

# A WorldatWork Survey Brief



## GLOBAL COMPENSATION PRACTICES

Survey of WorldatWork Members • September 2004  
Conducted by WorldatWork and Watson Wyatt Worldwide

# 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 disciplines associated with attracting, retaining and motivating employees. In addition to providing professional affiliation, WorldatWork offers highly acclaimed certification (CCP®, CBP™ and GRP®) and education programs, the monthly *workspan*® magazine, online information resources, surveys, publications, conferences, research and networking opportunities.

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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## About Watson Wyatt Worldwide



Watson Wyatt is a global consulting firm focused on human capital and financial management. We specialize in three areas: employee benefits, human capital strategies and related technology solutions.

We combine human capital and financial expertise to deliver business solutions that drive shareholder value. Our consulting is grounded in the most extensive research in the business. This translates into unique perspectives and forward-thinking solutions.

Watson Wyatt has more than 6,000 associates in 30 countries. Corporate offices are in Reigate, England, and Washington, D.C., USA.

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**Global Compensation Practices**  
**Survey Brief – September 2004**  
**Survey of WorldatWork members by WorldatWork and Watson Wyatt Worldwide**

**Introduction**

Compensation plays an important role in global, complex organizations. Whether compensation is used to differentiate an organization from its competitors, to underscore internal consistency from country-to-country, or to drive performance of the organization during economic downturns, compensation's role will continue to evolve and expand.

To that end, WorldatWork and Watson Wyatt Worldwide conducted a global compensation survey to establish a benchmark for U.S. multinationals in three key areas: global compensation structure and strategy, global tools and systems, and global compensation targets and vehicles.

While the survey report results confirm several long-held assumptions about global compensation practices, it also reveals some emerging trends and areas for investigation.

**Methodology**

This report summarizes the results of a March 2004 survey conducted jointly by WorldatWork and Watson Wyatt Worldwide. Surveys were sent electronically to a random sample of WorldatWork members and Watson Wyatt clients. A total of 360 responses were received during a two-week period. Sixty-five percent of responding organizations (n=230) reported having operations outside of the U.S. and thus were able to complete the survey.

The demographic profile of the survey 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 in North America. Ninety-five percent of the *Fortune* 1000 companies have at least one employee who is a member of WorldatWork.

## **Executive Summary**

### *Global Compensation Structure and Strategy*

The results of the Global Compensation Practices survey reveal that companies are evenly split between a centralized and decentralized approach to their companies' global compensation structure. However, both groups expect to see a growing trend toward greater centralization in the near term.

Specific findings include the following:

- For those respondents with a centralized compensation structure, the primary objectives for having this type of structure are: 1) to have a consistent link between rewards and results, and 2) to have a consistent position vis a vis market and internal equity.
- Those with a centralized global compensation structure reported much higher levels of satisfaction and effectiveness than organizations with a decentralized structure. While a combined 58 percent of companies with a centralized structure rated it as either “very” or “mostly” effective, only a combined 36 percent of decentralized organizations rated the effectiveness of their structure similarly.
- Half of survey respondents believe their organization will change its global compensation management structure in the near future. Among those who already have a centralized compensation management structure, nearly a quarter say they will become even more centralized in the near future. Among those with currently decentralized structures, well over one-half expect their organization to move toward more centralization in the next two years.
- The vast majority of organizations with a centralized global compensation structure also have a global compensation strategy. However, only about one-third of those organizations have communicated the strategy to all line managers.
- Three quarters of survey respondents have operations in 11 or more countries around the world. And over half of respondents reported that, regionally, Asia presents the most challenges in developing a global compensation system.

### *Global Compensation Tools and Systems*

Companies with a centralized approach to their global compensation practices are more likely than others to have uniform systems, use global grades and global bands, and have designated benchmark companies.

- Seventy-one percent of centralized organizations have a global human resource information system (HRIS), while only 39 percent of organizations with a decentralized global compensation structure have a global HRIS.

- Organizations with a centralized global compensation management structure are 12 percent more likely to use global grades and twice as likely as those with a decentralized structure to have global bands (36 percent versus 18 percent).
- Among all respondents, 30 percent report having designated global benchmark companies. Centralized organizations are twice as likely as decentralized organizations to have global benchmark companies (40 percent versus 20 percent).

### *Global Compensation Targets and Vehicles*

The survey results also reveal that most organizations are standardizing compensation strategy, job leveling, target base salary and total compensation, as well as stock options.

- A strong majority of respondents use the 50<sup>th</sup> percentile as the global target base salary (73 percent) and the global target total cash compensation (58 percent) for employees. The next most common answer to both questions was “varies by market.”
- Among surveyed organizations with equity vehicles, stock options are the equity tool most commonly implemented globally, with 90 percent overall responding in the affirmative. The second most common (at 55 percent overall) is employee stock purchase plans, followed by restricted stock. And only 38 percent of organizations have implemented performance share plans globally.
- The majority of survey respondents have a uniform, global approach to both short- and long-term incentives and bonuses for executives and management, while less than one-half have a uniform global approach for professional class employees. Those with centralized organizational structures are more likely to push these vehicles down further into the organization.

### *Other Global Compensation Issues*

- Overall, two-thirds of survey respondents do not have a global approach to sales compensation. However, organizations with a centralized global compensation approach are twice as likely to have a global approach to sales compensation as organizations that are decentralized in their compensation management structure (44 percent versus 22 percent).
- Nearly three-quarters of all survey respondents have a performance management system in their organization that pervades all of their global operations. But organizations with centralized compensation management are significantly more likely to also have a global approach to performance management (87 percent versus 60 percent).

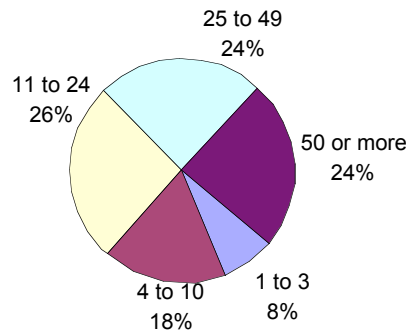
## Detailed Survey Results

### Geographic Reach of Survey Respondents

To gain insight on how truly “global” the survey respondents were, the instrument first asked about the number of countries and regions in which respondents operate. It also asked about any regions of the globe that are perceived as unique challenges from a compensation perspective.

The vast majority of surveyed companies (combined nearly three-quarters) have operations in 11 or more countries. The single largest category includes the respondents who have operations in anywhere from 11 to 24 countries (26 percent).

Figure 1: “In how many countries does your organization currently have operations? (Please include partially owned subsidiaries or partnerships.)” (n=227)



In addition to operating in many different countries, most of the survey respondents operate in many different regions of the world. More than 85 percent have operations in Western Europe, Asia and North America (excluding the U.S.). Sixty percent of respondents also have locations in Australia/New Zealand, South America and Eastern Europe.

Figure 2: “Please indicate all regions in which your organization currently has operations.” (multiple response, n=230)

Western Europe	90%
Asia	90%
North America (not including U.S.)	86%
Australia/New Zealand	68%
South America	67%
Eastern Europe	60%
Central America	56%
Middle East	47%
Africa	40%

Finally, when asked about the greatest challenges to developing their global compensation system, survey respondents reported that Asia presents the most challenges by far. Western Europe, South America, Eastern Europe and the Middle East also presented challenges.

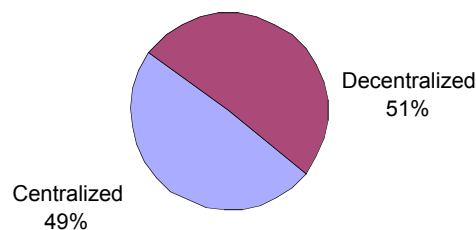
Figure 3: “Which geographic regions of the world present the most challenges to developing a global compensation system?” (multiple response, n=205)

Asia	55%
Western Europe	33%
South America	24%
Eastern Europe	21%
Middle East	20%
Africa	14%
Central Europe	14%
North America	5%
Australia/New Zealand	4%

### Global Compensation Structure

When asked how they would characterize the management structure of their global compensation programs, survey respondents were split fairly evenly between having a “centralized” (49 percent) versus a “decentralized” structure (51 percent).

Figure 4: “How would you characterize the management structure of your global compensation programs?” (n=228)



Among the 49 percent of organizations with a centralized global compensation management structure, the most often cited reason for the centralized structure was to maintain a “consistent link between rewards and results.” Among the eight reasons, the one cited the least was “reduced administrative cost.”

Figure 5: “What are the primary objectives of your centralized global compensation structure? (Please rate on a scale of one to seven, with seven being most important.)”

<b>Objective</b>	<b>n</b>	<b>Mean</b>
Consistent link between rewards and results	122	5.75
Consistent position vs. market	122	5.66
Internal equity (comparability of opportunity)	120	5.58
Consistent link between rewards and behavior	122	5.41
Improved governance of rewards (stronger oversight)	123	5.03
Common culture	120	4.97
Talent mobility	121	4.30
Reduced administrative costs	120	3.97

Instead of being queried about the primary objectives of their structure, the organizations with a decentralized global compensation management structure were asked about how their global compensation programs are managed. The results reveal a significant variety of ways in which organizations manage compensation when it is not managed from headquarters. While a combined 56 percent manage global compensation at a geographic level (either country, region or local), the single most common answer (30 percent) was that global compensation is managed at a combination of geographic and business unit levels.

Figure 6: “If a decentralized global compensation structure exists, what is the unit of organization upon which compensation management most often occurs?” (n=124)

<b>Unit of Organization</b>	
Combination of geographic and business unit	30%
Geographic – country-specific	29%
Geographic – region (a cluster or group of countries)	21%
Business unit	11%
Geographic – local (city or sub-county area)	6%
Other	3%

Fifty-four percent of respondents listed headquarters as the part of the organization responsible for setting local or country-specific compensation strategies. But — perhaps understandably — there is significant disparity on this question between those who had earlier reported a centralized global compensation structure and those who had reported a decentralized global compensation structure. (See Figures 7a and 7b.)

Seventy-one percent of the organizations with a centralized global compensation structure also said their “headquarters” sets the local or country-specific compensation strategy, while “headquarters” was mentioned half as frequently (by 36 percent) by organizations with a decentralized global compensation structure. Among organizations with decentralized global compensation structures, business units, regional offices and country/local offices play a much more significant role in setting local compensation strategy.

Figure 7a: “For your operations outside of the U.S., which of the following groups is primarily responsible for setting local or country-specific compensation strategy?”

	Organizations with a “centralized” global compensation structure (n=111)	Organizations with a “decentralized” global compensation structure (n=117)	All respondents (n=229)
Headquarters	71%	36%	54%
Business unit(s)	6%	21%	14%
Regional office(s)	10%	18%	14%
Country/local office(s)	3%	12%	7%
It varies	10%	13%	11%

After the compensation strategy is set, responsibility for setting the policies and procedures to implement the strategy becomes less centralized – even among organizations with a centralized global compensation structure. Among all respondents, the responsibility of “local offices” goes from 7 percent in the setting of strategy to 14 percent in the setting of policies and procedures, and both the business unit and regional offices take greater responsibility.

As noted in Figure 7a, 71 percent of organizations with a centralized global compensation structure set their country-specific compensation strategies at headquarters, but only 45 percent set their local compensation policies and procedures at headquarters (see Figure 7b). Regional offices play a much larger role in local policies and procedures, even for organizations with centralized global compensation structures.

As might be expected, for decentralized global compensation organizations, headquarters plays a minor role in setting local compensation policies and procedures. Only 11 percent of decentralized organizations have headquarters involved in this process. Among the decentralized group, business units and regional offices play the most significant roles.

Figure 7b: “For your operations outside of the U.S., which of the following groups is primarily responsible for setting local compensation policies and procedures?”

	Organizations with a “centralized” global compensation structure (n=111)	Organizations with a “decentralized” global compensation structure (n=116)	All respondents (n=229)
Headquarters	45%	11%	28%
Business unit(s)	10%	28%	19%
Regional office(s)	22%	28%	25%
Country/local office(s)	9%	20%	14%
It varies	14%	12%	14%

Finally, when asked about where local or country-specific compensation implementation and administration occurs, the top response from both respondents and from both centralized and decentralized organizations was “country or local office,” with roughly 34 percent across all three groups of respondents. Still, 21 percent of organizations with a centralized global compensation structure administer and implement local compensation from the headquarters, whereas only 3 percent of decentralized organizations act similarly.

Figure 8: “For your operations outside of the U.S., which of the following groups is primarily responsible for setting local compensation implementation and administration?”

	Organizations with a “centralized” global compensation structure (n=110)	Organizations with a “decentralized” global compensation structure (n=116)	All respondents (n=229)
Headquarters	21%	3%	12%
Business unit(s)	8%	25%	17%
Regional office(s)	29%	28%	28%
Country/local office(s)	34%	35%	34%
It varies	8%	10%	9%

Finally, when asked to rate the overall effectiveness of their global compensation structure, those with a centralized global compensation structure reported much higher levels of satisfaction and effectiveness than organizations with a decentralized structure. While a combined 58 percent of companies with a centralized structure rated it as either “very” or “mostly” effective, only a combined 36 percent of decentralized organizations rated the effectiveness of their structure similarly. In addition, a much larger percentage of decentralized organizations rated their structure as so-so (57 percent of decentralized organizations versus 37 percent of centralized organizations responded “effective at times, ineffective at other times”).

Figure 9: “How would you rate your organization’s overall structure related to local compensation outside of the U.S.?”

	Organizations with a “centralized” global compensation structure (n=109)	Organizations with a “decentralized” global compensation structure (n=116)	All respondents (n=227)
Very Effective	10%	3%	6%
Mostly Effective	48%	33%	40%
Effective at Times, Ineffective at Times	37%	57%	48%
Mostly Ineffective	5%	5%	5%
Not at All Effective	0%	2%	1%

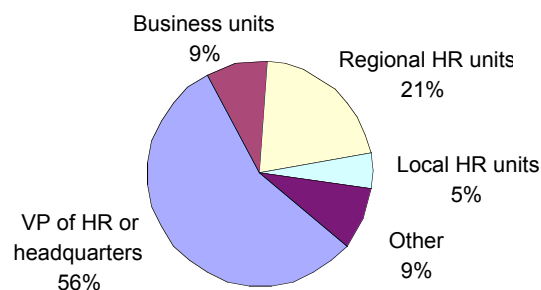
In addition to the higher perceived effectiveness of centralized global compensation structures, the data appears to indicate a trend toward centralization. When asked whether they believe their organization, during the next two years, will not change structure, change to a more centralized structure or change to a more decentralized structure, 42 percent of all survey participants responded, “change to more centralized.” Even more revealing, however, is the data split by organizations that had already reported a centralized or decentralized global structure. Among those who already have a centralized structure, nearly a quarter (23 percent) say they will probably become even more centralized in the near future. Among those who currently have a decentralized structure, 59 percent expect their organization to move toward more centralization in the next 24 months.

Figure 10: “Do you believe your organization will shift to a more centralized structure, a more decentralized structure, or will make no change to the structure during the next two years?”

	Organizations with a “centralized” global compensation structure (n=108)	Organizations with a “decentralized” global compensation structure (n=117)	All respondents (n=227)
More Centralized	23%	59%	42%
More Decentralized	15%	2%	8%
No Change	62%	39%	50%

When asked about the responsibility for ensuring global compensation compliance, most organizations reported that the role rests with either the vice president of human resources or at the headquarters. Twenty-one percent of organizations indicated their regional HR units are responsible for compliance, while fewer than 10 percent have ownership at the business unit or local HR unit level. These figures are very similar for both organizations with a centralized global compensation management structure and those with a decentralized one.

Figure 11: “Who has responsibility for ensuring global compensation compliance?” (n=222)



## Global Compensation Tools

### A. Global Tools for Line Managers

According to survey respondents, the tools that line managers use for making pay decisions in organizations with decentralized global compensation structures are not global tools. That is, 73 percent use local tools. In contrast, more than one-half of the organizations (54 percent) with a centralized global compensation structure provide their line managers with tools that are used globally within the organization.

Figure 12: “Are the tools your line managers use for pay decisions global tools?”

	Organizations with a “centralized” global compensation structure (n=110)	Organizations with a “decentralized” global compensation structure (n=117)	All respondents (n=229)
Yes	54%	27%	39%
No	46%	73%	61%

### B. Global Leveling Approach

When asked whether their organization uses a global leveling approach, a combined 62 percent majority responded affirmatively. The largest percentage within this group use whole job slotting (21 percent), and the second most common approach is role/contribution/framework (19 percent). Thirty-eight percent do not use a global leveling approach.

Figure 13: “Does your organization use a global leveling approach (e.g. point factor, role/contribution, etc.)?”

	Organizations with a “centralized” global compensation structure (n=110)	Organizations with a “decentralized” global compensation structure (n=117)	All respondents (n=229)
No	30%	48%	38%
Yes, point factor	13%	8%	11%
Yes, whole job slotting	31%	12%	21%
Yes, role/contribution/framework	19%	19%	19%
Yes, other	7%	13%	11%

### C. Global Grades and Global Bands

Across all respondents, 35 percent use global grades (not currency) that are consistent from country to country, and slightly more than one-quarter (27 percent) use global bands.

Substantially more centralized organizations than decentralized ones use both global grades and bands. Organizations with a centralized global compensation function are 12 percent more likely to use global grades and twice as likely as decentralized ones to have global bands (36 percent versus 18 percent).

Figure 14: “Does your organization have global grades? Does your organization have global bands?”

	Organizations with a “centralized” global compensation structure	Organizations with a “decentralized” global compensation structure	All respondents
<b>Global Grades</b>	(n=111)	(n=117)	(n=229)
Yes	41%	29%	35%
No	59%	71%	65%
<b>Global Bands</b>	(n=111)	(n=116)	(n=229)
Yes	36%	18%	27%
No	64%	82%	73%

### D. Global Benchmarks

Among all respondents, 30 percent have designated global benchmark companies. Noteworthy, however, is the significant disparity on this question between companies with a centralized global compensation structure and those with decentralized ones. Centralized organizations are twice as likely as decentralized organizations to have global benchmark companies (40 percent versus 20 percent).

Figure 15: “Does your organization have global benchmark companies?”

	Organizations with a “centralized” global compensation structure (n=111)	Organizations with a “decentralized” global compensation structure (n=115)	All respondents (n=228)
Yes	40%	20%	30%
No	60%	80%	70%

The survey probed further among respondents who do not have global benchmark companies, asking them if the benchmarks are set at either the regional or country level. Although the number of respondents who answered the question is fairly small, the results indicate that organizations with decentralized global compensation structures are far more likely to use regional benchmarks, as opposed to country benchmarks, than are centralized organizations.

Figure 16: “If no, are benchmark companies chosen at a regional or country level?”

	Organizations with a “centralized” global compensation structure (n=45)	Organizations with a “decentralized” global compensation structure (n=79)
Regional	18%	33%
Country	82%	67%

#### E. HRIS

Not surprisingly, companies with a centralized global compensation structure are far more likely to have a human resources information system (HRIS) that is global in nature and covers most or all of their global operations. Seventy-one percent of centralized organizations have a global HRIS, while only 39 percent of organizations with a decentralized global compensation structure have a global HRIS.

Figure 17: “Is your human resources information system (HRIS) a global system covering most or all of your operations?”

	Organizations with a “centralized” global compensation structure (n=110)	Organizations with a “decentralized” global compensation structure (n=115)	All respondents (n=227)
Yes	71%	39%	55%
No	29%	61%	45%

Among the 55 percent of surveyed organizations that have a global HRIS, the largest percentage use PeopleSoft (38 percent), followed by SAP (22 percent) and Oracle (16 percent). Among the other responses given by 14 percent of respondents, the most common were ADP, Ceridian and JDE.

Figure 18: “If your HRIS is a global system covering most or all of your operations, what type of HRIS program do you use?” (n=136)

PeopleSoft	38%
SAP	22%
Oracle	16%
Other	14%
Lawson	6%
Internal	4%

## F. Total Compensation Statements

Organizations with a centralized global compensation structure are more than twice as likely as decentralized organizations to provide identical or nearly identical total compensation statements to all employees globally (28 percent versus 13 percent).

Figure 19: “Does your organization provide identical (or nearly identical) total compensation statements to employees on a global basis?”

	Organizations with a “centralized” global compensation structure (n=110)	Organizations with a “decentralized” global compensation structure (n=116)	All respondents (n=228)
Yes	28%	13%	20%
No	72%	87%	80%

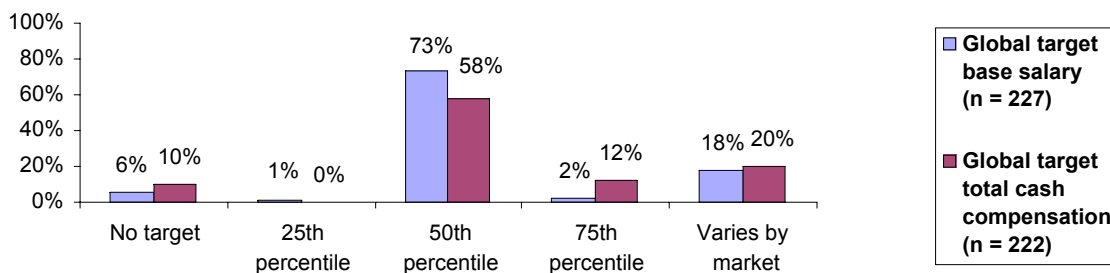
## Global Compensation Targets and Vehicles

### A. Target Global Base Salary

A strong majority of respondents use the 50<sup>th</sup> percentile as the global target base salary (73 percent) and the global target total cash compensation (58 percent) for employees. The next most common response to both questions is “varies by market.”

Splitting the data by centralized or decentralized global compensation structures did not provide much variation in the data, so those data are not presented in Figure 20.

Figure 20: Global target for base salary and total cash compensation

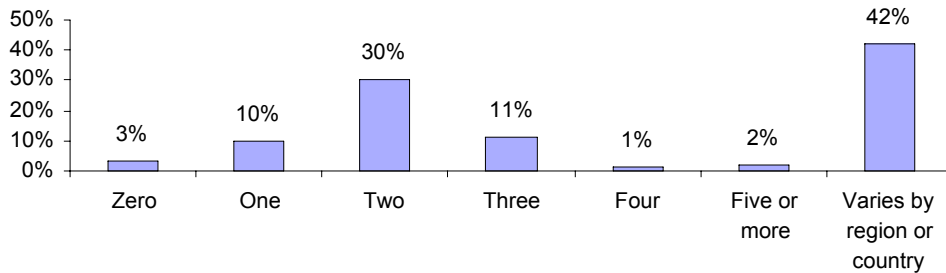


### B. Market Data Survey Sources

For 42 percent of respondents, the number of market data survey sources their organization uses varies by country or region. However, nearly one-half uses two or more survey sources per country.

Again, spitting respondents by centralized/decentralized global compensation structures did not reveal notable disparities. The data is therefore not presented in Figure 21.

Figure 21: “On average, how many market data survey sources do you use per country?” (n=228)



### C. Equity Compensation

Among surveyed organizations with equity vehicles, stock options are the equity tool most commonly implemented globally (90 percent overall). The second most common (55 percent overall) is employee stock purchase plans, followed by restricted stock. Only 38 percent of organizations have implemented performance share plans globally.

When splitting respondents among those with a centralized global compensation structure and those with a decentralized structure, one sees only minor disparities, with the exception of restricted stock. Fifteen percent more decentralized organizations than centralized ones have implemented restricted stock compensation plans globally (57 percent versus 42 percent). Again, the data below represent only those organizations that offer the specific type of equity compensation.

Figure 22: “What types of equity programs, if any, have you implemented globally?”

	Organizations with a “centralized” global compensation structure	Organizations with a “decentralized” global compensation structure	All respondents
<b>Stock Options</b>	(n=88)	(n=89)	(n=178)
Yes	91%	89%	90%
No	9%	11%	10%
<b>Restricted Stock</b>	(n=55)	(n=67)	(n=122)
Yes	42%	57%	50%
No	58%	43%	50%
<b>Performance Share Plans</b>	(n=50)	(n=61)	(n=112)
Yes	34%	39%	38%
No	66%	61%	62%
<b>Employee Stock Purchase Plans</b>	(n=69)	(n=69)	(n=138)
Yes	59%	51%	55%
No	41%	49%	45%

## D. Short- and Long-Term Incentives

The majority of survey respondents have a uniform, global approach to short- and long-term incentives and bonuses for executives and management, while less than one-half have a uniform global approach for professional class employees. Note that the question refers to whether or not they have an “approach,” not specific target amounts or percentages.

Figure 23: Uniform, global approach to short- and long-term incentives/bonuses, by employee group (multiple response, n=227)

<b>Employee Group</b>	<b>Short-Term Incentives/Bonuses</b>	<b>Long-Term Incentives/Bonuses</b>
Executives	82%	83%
Management	65%	52%
Professionals	44%	35%
None	15%	17%

## Global Compensation Strategy

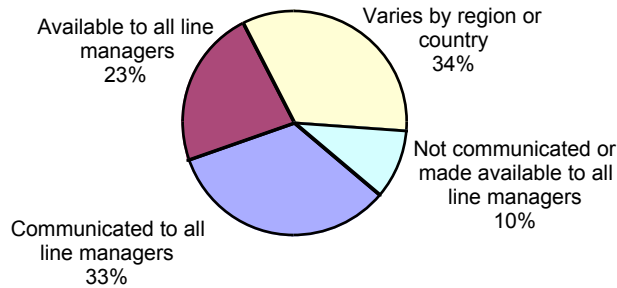
Although there can be differences between a centralized management structure and a centralized management strategy, Figure 24 demonstrates that most respondents see them as one in the same: the vast majority of organizations with a centralized global compensation structure also have a global compensation strategy. As might be expected, a much smaller percentage of organizations with a decentralized management structure reported having a global compensation strategy.

Figure 24: “Would you say that your organization has a global compensation strategy...?”

	Organizations with a “centralized” global compensation structure (n=110)	Organizations with a “decentralized” global compensation structure (n=116)	All respondents (n=228)
Yes	83%	26%	54%
No	17%	74%	46%

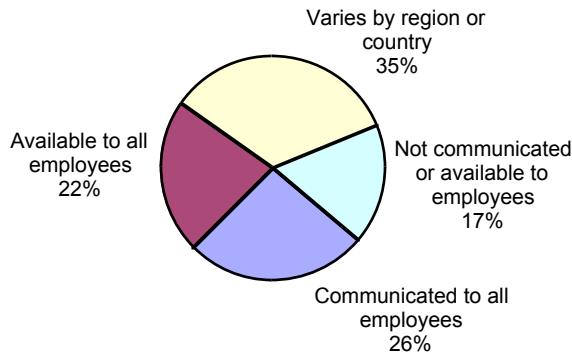
Of the 122 organizations with a global compensation strategy, only about one-third have communicated the strategy to all line managers, while another one-fourth have made it available to all line managers. Only 10 percent do not make this information available at all. There was only a minor disparity in answers to this question between organizations with a centralized global compensation structure and those with a decentralized structure.

Figure 25: “If you have a global compensation strategy, is it communicated or available to all line managers in all operations around the world?” (n=122)



Organizations communicate their global compensation strategy to all employees (26 percent) less frequently than they communicate it to line managers (33 percent). Seventeen percent of organizations do not make compensation information available to employees.

Figure 26: “If you have a global compensation strategy, is it communicated or available to all employees in all operations around the world?” (n=122)



## Other Global Compensation Issues

### A. Sales Compensation

Overall, two-thirds of survey respondents do not have a global approach to sales compensation. However, organizations with a centralized global compensation approach are twice as likely to have a global approach to sales compensation as organizations that are decentralized in their compensation management structure (44 percent versus 22 percent).

Figure 27: “Does your organization have a global approach to sales compensation?”

	Organizations with a “centralized” global compensation structure (n=109)	Organizations with a “decentralized” global compensation structure (n=117)	All respondents (n=228)
Yes	44%	22%	33%
No	56%	78%	67%

## B. Performance Management

Nearly three-quarters of all survey respondents have a performance management system in their organization that pervades all of their global operations, although organizations with centralized compensation management are significantly more likely to also have a global approach to performance management (87 percent versus 60 percent).

Figure 28: “Does your organization have a global performance management approach?”

	Organizations with a “centralized” global compensation structure (n=110)	Organizations with a “decentralized” global compensation structure (n=117)	All respondents (n=229)
Yes	87%	60%	73%
No	13%	40%	27%

Of the respondents who reported having a global performance management system, more than three-quarters indicated they have common annual cycles and forms throughout their organization.

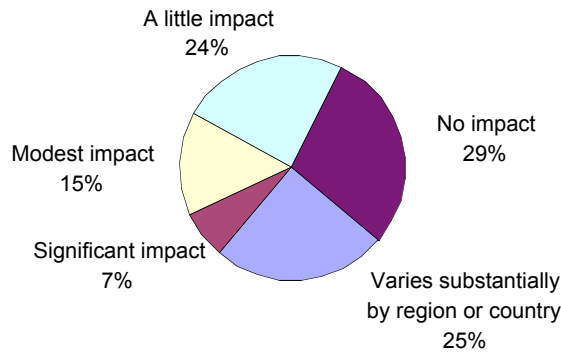
Figure 29: Performance management tools that are global (multiple response, n=168)

Annual cycle	79%
Forms	76%
Communications materials	66%
Tools	63%
Training materials	63%
Link to pay decisions	58%
Level of experience	48%
Metrics	47%

### C. Works Councils and Industry Unions

More than one-half of the survey respondents indicated works councils and industry unions have had little (24 percent) to no (29 percent) impact on their organization's global compensation planning during the past 12 months. Although about one-fourth said these types of issues have had an impact at the region or country level. There is minimal difference in response between organizations with a centralized global compensation management approach and those with a decentralized approach.

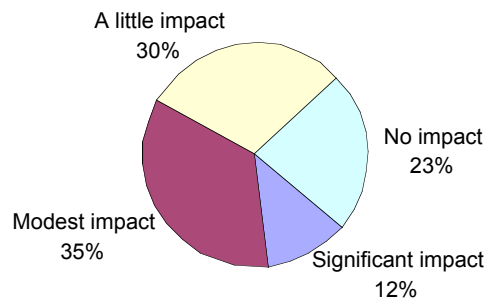
Figure 30: "During the last 12 months, how much impact have works councils and industry unions had upon your global compensation planning?" (n=226)



### D. Sarbanes-Oxley

When asked how much impact the U.S. law known as Sarbanes-Oxley has had on global compensation planning, a combined 53 percent indicated little (30 percent) to no (23 percent) impact. However, 35 percent of survey respondents indicated a "modest impact." Again, there is little disparity between centralized global compensation organizations and those that are decentralized.

Figure 31: "During the last 12 months, how much impact has Sarbanes-Oxley had upon your global compensation planning?" (n=226)



## Conclusions

The survey results have confirmed a number of long-held assumptions such as the global application of job leveling approaches by global organizations. However, the survey has also identified some interesting trends and areas for investigation within international compensation including the move toward the centralization of compensation management. Within each key area, we have presented findings that represent valid global compensation approach benchmarks that WorldatWork and Watson Wyatt will continue to explore for members and clients.

### Delivery of Compensation

With the recent trend to downsize corporate and functional roles, the human resources function is often at the center of discussions about how to effectively deliver global compensation, either centrally or otherwise. The results of this survey demonstrate that there is not a single, dominant approach for managing global compensation: approximately one-half manage compensation centrally while the others have a decentralized approach. Although the majority of organizations have found their approach to be effective, approximately 50 percent of respondents expect to change their structure within the next two years and move toward greater centralization.

Given the new compliance obligations that U.S. multinational organizations must meet, the centralization of compensation management is an expected reaction. Once organizations are able to implement effective global governance processes including compensation governance, the structures of organizations may again decentralize and/or change to reflect their organization's needs.

### Approaches to Global Compensation

To decide which components of compensation to globalize, organizations are balancing the ability to attract and retain talent in various geographies/cultures with consistency in the organization's approach to conducting business. To that end, compensation also underscores an organization's culture and strategy to drive business.

The survey results demonstrate the impact that compensation has had upon global organizations. On an increasingly global scale, organizations are standardizing compensation strategy, job leveling, target base salary, target total compensation, stock options and stock purchase plans. Consistency in key compensation components is tantamount to running a global compensation program.

Noticeably missing in the apparent macro trend toward global standardization of compensation are sales compensation and short-term incentives at the professional level. However, this may not be surprising for sales compensation, as organizations must design programs that offer local rewards and that are appropriate for local geography/culture. They must also, however, account for the ability of local systems to measure objectives and targets, the isolation of exchange rate variations and the *status quo* of local market development (flat, growing, retracting).

Although designing effective short-term and sales incentive programs is challenging, there may be a trend among organizations to introduce consistency or the “globalization” of these programs. This trend is appearing in the organizational leveraging of global customers and the introduction of global sales teams. This area seems ripe for further research.

### Global Tools and Systems

The foundation for making good business decisions is access to accurate data. The results of this survey indicate that organizations are continuing to procure systems and tools that will allow for global access to their HR data. The need for this data is being compounded as organizations continue to make operational decisions on the costs of wages and to do business in various geographies.

Fifty-five percent of the respondents have implemented their human resource information system (HRIS) globally. Although global HRIS implementation is becoming increasingly common, respondents with global compensation tools, such as salary planning systems, are less common (39 percent). In the future is the notion of providing tools to line managers on a global basis. Only 39 percent currently provide such tools.

Global compensation tools and systems will continue to increase in importance as organizations' demands for reliable data increase. For a number of companies, this will continue to be a point from which to move forward.

Organizations appear to be supporting a consistent and global application of compensation principles and practices. Future research will investigate the effectiveness of these programs.

## Respondent Demographics

### Organization Size

Fewer than 100 employees	0%
100 to 499	0%
500 to 999	9%
1,000 to 2,499	16%
2,500 to 4,999	20%
5,000 to 9,999	15%
10,000 to 19,999	14%
20,000 and over	26%

### Industry

Manufacturing	24%
Finance & Insurance	12%
Health Care & Social Assistance	10%
Information (includes Publishing – Electronic & Print, IT, etc.)	7%
Professional, Scientific & Technical Services	7%
Public Administration	6%
Utilities	4%
Educational Services	3%
Retail Trade	3%
Transportation & Warehousing	3%
Other Services (except Public Administration)	2%
Real Estate, Rental & Leasing	2%
Accommodation & Food Services	1%
Agriculture	1%
Arts, Entertainment & Recreation	1%
Construction	1%
Mining	1%
Wholesale Trade	1%
Administrative Support, Waste & Remediation Services	0%
Management of Companies & Enterprises	0%
Other	11%