

February 23, 2011

“How to Build Long-Term Value for Key Producers”



THE VISIONLINK
ADVISORY GROUP

Today's Presenter:

Tom Miller

President

(949) 265-5700

tmiller@vladvisors.com



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

Today

- What separates Wealth Multipliers from Wealth Creators?
- How do Wealth Multipliers create a unified financial vision for growing the business?
- How do Wealth Multipliers manage compensation to enable them to attract and retain premier talent?

Focus: Creating a Unified Financial Vision

**Wealth
"Multipliers"**
5%



The Wealth Multiplier

- Partnership Relationship
- Shared Vision
- Engaged Employees
- Effective Practices
- Sustained Productivity

Missing
Structure

Focus: Fulfilling Ownership Vision

**Wealth
"Creators"**
95%



The Wealth Creator

- Subordinate Relationship
- Divided Visions
- Loyal Employees
- Inconsistent Practices
- Bursts of Productivity

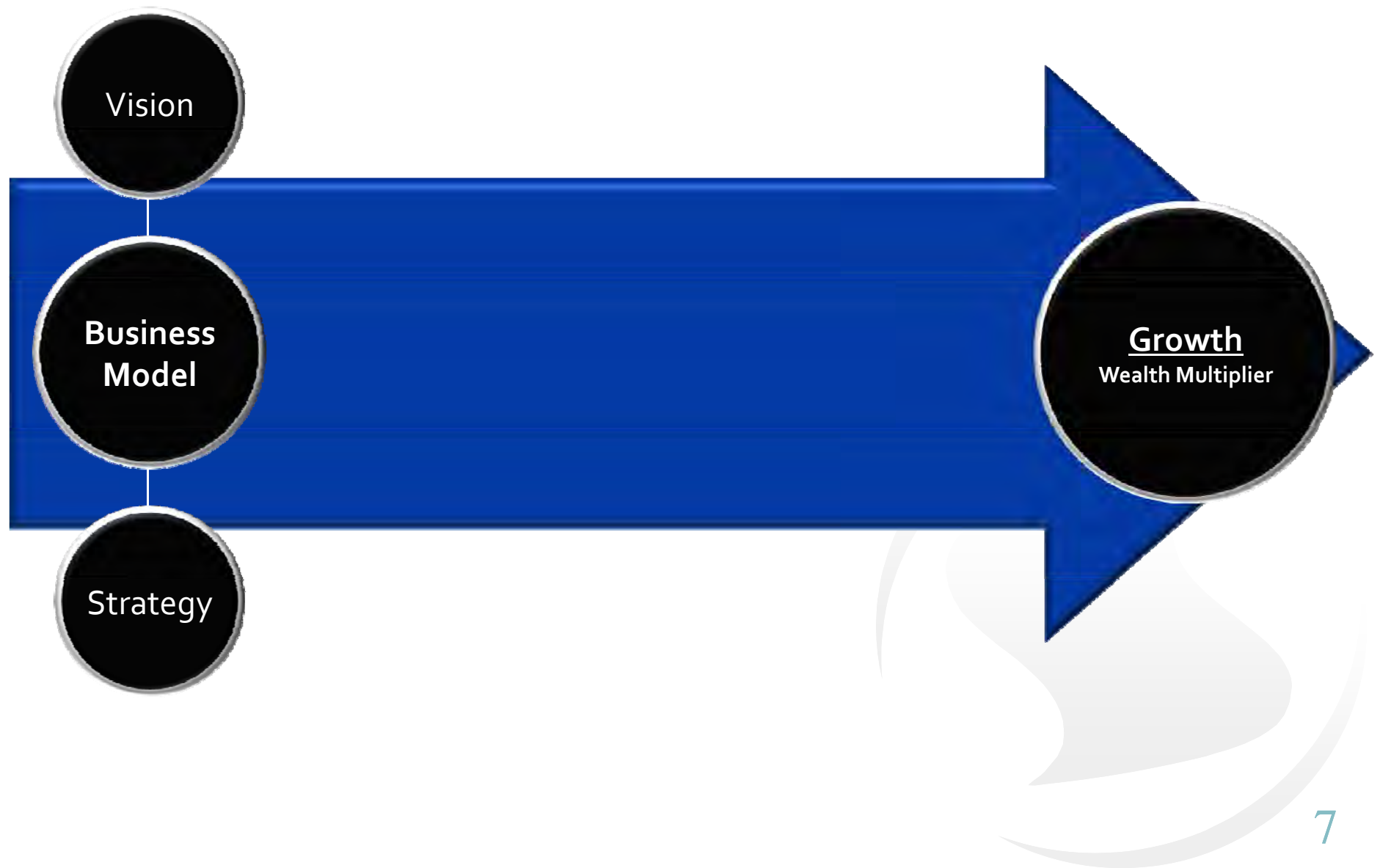
Slightly different mindsets

Wealth Creators

- Profitability focus
- Recruit to skills and experience
- Comp is an important expense to be managed
- Salaries and total pay should be “at market”
- “Pay-for-performance”

Wealth Multipliers

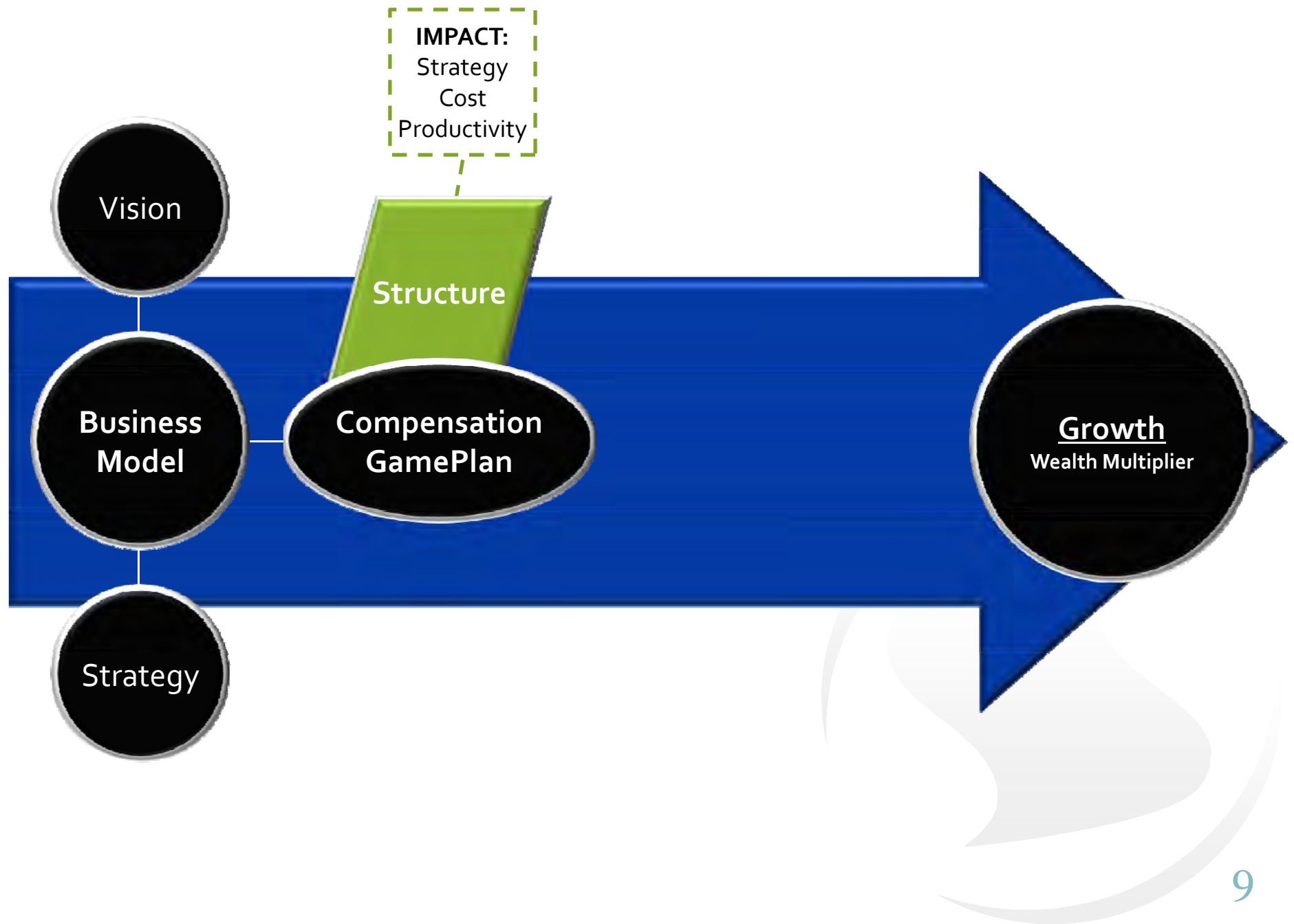
- Growth focus
- Recruit premier talent that relates to our culture
- Comp is an investment that should produce a growing return
- Salary benchmarking can be helpful but pay should be tied to positional value
- “Share wealth created”



Attracting Premier Talent



- They will find non-traditional pay structures alluring and differentiating
- The pay structure will respect their entrepreneurial mindset and appeal to their interest in wealth accumulation opps
- They will accept the responsibilities and accountability associated with true value creation (i.e., they won't "expect" higher pay without creating results)



Structure choices



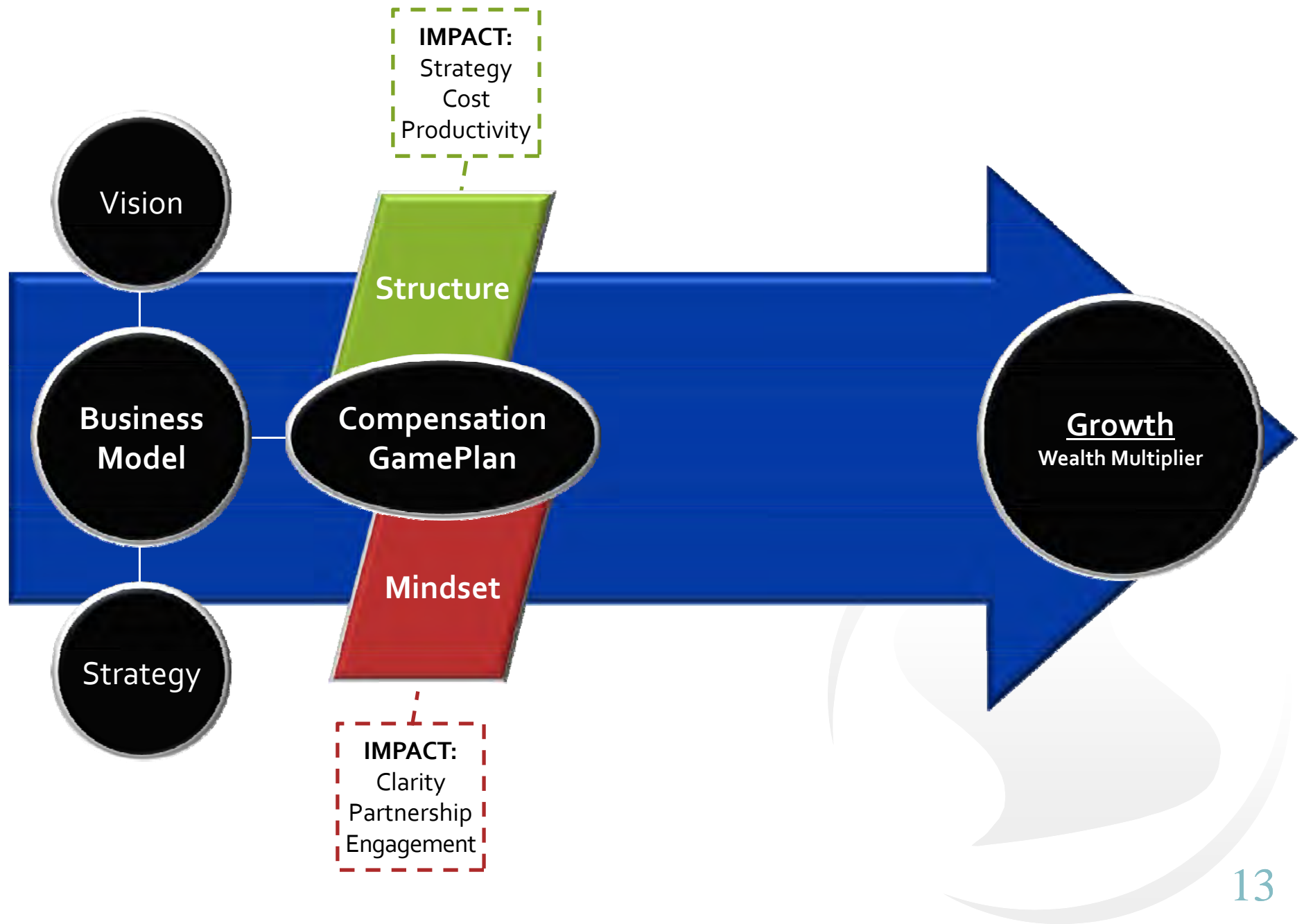
- How high should salaries be?
- What type of bonus plan should I use?
- How high should bonus targets be?
- What metrics should drive payments?
- Do I need to give away stock?
- Do I have to provide deferred comp or other retirement supplements?

Specifics vary by circumstances, but...

- Don't over-emphasize fixed pay (paying for past performance somewhere else)
- Do emphasize dramatic upside opportunity (both short-term and long-term) that is tied to real results
- Do define the structure clearly and document it well
- Do create a significant long-term piece

What else?

- All choices and decisions relating to pay (i.e., the 'compensation management' activities of the business) address:
 - **Strategy** impact
 - **Cost** impact
 - **Productivity** impact
- No decisions are advanced unless they are expected to produce a positive impact on all three



Mindset consideration 1:

CLARITY

- Are we doing all we can to make everything crystal clear?
 - How all pay elements work?
 - What results maximize the payouts?
 - What results eliminate payouts?
 - How producers and owners are aligned?
 - How short-term and long-term decisions must be balanced?

Mindset consideration 2:

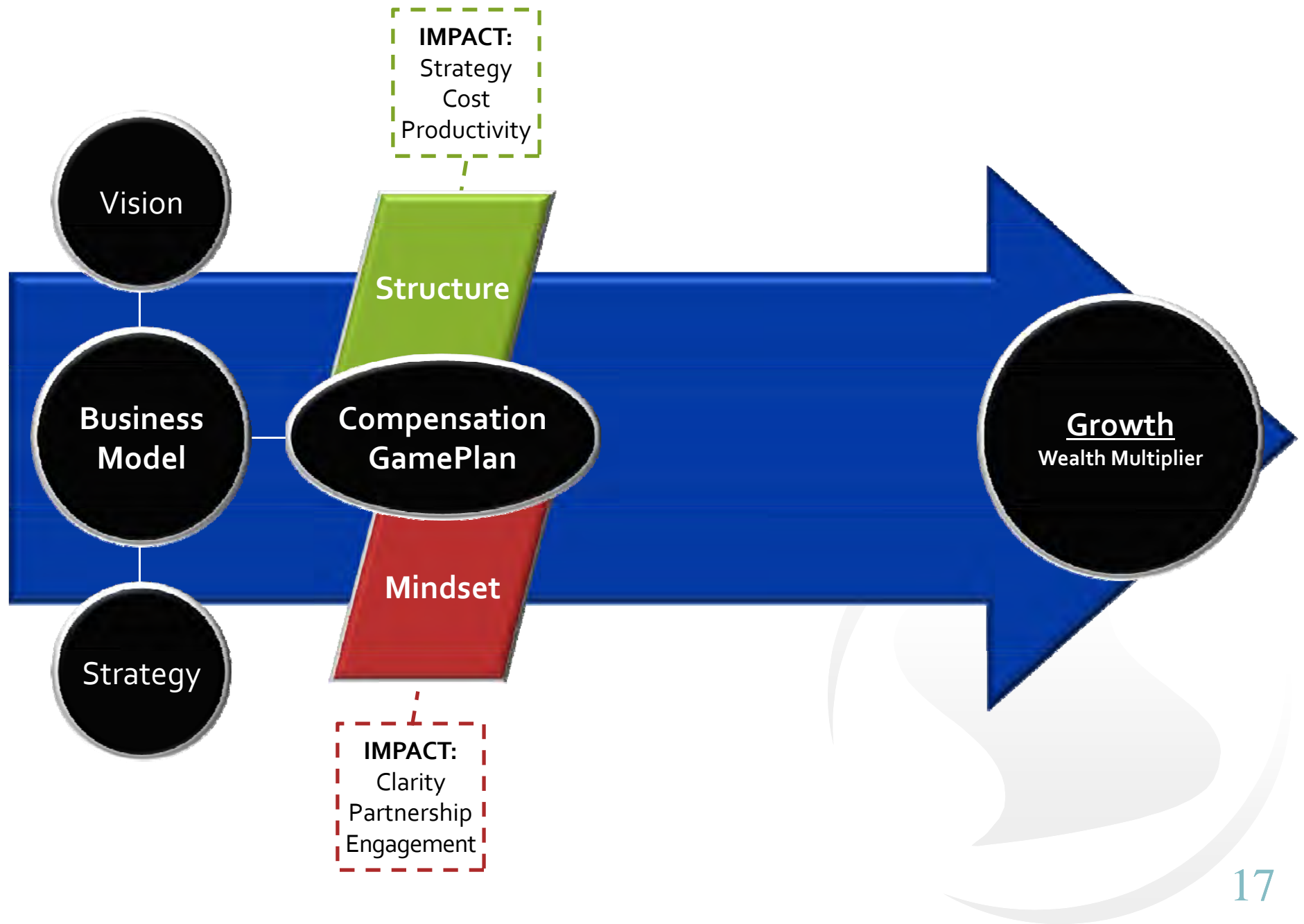
PARTNERSHIP

- Are we communicating that we consider our producers partners in our success?
 - Are we fairly fulfilling their cash flow needs?
 - Are we properly addressing their security needs?
 - Are we providing a meaningful and achievable long-term wealth accumulation opportunity?

Mindset consideration 3:

ENGAGEMENT

- Are our producers fully engaged in achieving our most crucial results?
 - Have we communicated a compelling future?
 - Do they identify a meaningful role in the future company?
 - Do they own the results?



Poll

QUICKPOLL

Our company's combined management efforts directed towards compensation and benefits management is allocated as follows:

Please select one:

- ☐ 90% or more to Structure
- ☐ 60%-90% to Structure
- ☐ About the same to Structure and Mindset
- ☐ 60-90% to Mindset
- ☐ 90% or more to Mindset

QUICKPOLL

Our company's combined management efforts directed towards compensation and benefits management is allocated as follows:

Poll Results (single answer required):

90% or more to Structure	33%
60%-90% to Structure	40%
About the same to Structure and Mindset	20%
60-90% to Mindset	7%
90% or more to Mindset	0%

Compensation management is more than the operation of systems to make and implement valid decisions. It includes the art of communicating and reinforcing the connection between meaningful organizational results and personal financial value. Without this effort your compensation investment will produce a negative return.

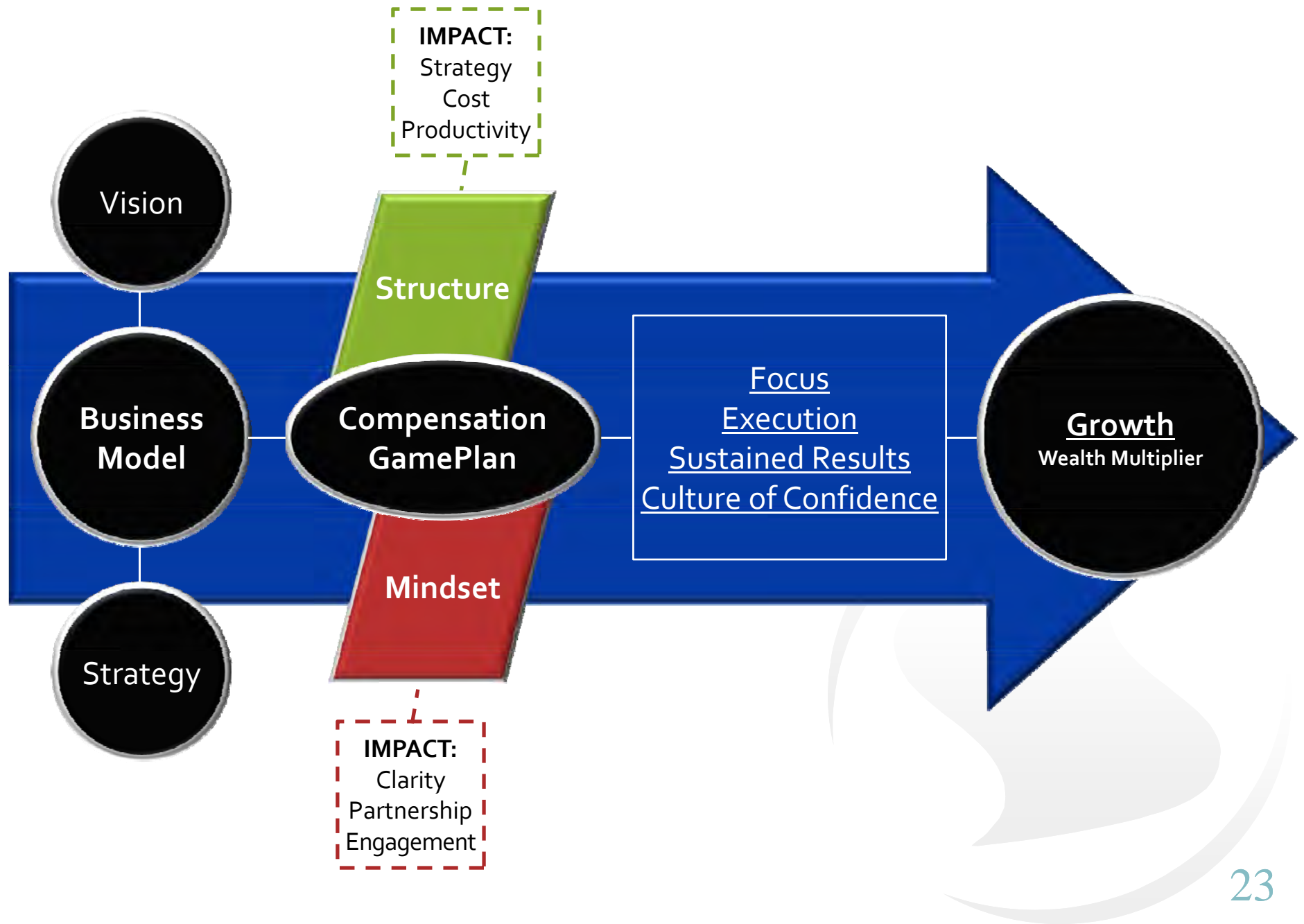
Compensation management is more than the operation of systems to make and implement valid decisions. It includes the art of **communicating and reinforcing** the connection between meaningful organizational results and personal financial value. Without this effort your compensation investment will produce a negative return.

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**What happens when the right
structure is created and the right
mindset is established?**

**You have built a unified financial
vision for growing the business!**





The VisionLink Value Commitment

VisionLink helps companies create a unified financial vision for growing their business. This improves shareholder equity by enhancing execution of initiatives that are key drivers of business growth. As a result, economic value is multiplied for both shareholders and employees.



Where to begin



- Remember this all begins with the Business Model. What is our model?
 - Bait and hook (cell phone and air time)
 - Cut out the middle-man (internet direct)
 - Low cost innovator (Walmart)
 - Unique experience (Four Seasons)
- Should Walmart and the Four Seasons use the identical approach to compensation?

No...so step 1 should be:

An in-depth evaluation and discussion of the type of compensation philosophy and approach that will best support “our business model.” The outcome should be a written document that is supported by shareholders and senior management. It should outline “how we pay,” “what we pay for” and “why.”

And step 2?

- An evaluation of our current pay “structure” relative to our new pay philosophy statement
 - Each element of pay should be reviewed relative to its presumed contribution to (a) strategy enhancement, (b) cost effectiveness, and (c) productivity improvements.
 - Break the evaluators into “bite-size” pieces

Our Aligned Compensation Strategy

Salaries

- Competitive with market standards?
- In compliance with FLSA guidelines?
- Managed within a flexible but effective structure?

Performance Incentives

- Tied to productivity gains?
- Clear, achievable and meaningful?
- Self-financing?

Sales Incentives

- Challenging yet achievable?
- Reinforcing the right behaviors?
- Differentiating your offering?

Growth Incentives

- Linked to a compelling future?
- Supporting an ownership mentality?
- Securing premier talent?

Core Benefits

- Responsive to today's employee marketplace?
- Allocating resources where most needed?
- Evaluated to eliminate unnecessary expense?

Executive Benefits

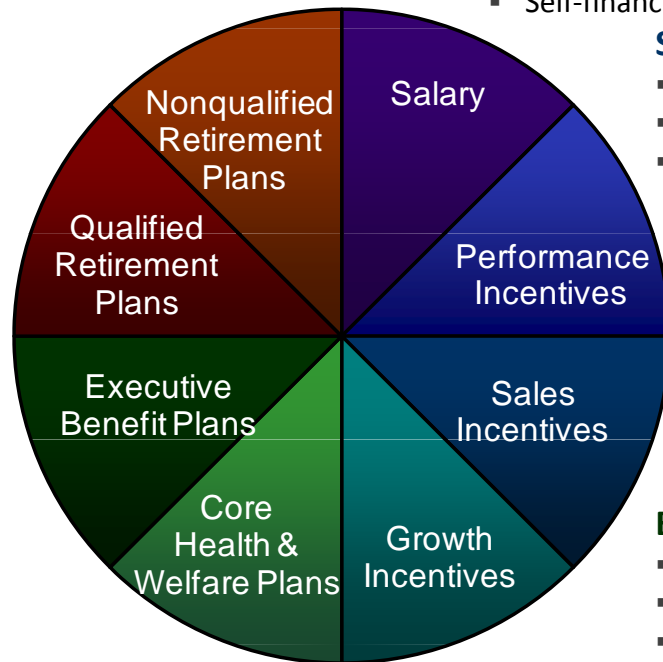
- Flexible enough to address varying circumstances?
- Communicating a unique relationship?
- Reducing employee tax expense?

Qualified Retirement Plans

- Giving employees an opportunity to optimize retirement values?
- Operated with comprehensive fiduciary accountability?
- Avoiding conflicts and minimizing expenses?

Nonqualified Retirement Plans

- Optimizing tax-deferral opportunities?
- Aligning long-term interests of employees with shareholders?
- Structured to receive best possible P&L impact?



And next? Step 3:



- Take a “brand new look” at how we communicate the meaning and value of pay
 - Do we make things crystal clear?
 - Do we demonstrate a serious commitment to our employee-partners?
 - Do we foster an atmosphere and culture of engagement?

Caution



- Most companies take this step lightly
 - They assume that once an incentive plan has been communicated that it remains clear and compelling
 - They assume that employees will understand that salaries continue to be managed in a fair and equitable way
 - And so forth
- These are costly and unwise assumptions

Remember...

Compensation management is more than the operation of systems to make and implement valid decisions. **It includes the art of communicating and reinforcing the connection between meaningful organizational results and personal financial value. Without this effort your compensation investment will produce a negative return.**

Why is this harder than it seems?

- Organizations view compensation decisions as “structure” decisions only
- The people making compensation decisions are typically system- or process-oriented professionals (strong on follow through)
- Building a unified vision through a compelling mindset is whose job?

We submit, it's the CEO's



Without CEO level involvement in the development of a unified financial vision it will never happen. The compensation investment will never produce the return that the shareholders deserve.

The CEO should:



1. Insure that a compensation philosophy statement is in place that aligns with the business model and strategy
2. Set expectations and review processes that hold senior managers accountable for operating the compensation structure with an eye on strategy, cost and productivity.
3. Set expectations and review processes that hold senior managers accountable for communicating and reinforcing the total rewards proposition with an eye on clarity, partnership and engagement.
4. Regularly review the measured return on the total rewards investment (that's another webinar!).

Crucial Responsibility

The CEO must constantly communicate with Key Producers regarding the definition and importance of creating the future company.

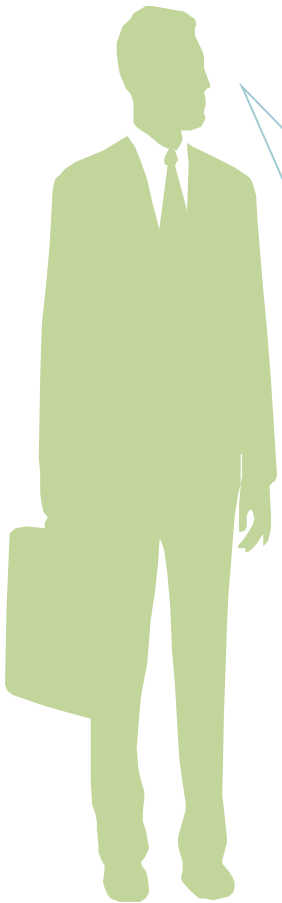
Communicate a Compelling Future

- What will the company look like?
- What will it do?
 - How will that be different from what we do now?
- How big will it be?
- How will it create external value?
- How will it create internal value?
- Why is this compelling?

CEO

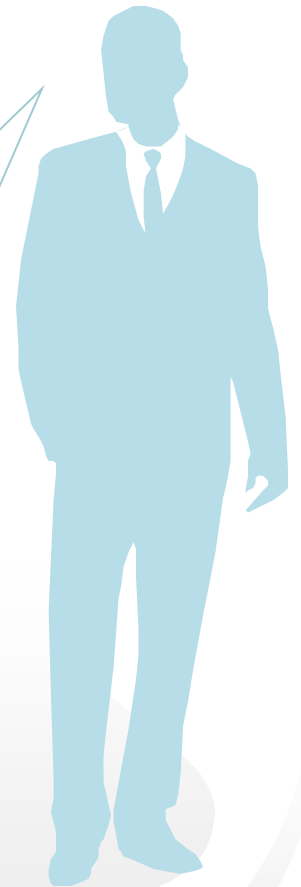
Clarity

Employee



Help us create financial value (good profits). We have a specific, proven and valuable way to share it with you.

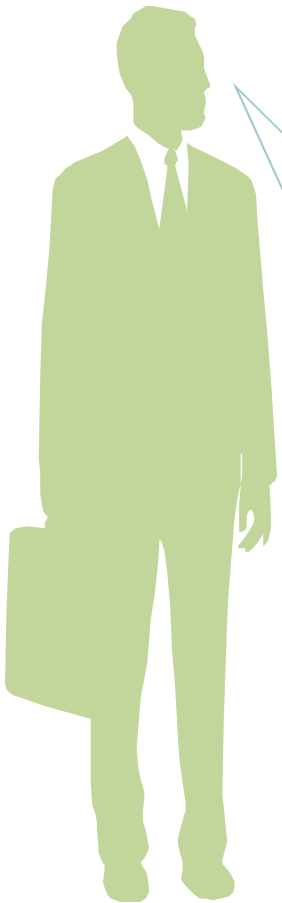
I see what business results create value. I understand how you share that value. It's meaningful to me. I see how I can contribute.



CEO

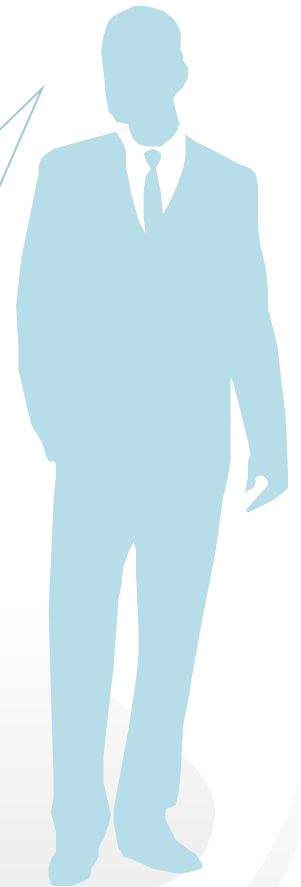
Partnership

Employee



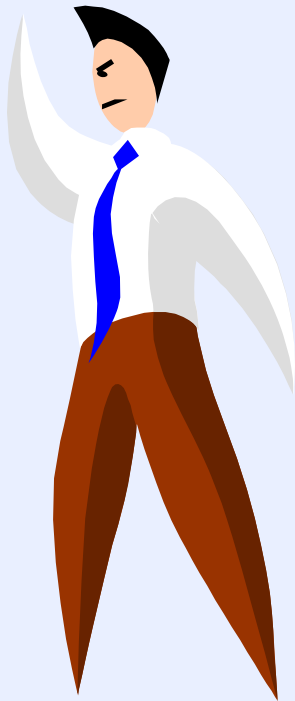
I realize that, amidst all else, if I fail to meet your financial needs I can't expect you to be concerned about mine.

I realize that I'm more likely to achieve my goals if I help you achieve yours.

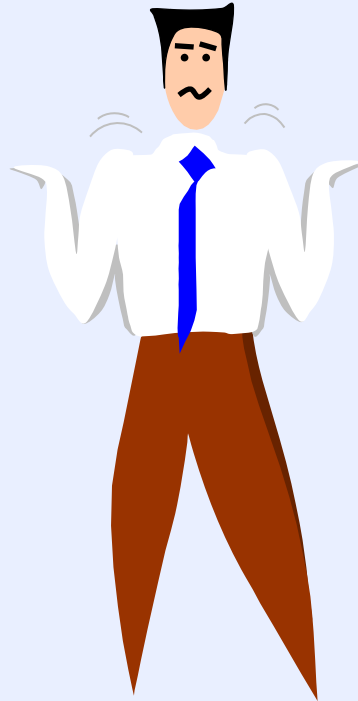


"Mindset"

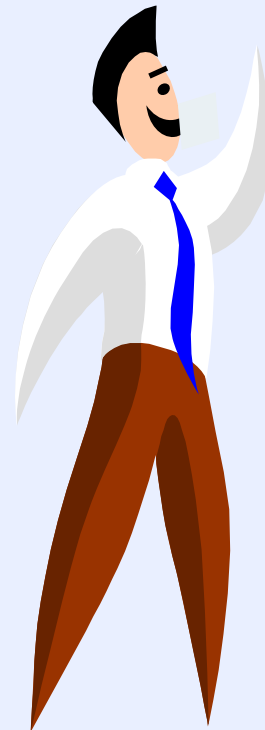
Entitlement

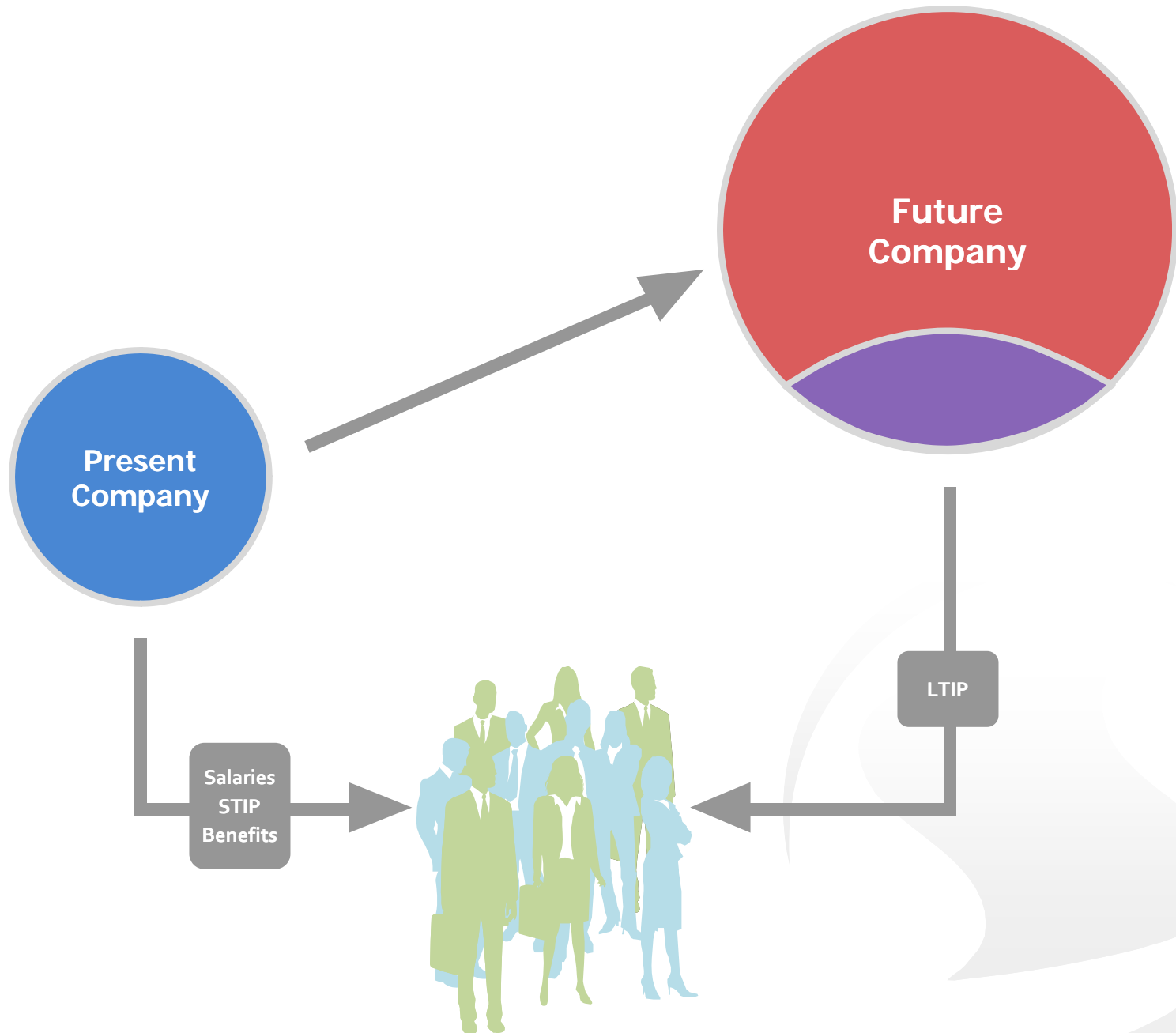


Whatever



Partnership

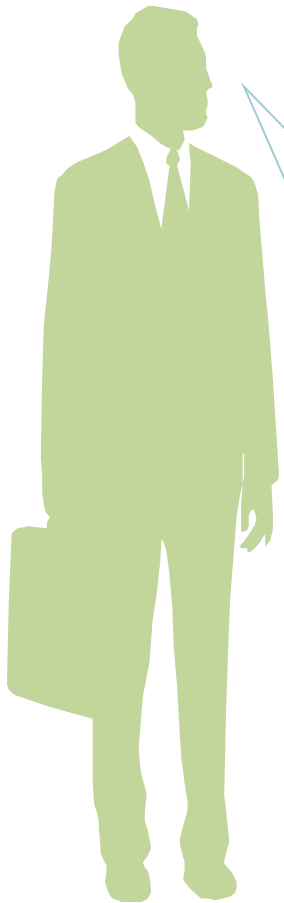




CEO

Engagement

Employee



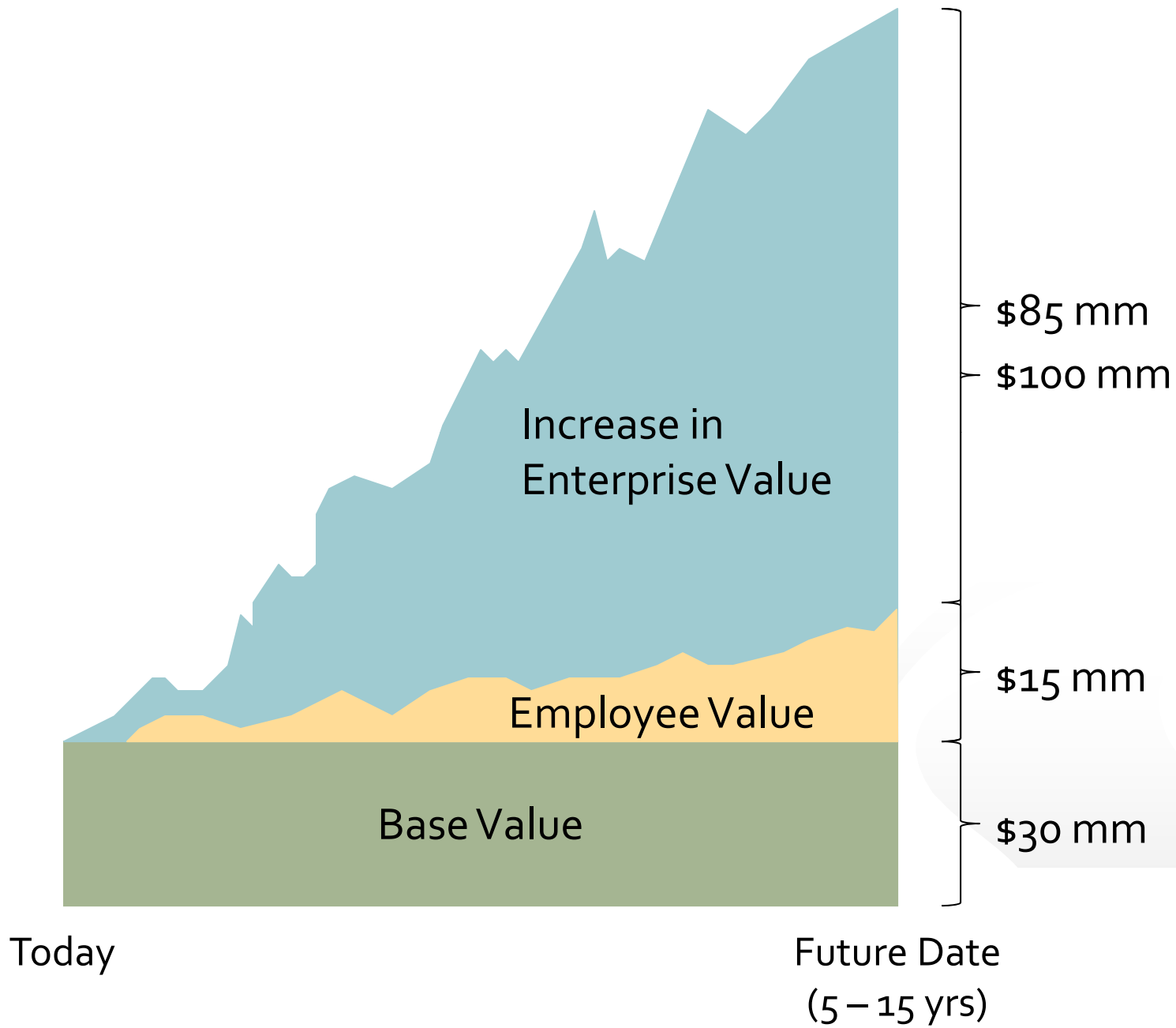
These are the things that are most important to our business success. We can't achieve them without you.

I get it! I see how my job relates (and I see a future here). I feel responsible for achieving those results.



Key Producer 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



Building Value for Key Producers

- Define your compelling future
- Carve out the portion of value to be allocated to Producers
- “Structure” the comp plans properly
- Implement a plan to support the right “Mindset”
- Personalize it to each individual

First Step

- Alignment Appraisal™
 - A focused look at your current practices with a comparative eye on whether your company is building a “Unified Financial Vision for Growing the Business”
 - Process—online employee survey

Quantitative and Qualitative Assessment

The Alignment Appraisal™

Partnership



Do our employees feel like participating partners in our business successes?

Clarity



Do we effectively communicate and reinforce our organizational standards and the value of our total rewards opportunity?

Engagement



Do we achieve a crucial level of employee commitment, passion and engagement?

Practices



Do we follow best practices in managing our compensation investment?

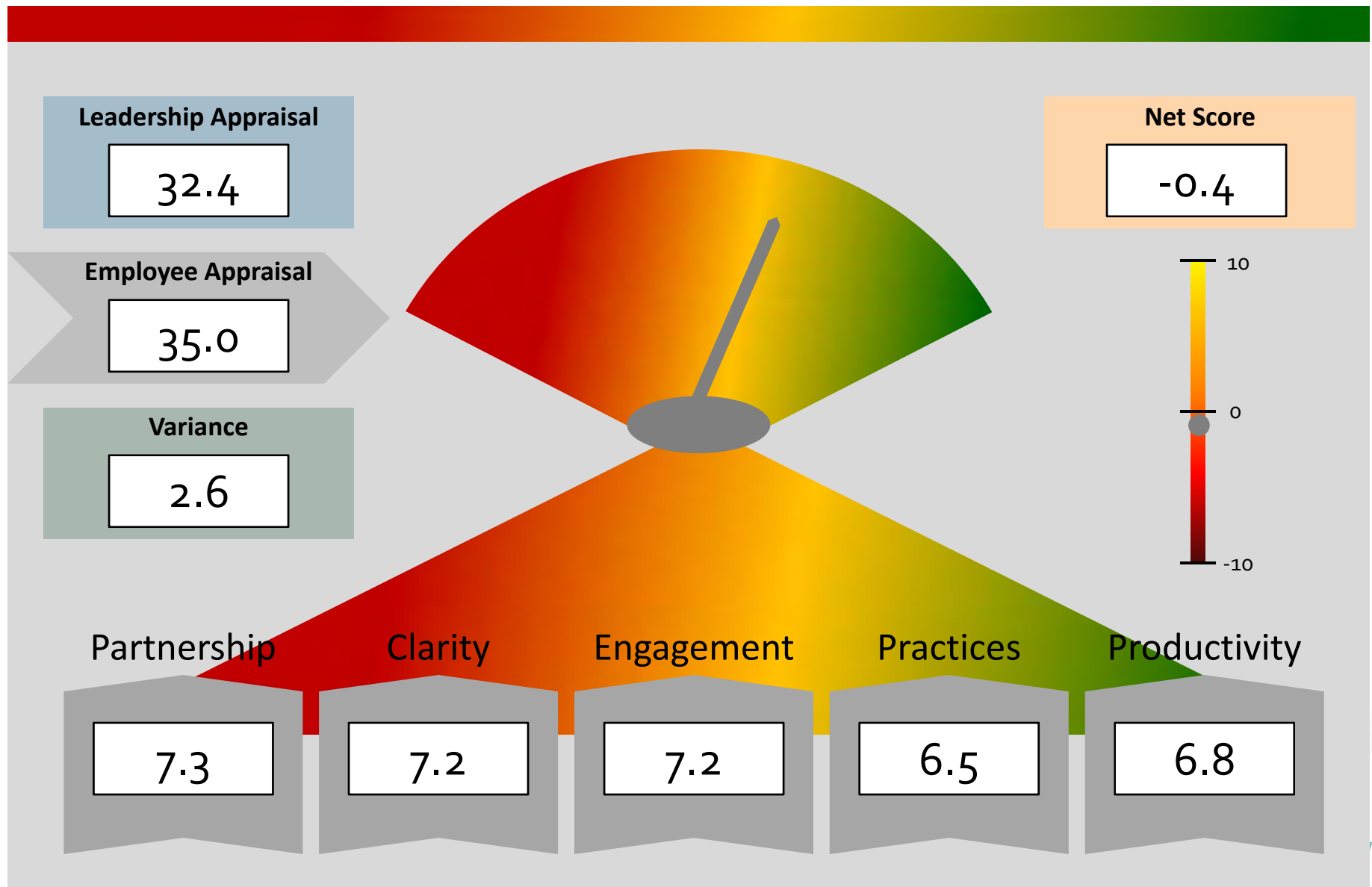
Productivity



Do we conscientiously measure and manage employee productivity?

Alignment Appraisal Index = 70^* / -0.4

*Scale of 100



Next Online Seminar:

“Does Your Compensation Strategy Drive or Hinder Growth?”

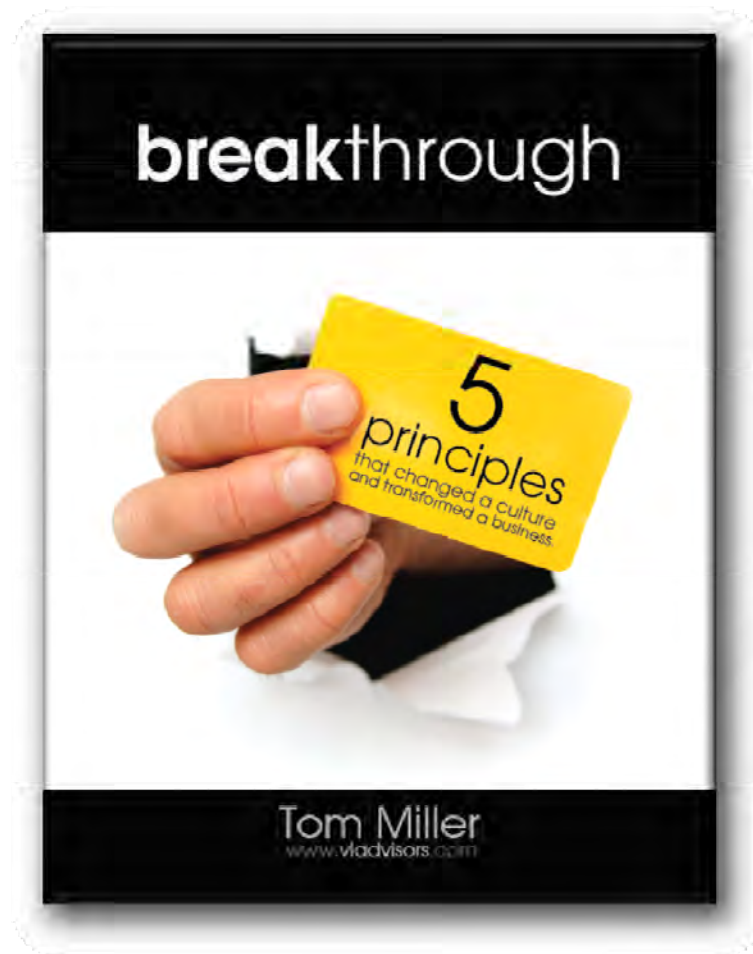
To be held on:
Tuesday, March 22nd, 2011

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COMING SOON!



Express interest on the final survey



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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 more information about the Alignment Appraisal™.

Thank you!

Tom Miller

President

(949) 265-5700

tmiller@vladvisors.com



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