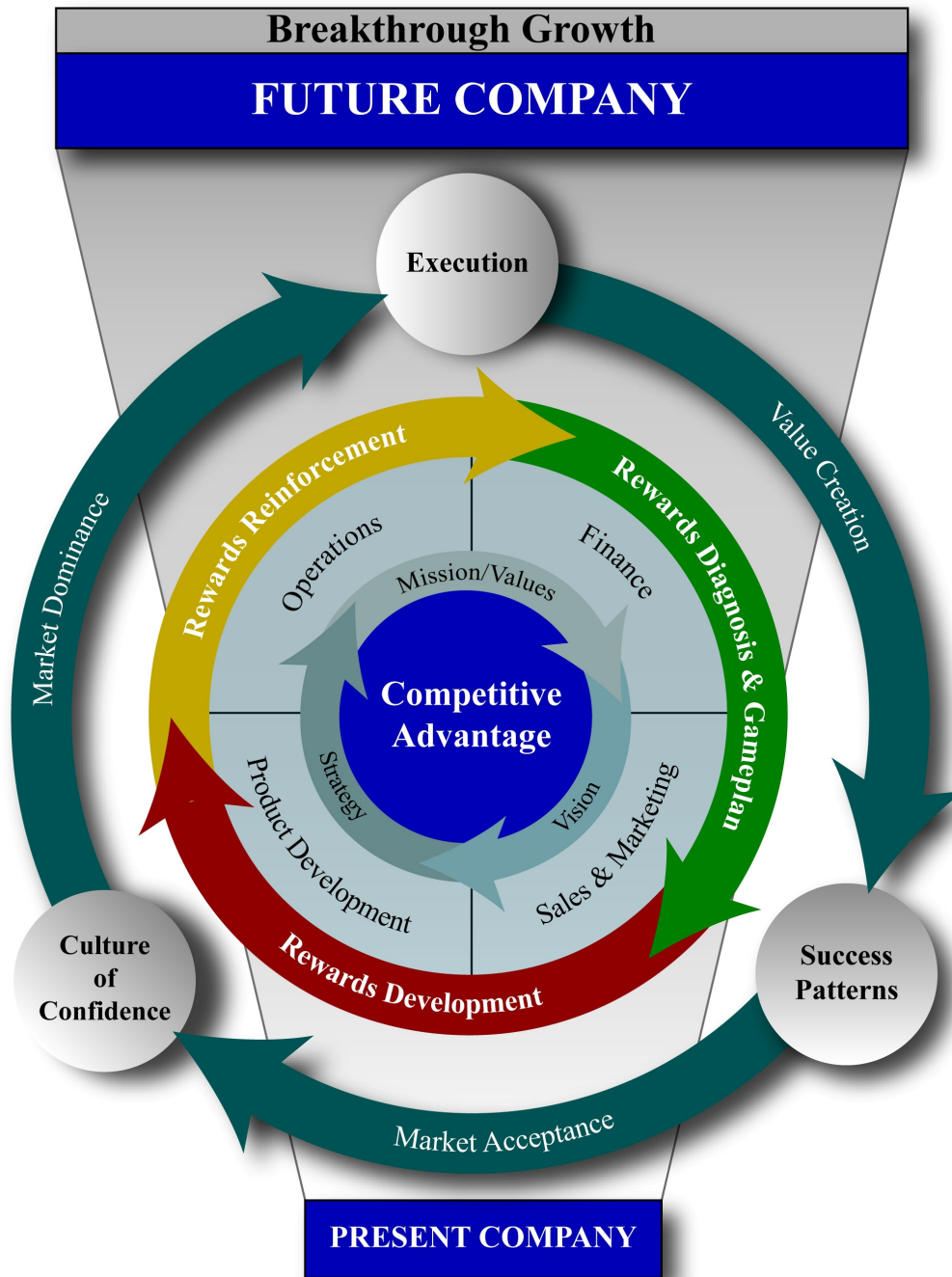
# Example:

Capital Account	\$ 2,000,000
Cost of Capital	12%
Capital Charge	\$ 240,000
NOPAT	\$ 1,000,000
Economic Profit	\$ 760,000
Total Rewards Investment	\$ 4,500,000
<b>ROTRI™</b>	<b>16.9%</b>

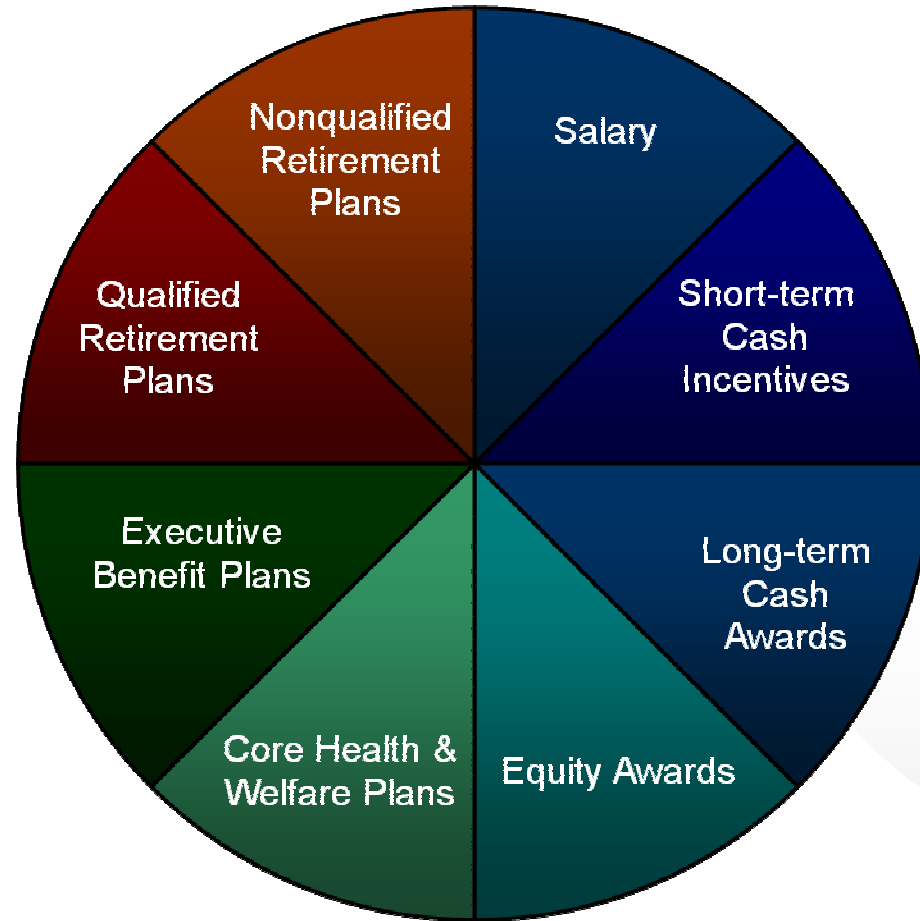
(ROTRI = Economic Profit/Total Rewards Investment)

# What do we do with the ROTRI™

- Analyze our compensation decisions
- Track over time
- Set targets for improvement
- Pay incentives based on this return

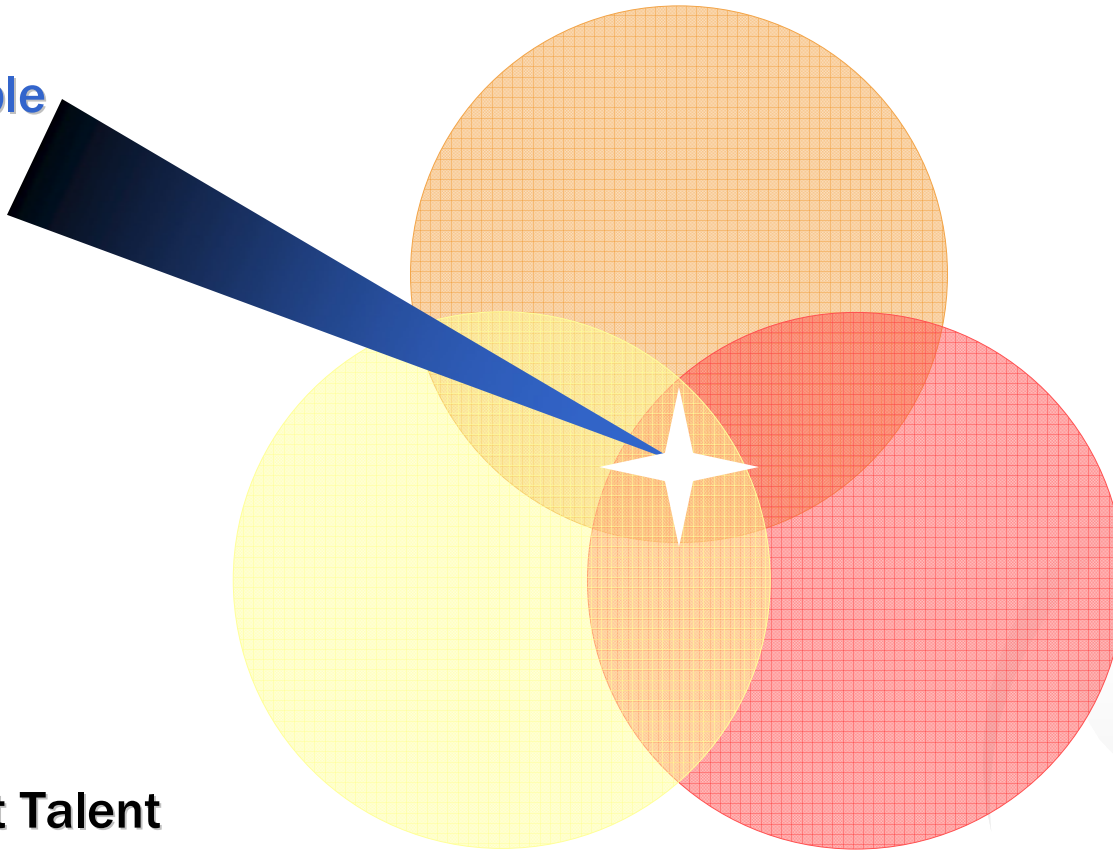


***The proper allocation of compensation and benefits plans that will drive results***



# Visionary Business Plan

**Sustainable  
Results**



**Great Talent**

**Powerful Rewards  
Programs**

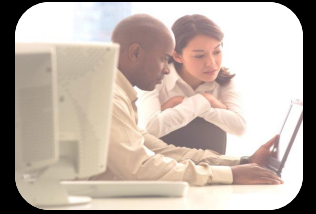


# What's needed to create alignment (line-of-sight)?



- Clear statement of short- and long-term corporate strategies
- Well-defined job responsibilities and accountabilities
- Incentive plans that link both

# Where do you start?



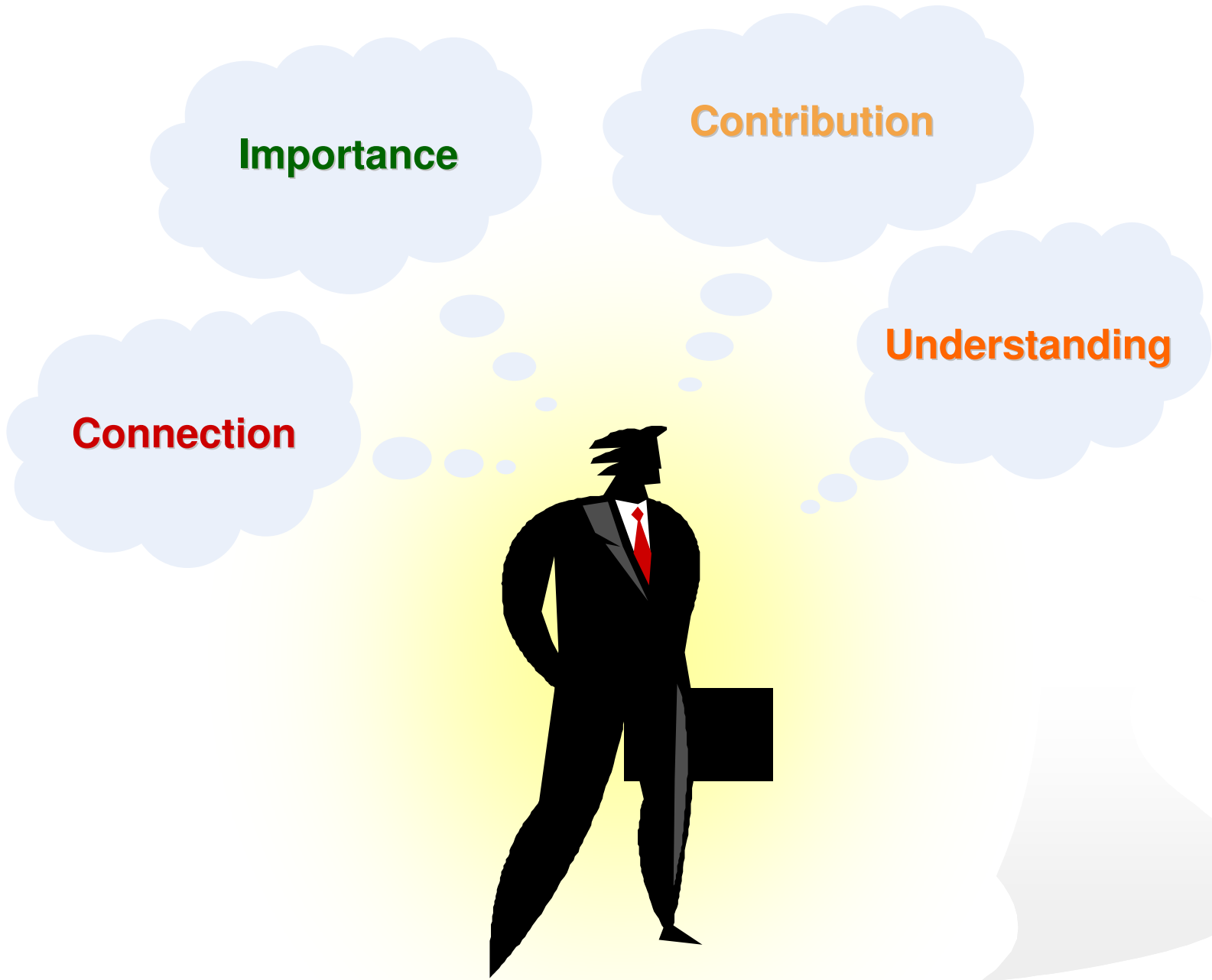
A clear assessment of where you stand with your employees

(I.e., do you have an Ownership Mentality?)

# Measuring Employee “Ownership”



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



**Importance**

**Contribution**

**Understanding**

**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)

Indicate interest on final survey

# Conclusions



- Fulfillment of your business strategy is in the hands of your employees
- Day-to-day behavior is influenced by many things— an ownership mentality being chief among them
- Your incentive plan clarifies the rewards associated with correct decision-making
- Ownership mentality can be simply measured and improvements can be planned
- The return on your compensation investment can and should be measured and monitored



# Next Online Seminar:

## “Do Incentive Plans Really Work?”

To be held on:  
Tuesday, January 26<sup>th</sup>, 2010

Check out our website:  
[www.VLadvisors.com](http://www.VLadvisors.com)

The screenshot shows the homepage of The VisionLink Advisory Group. At the top left is the logo, which consists of a stylized 'V' icon and the text 'THE VISIONLINK ADVISORY GROUP'. To the right of the logo is a 'CLIENT login' section with input fields for 'user name' and 'password', and a 'Login' button. Below the login section is a phone icon and the number '(888) 703 - 0080' along with a red RSS feed icon. A horizontal navigation bar contains the following links: Home, About Us, Client Profile, Information and Resources, Client Locations, Events, Blog, and Contact Us. The main content area features a large blue-tinted image of a meeting. On the left side of this image are three vertical buttons: 'Structure Compensation', 'Top People Management', and 'Entitlement Mentality'. Overlaid on the image is the text: 'How Do I Structure Compensation in Recessary Times ...and Still Maintain a Competitive Advantage?'. Below the main image is a section for a webinar invitation. It includes a text box with the prompt 'Join our webinar invitation list: Please enter your email address:' and a 'Join' button. To the right of this is the title 'Strategic Compensation Development and Management Firm' and a short paragraph of text. A small blue pushpin icon is placed over a quote box that reads: 'VisionLink has helped us successfully navigate a number of complex issues regarding our rewards programs. It has'.

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# Questions



# 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 **Net Ownership Score Assessment.***

# Thank you!



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