



How Salary Levels Will Impact Your Ability to Attract and Retain the Leadership You'll Need in 2022

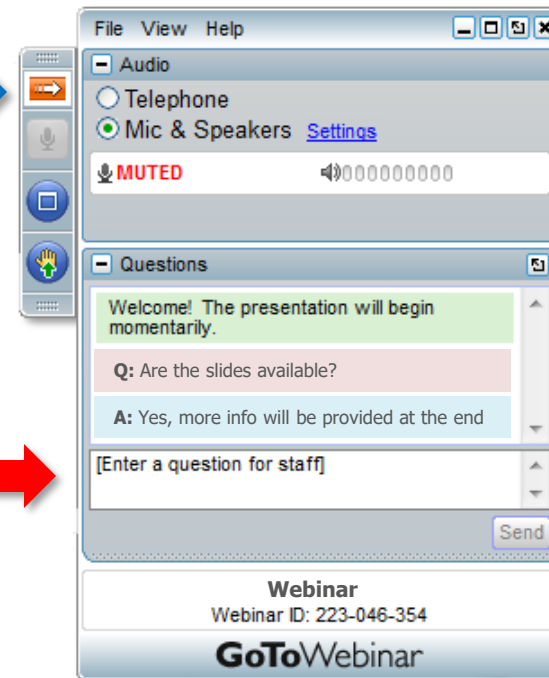


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today's presentation:** 
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Research Question

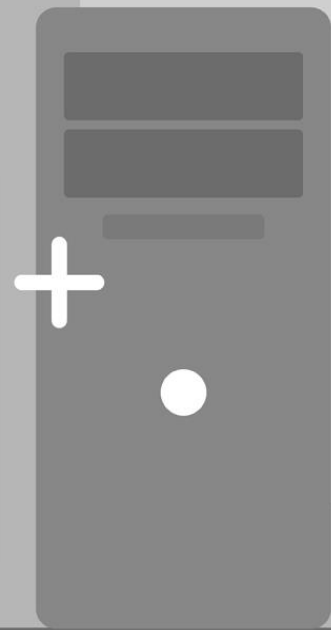
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Today's Presenters:

Joe Miller & Sheila Williams



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Agenda

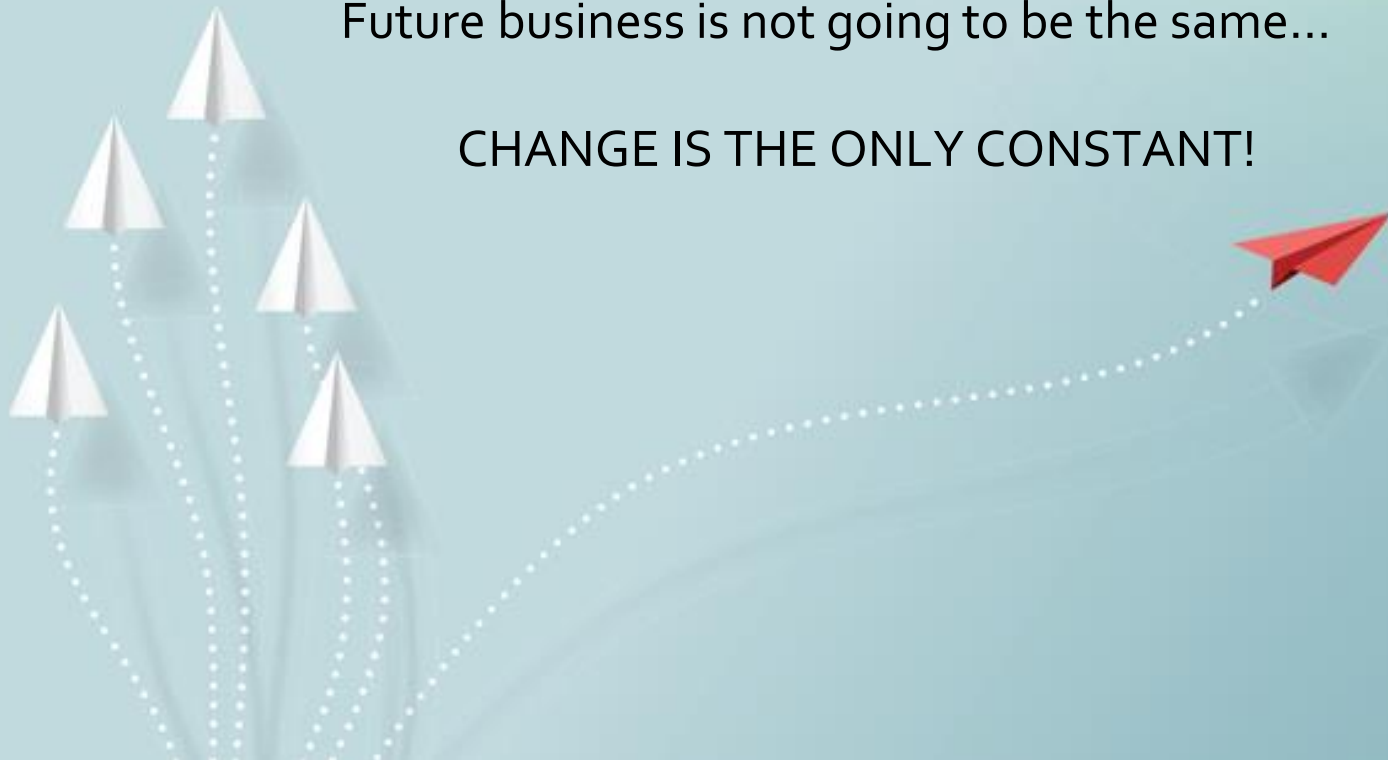
During this presentation, you will learn:

- The best way to benchmark compensation.
- How to define a clear compensation philosophy and why it is essential.
- How to allocate pay in a way that best suits your organization.
- What it means to “strike the right balance” between guaranteed compensation (salaries) and variable pay (incentives).
- How to increase performance by establishing the right metrics for your incentive plans.
- How to determine your company’s remote work policy and compensation offering.

Consensus

Future business is not going to be the same...

CHANGE IS THE ONLY CONSTANT!



Great Resignation OR Great Reckoning

Am I paying my employees appropriately? How much should I be paying?

How does my bonus plan stack up? Should I budget more?

Do I offer long-term incentive opportunities?

What is my Executive Value Proposition?

Is my culture appealing?

What other “benefits” should we be offering?

How do I differentiate from my competitors?

Do I offer a career with advancement?

How engaging and encouraging is the work environment?

Do I counteroffer?

How do we Attract and Retain Leadership in 2022?

Cannot assume what worked in the past will work in the future.



The Wants

Business Leaders

- More flexibility
- Fewer high-cost guarantees
- Better balance between short & long-term rewards



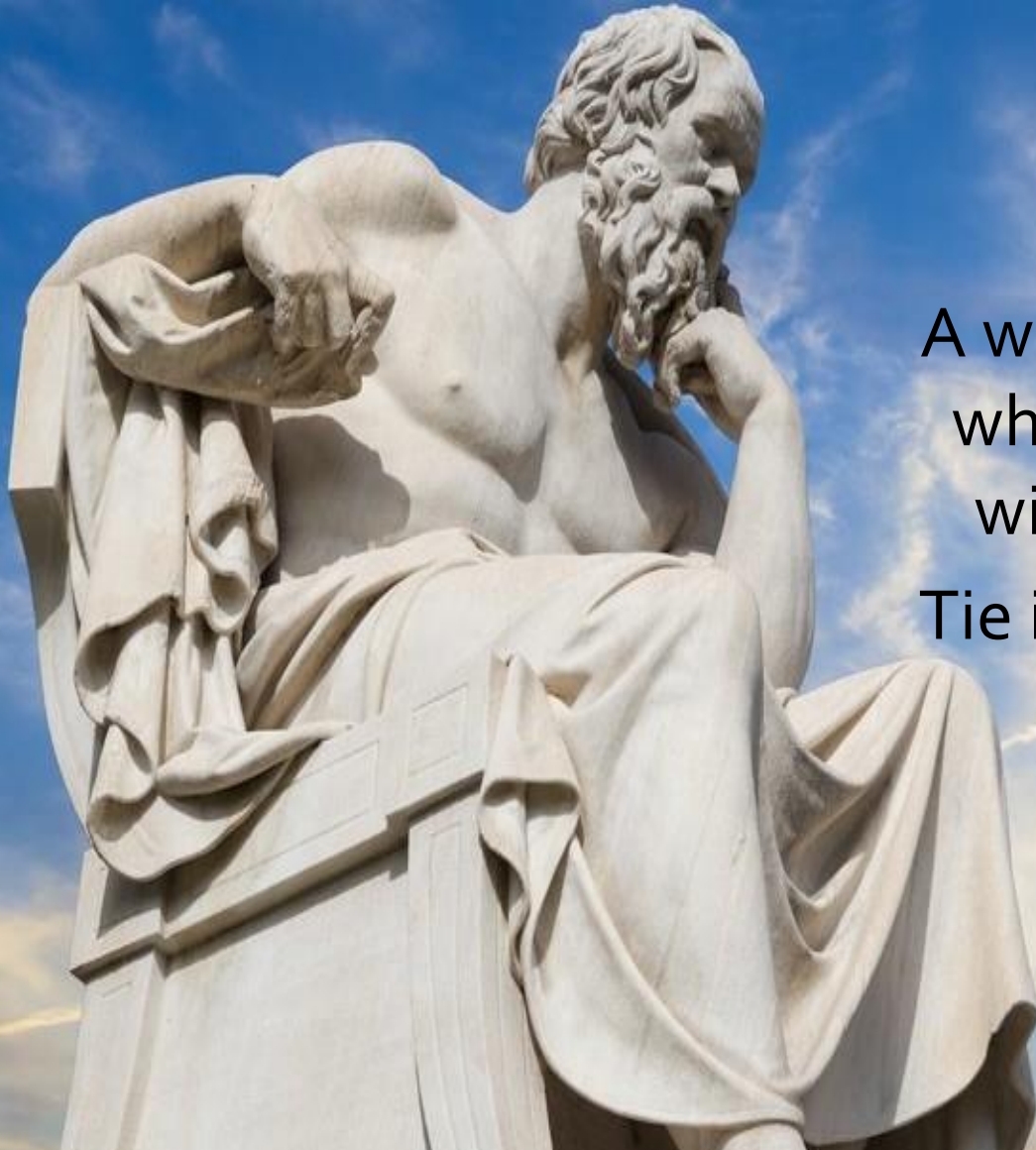
Executives/ Key Employees

- More flexibility
- Equal Pay
- Compelling careers

1. CREATING A CLEAR COMPENSATION PHILOSOPHY

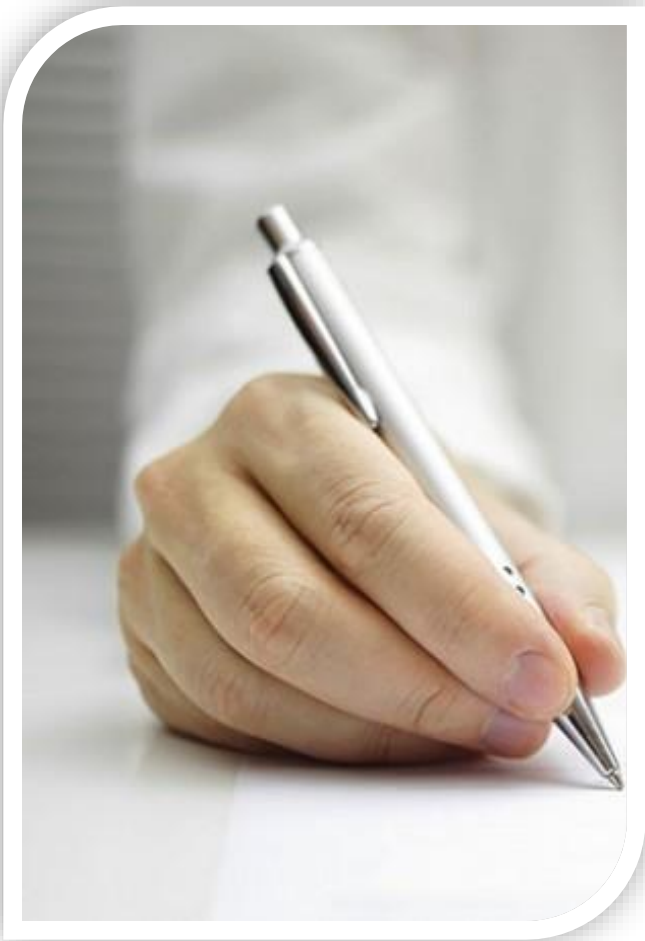


Define Your Compensation Philosophy



A written statement of what the company is willing to “pay for.”
Tie it to value creation.

Compensation Philosophy Statement



- *How value creation is defined.*
- *How value is shared—and with whom.*
- *How market pay standards apply.*
- *How guaranteed pay and value-sharing will be balanced.*
- *How short and long-term value-sharing will be balanced.*
- *How merit pay is defined.*

Compensation Philosophy Answers...

- Where do we want to be “positioned” in the market pay for salaries?
 - What is our Annual Salary increase policy
 - Merit vs. COLA
- With whom should value (productivity profit) be shared?
 - What form should it take?
 - Short-term vs. long-term
 - Equity or no equity
- How do benefits and retirement programs stack up?
- What cultural or nonmonetary perks exist?



Key Areas to Focus On



- Company Strategy
- Company Drivers
- Employee Demographics
- Determine priorities for cash and non-cash compensation, as well as benefits.

Two very different approaches

Company A

- Large established Manufacturing Company
- Workforce – Mostly blue collar technical positions
- Owner's primary goal: modest stable growth
 - Harvest profits

Company B

- Start-up web based Technology Company
- Workforce – High performing, entrepreneurial college grads
- Owner's primary goal: Grow Revenue
 - Sell the business

Which is correct?

Assume that both companies were looking to hire a new CFO:

- Would they both offer the compensation package?
- Should they offer the same compensation package?

Company A

Large established
manufacturing Company

Company B

Small web based
technology Company

Company Strategy

Philosophy	Business/Shareholder Objectives	Compensation Focus	Key Principles
Conservative	Maintain business trajectory. Shareholders seek to harvest profits.	Salary, benefits	High cost. High Predictability.
Variable	High growth. Focus on business execution. Sale of business.	Long & Short Term Incentives	High Risk. High Reward.
Moderate	Middle of the road compensation. No correlation typically to business objectives.	None	None

Conservative Pay Profile

Profile	Base Pay	Short-Term Incentives	Long-Term Incentives	Core Benefits	Retirement
Conservative	High	Low	Moderate	High	Moderate

Provides a high degree of employee security at the expense of variable pay

High base salaries and low incentives

Generally offers high level of core benefits

Cash friendly stable organization

Generally attractive to a younger employee population

Can inhibit the hiring of “high performers”

Rewards performance through merit/promotion

Retains executive leadership through moderate long-term awards

Variable Pay Profile

Profile	Base Pay	Short-Term Incentives	Long-Term Incentives	Core Benefits	Retirement
Variable	Low	High	High	Moderate	Low

Provides a high degree of upside earning potential with higher level of risk

Base salaries at or below market

Rewards tied directly to business performance

Entrepreneurial mindset – less cash friendly

Attracts high performers, frightens risk averse

Rewards performance through incentive pay

Promotes high level of value sharing

Attracts entrepreneurial leadership through long-term awards

Moderate Pay Profile

Profile	Base Pay	Short-Term Incentives	Long-Term Incentives	Core Benefits	Retirement
Moderate	Moderate	Moderate	Moderate	Moderate	Moderate

Provides a middle of the road approach to pay

Base salaries at market

Some upside incentive potential

Performance rewarded moderately

Attracts a diverse employee population

Rewards performance through multiple facets

Tries to provide a balanced approach without any distinguishing element of pay

Then What?



- Put it in writing.
- Refer to it frequently.
- Communicate it!
- Emphasize what will be rewarded.
- Create a sense of partnership.
- Market the future.

2. BENCHMARK COMPENSATION



Benchmark Compensation

- Choose data sources
- Understand your Target Market
- Job Matching
- Apply your compensation strategy/philosophy
- Establish salary ranges
- Determine frequency

Salary Data Sources

Type	Pros	Cons	Freshness	Cost
Traditional Compensation Surveys Mercer, Radford, Aon-Hewitt, Willis Towers Watson	<ul style="list-style-type: none"> Well-understood Contains Participant List – understand data points Mostly larger companies Company reported 	<ul style="list-style-type: none"> Too broad, lack ability to key in on rural markets Requires company participation or charged more Time-consuming to participate/match jobs 	<ul style="list-style-type: none"> Usually published annually Need to “age” data 	\$\$\$\$ Time & Resource
Salary Aggregators Salary.com, ERI, PayScale	<ul style="list-style-type: none"> Mix of traditional & industry surveys Address the disadvantages of Traditional Industry Surveys Wide range of industries & geographies covered Can create composite data for unique positions 	<ul style="list-style-type: none"> Do not share survey sources 	<ul style="list-style-type: none"> Adding HOT Jobs Adding new surveys when published Ability to “age” data if needed 	\$\$
Crowd-Sourced PayScale, Glassdoor, Vault	<ul style="list-style-type: none"> Real-time survey of employees Typically cover more jobs, locations & newly emerged jobs 	<ul style="list-style-type: none"> Employee based Accuracy Skewed towards white-collar jobs but lack Mgmt/Executive 	<ul style="list-style-type: none"> Updated daily 	
Scraped Data Indeed	<ul style="list-style-type: none"> Provides direct insight into demand for jobs 	<ul style="list-style-type: none"> Do not reflect actual incumbent pay Not all job posting have salary 	<ul style="list-style-type: none"> Varied & dependent on salaries noted in job postings 	
Internal	<ul style="list-style-type: none"> Internal equity across positions, departments & locations 	<ul style="list-style-type: none"> Lack external market view 	<ul style="list-style-type: none"> Real time 	
Government Data	<ul style="list-style-type: none"> Free 	<ul style="list-style-type: none"> Limited location/industry 	<ul style="list-style-type: none"> Often fairly dated which makes them not relevant 	

Target Market



- Industry
- Geography
- Size

Job Matching



Apply to Company Strategy / Compensation Philosophy Statement

Philosophy	Business/Shareholder Objectives	Compensation Focus	Key Principles
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Profile	Base Pay	Short-Term Incentives
Conservative	High	Low

Profile	Base Pay	Short-Term Incentives
Variable	Low	High

Profile	Base Pay	Short-Term Incentives
Moderate	Moderate	Moderate

Establish Salary Ranges

- Hire appropriately
- Manage appropriately
- Used to reward performance not tenure

Salary Minimum

Midpoint/Market

Salary Maximum

	Developing	Midpont/Market	Premium
Skill Set	Learning	Full	Full + Valued Institutional knowledge
Job Responsibilities	Partially meeting	Mastered all	Exceeds all
Guidance	Dependent on others	Independent	Verge of Promotion

Frequency

Annually

- Large company
- Competitive industry
- Budget \$
- HR staff
- Narrowly defined salary ranges



Bi-Annually

- Small-to-mid sized
- Talent Pool Fluctuates
- Modest Budget \$
- Limited / No HR staff
- Broad salary ranges

3. ALLOCATE PAY



Company Strategy

Philosophy	Business/Shareholder Objectives	Compensation Focus	Key Principles
Conservative	Maintain business trajectory. Shareholders seek to harvest profits.	Salary, benefits	High cost. High Predictability.
Variable	High growth. Focus on business execution. Sale of business.	Long & Short Term Incentives	High Risk. High Reward.
Moderate	Middle of the road compensation. No correlation typically to business objectives.	None	None

Develop a Balanced Approach

The background of the slide features an abstract composition of various blue geometric shapes. On the left, there are several overlapping, semi-transparent circles of different shades of blue. In the center and right, there are sharp, angular shapes, including a prominent zig-zag line and several rectangular and trapezoidal forms, some of which appear to be layered or overlapping. The overall aesthetic is clean and modern, with a gradient from light blue to a darker blue at the top.

The role of each pay component in relation to others within the comprehensive compensation strategy is coordinated and clear—and reflects the company's pay philosophy.

An Aligned Compensation Strategy

Salaries

Competitive with market standards?
Tied to strong performance management process (merit)?
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?



Eight Components of Pay

Benefits

- Core benefits
- Executive benefits
- Qualified retirement plans
- Supplemental retirement plans


Compensation

- Salary
- Performance incentives
- Growth incentives
- Equity

Company focused incentives should likely be in the form of value sharing.



Build a Total Compensation Structure

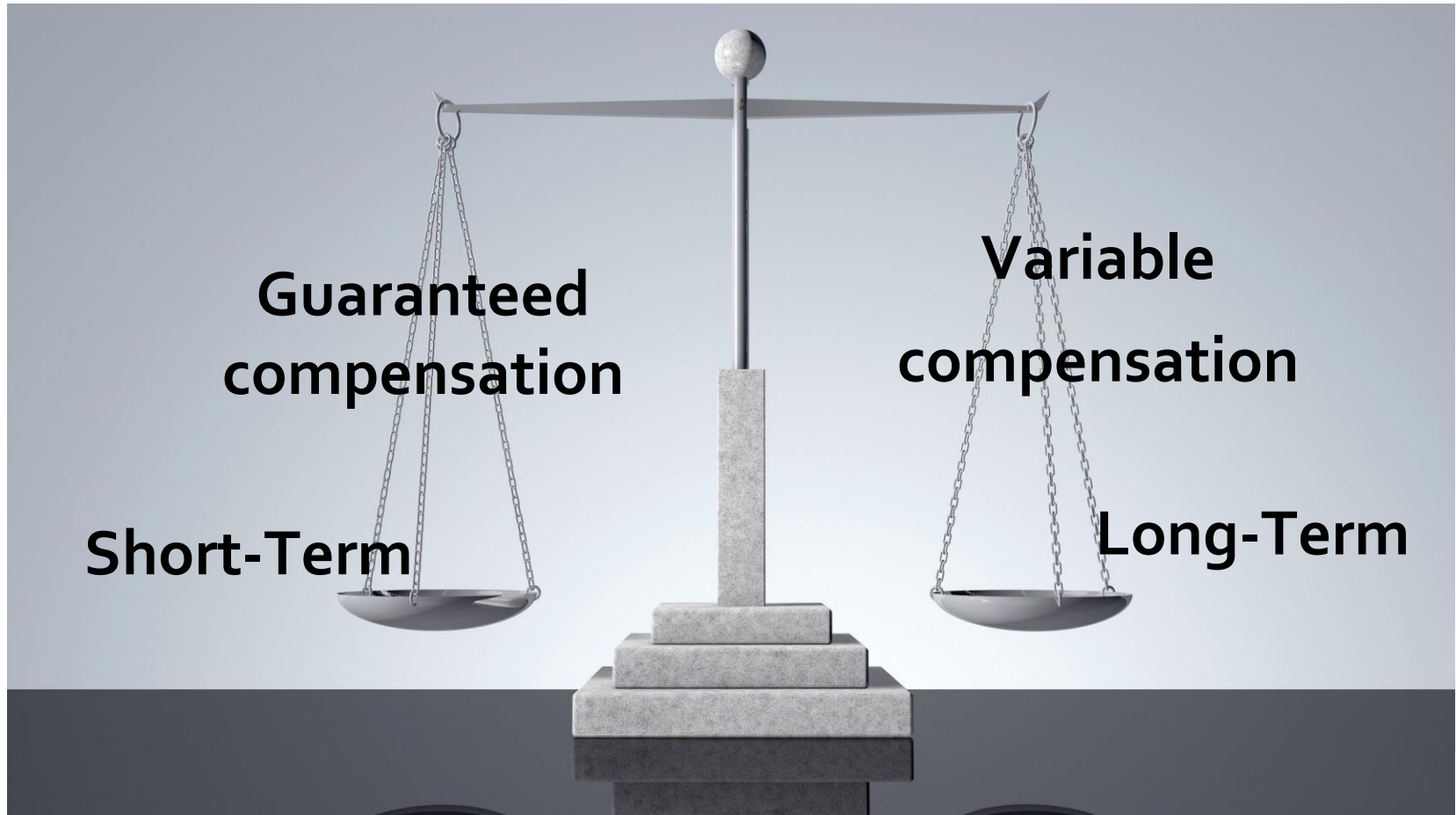
A hand in a red sleeve is holding a white cube above a pyramid of white cubes. The pyramid is composed of 10 cubes arranged in four rows: the bottom row has 4 cubes, the second row has 3 cubes, the third row has 2 cubes, and the top row has 1 cube. The background is a bright, out-of-focus indoor setting.

A total compensation structure gives you a comprehensive view of all compensation and benefit plans and ensures operational integrity

4. RIGHT BALANCE



The Right Balance



5. INCREASE PERFORMANCE USING THE RIGHT METRICS



Incentive Compensation



- Tied to Performance Targets
- Metrics and Measures Define Payout
- Short-Term Incentive Plans
- Long-Term Incentive Plans

Shareholder Priority

Sustainable and growing profitability



Key Metrics

Focus on One of These:

- Profit
- Increase in Profits (% or \$)
- (Sometimes: Revenue Growth)



Rules of Thumb

- Short-term value sharing should be tied to profit (specifically productivity profit)
- Long-term value sharing should be tied to business growth



Selecting the “Right” Metrics

8 Problems

1. Impossible to link every metric to the true value creation.
2. Multiple KPI's create confusion and sap motivation.
3. A focus on behavior incentives can lead to the opposite behavior.
4. Difficult to find metrics for every position.
5. Results may be manipulated, or loopholes exploited.
6. Impossible to equalize metrics across individuals and departments.
7. Unintended and unanticipated negative consequences.
8. Pursuit of “perfect” metrics is a time waster.

<https://www.vladvisors.com/why-most-bonus-plans-fail-report>



WHY ONLY 3-4 STRATEGIC PILLARS?

Total number of goals	2 - 3	4 - 10	11 - 20
	↓	↓	↓
Goals achieved (with excellence)	2 - 3	1 - 2	0

Source: 4 Disciplines of Execution: Achieving Your Wildly Important Goals

<https://dandoadvisors.com/strategic-framework-pillars/>

6. WORK POLICIES & COMPENSATION



Work Policies & Compensation



- Location-Based Pay
- Merit Increase vs. COLA
- Sign-on Bonuses'
- Counter-offers
- Non-Compensation Alternatives

Location-Based Pay

- Different Pay Rate approaches
 - Based on main office location or regional offices
 - Based on employee's home or remote-work location.
 - Consistent US levels with upward adjustments if needed

- Factors to consider

- Usually more pronounced at lower levels
- Recruiting = supply vs. demand
- Establish a clear remote-pay policy and communicate for consistent pay practices
- Can be demotivating to staff



"62% of organizations have a geographic pay policy and of the 38% without policies, future intent is split: 54% NO | 47% YES." ~WorldatWork 2021 Geographic Pay Policies Study

Merit Increase vs. COLA



Type	Actual 2021	Projected 2022
Months Between Increases	13.6	12.2
General Increase/COLA	1.2% - 1.7%	1.6% - 2.0%
Merit	2.6% - 3.0%	2.9% - 3.0%
Total	3.0%	3.0% - 3.3%

Source: WorldatWork 2021-2022 Salary Budget Survey

Sign-on Bonus'

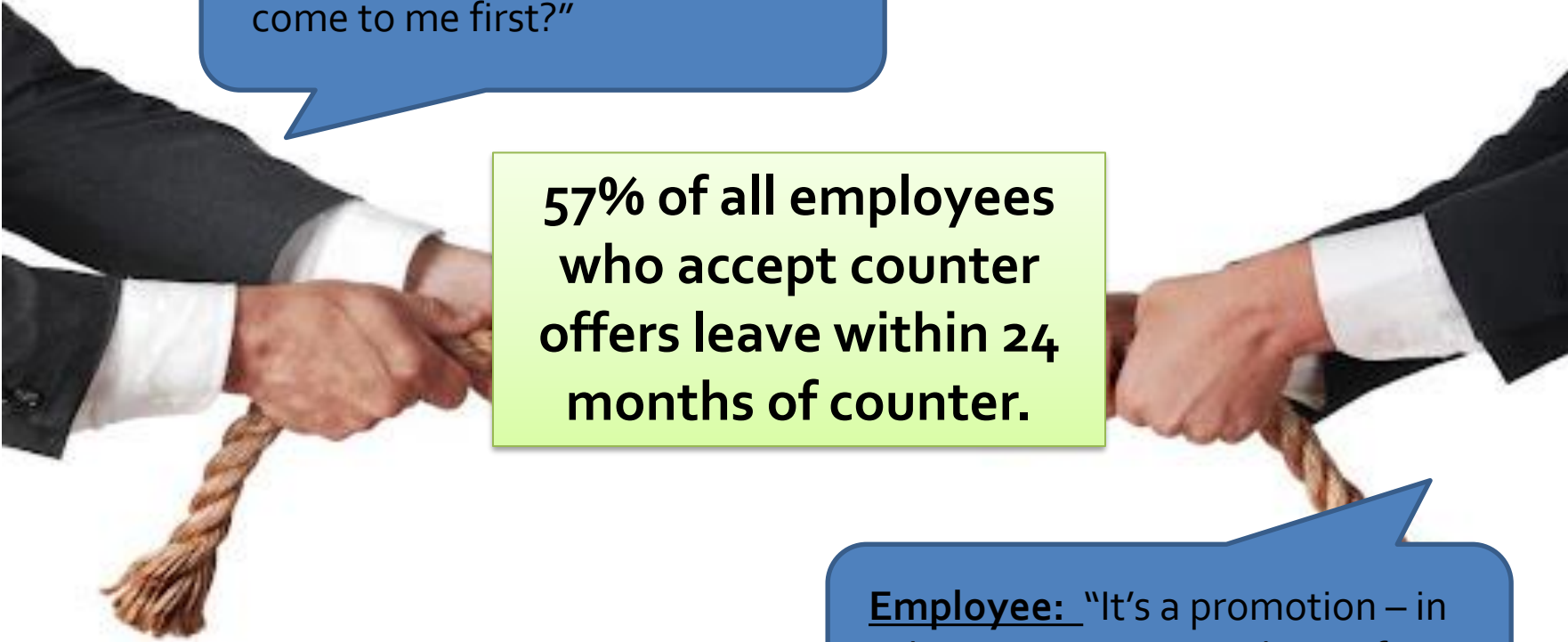
Pros

- One-Time Cost
- Help attract a candidate with competing offers
- Bridge the gap between desired compensation & offer
- Paid in installments with clawback

Cons

- Short-term solution
- Can attract the wrong people
- Candidate can feel underpaid in future years
- Difficult to recoup should the employee leave

Counter Offers

A photograph showing two hands in dark business suits pulling on a thick, braided rope. The hands are positioned on either side of a central text box, suggesting a tug-of-war or a struggle between two parties.

Supervisor: "I didn't know you weren't happy? Why didn't you come to me first?"

57% of all employees who accept counter offers leave within 24 months of counter.

Employee: "It's a promotion – in title & money. I won't leave if you are able to match."

Alternatives

- Strong Company Culture
- Transparency
- Shared vision and connection to outcomes
- Increased 401k match/contribution & reduced waiting periods
- Lower employee healthcare premiums
- Add paid parental leave
- Increase Bereavement / Paid-Time Off
- Unpaid sabbaticals for tenure
- Increase in Wellness Benefits to include Financial Planning
- Employee referral bonuses
- Remote-work / Flexible hours
- Promote Work/Life Balance



7. AGILE & STRUCTURED



Is your compensation philosophy “right”?

- There is no “right” way to pay an individual
- Who establishes the “right” way to pay?



The Need for Pay Agility



Create a compensation strategy that is flexible and combine it with an operational structure that is enduring.

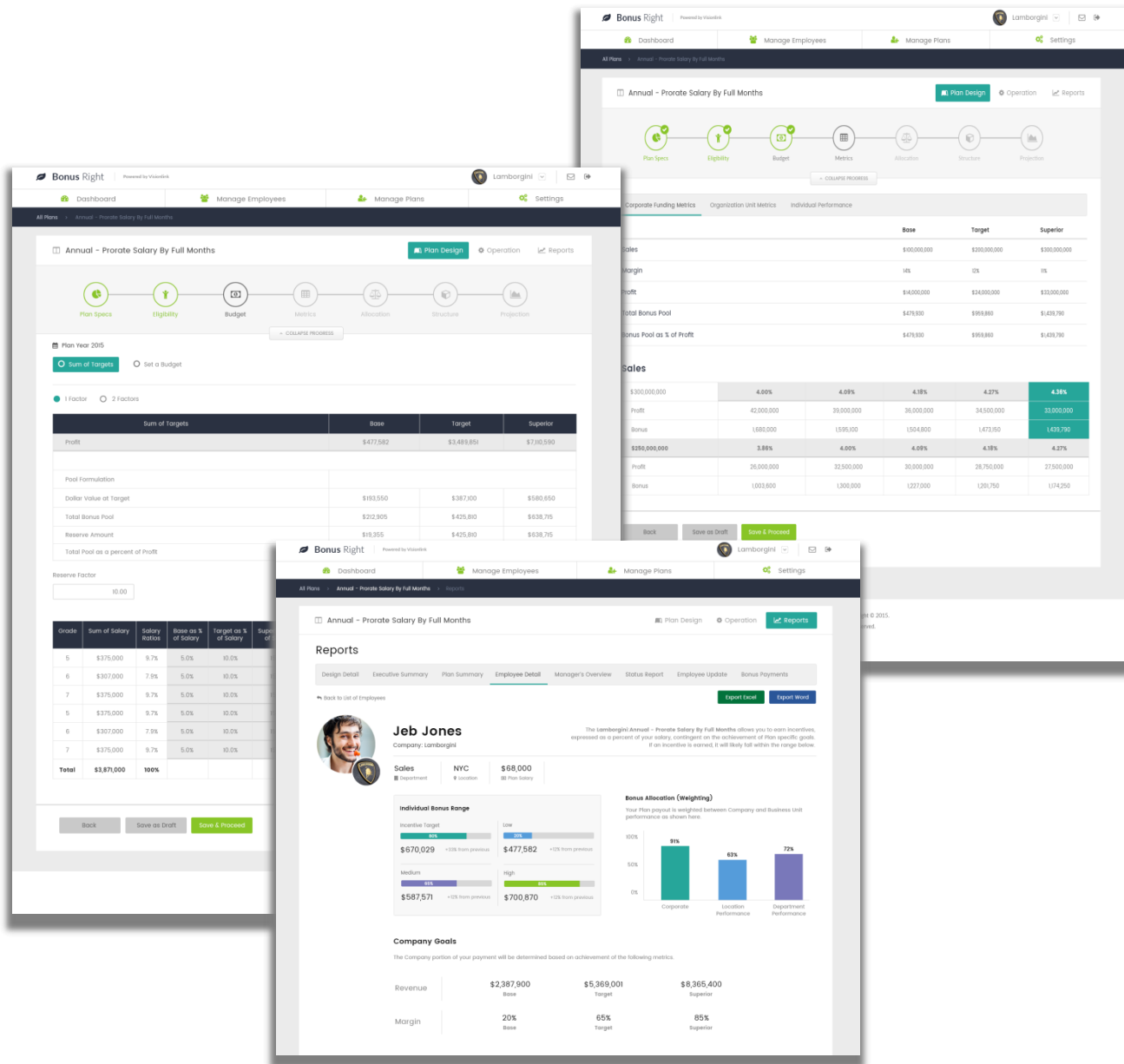


A Roadmap to Success



- Look at compensation strategy as you would a map.
- Many ways to get to the destination.
- May need to take a new and different path.

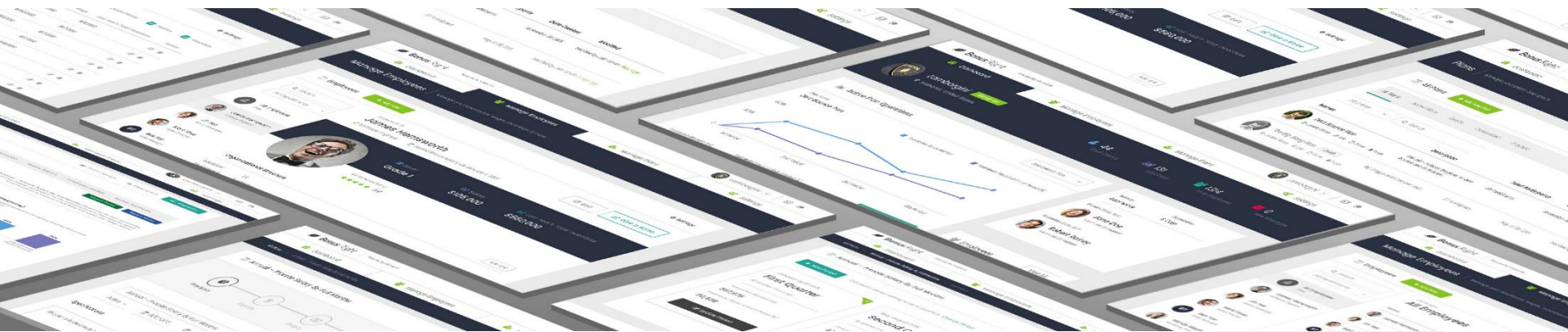




- Digital platform for building short and long-term value sharing plans
- Efficient plan design process
- Affordable plan design cost
- Effective plan launch material
- Superior ongoing plan management

BonusRight Demo

Select "YES" on survey—or contact Kendra
ksmith@vladvisors.com



Research Question

The screenshots illustrate the BonusRight software interface, which is used for managing employee bonus plans. The interface includes a dashboard, plan design tools, and reporting capabilities.

Annual - Prorate Salary By Full Months

Plan Year 2016

Sum of Targets | Set of Budget

1 Factor | 2 Factors

	Sum of Targets	Base	Target	Superior
Profit	\$473,582	\$1,493,851	\$7,180,590	
Pool Formulation				
Dollar Value at Target		\$193,500		
Total Bonus Pool		\$229,960		
Reserve Amount		\$18,350		
Total Pool as a percent of profit		44.58%		

Reserve Factor: 10.00

Grade	Sum of Salary	Salary position	Base as % of Salary	Target as % of Salary	Superior as % of Salary	Dollar Value of Base (\$)	Dollar Value of Target
5	\$375,000	9.7%	5.0%	10.0%	15.0%	\$18,750	\$37,500
6	\$307,000	7.8%	5.0%	10.0%	15.0%	\$15,350	\$30,700
7	\$375,000	9.7%	5.0%	10.0%	15.0%	\$18,750	\$37,500
5	\$375,000	9.7%	5.0%	10.0%	15.0%	\$18,750	\$37,500
6	\$307,000	7.8%	5.0%	10.0%	15.0%	\$15,350	\$30,700
7	\$375,000	9.7%	5.0%	10.0%	15.0%	\$18,750	\$37,500
Total	\$3,871,000	100%				\$193,500	\$387,000

Back | Save as Draft | Save & Proceed

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Annual - Prorate Salary By Full Months

Design Detail | Executive Summary | Plan Summary | Employee Detail | Manager's Overview | Status Report | Employee Update | Bonus Payments

Back to list of Employees | Export Excel | Export Word

Jeb Jones
Company: Lamborgini

Sales | Department | NYC | \$68,000 | \$8 Plan Salary

Individual Bonus Range

Target	Low	High
Incentive Target	\$670,029	\$477,582
Medium	\$587,571	\$700,870

Bonus Allocation (Weighting)

Category	Weighting
Corporate	91%
Location Performance	63%
Department Performance	72%

Company Goals

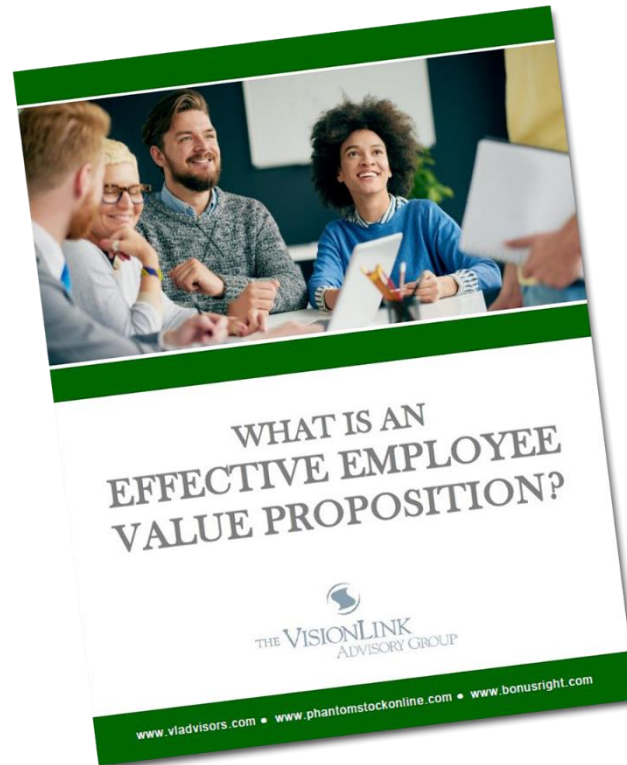
The Company portion of your payment will be determined based on achievement of the following metrics.

Metric	Base	Target	Superior
Revenue	\$2,387,900	\$5,369,001	\$8,365,400
Margin	20%	65%	85%



Would you favor a digital subscription option that allows you to *build your own plans* on BonusRight but with VisionLink's help?

Special Offer
What is an Effective Employee Value Proposition?



Request your copy on the final survey.

Consultation Offer & Survey



Take advantage of a one-half hour consulting call with a VisionLink principal at no charge.

Indicate interest on final survey.

Request a copy of our slides
and complimentary
consultation.

**Please respond to research
question.**

We value your input.

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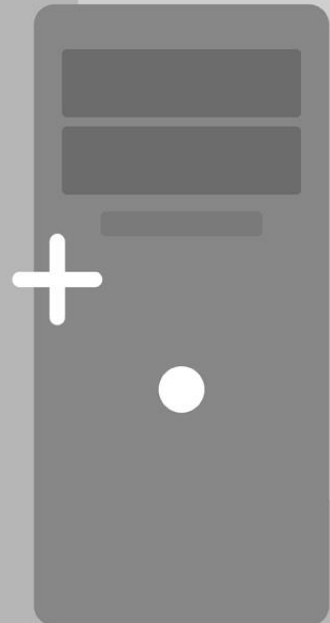


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5 Minutes:

- Who We Are
- What We Do
- How We Do It





Q&A



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Thank You!



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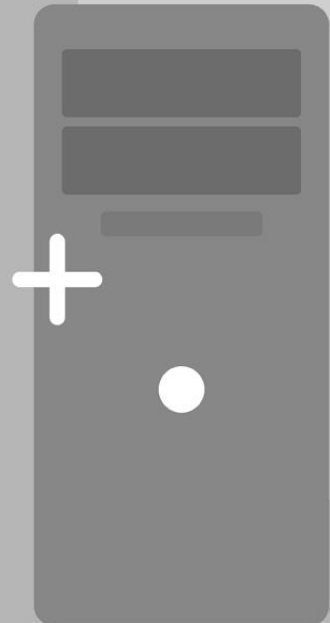


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5 Minutes:

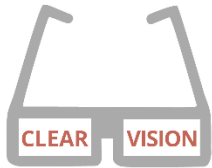
- Who We Are
- What We Do
- How We Do It



+ B2B
COMPENSATION DESIGN
& MANAGEMENT



DESIGN COMP THAT DRIVES RESULTS
SUPPORT WEALTH MULTIPLIERS
ATTRACT & RETAIN GREAT TALENT
ENABLE AN ENGAGED,
COMMITTED WORKFORCE



+ Client Profile

MIDDLE-MARKET COMPANIES
GROWTH ORIENTED
RESULTS CENTERED
DEFINED BUSINESS MODEL

+ Seasoned Team

7 WITH BACKGROUNDS IN:
COMPENSATION DESIGN
HUMAN RESOURCES
EXECUTIVE BENEFITS
LAW
FINANCE
PROFESSIONALS

+ Reach

CLIENTS IN 40+ STATES
BREADTH OF INDUSTRIES

OVER **600**
CLIENTS SERVED

+ Our Commitment

DRIVE GROWTH
INCREASE VALUE



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