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The Common Denominators of Pay Dissatisfaction



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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



Pay Dissatisfaction

How to recognize it.
What to do about it.

Financial Rewards

- Which elements of compensation relate to pay satisfaction?
- Is it necessary to pay “above the market” for compensation to positively contribute to the satisfaction quotient?



What's it all mean?

- Why am I paid less than Sally?
- Why am I paid below the market scale?
(salary.com)
- What do I have to do to make more?
- I need more money. Can I have a raise?



Here's what
I'm paid



Here's what
I'm worth

What's the single perception which, once in the mind of employees, will undercut every effort you make to improve your compensation programs?

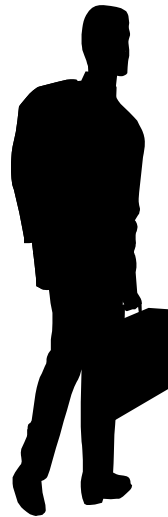
Fairness

What's more important—reality or perception?

- Some companies underpay and have extremely satisfied employees
- Some companies overpay and have extremely dissatisfied employees



The perception continuum



Entitled

Uninformed

Engaged

Signs of an Entitlement Mentality (from a comp perspective)

- Generally, employees have not yet learned that value is only earned as value is created
- Company not experiencing desired growth yet employees expect salary increases
- Employees feel they “deserve” stock or similar reward
- The company has a history of paying bonuses without concrete performance standards
- Long-time employees have a “tenured” mentality



Ownership Mindset = Engagement

- Organizations with high levels of engagement (where 65% or more employees are engaged) outperformed the total stock market index even in disruptive economic conditions.
- During 2009, total shareholder return for these companies was 19% higher than the average total shareholder return. On the other hand, companies with low engagement (where less than 40% of employees are engaged) had a total shareholder return that was 44% lower than the average.



Source: Hewitt

“Ownership” and Company Goals

- *“I understand the company's goals and my responsibilities.”* **(Clarity)**
- *“I believe we (the company) will achieve the goals.”* **(Belief)**
- *“Achievement of the company's goals is important to me.”* **(Meaning)**
- *“I see how I can make a contribution to the achievement of the company goals.”* **(Contribution)**
- *“I see the connection between the company's goals and the achievement of my own goals.”* **(Partnership)**

Steps to Pay Satisfaction

Assess your communication plan

Assess your full value

Assess your total package

Assess the market

ASSESS THE MARKET



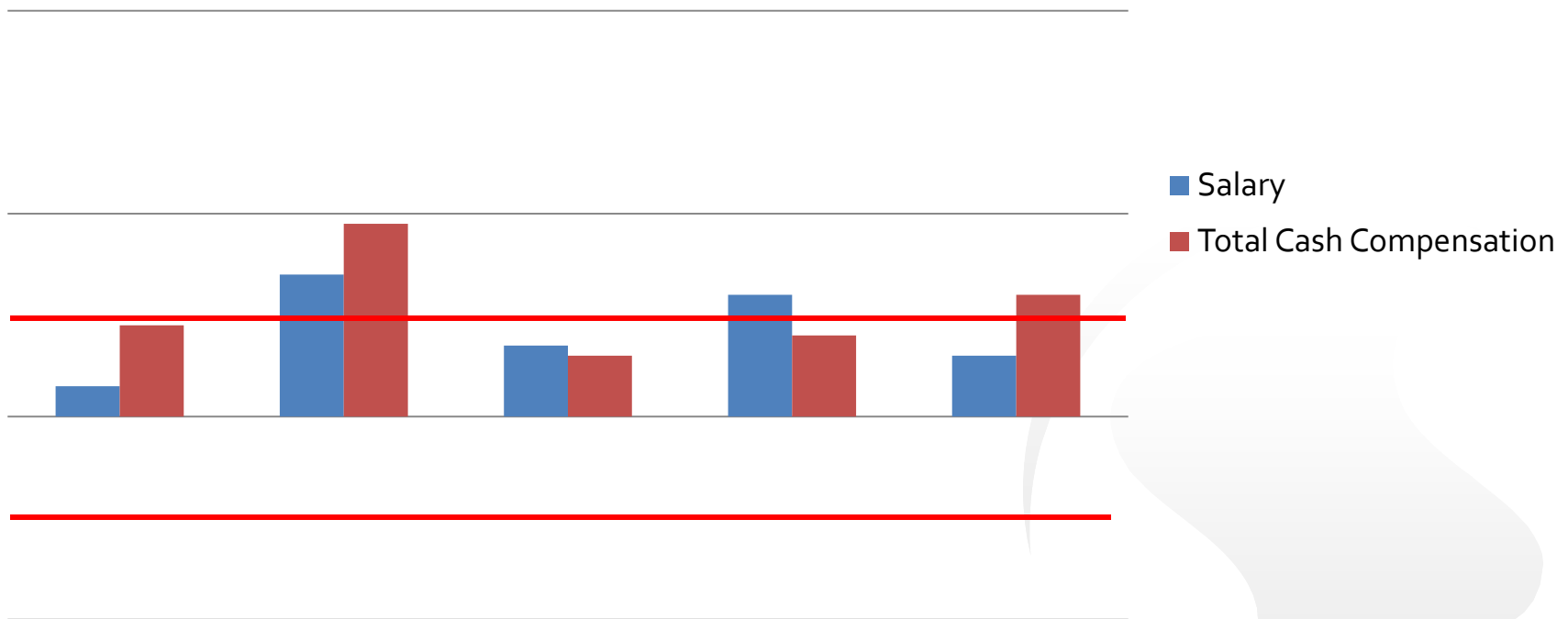
Assess the market

- Where do we stand *vis a vis* our competitors?
- Remember:
 - Available data cannot always be trusted
 - You may be surprised with what you find
 - Don't build your entire pay scale on market data
 - This information will be helpful but should not be considered "the final word"
 - Periodically, use professional services

FoxHill, Inc.

Competitive Compensation Analysis

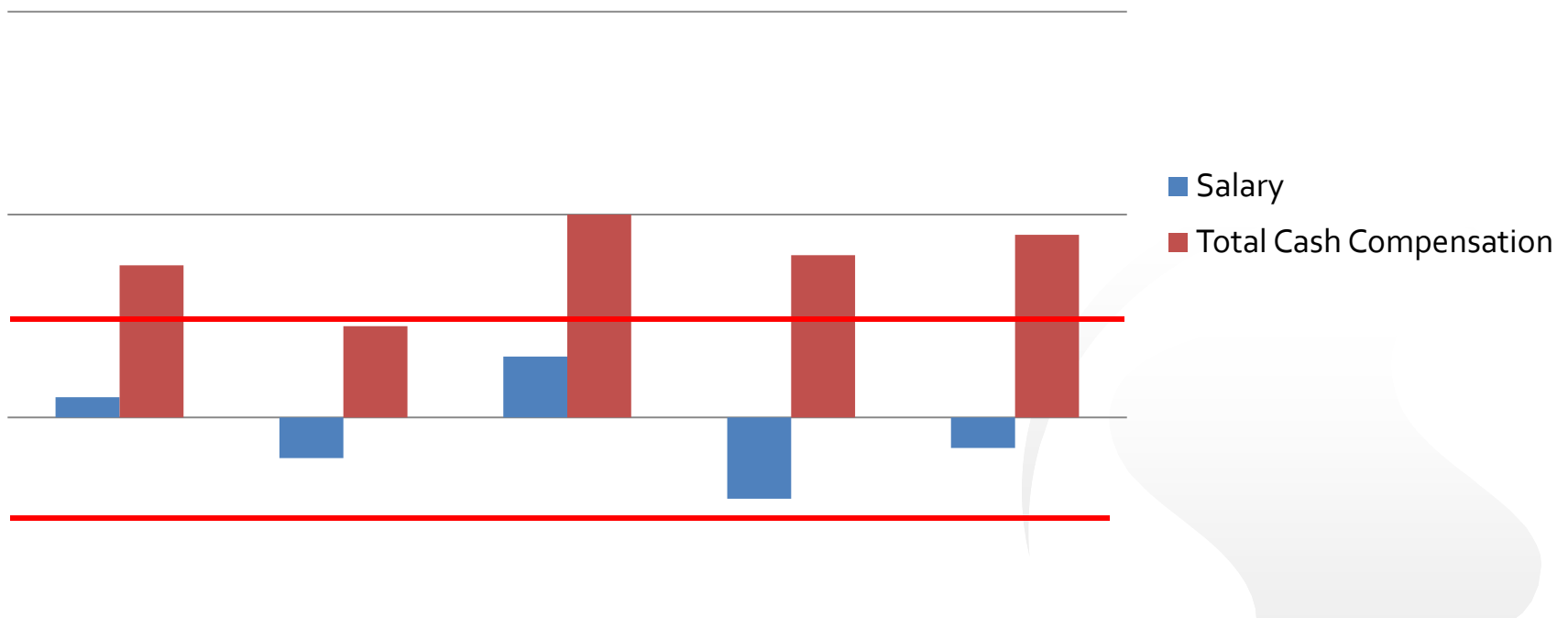
50th Percentile Variance



FoxHill, Inc.

Competitive Compensation Analysis

50th Percentile Variance

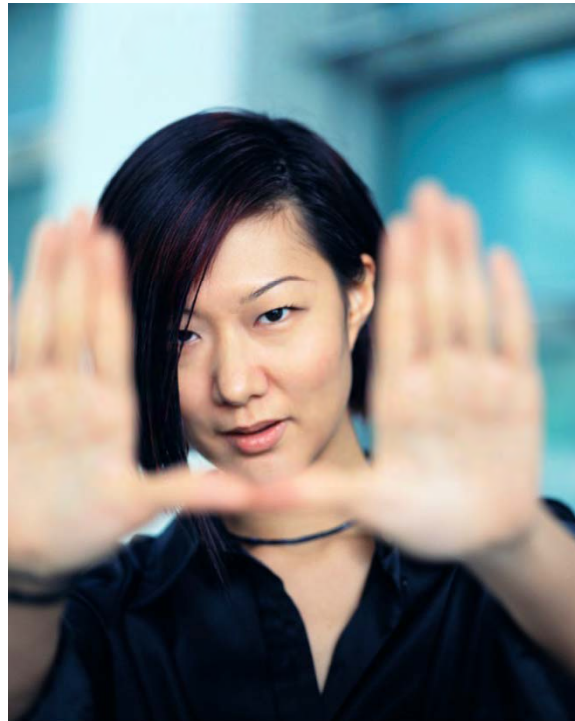


Remember

Being “above market” does not necessarily mean you’ll have high “pay satisfaction quotient”



ASSESS THE TOTAL PACKAGE



Assess your total package

- What do we offer beyond salary and benefits?
- What is our balance of fixed and “at risk” pay?
- What is the true upside in our variable pay plans?
- Is our pay opportunity potentially broader and more fulfilling for the type of people we need to hire and retain?

Results Driven 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

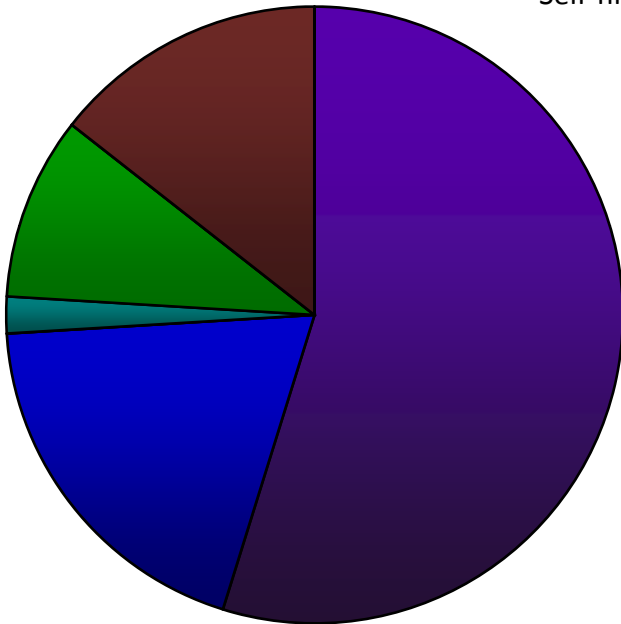
- Flexible enough to address varying circumstances?
- Communicating a unique relationship?
- Reducing employee tax expense?

Qualified Retirement Plans

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

Nonqualified Retirement Plans

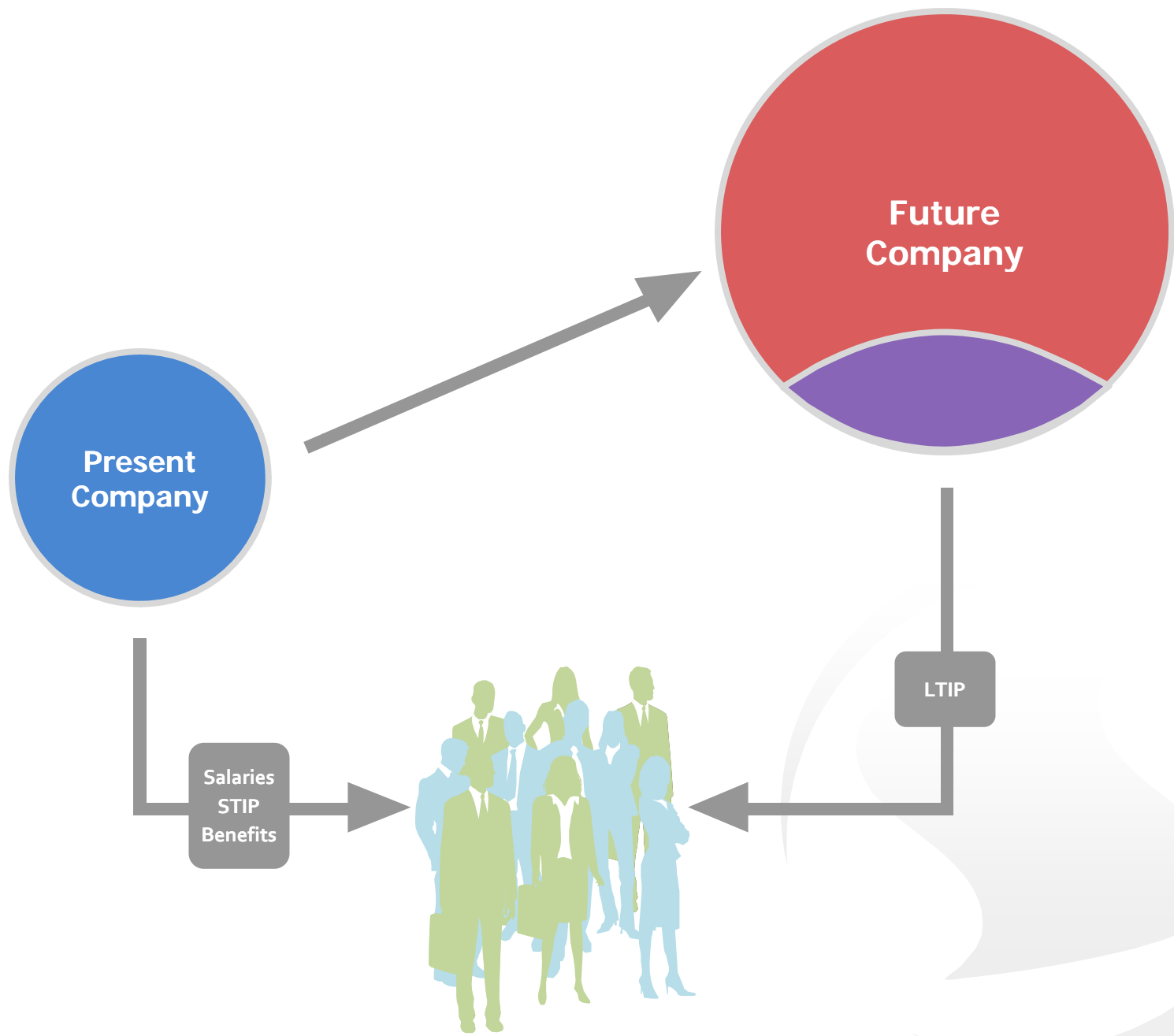
- Optimizing tax-deferral opportunities?
- Aligning long-term interests of employees with shareholders?
- Structured to receive best possible P&L impact?

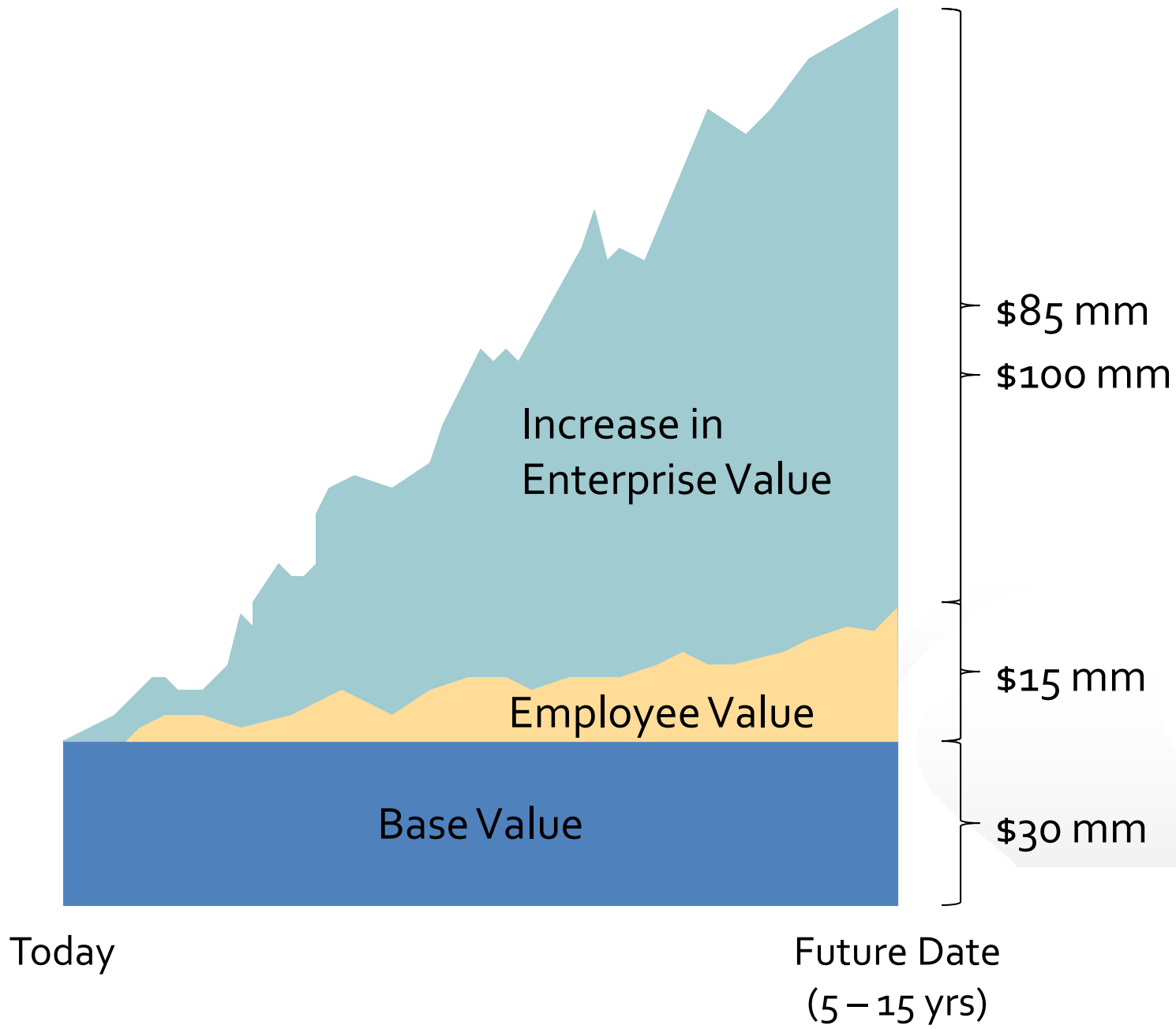


Remember

- Many of these plans are never reflected in market data (especially for private companies)
- Some of these plans offer the strongest value in a well-designed package







What message are you sending?

- We need you to help create our future company.
- We're committed to doing what's right—sharing some of that future value.
- You're a partner in our success!

ASSESS THE FULL VALUE OF THE WORK EXPERIENCE



Assess the full value of the work experience

- What do we offer that isn't reflected in our total rewards statement?
- What additional messages and cultural/environmental value do we offer that should appeal to the caliber of person we need to grow our business?

4 Signs of Dissatisfaction

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

Meaningful Financial Rewards

Remember

- Pay is not always the issue even when someone says “pay is the issue”
- You don’t want someone to stay for pay if the other elements are weak
- You don’t want to take advantage of someone by underpaying just because the other elements are strong



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

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

Compelling Future

Positive Work Environment

Opportunities for Personal and Professional Growth

Meaningful Financial Rewards

Yes

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



ASSESS YOUR COMMUNICATION PLAN



Assess your communication plan

- How serious is our commitment to communicating the value of our compensation program?
- What resources do we commit to this effort?

Consider your incentive plans?

- Are they CLEAR?
- Are they BELIEVABLE?
- Are they MEANINGFUL?



Tools

- Meetings
- One-on-ones
- Plan summaries
- Examples
- Repeat

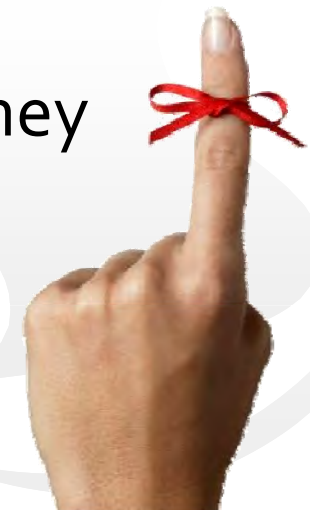


Key Producer Employee Value Statement

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

Remember

- Companies with engaged employees achieve higher levels of productivity
- Engagement does not occur without a serious effort to communicate a compelling future, a positive working culture, opportunities for growth and meaningful financial rewards
- Top companies spend more time and money communicating their rewards plans than they do designing/tweaking/fixing them



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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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?

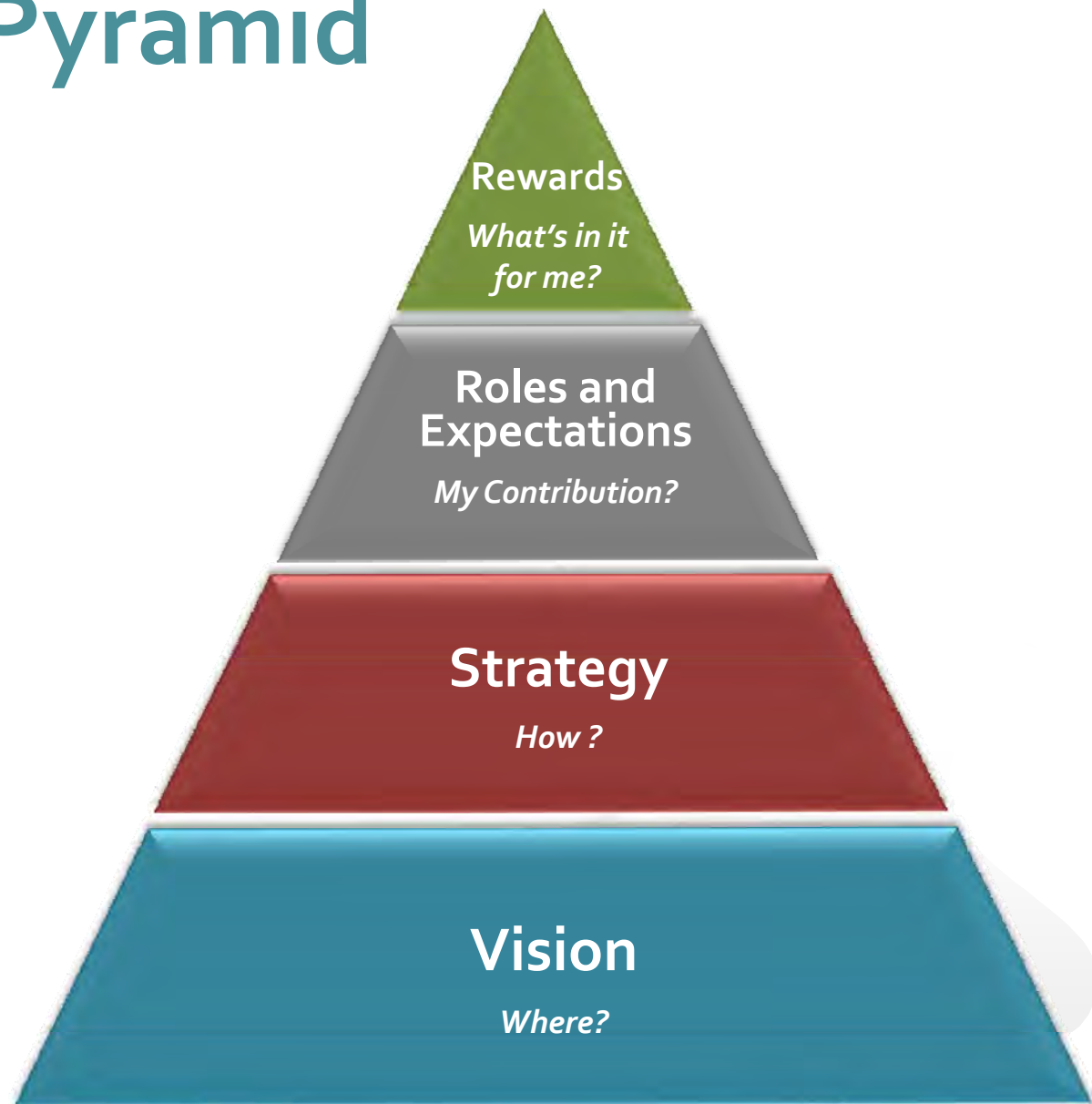


Where to begin



- Pyramid test
- 4 quadrant test
- Alignment Appraisal

Rewards Pyramid



Give employees 100 points to allocate to the 4 quadrants

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

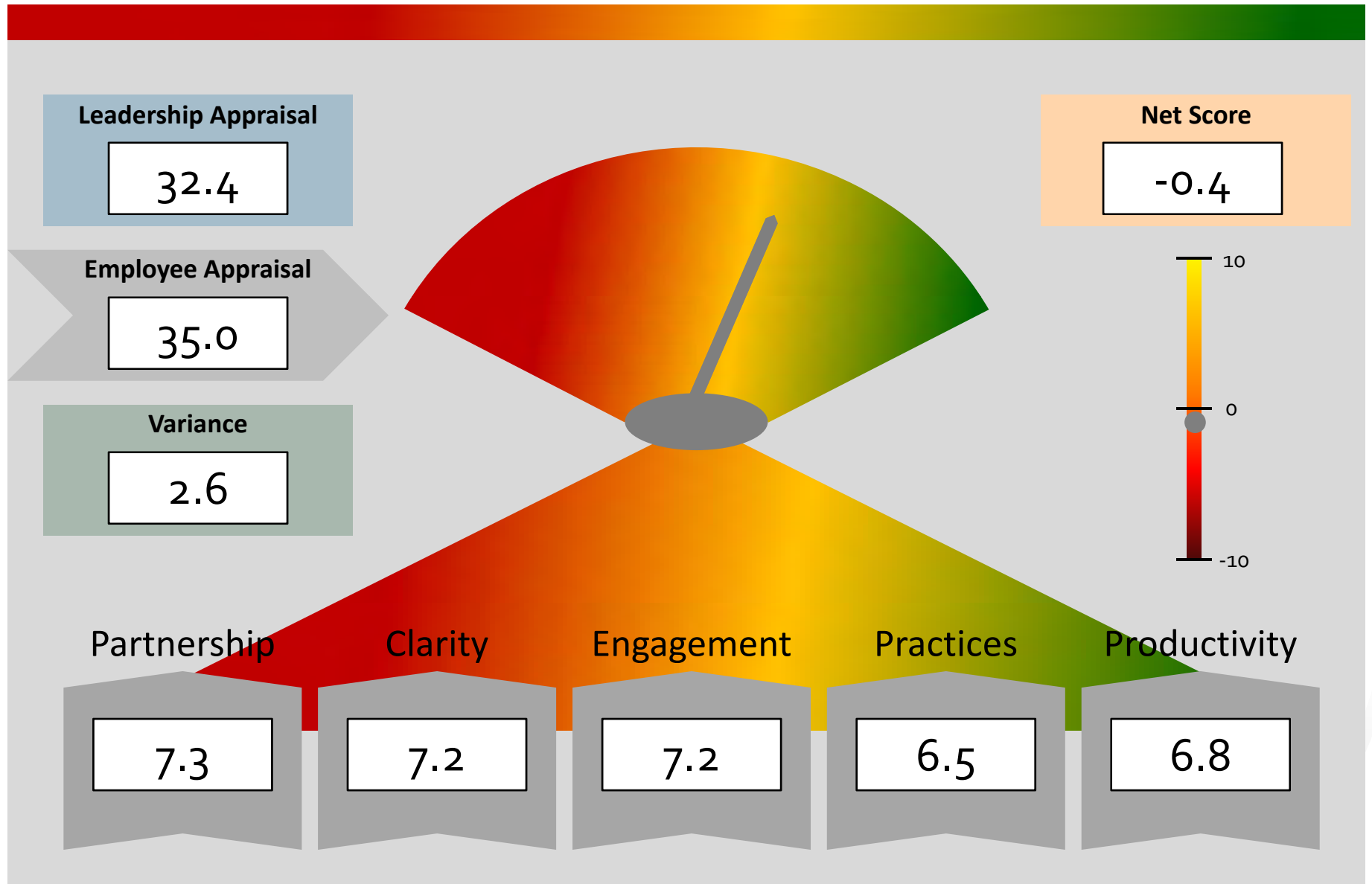
Quantitative and Qualitative Assessment

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



Special Offer

This Appraisal is typically \$1,800.

For today's webinar attendees only:

No cost

Indicate interest on final survey

Conclusions

- Adopt a pay philosophy and a “total value” philosophy that aligns with your business model and vision
- Adopt a comprehensive approach to pay management that utilizes all the available compensation strategies
- Use short- and long-term incentives that are clear, believable and meaningful
- Spend more time professionally communicating the total value of the work experience as well as the view of future opportunities



Questions?



Next Online Seminar:

“What Think Ye of Phantom Stock? Does it Work?”

To be held on:
Tuesday, December 6th, 2011

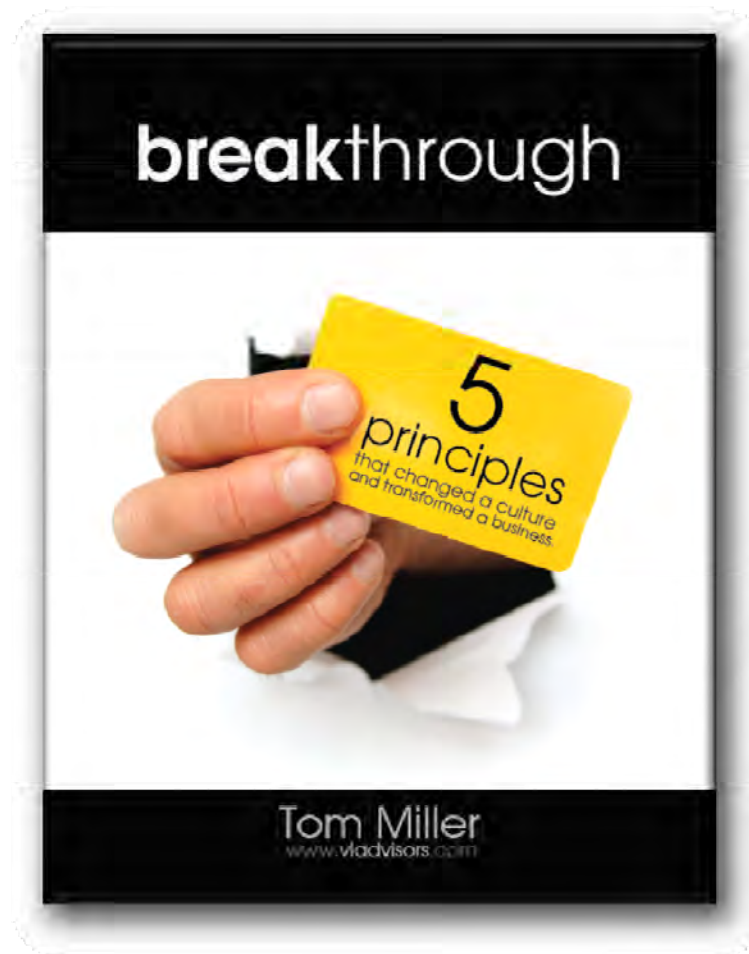
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Thank you for attending

Please complete our brief survey immediately following our presentation.

We value your input.

You may request a copy of our slides, Breakthrough, or more information about the VisionLink Alignment Appraisal™.

Thank you!

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