

A WorldatWork Survey Brief



The Changing Role of Compensation

Survey of WorldatWork Members
By the Compensation Advisory Board of WorldatWork
April, 2005

About WorldatWork and WorldatWork Membership Surveys



*The Professional Association for
Compensation, Benefits and Total Rewards*

WorldatWork is the world's leading not-for-profit professional association dedicated to knowledge leadership in compensation, benefits and total rewards. Founded in 1955, WorldatWork focuses on human resources disciplines associated with attracting, retaining and motivating employees. Besides serving as the membership association of the professions, the WorldatWork family of organizations provides education, certification (Certified Compensation Professional – CCP®, Certified Benefits Professional® – CBP and Global Remuneration Professional – GRP®), publications, knowledge resources, surveys, conferences, research and networking. WorldatWork Society of Certified Professionals and Alliance for Work-Life Progress (AWLP) are part of the WorldatWork family.

WorldatWork regularly surveys its membership of compensation, benefits and total rewards practitioners regarding current issues and topics, best practices and common professional practices. The majority of WorldatWork members are at the manager responsibility level or higher, have more than 10 years of experience in the human resources profession, and work in the corporate headquarters of a company based in North America with more than 1,000 employees. The association routinely receives a voluntary response rate from members in the 15 percent to 20 percent range, a response rate that generally ensures the respondents are representative of the WorldatWork membership as a whole.

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April 2005

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By the Compensation Advisory Board of WorldatWork*

Introduction and Methodology

This report summarizes the results of an October 2004 survey of WorldatWork members conducted by the Compensation Advisory Board of WorldatWork. The Compensation Advisory Board is a group of volunteer leaders of the association who are also practitioners in the field.¹

In October 2004, surveys were sent electronically to 4,931 WorldatWork members, and 506 responses (10 percent) were received. The demographic profile of the survey's respondents is similar to that of the WorldatWork membership as a whole. The typical WorldatWork member works at the managerial level or higher in the headquarters of a large company (1,000 plus employees) in North America. Ninety-five percent of the companies listed in the *Fortune* 1,000 have an employee who is a member of WorldatWork.

Executive Summary

During 2004, the members of WorldatWork's Compensation Advisory Board engaged in a broad discussion about the changing role of the compensation professional and the profession as a whole. The discussion led to an article published in the August 2004 issue of *workspan* magazine, "Compensation in the Hot Seat," and four hypotheses about the evolution of the profession and the practitioner who serves it. The board developed a survey to test these hypotheses. In general, the survey results support the hypotheses discussed by the Advisory Board, as outlined below.

Hypothesis 1: The role of compensation has been elevated during the past couple of years within many organizations.

- Two-thirds of survey respondents reported a perception that the compensation has been "elevated" during the past two years. Fewer than 3 percent believe the role has diminished in the past two years. (Note:

¹ A list of the members of the WorldatWork Compensation Advisory Board can be found at the end of the report.

“elevated” was defined as having more interaction with senior management.)

- Three in five respondents said that the compensation department is more involved in organizational strategy today vs. two years ago.
- More than 90 percent reported “high” or “moderate” levels of interaction between compensation and executive leadership during the past two years.

Hypothesis 2: More interaction between compensation and other functions is required to accomplish overall business objectives.

- From the perception of the compensation professional, his or her department has more frequent interaction today vs. two years ago, with three out of five major departments in the organization: finance, legal and accounting.
- Participants identified the **highest increase** in the amount of interaction over the past two years with the following organizational roles: Chief financial officer (53 percent); compensation committee of the board (53 percent); chief executive officer (51 percent); top legal counsel (47 percent); top accounting executive (41 percent).

Hypothesis 3: The skill sets required to be truly successful as a compensation professional are changing.

- According to the survey respondents, the top four skills that have increased in importance for compensation professionals during the past two years include: strategic thinking, understanding company operations, executive presentation skills and project management.
- A six in ten majority of respondents (60 percent) believe the compensation function is more involved today in strategic business issues than it was just two years ago. Clearly, competence in the compensation profession today requires strategic ability, as well as technical ability.

Hypothesis 4: Employers are recruiting and internally promoting compensation professionals with broader business skills and more diverse backgrounds.

- Ninety-four percent of survey participants indicated that the level of knowledge and expertise needed to work in the compensation function has increased in the past two years.

- Seventy-six percent of participants believe that strategic thinking is critical to success in a compensation role today and 61 percent identified the understanding of company operations as a critical component in the compensation professional's background.
- When asked if the background of a candidate to be hired or promoted into a professional compensation position above entry level has changed in the last two years, respondents indicated that prior compensation experience and business acumen are the top areas where more emphasis is placed today than two years ago. International experience, legal background and an HR-related college degree seem to be less important today than two years ago.

Detailed Survey Results

In 2004, members of WorldatWork's Compensation Advisory Board discussed the changing role of the compensation professional and the compensation professional. Four hypotheses about the evolutionary forces affecting them emerged, and board members conducted a survey to test the hypotheses. In general, the survey results support the hypotheses, as detailed below and discussed in the report's executive summary.

The questions are presented below in the order they appeared in the survey instrument, within three sections. Section one of the survey was designed to learn about any changes in the compensation function within organizations during the past several years. The second section of the survey questioned whether the compensation profession (in the largest sense) is static or changing. Finally, section three asked specifically about changes in the compensation professional.

Section I: State of the Compensation Function Within Organizations

Q: Has the compensation function been “elevated” within organizations during the past two years?

A: Yes.

A two-thirds majority of respondents (67 percent) said that the role of compensation professional within organizations has been “elevated” (defined as more interaction with executives) within the past two years, while 29 percent believed that there has been no discernable change in the compensation role. Only about 3 percent said that the role of compensation professional in their organization has diminished, and an additional 1 percent said that it has primarily been outsourced. (See Figure 1).

Figure 1: “In general, which of the following best describes if (and how) the compensation function in your organization has changed in the past two years?” (survey question 1; *n*=504)

| | |
|---|------|
| It has been elevated (e.g., more interaction with executives) | 67% |
| No substantial change | 29% |
| It has been diminished (less interaction with executives) | 3% |
| It has been primarily outsourced | 1% |
| | 100% |

Q: Is there more or less interaction between the compensation function and other senior management/leadership today vs. two years ago?

A: Yes, in some specific areas.

When asked to assess whether there has been either an increase or decrease in the amount of interaction between the compensation function and various other parts of the organization during the past two years, a majority of survey respondents cited three specific areas as having experienced “increased” interaction: the chief financial officer (CFO), the compensation committee of the board of directors (53 percent in both cases), and the CEO (51 percent). The organization’s top legal counsel (47 percent) followed close behind, although not a majority of respondents indicated more interaction with this function. These responses are perhaps not surprising given the increased focus on corporate governance since the highly visible Enron scandal several years ago.

The Sarbanes-Oxley law was seen largely as a Congressional reaction to the Enron scandal, but given the recent focus on Sarbanes-Oxley compliance, surprisingly only 38 percent of compensation professionals are reporting more interaction with the top audit executive and only 23 percent have experienced more interaction with audit committees of the board. Overall, few respondents reported decreased interaction during the last two years with any of the stakeholder groups queried in this survey.

Figure 2: "Looking back on your organization function in the past two years, please indicate how the amount of interaction with each of the following functions has changed, if at all." (n=474)

| FUNCTION | Increased interaction | No change | Decreased interaction |
|---------------------------------|-----------------------|-----------|-----------------------|
| CFO | 53% | 44% | 3% |
| Compensation committee of board | 53% | 45% | 2% |
| CEO | 51% | 44% | 5% |
| Top legal / general counsel | 47% | 51% | 2% |
| Top accounting executive | 41% | 58% | 1% |
| Top auditing executive | 38% | 59% | 2% |
| Top international executive | 35% | 64% | 1% |
| Governance committee of board | 33% | 66% | 2% |
| CIO or top IT executive | 32% | 67% | 1% |
| Audit committee of board | 23% | 76% | 2% |

As expected, when the responses above were separated by level of compensation professional, senior practitioners (those who self-reported as the top compensation person in the organization, in the upper tier of the group, or middle management in compensation) saw more interaction than those below. Nearly 60 percent of “senior practitioners” saw increased interaction with the CFO, CEO and compensation committee of the board, while only 45 percent of non-managers, compensation analysts and HR generalists reported similarly.

Similarly, when the responses for this question were split by public, private and non-profit/educational organization, the respondents from public companies indicated greater interactions with CEOs, CFOs, top legal/general counsel and compensation committee than with their peers in the private and non-profit sectors.

Q: Is the compensation function more or less involved in strategic business issues today versus two years ago?

A: More involved.

A six in ten majority of respondents (60 percent) believe the compensation function is more involved today in strategic business issues than it was just two years ago. Slightly more than a third reported that things have not changed discernibly during the past two years, and only 3 percent said compensation is “less involved” in strategy.

Figure 3: “How much involvement would you say the compensation function has in strategic business issues compared to two years ago?” (n=503)

| | |
|----------------------------|------|
| More involved | 60% |
| About the same / no change | 37% |
| Less involved | 3% |
| | 100% |

Q: Has the level of interaction between compensation and executive leadership been high or low during the last two years?

A: High or moderately high.

Overall, a combined 93 percent of survey participants reported either “high” (48 percent) or “moderate” levels (46 percent) of interaction between the compensation function and executive leadership over the past two years.

When data from this question was split among respondents from public companies, private companies and non-profit or educational organizations, 55 percent of public companies reported “high” interaction, vs. only about 38 percent of private company respondents indicating a “high” level of interaction. Forty-eight percent of non-profit and educational organizations reported “high.” The scrutiny of executive compensation and corporate governance in the public and not-for-profit sectors may be responsible for driving these levels of interaction higher as opposed to privately held organizations.

Figure 4: “What level of interaction has compensation had with executive leadership over the past two years?” (n=503)

| | |
|----------|--------------|
| High | 48% |
| Moderate | 46% |
| Low | 6% |
| None | less than 1% |

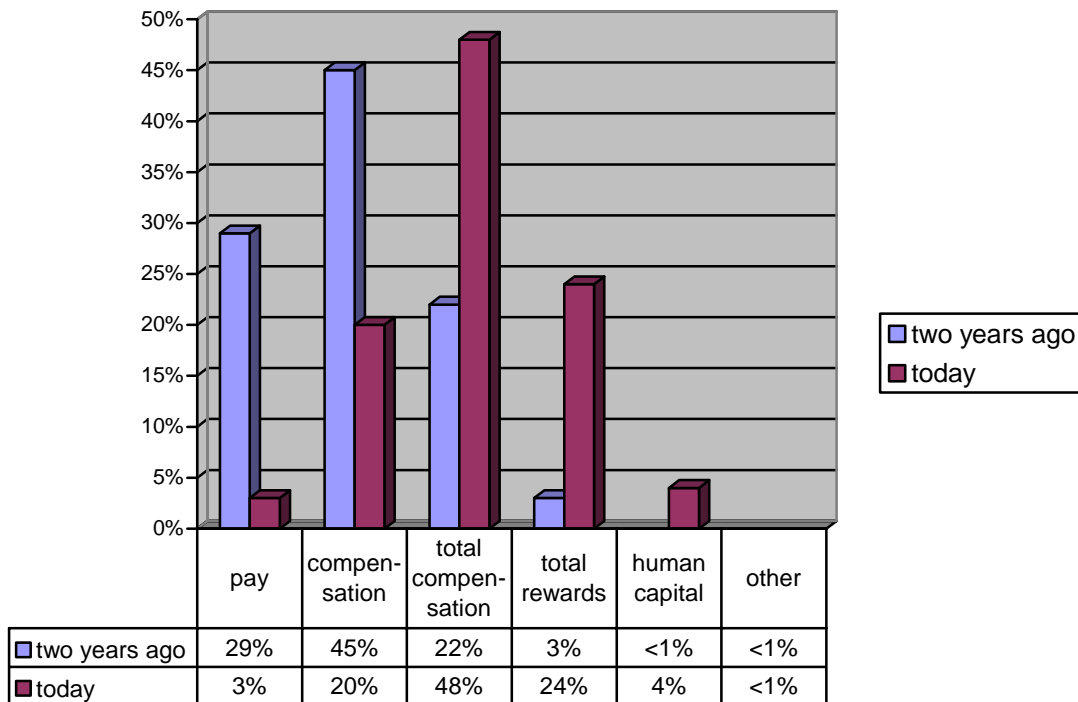
Q: Is senior management using different words to talk about employee compensation today vs. a couple of years ago?

A: Yes, the vernacular seems to have changed from “compensation” and “pay” to “total compensation” and “total rewards.”

The words that senior management is using today in discussing employee compensation appear to be changing in the eyes of compensation professionals. When asked what words senior management most commonly used just a few years ago, about three out of four respondents indicated the words “compensation” (45 percent) or “pay” (29 percent). The last several years, however, have brought a fairly substantial evolution away from use of the term “pay”. Only about 3 percent say their senior management today refers to employee compensation as “pay”.

More common today are words that are more encompassing, such as “total compensation” and even “total rewards.” Because much of the workforce has seen only small merit increases during the past few years and a more dramatic shift to non-cash benefits in health, welfare and retirement, this trend might not be viewed as surprising. Today, more companies are focusing on multiple reward vehicles, such as variable pay and non-pay arrangements in conjunction with base pay, rather than focusing solely on base pay.

Figure 5: “To determine how the language for the compensation role has changed, please indicate which of the following terms your organization’s senior management was most comfortable with two years ago vs. today.” (n=506)



Q: During the past two years, has it been easier or harder to move into a compensation role from another HR role or elsewhere in an organization?

A: Mobility into the compensation department is generally more difficult than attempting to transition from the compensation department into another HR role or non-HR role.

The survey's respondents believed that moving out of the compensation function into another function (whether in HR or another department altogether) was generally easier than trying to work into the compensation function from elsewhere in the organization.

By a three-to-one margin, the consensus indicates that moving into a compensation role from another role in the HR department has become more difficult during the past two years. However, moving from a compensation job into another HR role is not nearly as difficult. Twenty-seven percent believe that type of mobility was easier during the past two years, while only about 12 percent believed the opposite.

Figure 6: “Which of the following best describes mobility into and out of the compensation function within your organization during the past two years?”
(n=330)

| | More difficult during past two years | Neither easier nor more difficult | Easier during past two years |
|--|--------------------------------------|-----------------------------------|------------------------------|
| Into compensation from another HR role | 36% | 52% | 12% |
| From compensation into another HR role | 12% | 61% | 27% |
| From compensation into a non-HR role | 9% | 77% | 14% |
| Into compensation from a non-HR role | 36% | 53% | 11% |

Q: Has the compensation department seen more, less or about the same amount of interaction with key departments during the past two years?

A: More interaction with finance, legal and accounting; roughly the same amount of interaction with the audit and tax departments.

From the perception of the compensation professional, his or her department is having more frequent interaction today (vs. two years ago) with three out of five major departments in the organization: finance, legal and accounting. At the same time, the compensation department is having roughly the same amount of interaction with two other departments: audit and tax.

Looking deeper into the data, it seems that more compensation departments are reaching out specifically to finance and legal. Forty-seven percent and 42 percent of respondents respectively, said that more interaction was initiated by the compensation department toward the finance department and the legal department.

It is somewhat interesting to note that while the compensation department is having roughly the same amount of interaction with the audit department as two years ago, more than a third of respondents (36 percent) said that the audit department has initiated more interaction with compensation during the past two years.

Figure 7: “Compared to two years ago in your organization, please indicate the amount of interaction between compensation and the following departments.”
(n=463)

| | More interaction, initiated by compensation department | More interaction, initiated by other department | Overall more interaction, initiated by either department | Same amount of interaction | Less interaction |
|------------|--|---|--|----------------------------|------------------|
| Finance | 47% | 21% | 68% | 31% | 1% |
| Legal | 44% | 16% | 60% | 39% | 1% |
| Accounting | 37% | 21% | 58% | 42% | 1% |
| Audit | 14% | 36% | 50% | 50% | 1% |
| Tax | 28% | 12% | 40% | 59% | 1% |

Section II. State of the Profession

A section of the survey designed to probe whether the field of compensation is mostly static or changing began with a simple yes or no question about whether the level of expertise needed to work in the field had increased or decreased during the past two years. A strong 94 percent majority indicated that the level of knowledge and expertise has, in fact, increased during the past couple of years. Those who opined that the level of knowledge and expertise has not increased were asked to skip ahead of the next two questions, which asked for possible reasons why the level of expertise has increased.

Q: What are the driving forces behind the change within the profession toward greater professional expertise?

A: Compliance issues and greater requirements for analysis.

Among those who do perceive an increased level of knowledge and expertise required in the compensation professional today versus just two years ago, a number of possible driving forces were suggested. But two forces seemed to come out on top of the list: “Compliance issues” (cited by 72 percent) and “greater requirements for analysis” (65 percent). A second tier of answers hovered around the 50 percent mark: “Sarbanes-Oxley” (55 percent); “compensation has assumed more responsibilities” (50 percent) and “increased executive/board interaction” (47 percent). Although implementation of Sarbanes-Oxley has obviously been a compliance issue during the past two years, it was made a distinct response in this question to test it specifically, as well as the general notion of compliance issues.

Notable within the 12 percent of respondents who checked “other,” were a cluster of answers around labor market challenges and general macroeconomic pressures, as well as another cluster of answers around the role of compensation being increasingly strategic.

Figure 8: “Which of the following do you believe is driving the change?” (Check all that apply; *n*=473. Note: only asked of respondents who indicated that the level of knowledge and expertise needed to work in compensation function has increased in past two years).

| Driving Force | % |
|--|-----|
| Compliance issues | 72% |
| Greater requirements for analysis | 65% |
| Sarbanes-Oxley | 55% |
| Compensation has assumed more responsibilities | 50% |
| Increased executive/board interaction | 47% |
| Governance issues | 45% |
| Increased international compensation | 25% |
| Other (please specify) | 12% |

Q: What are the key skill sets required within a compensation department to be successful today?

A: People with strategic thinking skills and those who thoroughly understand company operations.

When asked about the skills sets required for success by a compensation department today versus just two years ago, only 5 percent replied that the knowledge and skill sets are the same today as two years ago. Among the 95 percent who said that new skill sets are required today, two items stood out: strategic thinking (indicated by 80 percent of respondents) and understanding company operations (76 percent).

Below these top two responses were a handful that still garnered a majority of respondents: executive presentation skills, project management, legal and accounting knowledge, business case development and an understanding of financial statements.

Figure 9: "What skill sets, if any, do you feel the compensation function must have (or have more of) to meet today's demands upon the profession that would not have been necessary two or more years ago?" (Check all that apply; *n*=494)

| | |
|--|-----|
| Strategic thinking | 80% |
| Understanding of company operations | 76% |
| Executive presentation skills | 64% |
| Project management skills | 62% |
| Legal knowledge | 60% |
| Accounting knowledge | 54% |
| Business case development | 53% |
| Understanding of financial statements | 51% |
| Tax knowledge | 36% |
| Knowledge of board compensation | 36% |
| International business understanding | 30% |
| None - knowledge and skill sets need no change | 5% |

When splitting the responses above by senior level practitioners and all other practitioners, there was a great deal of consistency. However, there were several notable exceptions. A lower percentage of senior practitioners placed knowledge of company operations toward the top of their list. On the other hand, more senior level professionals placed greater emphasis on accounting knowledge and a firm understanding of financial statements.

Using the same list contained in figure 9, respondents were asked to simply indicate which of the listed skill areas was the single most important to success in the compensation field today, as opposed to a “check all that apply” opportunity for items that had increased in importance during the past two years.

When respondents were forced to pick just one skill set from the list, both “strategic thinking” and “understanding of company operations” stayed far ahead of the pack at the top of the list, at No.1 and No. 2, respectively. But many of the rest of the listed skill sets shifted places. “Business case development” skills jumped from No. 7 in the previous question to No. 3 in this ranking. Also, “international business understanding” jumped over “tax knowledge” and “knowledge of board compensation” as the No. 9 most important skill.

Figure 10: “(Of the skill sets listed above) Which is the most important?” (survey question 10B; n=466)

| Rank | Skill Set | % |
|------|---------------------------------------|-----|
| 1 | Strategic thinking | 32% |
| 2 | Understanding of company operations | 27% |
| 3 | Business case development skills | 10% |
| 4 | Legal knowledge | 7% |
| 5 | Project management skills | 7% |
| 6 | Executive presentation skills | 4% |
| 7 | Understanding of financial statements | 4% |

| | | |
|----|--------------------------------------|-----|
| 8 | Accounting knowledge | 3% |
| 9 | International business understanding | 3% |
| 10 | Tax knowledge | 2% |
| 11 | Knowledge of board compensation | <1% |
| 12 | Other | <1% |

When the data above are separated according to public, private or non-profit status, “strategic thinking” is ranked No. 1 by both publicly held and non-profit organizations, but it comes in at No. 2 with private companies. The No. 1 response by private companies was “understanding of company operations.”

Organizations are employing a number of strategies to help compensation professionals acquire and maintain the skills necessary to be successful in this environment. The top tier of answers includes: paying or helping to pay for professional certifications and courses (74 percent), encouraging professional certifications and courses (63 percent), and paying or helping to pay for professional development seminars (63 percent).

Section III. State of the Professional

The final portion of the survey sought to look past the changes occurring within organizations and the profession, and isolate the changes required of today’s practitioner.

Q: What are the key competencies today for a new hire into a compensation department or a promotion within a compensation department?

A: Again, respondents indicated that the ability to think strategically and the ability to broadly understand organizational operations are key competencies.

Continuing the theme established in the previous section, respondents again underscored their belief that strategic thinking is a paramount skill set for individual compensation practitioners today.

When asked about key competencies in hiring or internally promoting a compensation professional today versus two years ago, three quarters of respondents (76 percent) said that the ability to think strategically is more desirable and necessary today vs. two years ago. Second on the list of required skills for new compensation department hires or internal promotions was “understanding of company operations,” which also ranked second on a previous question.

Figure 11: “Comparing today to two years ago, how valuable are the following competencies when your organization hires or promotes a compensation professional?”

| Rank | COMPETENCY | More is required today | About the same as two years ago | Less is required today |
|------|---|------------------------|---------------------------------|------------------------|
| 1 | Strategic Thinking (n=443) | 76% | 24% | 1% |
| 2 | Understanding of company operations (n=441) | 61% | 39% | >1% |
| 3 | Project Management Skills (n=435) | 52% | 47% | 1% |
| 4 | Business case development (n=422) | 51% | 48% | 1% |
| 5 | Executive presentation skills (n=427) | 47% | 52% | 1% |
| 6 | Legal Knowledge (n=431) | 43% | 56% | 1% |
| 7 | Knowledge of International Issues (n=249) | 41% | 57% | 2% |
| 8 | Accounting knowledge (n=407) | 37% | 61% | 1% |
| 9 | Understanding financial statements (n=402) | 36% | 63% | 1% |
| 10 | Knowledge of board compensation (n=311) | 30% | 69% | 1% |
| 11 | Tax knowledge (n=364) | 26% | 73% | 1% |

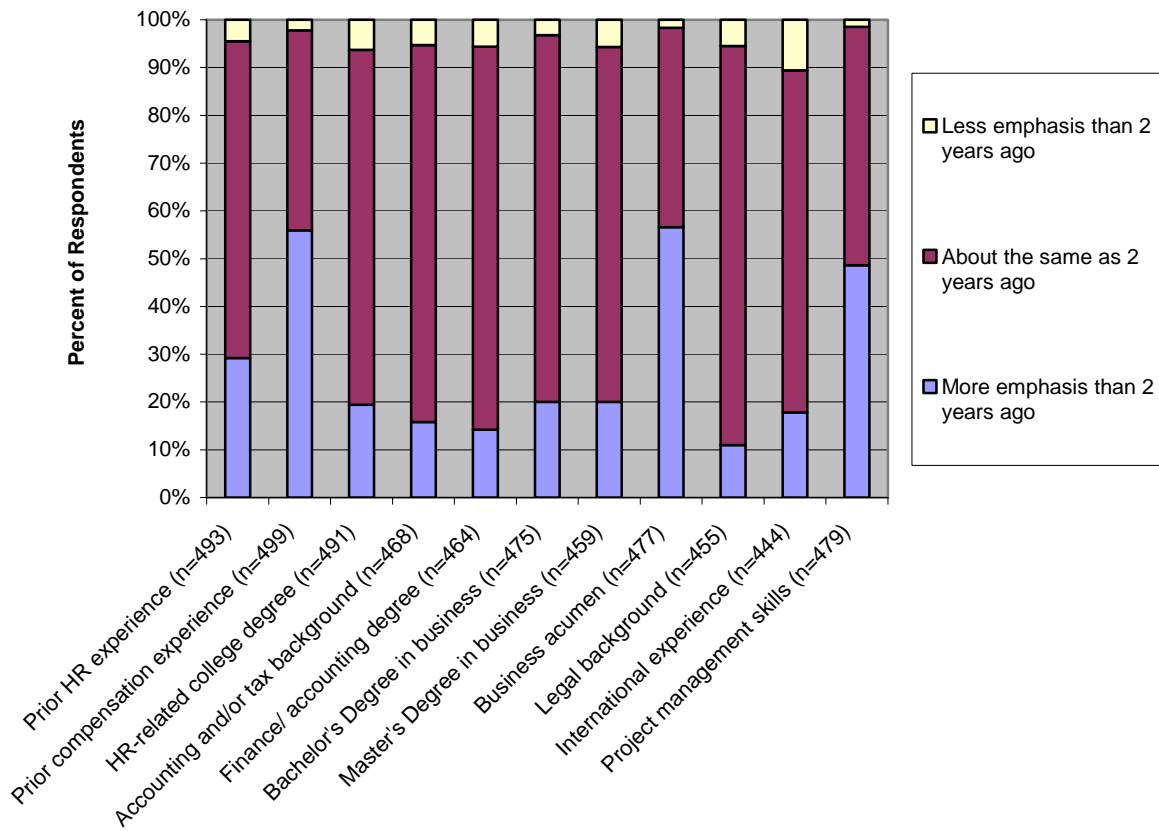
When data from the question above is separated into public, private and non-profit organizations, two disparities are revealed. Forty-two percent of respondents from publicly held companies say more “understanding of financial statements” is required today vs. two years ago, while only about 30 percent of private and non-profit companies answered similarly. A similar disparity is revealed with “project management skills:” 56 percent of public company respondents said that these skills are more in demand today vs. two years ago, while only 44 percent of private company respondents answered similarly.

Q: What are the background requirements to be hired into or promoted to a job above entry-level within a compensation department today?

A: Business acumen, project management skills and prior compensation experience.

When asked if the background of a candidate to be hired or promoted into a professional compensation position above entry level has changed over the last two years, respondents indicated that prior compensation experience and business acumen are the top areas where more emphasis is placed today than two years ago. Clearly, as compensation has become more intertwined with business strategy today, business acumen and project management skills are important to being promoted into a professional compensation position.

Figure 12: “How has your organization changed during the past two years with respect to the general background required for a candidate to be hired or promoted into a professional compensation position above entry-level?”



Q: What is preventing compensation practitioners from keeping their skills current?

A: Lack of time.

Nearly three out of four respondents (73 percent) identified lack of time to research and study (being “too busy”) as the number one challenge to keeping their compensation skills current. This response was far above the rest of the provided answers, with the next most common responses being “lack of senior-level compensation educational programs” and a “lack of company training/development budget” at 32 percent each.

Figure 13: “What are the greatest challenges you currently face in keeping your own compensation skills current? (Check all that apply)” (n=498)

| | |
|--|-----|
| Too busy to research/study | 73% |
| Lack of senior level compensation educational programs | 32% |
| Lack of company training/development budget | 32% |
| No challenges currently | 10% |
| Other | 6% |
| Don't know where to obtain information on current issues | 6% |
| Don't know where to obtain information/training | 4% |

Q: Is the changing nature of the compensation profession encouraging or discouraging to today’s professionals?

A: For the most part, today’s compensation professionals are being energized by their new responsibilities and the new challenges they face.

The final two questions on the survey were open-ended opportunities for respondents to offer comments about the changing profession, practitioner or any other aspect of the compensation field today.

The No. 1 theme represented in the comments was that the majority of practitioners are accepting the new challenges being presented to the compensation function with a strong sense of commitment to making a significant contribution to the business as a strategic partner.

In addition, many comments indicated that, although it is empowering to be viewed as a partner at the strategic and executive levels of the organization with the opportunity to influence the strategic direction of the organization, this role requires a higher level of strategic thinking and visibility with key executives and board members. This role can be daunting for those who have little or no experience in this arena.

Clearly, the new challenges facing the profession are both motivating and satisfying to practitioners, but also can be intimidating because of the amount of content expertise required to be competent. A theme in some comments was that the need for more depth and breadth of skills and competencies can be exciting

for practitioners, but can also be daunting, particularly for those starting in the profession.

Another positive theme in the comments was that with the changes to the profession come new ideas and ways to innovate. The compensation function, whether as a stand-alone department or within the HR function, has become increasingly viewed as being important to business, and it continues to represent a very large proportion of an organization's costs. Because of this, it will always have an important role, which will motivate current practitioners to find new ways to do things better.

In addition, this role of importance can help attract new talent to the field and keep good talent engaged. Some respondents noted that compensation knowledge and experience is becoming more valued both within organizations and in the labor market in general. This recognition of the value of specialized compensation knowledge is particularly satisfying to some practitioners.

Not all comments were optimistic and upbeat. A handful indicated that the changing nature of governance and today's compliance issues appear to be limiting the compensation function's ability to operate with agility and creativity — obviously discouraging some practitioners. In addition, some professionals noted that it can be challenging to find the resources (e.g. time and money) required to learn the new skills and develop the new competencies required to be successful in the ever-more complex compensation environment.

The final question allowed respondents to offer any additional comments, and many took the opportunity to do so. Some discussed the need to review hiring practices for compensation roles — the demands of these roles are increasing and some practitioners want to ensure that the right people with the right skills are hired to represent their profession well.

Some indicated that the continued health of the profession goes beyond the practitioners, that it is increasingly important to have educated line managers who take ownership of compensation decisions. The more prepared managers are, the better they are able to effectively communicate the compensation programs and strategy to employees.

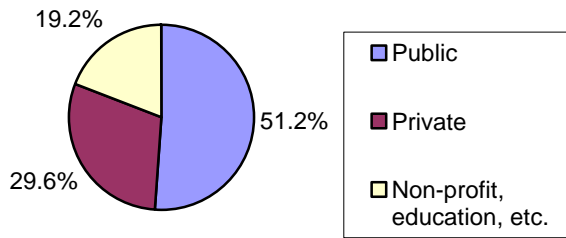
In addition to educating managers down the line, many believe that it is also critical for compensation professionals to truly understand the business and to be able to speak in the language of the businesses leaders. Doing so will help ensure that compensation design and recommendations support the business in the best way possible. Some noted the importance of continuing to foster strong internal partnerships with key organizational functions such as finance, legal, IT and audit.

Finally, many of today's practitioners are encouraged by an increasing focus on the total rewards concept, vs. simply compensation and pay. The new focus is becoming particularly evident in communication strategies being implemented by many companies. In today's environment, many believe that it is critical to success to have total rewards and talent management completely integrated and working towards the same goals.

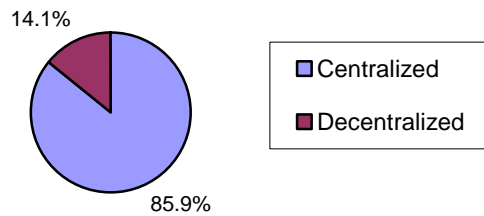
IV. Respondent Demographics

The following demographics of survey respondents were self-reported.

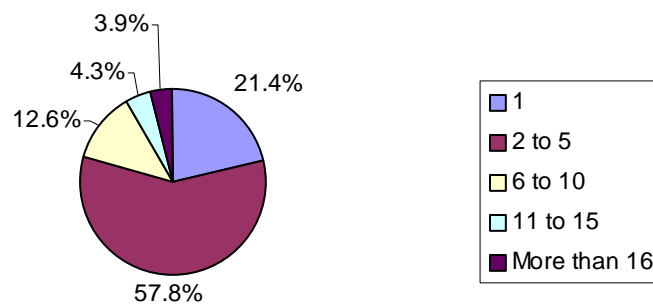
Organization Type



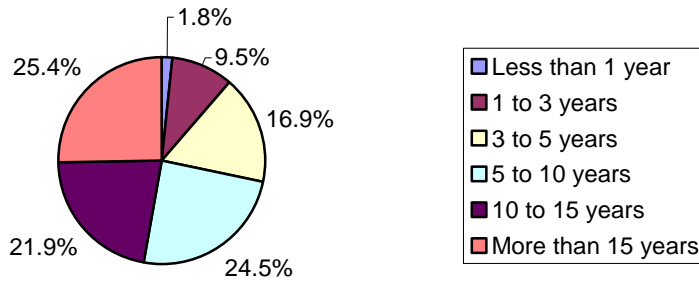
Centralized or Decentralized Compensation Function



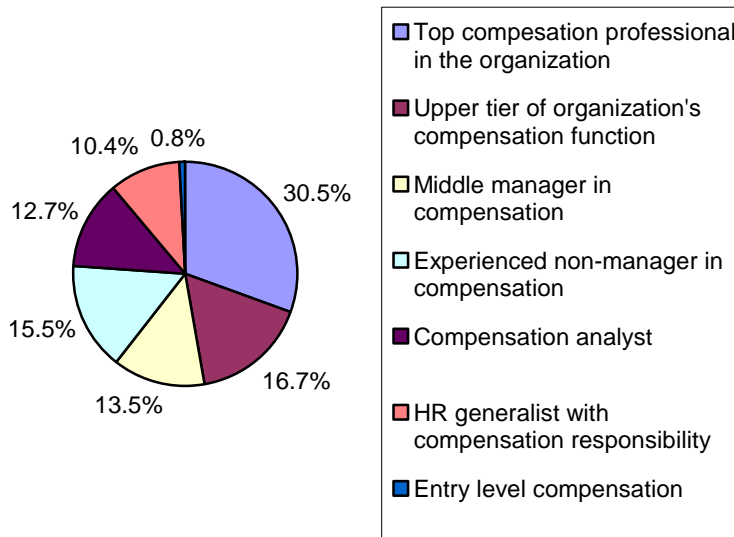
Full Time Equivalent Employees on the Compensation Team



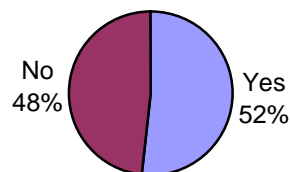
Compensation Experience of Respondent



Respondent's Role in Organizational Compensation Function



Is Respondent a Certified Compensation Professional (CCP)?



Organization Size

| | |
|---------------------------|-----|
| Fewer than 1000 employees | 19% |
| 1,000 to 5,000 | 30% |
| 5,000 to 15,000 | 21% |
| 15,000 to 75,000 | 21% |
| 75,000 and over | 9% |

Industry

| | |
|--|------|
| Manufacturing | 17% |
| Finance and Insurance | 17% |
| Health Care and Social Assistance | 12% |
| Professional, Scientific and Technical Services | 10% |
| Other | 10% |
| Utilities | 6% |
| Information (includes Publishing — Electronic and Print, IT, etc.) | 5% |
| Public Administration | 5% |
| Retail Trade | 4% |
| Educational Services | 4% |
| Other Services (except Public Administration) | 3% |
| Transportation and Warehousing | 2% |
| Arts, Entertainment and Recreation | 2% |
| Real Estate, Rental and Leasing | 1% |
| Accommodation and Food Services | 1% |
| Wholesale Trade | 0.5% |
| Administrative Support, Waste and Remediation Services | 0.2% |
| Agriculture | 0.2% |
| Management of Companies and Enterprises | 0.2% |

The WorldatWork Compensation Advisory Board

The following member-volunteers who constitute the WorldatWork Compensation Advisory Board created the concept for this survey, drafted the survey instrument and conducted an analysis of the results that appear in this report.

Irene A. Kohut CCP (Advisory Board Chair)

Leader Global Compensation
Nortel Networks

Bruce J. Edelman, Compensation Director

American International Group

Constance L. Haney CCP, GRP, Manager Global Compensation Services

Cargill Inc

David J. Gustat, Director of Compensation

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For information about how to serve on a WorldatWork Advisory Board or how you can volunteer to serve your association in a variety of other ways, visit www.worldatwork.org, go to the "About Us" tab and click on "Serve WorldatWork."