

WorldatWork Member Resources

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Optimize Executive Compensation Design with New Executive Rewards Questionary

By Don Lindner | WorldatWork
CCP, CBP, GRP

The scrutiny of executive and director pay continues to intensify. Compensation practitioners are working under the microscope to clarify their organization's executive pay DNA. Navigating an intricate system of diverse global business criteria—including internal and external environments, stakeholders, regulatory disclosure and transparency—practitioners must consider every essential element involved in designing or modifying their company's executive compensation plan.

Considerations range from understanding how well the compensation philosophy aligns with corporate strategy and organizational culture to how well it holds up to media and regulatory scrutiny. Plan developers need an increasingly comprehensive knowledge of regulatory agencies' requirements, from state organizations to the U.S. Securities and Exchange Commission (SEC) to the Treasury Department.

WorldatWork has created a new tool to help practitioners build that well-layered plan for the individual company's specific needs. By clearly identifying every essential factor for rewarding executives and directors, the WorldatWork Executive Rewards Questionary helps HR practitioners, consultants, compensation committees and boards deliberate decisions and criteria in specific areas of executive compensation design.

Larry Gilmer, CCP, director, Compensation and Benefits for the Wachovia Corp., said,

"In today's legislative, regulatory and shareholder environment, compensation practitioners and consultants may not get a second chance to correct a faulty executive compensation program design, communication or implementation. This new executive rewards tool presents a holistic approach to assess the likely impact of program changes across the various constituencies that participate, support, regulate or vote on these programs."

Thorough Design Elements

The free WorldatWork Executive Rewards Questionary (www.worldatwork.org/execomptool) provides more than 225 essential issues for consideration in planning or modifying a company's executive compensation plan. It covers everything



from business strategy, regulatory issues, socioeconomic factors, disclosure and transparency rules to communication plans, labor and market pay trends, and community concerns. It specifically addresses key issues related to the following:

- Stock plans
- Equity-based plans
- Short- and long-term incentive plans
- Executive perquisites
- Executive benefits
- Deferred compensation plans
- Employment agreements
- Severance, change-in-control agreements.



The Questionary is designed to assist professionals in conducting a thorough overview of business strategy to clearly identify corporate mission, strategy, placement in the business life cycle, competitive advantages, vulnerabilities and strategic drivers. It also will help clarify how the strategic drivers are measured, if they are consistent across divisions and, if not, how this will affect plan design.

Short- and long-term objectives are assessed as to how they align with short- and long-term results. Consideration also is given to identifying the major milestones associated with these objectives, as well as the major challenges to achieving them and how expected performance relates to the current business outlook.

Developing compensation philosophy depends, in large part, on the specific company objectives, market orientation and target pay position. The WorldatWork Executive Rewards Questionary provides a template for reviewing performance leverage and perspective (corporate versus division), and considering how the compensation philosophy aligns with corporate strategy, corporate culture and organizational resources.

Another important element in plan design is a review of the performance metrics needed to operationalize and administer the program. This includes a study of auditing and financial accounting/reporting factors and identification of key stakeholders or influencers (HR, legal, tax) who need to be part of the program-development process.

Collaboration and Communication

Sound plan development always requires the involvement of professionals from the legal, finance, accounting, investor relations and tax fields. For example, the Questionary asks: What financial constraints (authorized share capital, current burn rate, overhang, dilution, self-funding, internal hurdle rate of return and cash-flow requirements) may

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—Larry Gilmer, CCP
Wachovia Corp.

affect your program design? Is the finance/accounting department prepared to support any special reporting requirements for the executive compensation program?

If shareholder approval applies to the program, then the shareholders must be identified, their expectations clarified and their involvement clearly outlined. In addition, if the compensation committee/board of directors is reviewing the program, plan designers will want to be educated as to the committee's concerns, perspectives and general role in the organization. The Questionary guides users in developing materials to answer any committee questions that might arise as well as creating effective tools and processes to support committee members in their decision-making (e.g., tally sheets). These same issues are addressed from the perspective of top management and all other plan participants.

In addition to all of the business and regulatory issues, credibility and effective administration depend on a well-thought-out and well-executed communication strategy for the constituents. More than ever, time spent to fully develop the communication program is as critical to plan success as the plan itself.

Advisory Boards Strategize in Orlando

By Leonard Sanicola | **WorldatWork**
CCP, CBP, GRP, CEBS, SPHR

Advisory boards have been a part of the WorldatWork governance structure for many years and assist WorldatWork in identifying, articulating and prioritizing the issues, topics and challenges affecting the total rewards profession. This year's assistance was no exception as the Compensation, Benefits and Executive Rewards Advisory Boards met for their annual meeting at the 2007 Total Rewards Conference & Exhibition.

Although each group focuses on a particular functional area, the groups collaborate to integrate all the elements of total rewards. Their proactive, timely and effective responses to issues of the profession focus on recommendations to lead issues and content development. The results are survey instruments, government comment letters, special events and other projects.

This year's annual meeting of the more than 30 team members began with a round-robin discussion of the most pressing total rewards issues impacting their respective organizations. This enlightening dialogue afforded the chance to hear firsthand the challenges and opportunities faced by senior total rewards professionals and their companies. WorldatWork saw several trends emerge as companies' top concerns: the issues of global talent management; the integration of total rewards philosophies and programs; the communication of the value of total rewards programs; and overall attraction, retention and engagement of employees.

The meeting also featured a special guest speaker, Robin Ferracone, former worldwide global human capital leader at Mercer Human Resource Consulting, who addressed the board members on the

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Upcoming Conferences



**TOTAL REWARDS
EUROPE**
BRUSSELS
OCT. 3-5, 2007



**TOTAL REWARDS
ASIA-PACIFIC**
SINGAPORE
OCT. 31-NOV. 2, 2007



**TOTAL REWARDS
CONFERENCE &
EXHIBITION**
PHILADELPHIA
MAY 20-23, 2008

top human-capital issues and extended the discussion to the attendees' organizational priorities.

Later, each team discussed its individual initiatives and platforms for the next 12 to 18 months in breakout sessions. The teams reported back with the highlights of their conversations, followed by the recognition of those members rotating off the advisory boards.

A new Global Advisory Board was recently developed to assist WorldatWork with its global strategy and outreach. This board will meet in Brussels in conjunction with the 2nd Annual Total Rewards European conference and consists of 12 members, eight of whom reside outside of North America. They are establishing initial priorities and will be working closely with the other advisory boards on a variety of platforms

Some of the many things the advisory boards accomplished recently include:

- Participation in key discussions regarding the WorldatWork total rewards model, nontraditional retention strategies, total rewards positioning and benchmarking, and learning and career development
- Follow-up on the Benefits Advisory Board's survey on consumerism and employee accountability
- Development and execution of the Executive Rewards Questionary
- Review of practice analyses
- Input provided for SEC Comment Letter on new disclosure rules.

The advisory boards will continue to play an important and valued role in WorldatWork, and we thank them for their time, expertise and support of the total rewards profession.

Advisory Boards



Benefits Advisory Board.

Back row, L to R: Greg Limoges, CCP; Kristine Jordahl, CCP, CBP, CEBS; Scott Graybill (Chair), CCP, CPA; and Jim Dwyer, CCP. Front row, L to R: Courtney Sherwin, CCP, CBP; Alyssa Newton; Julianne Adamik, CCP, CBP, CEBS; and Debra Weafer, CCP, CBP. Not pictured: Mitch Anderman and Dave Nearpass.



Executive Rewards Advisory Board.

Back row, L to R: Kevin Hallock; Brit Wittman (Chair), CCP; Haroon Saeed; and Randy Keuch. Front row, L to R: Ann Hatcher; Larry Gilmer, CCP; Joan Bakarich, CCP; and Brynn Evanson, CCP. Not pictured: Michael Halloran and David Hofrichter, Ph.D.



Compensation Advisory Board.

Back row, L to R: Doug Tapp; Dave Gustat; Joe Welch, CCP; Betsy Larsen, CCP, SPHR; Gary Wheeler, CCP, CBP, SPHR, GPHR; and Kerry Chou, CCP, CBP, GRP. Front row, L to R: John Bremen (Chair); Jerry Warren, CCP; Connie Haney, CCP, CBP, GRP; Mary Mosqueda; Julie Ann Griffin, CCP, PHR; Jim McCurdy, CCP, GRP; Vasu Mirmira; and Robert Harley, CCP. Not Pictured: Michael Smith, CCP.

AWLP Work-Life Awards Open Aug. 20-Nov. 2

Has your company developed an innovative program that supports work-life effectiveness? Do you know a professional who demonstrates real potential to impact the field of work-life? With the Work-Life Innovative Excellence Award and Work-Life Rising Star, Alliance for Work-Life Progress (AWLP), an affiliate of WorldatWork, recognizes organizations and individuals that prove work-life programming is good for business. The call for both awards is open Aug. 20 - Nov. 2. Recipients will be showcased at the 2008 Total Rewards Conference & Exhibition in Philadelphia, May 20-23, 2008.



The Work-Life Innovative Excellence Award was created in 1996 to recognize the best programs that enhance work-life effectiveness while achieving organizational goals. These programs create a more engaged and productive workforce; enable employees to feel more successful; and attract, motivate and retain talented people.



The Work-Life Rising Star debuted in 2007 with midlevel professionals who influence their organizations and clients to think about work-life.

Past Work-Life Innovative Excellence Award recipients have included: Massachusetts General Hospital, IBM, GlaxoSmithKline, Sun Microsystems and the U.S. Army.

Last year's Rising Stars: Barbara Ashby, University of California-Davis; Teresa Hopke, RSM McGladrey; John-Anthony Meza, KPMG; Jennifer Swanberg, Ph.D., Institute for Workplace Innovation, University of Kentucky; Cali Williams Yost, Work+Life Fit Inc.

There are no entry fees. Visit www.awlp.org/award for more information and to apply and nominate.

Featured Events

Mark your calendar for these upcoming WorldatWork professional development opportunities. Visit www.worldatwork.org and select "Education" to register for any of these events or call us toll-free at 877/951-9191. Please note that this is a partial listing of WorldatWork professional development programs. Visit our Web site to see a complete list of offerings.

September 2007

G5: Performance Management—Strategy, Design and Implementation	Sept. 3-5	Basel, Switzerland
G6: Variable Pay—Incentives, Recognition and Bonuses	Sept. 3-5	Basel, Switzerland
T3: Qualitative Methods	Sept. 5-7	Chicago
T1: Total Rewards Management	Sept. 10-12	Long Beach, CA
G7: International Remuneration—An Overview of Global Rewards	Sept. 10-12	Brighton, UK
OC6A: Advanced Concepts in Executive Compensation	Sept. 11-20	CourseCast
C12: Variable Pay — Incentives, Recognition and Bonuses	Sept. 12-14	San Juan, PR
ASC: Sales Compensation for Complex Sales Models	Sept. 17	Arlington, VA
OW3: Health and Wellness Programs—Creating a Positive Business Impact	Sept. 18-27	CourseCast
C5: Elements of Sales Compensation	Sept. 19-21	Marietta, GA
C15: Global Compensation—Strategy in Practice	Sept. 19-21	Toronto, ON
B3: Health Care and Insurance Plans—Design and Management	Sept. 24-26	New York
C6: Principles of Executive Rewards	Sept. 26-28	Minneapolis, MN

October 2007

C1: Regulatory Environments in Compensation Programs	Oct. 1-3	Chicago
Total Rewards Europe 2007 Conference	Oct. 3-5	Brussels
T2: Accounting and Finance for the Human Resources Professional	Oct. 1-3	Lexington, KY
T12: Outsourcing and Managing HR Service Partners	Oct. 1-3	Ottawa, ON
Sales Compensation Design	Oct. 3	San Jose, CA
W1: Introduction to Work-Life Effectiveness	Oct. 8-10	Indianapolis, IN
T3: Quantitative Methods	Oct. 9-11	South San Francisco
Sales Compensation for Complex Selling Models	Oct. 9	Scottsdale, AZ
C2: Job Analysis, Documentation and Evaluation	Oct. 15-17	Long Beach, CA
B2: Retirement Plans—Design and Management	Oct. 15-17	New York
B1: Fundamentals of Employee Benefits Programs	Oct. 16-18	Renton, WA
C15: Global Compensation—Strategy in Practice	Oct. 17-19	St. Louis, MO
C11: Performance Management—Strategy, Design and Implementation	Oct. 17-19	Green Bay, WI
G4: Base Pay Management	Oct. 22-24	Melbourne, Australia
T3: Quantitative Methods	Oct. 22-24	Houston, TX
C4: Base Pay Management	Oct. 23-25	Troy, MI
T2: Accounting and Finance for the Human Resources Professional	Oct. 29-31	Boston
Total Rewards Asia-Pacific 2007 Conference	Oct. 31-Nov. 2	Singapore