

Yes, Compensation Does Impact Employee Motivation!

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- Compensation Design Firm
- Headquartered in Orange County, CA (near Irvine Spectrum)
- Founded in 1996
- Over 1,000 clients across North America



What to Expect



30-minute presentation

“How to Use Rewards to Drive Company Growth”

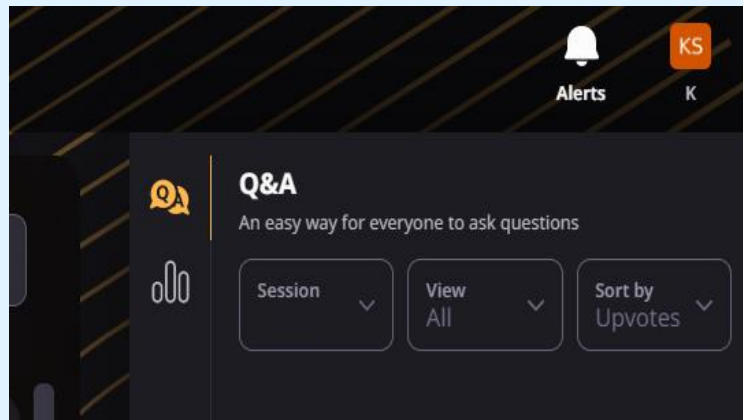


10-minute Q&A



3 poll questions

- Give us feedback
- Request a complimentary consultation
- Request a free offer



The Long-Standing Premise

- Motivation is intrinsic. Compensation is extrinsic.
- Therefore, compensation cannot impact motivation.





Not *Untrue*, but *Incomplete*

We Agree:

- Incentive compensation is often manipulative.
- Approached incorrectly, it can be a morale buster.

However:

- Studies show employees care very much about compensation
 - How much they're paid
 - How they're paid






What's the
Solution?



Factors

- Understanding why *employees* care about their compensation.
 - Understanding why *employers* must care why their *employees* care about their compensation.
 - Creating a pay offering that promotes the *outcomes* that both *employees and shareholders* want.
 - Joint commitment to creating *a unified financial vision* for growing the business.
- 

5 Keys to Creating a Pay Strategy That Positively Impacts Employee Motivation



1-Define Value Creation



2-Articulate a Clear Rewards Philosophy



3-Embrace Value-Sharing



4-Create a Total Rewards Experience



5-Communicate a Growth Partnership



1
Define Value
Creation

Case Study



Pay the Company First

“Basically, up to the company’s operating profit target, all of the profits go to the company; and only after that target is met, do we start funding the incentive pool.”

Example: If UL’s target is \$80 million—

- 100% of first \$80 in profit goes to company
- The next \$20 million goes to the incentive pool
- From there on, 50/50 between company & incentive pool

Pay the Company First

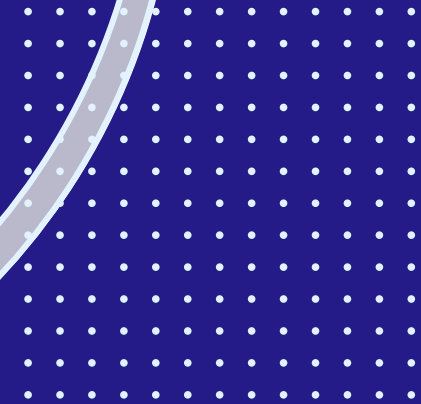
Once value creation is defined, compensation can follow a formula for sharing value in a way that aligns key producers with the company's business plan and priorities.





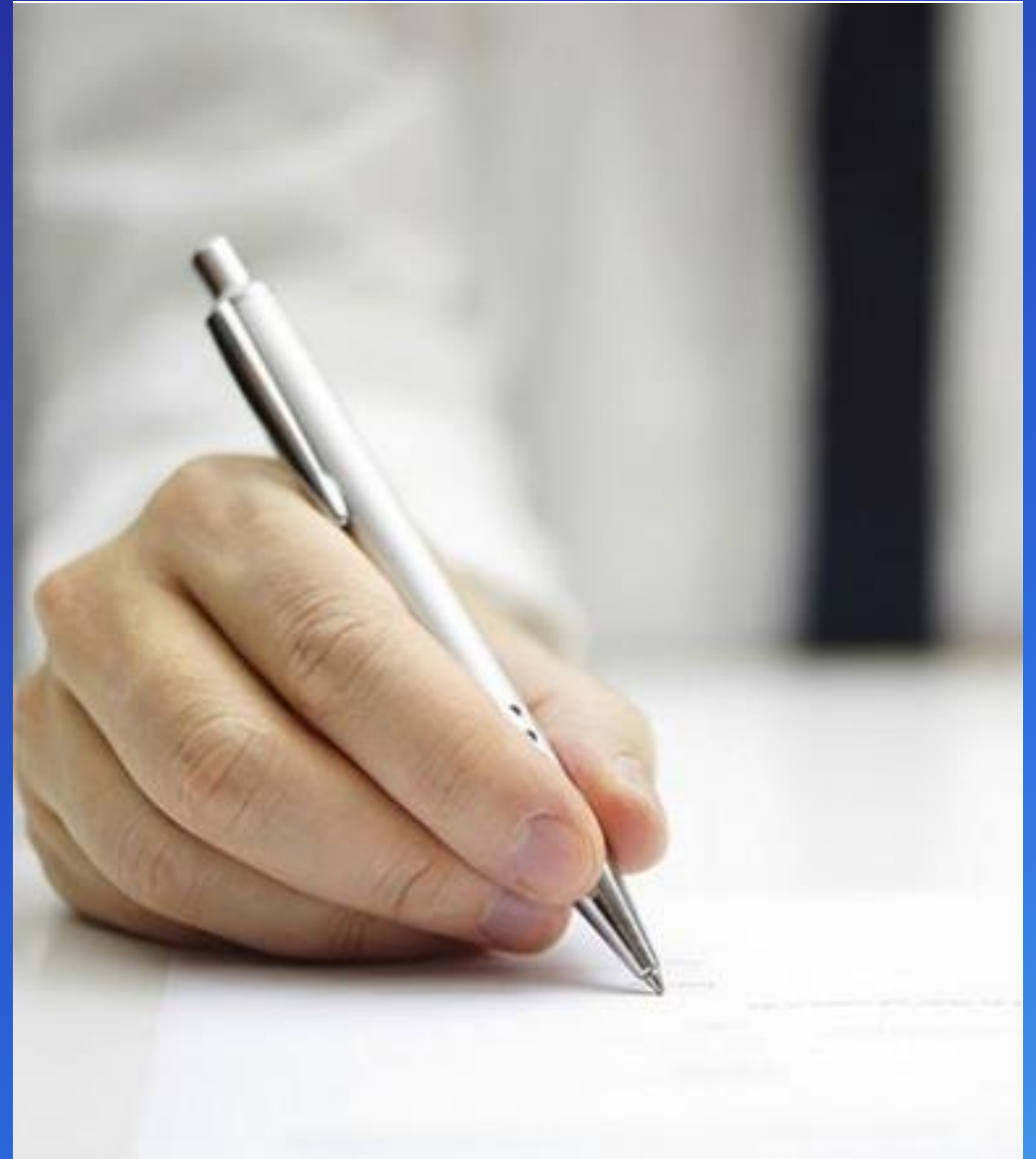
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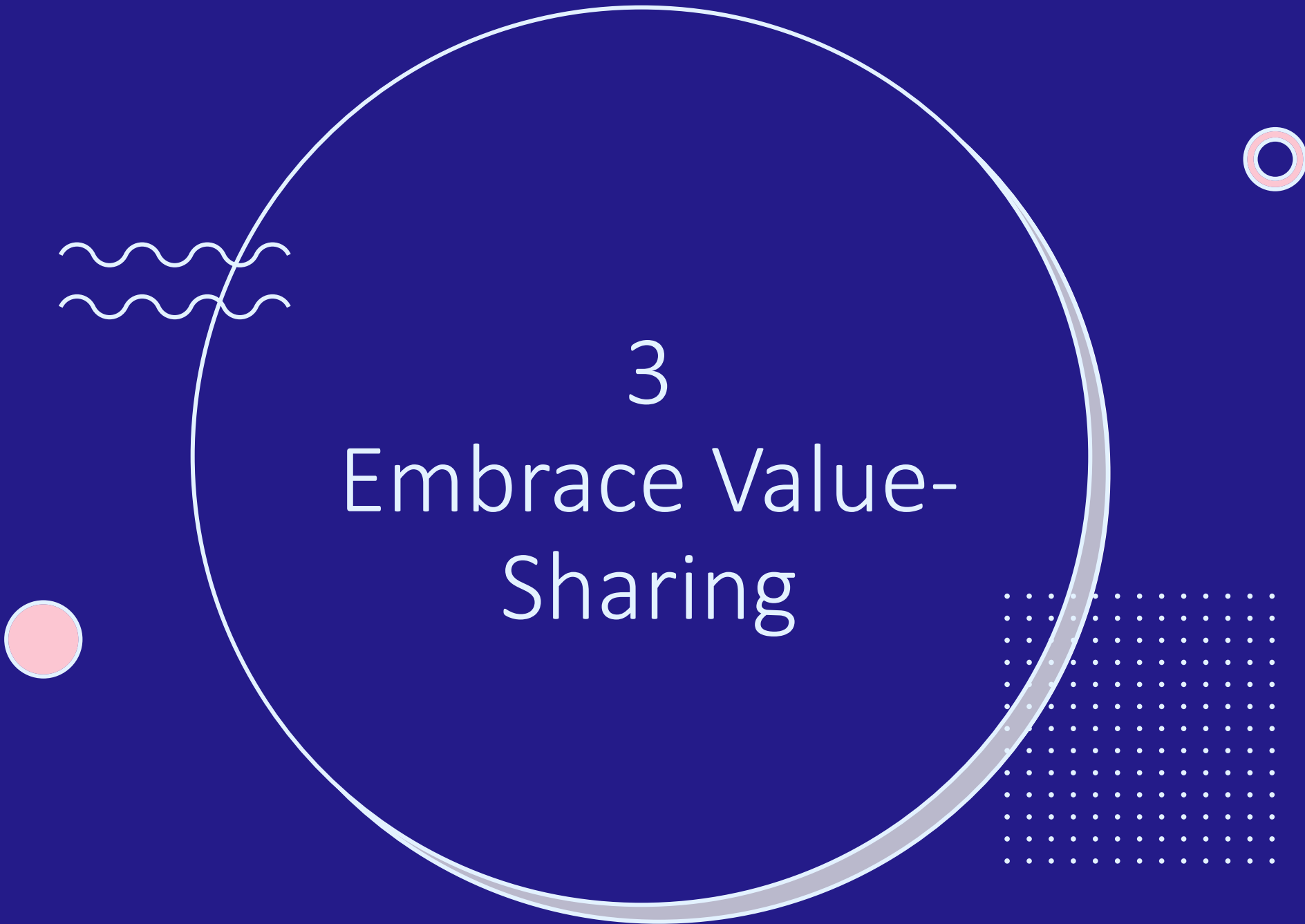
Articulate a Clear Rewards Philosophy



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.





3

Embrace Value-Sharing

Move Away From Incentive Compensation & Towards Value-Sharing

Compensation should reward the right combination of short and long-term value creation:

- “When you help us create value you participate in that value”
- Tie value creation to shareholders’ most important goals



Focus on Productivity Profit



Productivity profit is that surplus that can be attributable to the contributions of your people, not just the contributions of capital.

Measure Productivity Profit



Item	Amount
Capital Account	\$20,000,000
Cost of Capital	12%
Capital Charge	\$2,400,000
Operating Income	\$10,000,000
Productivity Profit	\$7,600,000
Total Rewards Investment	\$25,000,000
ROTRI™ (Productivity Profit/Total Rewards Investment)	30.4%

Measure Productivity Profit



****Variable Pay Plans (Value Sharing) are financed from Productivity Profit**

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4

Create a Total Rewards Experience

4 Dimensions of a Total Rewards Offering



A Compelling Future



A Strategic Impact



Personal and Professional Growth



Financial Rewards

6 Reasons Employees Care About Pay

Personal

- Lifestyle & Wealth Accumulation
- Career Measurement
- Contribution Ambitions

Business

- Roles, Expectations & Priorities
- Partnership
- Continuity & Fairness



Eight Components of Pay

Benefits

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

Compensation

- Salary
- Performance incentives
- Sales incentives
- Growth incentives
- (Incentives should be in the form of value sharing)

Key Decision: “Which pay components should we offer and how should each be ‘weighted’?”



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?

Key: A balanced pay offering
is an aligned pay offering





5

Communicate a
Growth
Partnership

Give Context to Your Compensation Offering



- Here's our future.
- Here's how we're going to get there.
- Here's the role we picture for you.
- Here's how we encourage our people to grow and contribute.
- Here's our philosophy about pay and rewards.
- Here are our specific pay programs.
- Here's how our pay programs will work for you if we achieve our plan.

Employee Value Statement



Year	1	2	3	4	5
Targeted Results	100%	100%	100%	100%	100%
Salary	\$160,000	\$166,400	\$173,056	\$179,878	\$187,177
STVS	\$64,000	\$66,560	\$69,222	\$71,991	74,871
LTVS (EOY)	--	\$74,000	\$186,000	\$311,000	\$448,000
401(k) @7%	\$17,120	\$36,123	\$57,169	\$80,428	\$106,086
Total Cash	\$224,000	\$232,960	\$242,278	\$251,970	\$262,048
Wealth Accrual	\$17,120	\$110,123	\$243,169	\$391,428	\$554,086
Total Value	\$241,120	\$567,083	\$942,407	\$1,342,636	\$1,767,343

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Q & A



Thank You!



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