

Advanced Survey Data Analysis

WACABA Meeting
October 21, 2010

Biographies

Brian Repsold, Director, Human Capital Consulting (Moderator)

Brian is a Director with the Human Capital Services practice at McGladrey. With 18 years of consulting experience linking organizational strategies with human capital performance and outcomes, Brian has partnered on consulting engagements focused on compensation/rewards program design, incentive plan design, sales force effectiveness, and benchmarking.

Brian currently leads McGladrey's strategic compensation benchmarking and best practices initiatives and previously led the US Benchmarking Business at Mercer Human Resource Consulting.

Brian is a member of SHRM, WorldAtWork, and various local compensation and hr associations. Brian holds a Bachelor's Degree in Economics from Northwestern University and an MBA from Bellarmine University

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Stephanie Kessler Manager, Human Capital Consulting (Panelist)

Stephanie is a Manager with the Human Capital Services Practice at McGladrey. In her more than ten years of consulting experience, Stephanie has worked with healthcare, manufacturing, higher education, banking and non-profit organizations. The primary focus of these services has been to value work, design compensation programs, and project the human resource investment required to implement programs.

Ms. Kessler is a member of SHRM (Society for Human Resource Management), WorldAtWork, MM SHRM (Metro Milwaukee SHRM) and the Milwaukee Area Compensation Association (MACA), where she served as President of the MACA Board.

Ms. Kessler is currently an adjunct faculty member for Concordia University teaching courses in the Human Resources curriculum.

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Biographies

Cliff Balkam, Internal Consultant MITRE Corporation (Panelist)

Cliff Balkam is an internal consultant at the MITRE Corporation in McLean. His prior experience includes working as an HR generalist at American University and Aspen Systems Corporation, and as an internal comp practitioner at the American Red Cross and Intelsat. As an independent consultant for more than 15 years, he worked on comp design, market pricing, and incentive pay assignments at clients such as Fannie Mae, Freddie Mac, AARP, Medimmune, University of Maryland Baltimore, the Heritage Foundation, the Carnegie Endowment, and the Federal Reserve Board. A DC native and Georgetown University graduate, he has graduate degrees from Fordham and American Universities

Angelo Kostopoulos, Founder and President of AKRON, Inc. (Panelist)

Angelo Kostopoulos is Founder and President of AKRON, Inc. a data services and survey company. He is responsible for AKRON's compensation and benefits survey practice, managing the team of technologists and subject matter experts that collaborate in survey design and administration. Since 2003, AKRON has administered the HRA-NCA Compensation and Benefits Surveys, the Washington areas most comprehensive resource of jobs and salary information, and has also conducted surveys for clients such as the American Bankers Association and the Local Government Personnel Association. A graduate of The University of Maryland, a Angelo holds an MS in Computer Science from the George Washington University and an MBA from Northwestern University.

McGladrey – Our Firm

- Fifth largest national and international accounting, tax and consulting firm
- More than 110 offices and 7,000 professionals
- Over 6,000 client organizations nationally
- Human Capital Consulting Services:
 - Rewards Strategy
 - Executive Compensation
 - Workforce Compensation
 - Performance Management
 - Benchmarking Best Practices

MITRE CORPORATION – Our Firm

- Not for Profit, Federally Funded Research and Development Center (FFRDC)
- Main Sponsors are USAF, US Army, Intelligence Community, Federal Aviation Administration, IRS, HHS, Department of Homeland Security, Federal Courts
- Approximately 7000 staff, primarily in Bedford Mass and McLean VA, with 90+ sites worldwide; primarily engineers and computer scientists; >50% have graduate degrees.
- Consults with government clients on large systems and their acquisition and does cutting edge systems engineering research
- One of Fortune magazine's "Best 100 Places to Work" for last nine years

AKRON, Inc. – Survey Data and Analytics Firm

- Dedicated team of professionals spanning human resources, statistics, technology, software, and management
 - Specialize in compensation and benefits surveys
 - Current ongoing surveys include:
 - HRA-NCA Compensation Survey & Government Contractors Survey
 - Washington-Baltimore Area Benefits Survey
 - HRA-NCA Salary Planning Survey
 - Local Government Personnel Association, Salary and Benefits Survey
 - Franchise Industry Compensation Survey
 - National Think Tank Compensation Survey
- ... and other club or limited-participation surveys on specific topics

Meeting Agenda

Agenda

1. Overview: Using Salary Data to Make Strategic Business Decisions
2. Panel Discussion

Benchmarking is the foundation

- Benchmark data provides the foundation for many compensation decisions...Common applications include:
 - Establish salary budgets
 - Develop salary ranges/structures
 - Determine competitive bonus/incentive opportunities
 - Identify pay trends
 - Justify recommendations to leadership
 - Attract and retain key talent
- Data is only a part of the equation...
 - Understand and assess prior decisions, economic factors, etc.
 - Consider strategic direction and implications

What's going on in your "world"?

- Have salaries been frozen?
- Have salary levels been reduced?
- Have salary increase budgets been reduced?
- Have "compensation survey" budgets been reduced or eliminated?
- Is there low or no turnover?
 - 80% of employers expect fewer than 5% of their employees to leave voluntarily in 2010 (Source: Manpower)
 - 60% of current employees intend to pursue new job opportunities when the economy improves (Source: Right Management)
- What does the labor market/talent pool look like? Unemployment Rates – Vary significantly by industry and geography...
 - North Dakota – 3.7%
 - DC – 9.9%
 - Nevada – 14.4%
- Have decisions over the past 24 months been Reactive or Proactive (i.e., Strategic)?

What are you trying to accomplish?

Many organizations are taking advantage of the current economic environment and making small or significant changes to strategic direction, such as...

- Significantly changing sales strategy
- Focusing on new or specific markets
- Exploring possible mergers, acquisitions, and/or partnerships
- Testing new organizational strategies
 - Process
 - Research & Innovation
 - Customers
- Evaluating costs in a collaborative and methodical fashion

What if?

Example: Large distributor facing significant, likely permanent, profit erosion

- Sizeable inbound/outbound call center operation in rural area
- High local unemployment (13%)
- Customer service staff (CSRs) represent significant payroll expense (\$8M+)

Taking a “strategic” look at CSR compensation, what if you miss the mark by just \$1, according to survey data?

- Equates to average hourly rate of \$15 vs. \$16 (currently no variable pay)
- $\$1 \times 250 \text{ CSR's} \times 2,080 \text{ hours} = \underline{\underline{\$520,000!}}$

Now comes the hard part... *What do you do with the information?* What about reallocating \$520,000 from fixed to variable cost (e.g., incentive plan)?

Method to Determine Appropriate Survey Sources

Considerations

- Industry
- Geography
- Competitors
- Scope Measures (e.g., revenue, assets, number of beds)
- Data Elements
- Sample Size

Data Credibility

In addition to industry and geography implications, also consider the following when assessing data credibility:

- Constantly evaluate, and potentially expand, comparable peer group – organizations, industries, geographies, etc.
- Determine and evaluate defensible sample size
- Assess shifts in participation and/or sample sizes – can cause significant data fluctuation
- Understand who provided the data input (e.g., individuals, HR)
- Comparison of year-over-year salary movements utilizing common companies to ensure a similar sample

Example – Look Under the Hood!

Job Title	Facility Count	Emp Count	Jan 50th	July 50th	All Orgs % Change	Common Company % Change
Staff Nurse	39	10214	29.55	29.99	1.5%	3.1%
Nurse Practitioner	44	904	41.1	41.11	0.0%	3.2%
Medical Technologist - ASCP	50	1060	26.19	26.28	0.3%	1.2%
Medical Lab Technician	42	493	20.12	20.16	0.2%	0.1%
Phlebotomist	45	687	13.21	13.36	1.1%	0.7%
Radiologic Technologist - ARRT	57	983	22.9	23.43	2.3%	0.9%
Ultrasound Technologist	47	332	35.14	35.29	0.4%	0.7%
Nuclear Medicine Technologist	39	157	31.99	33.77	5.6%	1.5%
Master of Social Work-MSW	40	312	26.7	27.12	1.6%	0.3%
Social Worker-BSW	34	255	22.61	22.60	0.0%	0.1%

Applying Data to Achieve Desired Outcomes

Consider business objectives and constraints to determine how to analyze data and apply findings to achieve objectives.

- Pressures on fixed costs – Shift to emphasis to variable costs
- Rewarding top performers – Differentiate and motivate desired behaviors
- “Total rewards” – Consider all elements (e.g., pay, benefits, retirement)
- Enhance employee line of sight – Integrate performance management
- Justify recommendations and decisions – Gather relevant information

Sample: Standard Analysis of Market Competitiveness

2009 Executive

Degree of Match	Less: 0%	Equal: 100%	More: 0%
Responsibility	Domestic: 100%	Domestic/International: 0%	
Years (Mean)	with Organization: 10	in Current Position: 4	
Stock Ownership Guidelines	Yes: 0%	No: 100%	

210.348.210 Assistant Controller

Assists in the direction of the organization's accounting functions. Areas of focus include accounts payable, cost accounting, and financial reporting. Assists the Controller in the development and maintenance of planning and budgeting systems, the preparation of financial and management reports and procedures, and the presentation of findings and specific recommendations to senior management. Duties may also include training and managing other accounting staff. Frequently reports to a Controller.

Finance/Banking

(Compensation Data Displayed in \$000s)	Num Orgs	Num Obs	10th %ile	25th %ile	Median	Mean	75th %ile	90th %ile
All Participants Analysis								
Base Pay - Incumbent Weighted	25	34	82.2	97.5	122.4	123.5	144.0	175.1
Base Pay - Organization Weighted	25	34	75.9	93.7	121.1	122.5	144.1	177.1
Total Cash Compensation	25	34	89.0	104.1	139.1	139.6	175.0	185.0

Pay Range (Mean)	Num Orgs	Org Weighted	Inc Weighted
Minimum	18	79.6	79.3
Midpoint	18	106.6	105.3
Maximum	18	133.7	131.3
Compa-ratio	18	105.9%	109.0%

Short-term Incentive Eligibility Analysis

Base Pay - Incentive Eligible	22	30	81.6	95.6	120.6	121.2	141.0	172.6
Base Pay - Not Incentive Eligible	*3	4	--	--	--	--	--	--
Short-term Incentive - Receiving	18	23	5.0	11.5	18.5	23.8	35.0	53.0
Total Cash Compensation - Receiving	18	23	82.6	105.0	135.2	137.0	175.0	185.0
Target Incentive	11	12	9.4	16.1	22.6	32.0	51.7	68.8

Short-term Incentives

Percent Eligible			88%
Actual as Percent of Pay (Mean)	18	18.1%	20.3%
Threshold Percent (Mean)	1	--%	--%
Target Percent (Mean)	11	21.1%	21.1%
Maximum Percent (Mean)	5	36.0%	36.0%

Long-term Incentive Eligibility Analysis (Black-Scholes)

Long-term Incentive - Receiving	8	10	7.6	12.7	15.6	20.9	27.5	54.1
Total Direct Compensation - Receiving	8	10	102.8	128.5	154.8	162.1	207.7	230.2

Long-term Incentives

Percent Eligible	53%
Of Those LTI Eligible, Percent Eligible for:	
Stock/Share Options	60%
Share Appreciation Rights (SARs)	7%
Stock/Share/Share Unit Awards	93%
Performance Units	7%
Long-term Cash	67%

Organization Data	Median
Revenue/Sales (Millions)	--
Assets (Millions)	9,226.4
Gross Premiums (Millions)	--
Operating Expenses/Budget (Millions)	--
Net Revenue (Healthcare Orgs Only) (Millions)	--
Total Employment (FTEs)	1,234

*More than 30% of sample supplied by one organization

Of Those Reporting LTI Grants, Percent Receiving:

Stock/Share options	0%
Share Appreciation Rights (SARs)	6%
Stock/Share/Share Unit Awards	61%
Performance Units	0%
Long-term Cash	33%

Sample: Standard Analysis of Market Competitiveness

Standard Data Element Analysis...

- Base Pay – Incumbent Weighted
- Base Pay – Organization Weighted
- Total Cash Compensation

Sample: Analysis of Variable Compensation Competitiveness

2009 Executive

Degree of Match	Less: 0%	Equal: 100%	More: 0%
Responsibility	Domestic: 100%	Domestic/International: 0%	
Years (Mean)	with Organization: 10	in Current Position: 4	
Stock Ownership Guidelines	Yes: 0%	No: 100%	

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Total Cash Compensation	25	34	89.0	104.1	139.1	139.6	175.0	185.0	Maximum	18	133.7	131.3
									Compa-ratio	18	105.9%	109.0%

Short-term Incentive Eligibility Analysis									Short-term Incentives			
Base Pay - Incentive Eligible	22	30	81.6	95.6	120.6	121.2	141.0	172.6	Percent Eligible			88%
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Total Cash Compensation - Receiving	18	23	82.6	105.0	135.2	137.0	175.0	185.0	Target Percent (Mean)	11	21.1%	21.1%
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Long-term Incentive Eligibility Analysis (Black-Scholes)									Long-term Incentives			
Long-term Incentive - Receiving	8	10	7.6	12.7	15.6	20.9	27.5	54.1	Percent Eligible			53%
Total Direct Compensation - Receiving	8	10	102.8	128.5	154.8	162.1	207.7	230.2	Of Those LTI Eligible, Percent Eligible for:			

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Long-term Cash	67%
Of Those Reporting LTI Grants, Percent Receiving:	
Stock/Share options	0%
Share Appreciation Rights (SARs)	6%
Stock/Share/Share Unit Awards	61%
Performance Units	0%
Long-term Cash	33%

Sample: Analysis of Variable Compensation Competitiveness

Strategic Analysis of Data Elements...

- Base Pay – Incentive Eligible
- Base Pay – Not Incentive Eligible
- Short-term Incentive – Receiving
- Total Cash Compensation – Receiving
- Short-term Incentives
 - Percent Eligible
 - Actual as Percent of Pay
 - Threshold Percent
 - Target Percent
 - Maximum Percent

Align with objectives...

Maximize Effectiveness When Using Benchmarks

Consider the following steps:

- Revisit (and potentially update) the organization's compensation strategy to facilitate and maximize performance levels that align with fluid business strategies
- Sound methodology requires choosing credible and applicable benchmarks and interpreting data appropriately given the environmental and marketplace challenges (e.g., industry, geography, workforce demographics)
- Evaluate the application of variable pay for motivating desired performance and allocating costs to achieve the greatest return on human capital investment
- Consider “total rewards” – including base, variable, benefits, retirement, etc.

Panel Discussion

MITRE – Strategic Compensation and Market Pricing Issues

- MITRE is “expensive” typically 3-4% above market
- Track market prices meticulously and report to sponsors every year
- In Jan. 2009, projected salaries going out of comfort zone
- Market showed slowdown in increases, including some reporting 0% budgets
- Decided on Lump Sum Merit for Jan 2010: had to report as pay, but it slowed increase of base pay, effective one year later
- As pay levels have inflated, have had to selectively re-price some jobs, changing mix of survey matches, in effect lowering control point and range max.