Private Company Incentive Pay Practices

research

A Research Report by
WorldatWork and
Vivient Consulting
October 2007

WorldatWork®
The Total Rewards Association

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About Vivient Consulting LLC

Vivient Consulting LLC is an independent provider of compensation and performance measurement consulting services. Based in El Segundo, Calif., Vivient serves public and private companies across a broad range of industries, including financial services, high technology, real estate, manufacturing, energy and transportation.

Vivient's primary service areas are:

- Compensation strategy development and benchmarking
- Incentive plan design (e.g., bonus plans, real and phantom equity plans and long-term cash plans)
- Performance measurement selection
- Goal setting
- Board of director advisory services.

Private Company Incentive Pay Practices Survey
A Survey Brief by WorldatWork and Vivient Consulting

Private companies face unique challenges when designing short- and long-term incentive programs. Challenges include a lack of liquidity for equity, costly or difficult equity valuation, complexities arising from the ownership structure and competitive data that are geared to public companies. At the same time, private companies do not need to adhere to many of the same complex and costly regulations as their public counterparts, nor do they have to disclose their executive compensation programs publicly.

Given these unique challenges and advantages, how do private companies use short- and long-term incentives to motivate, retain and reward their people? To answer this question, Vivient Consulting and WorldatWork invited a sample of WorldatWork's members to answer an online survey. This survey is unique in that it covers topics on incentive practices that other surveys have not covered before.

Responses from 300 companies were analyzed and have been summarized in this survey report. Industries represented include business and professional services; manufacturing; financial services and insurance; retail, wholesale and distribution; health services and high technology. (Seventy-eight nonprofit and government organizations were excluded because they tend to have a lower prevalence of incentive programs and would skew the results.)

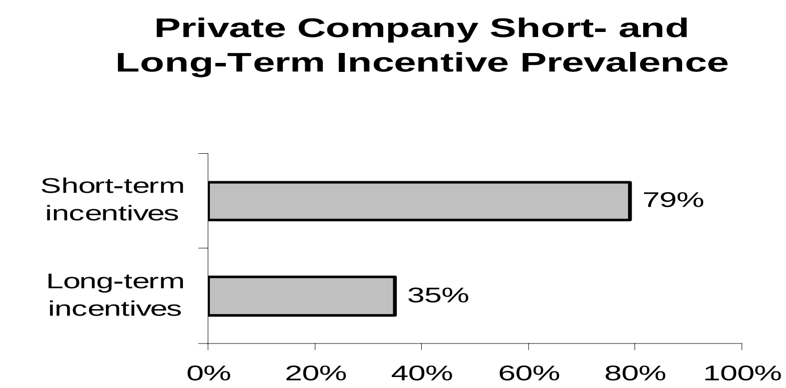
The size of responding organizations ranges from more than $5 billion in revenue to less than $100 million in revenue. The corporate status of responding organizations was primarily C Corp. (37 percent), LLC (26 percent) and S Corp. (20 percent), with a small number of subsidiaries (4 percent) and partnerships (3 percent) also participating.

Detailed survey results are listed in the appendix.

Overview

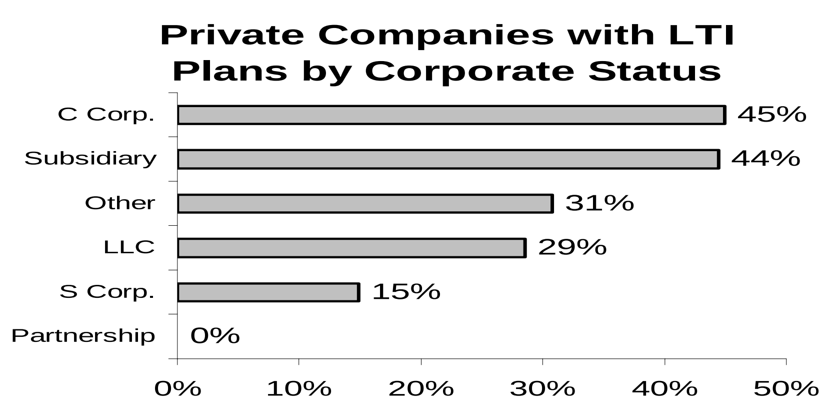
Respondents use short-term incentives (STIs) extensively, with nearly 80 percent reporting an STI plan at their private companies. In contrast, only about one-third of respondents report having a long-term incentive (LTI) plan in place, which reflects the cost and complexity of implementing such a plan for a private company. (See Graph 1.)

Graph 1



Private C Corporations and subsidiaries are more likely to report LTI plans (45 percent and 44 percent, respectively) than their counterparts, while S Corporations are less likely to report having an LTI plan (15 percent). (See Graph 2.) Of the partnerships that participated in the survey, none reported an LTI plan.

Graph 2



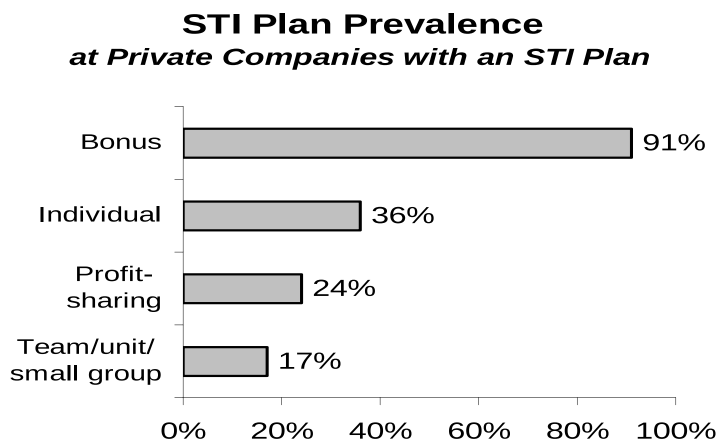
Short-Term Incentives

Of the respondents indicating that their private companies have an STI plan, 52 percent have one plan, while the rest have two or more STI plans in place. One-third of the respondents (33 percent) indicated that their companies are planning to add or modify a short-term incentive plan in 2007.

The respondents provided their companies' approximate budgets for STIs as a percentage of operating income. STI budgets ranged from 2 percent of operating income at the 25th percentile to 12 percent at the 75th percentile, with 6 percent being the median. The budgets were fairly consistent across companies of different revenue sizes.

By far, the most popular type of short-term incentive plan is a bonus plan. Nine out of 10 private companies in the survey with an STI plan have a bonus plan. (See Graph 3.)

Graph 3



Survey participants were asked what percentage of different employee groups received each type of STI award in 2006. Respondents reported that bonuses and individual incentives were awarded most frequently to executives and management. Profit sharing was used evenly across different employee groups. Team/unit/small group incentives were awarded on a limited basis mainly to lower-level employees.

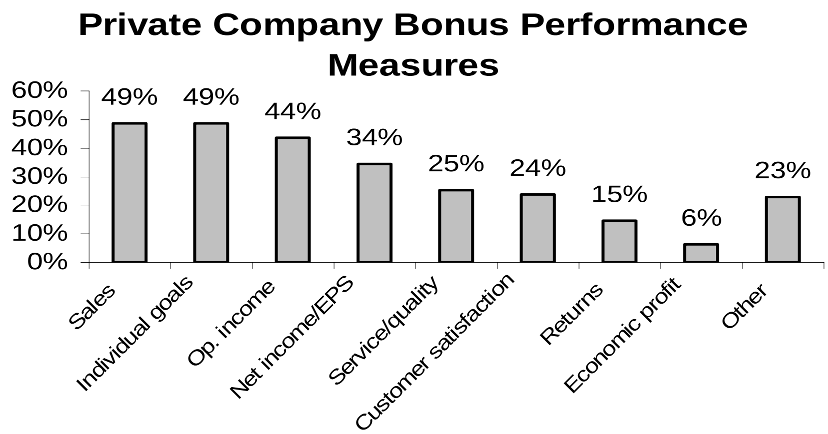
Bonus Plans

The respondents indicating that their companies have bonus plans in place reported on the primary objectives of their bonus plans. The most common objectives are to:

1. Reward employees (65 percent of respondents)
2. Focus employees on specific goals (53 percent)
3. Align employees' incentives with short-term goals (52 percent)
4. Share the organization's financial success with employees (51 percent).

The bonus plan performance measures used by private companies in the survey vary widely. Survey respondents report a preference for more straightforward measures, such as sales, individual goals and profitability, over more complex return or economic profit measures. (See Graph 4.)

Graph 4



Bonus plan performance targets at private companies are typically based on budgets and improvement over prior year. Three out of four private companies (74 percent) report that their bonus plans use subjectivity in bonus decisions.

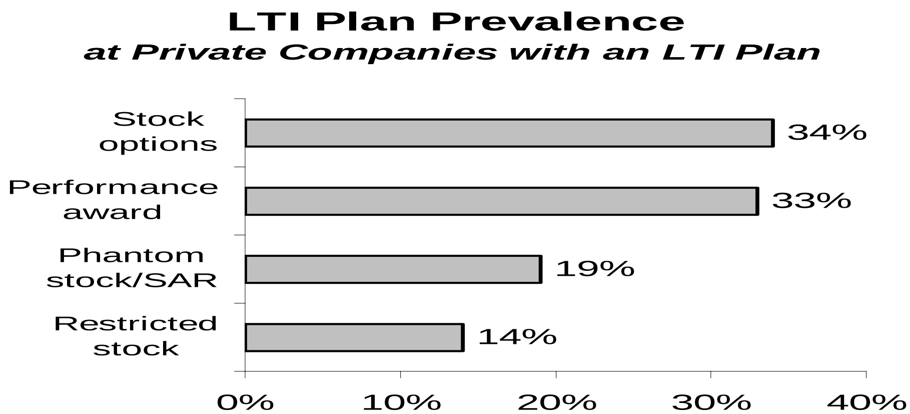
More than half of the respondents (57 percent) with bonus plans fund their plans using a pool that is established at the corporate level based on financial and/or strategic goals. Slightly less than half (47 percent) of the respondents with a bonus plan cap payments to individuals in the plan.

Long-Term Incentives

Not surprisingly, 73 percent of respondents said their companies had only one LTI plan in place, reflecting the cost and complexity of designing such a plan for a private company. One in five respondents said that their companies would add or modify an LTI plan in 2007.

Of the respondents reporting that their private companies offer LTI plans, one-third use stock options, and one-third use performance awards, also called long-term cash plans. Phantom stock, stock appreciations rights (SARs) and restricted stock are used to a lesser degree by private companies with LTI plans. (See Graph 5.)

Graph 5



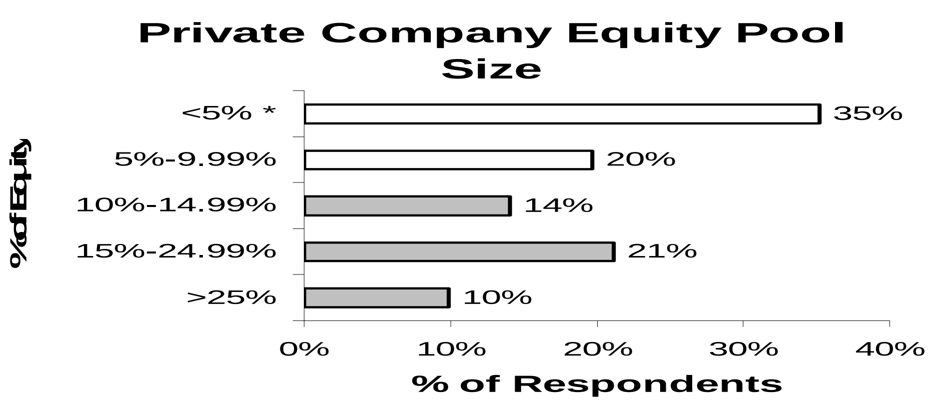
Private company LTI awards are granted to the CEO and top executives, with some usage at the management level. Awards are limited at lower employee levels.

The primary objectives of LTI plans at private companies are to:

1. Retain employees (65 percent of respondents)
2. Align employees' incentives with long-term goals (55 percent)
3. Be competitive with other employers (47 percent)

The private companies surveyed report modest equity pools for current and future grants. More than half of the respondents with LTI plans in place report equity pools of about 10 percent or less. (This includes companies that do not maintain any equity pools for employee grants.) (See Graph 6.)

Graph 6



** Some respondents in this category likely do not have an equity pool*

Respondents report that employee equity ownership, including stock options and restricted stock, at their private firms is 10 percent of equity at median.

At private companies, equity valuation is a key consideration for any LTI plan that relies on the value of real equity. Despite its cost, outside appraisal of equity value is the preferred valuation mechanism across such vehicles. (See Table 1.)

Table 1

Private Company LTI Valuation Mechanisms

	Stock Option	Restricted Stock	Phantom/ SARs
Outside Appraisal	61%	80%	53%
Formula	30%	13%	32%
Board Discretion	3%	7%	11%
Other	6%	0%	5%

Another key issue for private companies is how liquidity is provided for stock option and restricted stock grants. According to survey respondents, liquidity is provided most commonly at a value-realizing event, such as a sale of the company or an initial public offering (IPO). Half of the respondents provide liquidity for stock option grants at employee termination (if certain criteria are met), while this is less common for restricted stock. For stock options and restricted stock, a minority of respondents report their companies offer periodic trading sessions where employees can exercise options and/or sell the underlying equity. (See Table 2.)

Table 2

Private Company Stock Option and Restricted Stock Liquidity Mechanisms

	Stock Option	Restricted Stock
At value-realizing event	50%	50%
At employee termination	50%	25%
Periodic trading sessions	32%	42%

Companies that report using performance awards typically have three-year performance periods and pay out awards in cash. Awards are most heavily based on overall corporate performance.

Deferred Compensation

Of the survey respondents, 43 percent report their companies offer deferred compensation plans for highly compensated individuals, generally the CEO and executives.

At private companies offering deferred compensation plans, contributions are typically made by either the employee only or by the employer and employee. At firms where deferred funds are matched by the employer, the median employer match is 7 percent of salary.

Summary

Private companies rely more heavily on short-term incentives, such as bonuses, than long-term incentives to reward and motivate employees. Where long-term incentives are used, they are reserved for the upper levels of the organization.

Private companies with LTI plans favor stock options and long-term performance awards over other vehicles. In fact, restricted stock—an increasingly popular vehicle at public companies—is used by only 14 percent of the survey respondents that report LTI plans. This indicates that private companies prefer not to grant real ownership and instead favor cash-based plans or stock options that provide liquidity under limited circumstances, such as a change of control.

Detailed Results – Private Company Incentive Pay Practices Survey

Section 1 - Short-term Incentives

1. Does your organization currently have a short-term incentive program in place? (N = 298)

Yes	79%
No	21%

Responses to questions in the remainder of this section apply only to companies with a short-term incentive program in place.

2. How many short-term incentive programs does your organization have? (N = 229)

1	52%
2	24%
3	12%
4+	12%

3. Is your organization planning to add a short-term incentive plan or modify a short-term incentive plan in 2007? (N = 239)

Yes	33%
No	67%

4. What is your organization's approximate total budget for short-term incentives, expressed as a percentage of operating income?

Revenue	25th	Median	75th	N
All	2.0%	5.9%	12.3%	144
> $2.5B	4.8%	5.0%	6.4%	8
$1B - $2.49B	2.3%	6.5%	9.5%	18
$500M - $999M	2.0%	6.7%	15.0%	19
$250M - $499M	5.0%	8.0%	13.0%	25
$100M - $249M	3.0%	6.4%	10.0%	17
< $100M	2.0%	5.0%	18.0%	49

5. What type(s) of short-term incentive programs does your organization offer?

5a. Bonuses:

Yes	91%
No	9%

(N = 238)

If yes, please indicate which of the following positions received bonuses in 2006.

	Mean	Median	N
CEO	74%	100%	160
Other Executives/Officers	66%	100%	188
Managers/Supervisors	59%	78%	191
Exempt Salaried	50%	28%	183
Nonexempt Salaried	41%	10%	121
Nonexempt Hourly Nonunion	41%	6%	132

Note: Mean statistics highlight overall prevalence in the survey population, while median statistics show practices at a typical private company.

5b. Individual incentives:

Yes	36%
No	64%

(N = 230)

If yes, please indicate which of the following positions received individual incentives in 2006.

	Mean	Median	N
CEO	61%	100%	59
Other Executives/Officers	62%	98%	61
Managers/Supervisors	49%	35%	67
Exempt Salaried	37%	15%	62
Nonexempt Salaried	29%	3%	42
Nonexempt Hourly Nonunion	18%	0%	44

Note: Mean statistics highlight overall prevalence in the survey population, while median statistics show practices at a typical private company.

5c. Profit-sharing:

Yes	24%
No	76%

(N = 233)

If yes, please indicate which of the following positions received profit sharing in 2006.

	Mean	Median	N
CEO	53%	100%	47
Other Executives/Officers	56%	100%	50
Managers/Supervisors	57%	95%	52
Exempt Salaried	60%	97%	54
Nonexempt Salaried	53%	94%	41
Nonexempt Hourly Nonunion	60%	95%	50

Note: Mean statistics highlight overall prevalence in the survey population, while median statistics show practices at a typical private company.

5d. Team/unit/small group incentives

Yes	17%
No	83%

(N = 233)

If yes, please indicate which of the following positions received team/unit/small group incentives in 2006.

	Mean	Median	N
CEO	12%	0%	17
Other Executives/Officers	17%	0%	20
Managers/Supervisors	15%	1%	26
Exempt Salaried	21%	3%	26
Nonexempt Salaried	10%	3%	19
Nonexempt Hourly Nonunion	30%	10%	25

Note: Mean statistics highlight overall prevalence in the survey population, while median statistics show practices at a typical private company.

Section 2 - Bonus Plan

6. Do you currently have a bonus plan in place?

Yes	91%
No	9%

(N = 238)

Responses to questions in the remainder of this section apply only to companies with a bonus plan in place.

7. What are the primary objectives of your bonus plan (Check up to three.) (N = 219)

Reward employees	65%
Focus employees on specific goals	53%
Align employees' incentives with short-term goals	52%
Share the organization's financial success with employees	51%
Retain employees	39%
Be competitive with other employers	36%
Recruit qualified employees	11%
Provide special recognition	8%
Other	1%

8. How often are bonuses paid? (N = 222)

Annually	77%
Twice a Year	8%
Quarterly	7%
Other	9%

9. Does your bonus plan specify a maximum cash payment (i.e., a cap) to individuals in the plan? (N = 221)

Yes	47%
No	53%

10. Does your organization's bonus program specify target and maximum awards for participants?

	Yes	No	N
Target	74%	26%	214
Maximum	52%	48%	208

If yes, what are the average target and maximum awards participants are eligible to receive under the bonus program as a percent of salary?

	Target % of Salary		Maximum % of Salary	
	Mean	Median	Mean	Median
CEO	63%	50%	103%	100%
Other Executives/Officers	40%	35%	66%	58%
Managers/Supervisors	20%	15%	34%	22%
Exempt Salaried	11%	10%	22%	14%
Nonexempt Salaried	6%	5%	13%	8%
Nonexempt Hourly Nonunion	6%	4%	11%	6%

11. Which performance measures are used in your bonus program? (Check all that apply.)
(N = 218)

Annual sales/revenue	49%
Individual goals	49%
Operating income	44%
Net income and earnings per share	34%
Service/quality measures	25%
Customer satisfaction	24%
Return measure	15%
Economic profit or similar measure	6%
Other	23%

12. What basis does your organization use to set performance targets? (Check all that apply.)
(N = 195)

Budget	61%
Improvement over prior year	42%
Formula	21%
Fixed standard	14%
Relative to peers	13%
Other	11%

13. What is the linkage for your bonus program by position?

Bonuses for individuals in the employee category are based on:
(N = 194)

	Corporate Performance	Division/ Team Performance	Individual Performance
CEO	97%	15%	40%
Other Executives/Officers	88%	48%	57%
Managers/Supervisors	76%	55%	66%
Exempt Salaried	72%	38%	67%
Nonexempt Salaried	73%	33%	64%
Nonexempt Hourly Nonunion	68%	31%	52%

14. How much does supervisor discretion or subjectivity play a role in your bonus program? (N = 219)

Significantly	17%
Somewhat	35%
To a Lesser Degree	22%
Not at All	26%

15. How is your bonus plan funded? (N = 217)

A bonus pool is established at the corporate level, with the funding and size of the pool dependent on the achievement of financial and/or strategic goals.	57%
Bonus funding is based on the sum of each individual's target or expected bonus.	21%
Bonus pools are established at the divisional, unit and/or group level, with the funding and size of the pools based on the achievement of financial and/or strategic goals.	11%
Other	5%

Section 3 - Long-term Incentives

16. Does your organization currently have an LTI plan in place?

	Yes	No	N *
All	35%	65%	284
LLC	29%	71%	63
S Corp.	15%	85%	47
C Corp.	45%	55%	89
Subsidiary	44%	56%	9
Partnership	0%	100%	7
Other	31%	69%	26

** Data cut responses do not sum to 284 because some respondents did not report a company type*

Responses to questions in the remainder of this section apply only to companies with a long-term incentive program in place.

17. What are the primary objectives of your LTI plan(s)? (Select up to three.) (N = 100)

Retain employees	65%
Align employees' incentives with long-term goals	55%
To be competitive with other employers	47%
Focus employees on specific long-term goals	32%
Share the organization's financial success with employees	32%
Reward employees	31%
Provide participants with a wealth-accumulation opportunity	29%
Promote employee ownership	24%
Recruit qualified employees	20%
Provide special recognition	6%

18. How many LTI programs do you currently have in place? (N = 98)

1	73%
2	14%
3+	12%

19. Is your organization planning to add an LTI plan or modify an LTI plan in 2007? (N = 110)

Yes	20%
No	80%

20. What is the size of the total equity pool that is set aside for current and future employee grants? (N = 71)

More than 25%	10%
20% to 24.99%	10%
15% to 19.99%	11%
10% to 14.99%	14%
5% to 9.99%	20%
Less than 5% *	35%

** Some respondents in this category likely do not have an equity pool*

21. What percentage of the organization's real equity is owned (include stock options, restricted stock and shares held) by the following groups: (N = 58)

	Mean	Median	Owner/ Founder
CEO	21.4%	5.0%	57%
Other executives/officers	8.8%	3.0%	
All employees (including CEO and other executives/officers)	24.0%	10.0%	

Section 4 - Stock Options

22. Does your organization have a stock option plan?

	Yes	No	N *
All	34%	66%	120
LLC	29%	71%	24
S Corp.	30%	70%	10
C Corp.	46%	54%	46
Subsidiary	*insufficient data*		4
Other	10%	90%	10

** Data cut responses do not sum to 120 because some respondents did not report a company type*

Responses to questions in the remainder of this section apply only to companies with a stock option plan in place.

23. For 2006, please indicate the percentage of employees who received a stock option grant.

	Mean	Median	N
CEO	54.5%	100.0%	33
Other Executives/Officers	58.0%	80.0%	33
Managers/Supervisors	33.0%	5.0%	31
Exempt Salaried	19.0%	0.0%	25
Nonexempt Salaried	12.8%	0.0%	18
Nonexempt Hourly Nonunion	15.0%	0.0%	22

Note: Mean statistics highlight overall prevalence in the survey population, while median statistics show practices at a typical private company.

24. What is the term of your stock options? (N = 43)

10 years or longer	70%
8 years	2%
7 years	5%
5 years	14%
Fewer than 5 years	9%

Note: No respondents reported 6- or 9-year terms

25. What is the timeframe for vesting for your organization's stock options? (N = 45)

At grant	2%
One year	4%
Three years	20%
Four years	33%
Five or more years	27%
Not applicable	13%

Note: No respondents reported two-year vesting

26. What is the vesting schedule for your organization's stock options? (N = 45)

Installment vesting	78%
Cliff vesting	13%
Not applicable	9%

27. Has your organization granted stock options with a performance feature? (N = 46)

Yes	17%
No	83%

28. What is the exercise price at which your organization grants stock options? (N = 42)

Fair Market Value (FMV)	69%
Higher than FMV	5%
Lower than FMV	2%
Formula	10%
Other	14%

29. What is the frequency of stock option awards?

	Every Year	At Hire/ Promo.	Special 1X Grant	Other	N
CEO	63%	28%	19%	16%	32
Other Executives/Officers	65%	32%	16%	11%	37
Managers/Supervisors	50%	36%	18%	18%	28
Exempt Salaried	47%	53%	11%	21%	19
Nonexempt Salaried	*Insufficient data*				5
Nonexempt Hourly Nonunion	*Insufficient data*				8

Note: No respondents reported awards every two or three years

30. What valuation method do you use to determine the value of the equity underlying stock option grants? (N = 33)

Outside appraisal	61%
Formula	30%
Discretion of the Board	3%
Other	6%

31. If you use a formula to determine the value of your equity, what factors influence the formula price of the stock. (Check all that apply.) (N = 15)

Book value per share	40%
Multiple of earnings	27%
Earnings per share (EPS)	20%
Multiple of book value	7%
Other	40%

32. How does your organization provide liquidity for stock option grants? (Check all that apply.)

	(N = 28)
Periodic sessions when employees can exercise options and/or sell the underlying equity	32%
Upon a value-realizing event, such as a sale of the company or an initial public offering	50%
If an employee terminates employment and conditions in the stock option plan are met	50%

Section 5 - Restricted Stock

33. Does your organization have a restricted stock plan in place?

	Yes	No	N *
All	14%	86%	113
LLC	9%	91%	23
S Corp.	10%	90%	10
C Corp.	18%	82%	44
Subsidiary	*insufficient data*		4
Other	10%	90%	10

** Data cut responses do not sum to 113 because some respondents did not report a company type*

Responses to questions in the remainder of this section apply only to companies with a restricted stock plan in place.

34. For 2006, please indicate the percentage of employees who received a restricted stock grant.

	Mean	Median	N
CEO	62%	100%	13
Other Executives/Officers	65%	100%	14
Managers/Supervisors	24%	10%	10
Exempt Salaried	*insufficient data*		
Nonexempt Salaried	*insufficient data*		
Nonexempt Hourly Nonunion	*insufficient data*		

Note: Mean statistics highlight overall prevalence in the survey population, while median statistics show practices at a typical private company.

35. What is the timeframe for vesting for your organization's restricted stock grants? (N = 18)

Three years	44%
Four years	28%
Five or more years	6%
Not applicable	22%

Note: No respondents reported one- or two-year vesting, or vesting at grant

36. What is the vesting schedule for your organization's restricted stock grants? (N = 18)

Installment vesting	56%
Cliff vesting	22%
Not applicable	22%

37. Has your organization granted restricted stock with a performance feature? (N = 19)

Yes	42%
No	58%

38. What is the frequency of restricted stock awards?

	Every Year	At Hire/ Promo	Special 1X Grant	Other	N
CEO	50%	21%	29%	14%	14
Other Executives/Officers	47%	20%	27%	20%	15
Managers/Supervisors	27%	27%	45%	18%	11
Exempt Salaried	*Insufficient data*				7
Nonexempt Salaried	*Insufficient data*				2
Nonexempt Hourly Nonunion	*Insufficient data*				1

Note: No respondents reported awards every two or three years

39. What valuation methodology do you use to determine the value of the real equity underlying restricted stock grants?

(N = 15)

Outside Appraisal	80%
Formula	13%
Discretion of the Board	7%

40. If you use a formula to determine the value of your equity, what factors influence the formula price of the stock. (Check all that apply.)

The number of responses was too small to report data for this question.

41. How does your organization provide liquidity for restricted stock grants? (Check all that apply.)

(N = 12)

Periodic sessions when employees can sell their equity	42%
Upon a value-realizing event, such as a sale of the company or an initial public offering	50%
If an employee terminates employment and conditions in the restricted stock plan are met	25%

Section 6 - Phantom Stock/Stock Appreciation Rights

42. Does your organization have a phantom stock and/or stock appreciation rights (SARs) plan in place?

	Yes	No	N *
All	19%	81%	114
LLC	14%	86%	22
S Corp.	18%	82%	11
C Corp.	24%	76%	45
Subsidiary	*insufficient data*		4
Other	0%	100%	10

** Data cut responses do not sum to 114 because some respondents did not report a company type*

Responses to questions in the remainder of this section apply only to companies with a phantom stock/SAR plan in place.

43. For 2006, please indicate the percentage of employees who received a phantom stock/SARs grant.

	Mean	Median	N
CEO	53%	100%	16
Other Executives/Officers	56%	90%	17
Managers/Supervisors	23%	0%	16
Exempt Salaried	13%	0%	12
Nonexempt Salaried	*insufficient data*		5
Nonexempt Hourly Nonunion	*insufficient data*		8

Note: Mean statistics highlight overall prevalence in the survey population, while median statistics show practices at a typical private company.

44. What type of phantom stock is granted under your plan? (N = 20)

Stock appreciation rights	70%
Full-value phantom stock	10%
Both types awarded	20%

45. What is the time frame for vesting for your organization's phantom stock/SARs? (N = 24)

At grant	4%
Three years	29%
Four years	17%
Five or more years	33%
Not applicable	17%

Note: No respondents reported one- or two-year vesting

46. What is the vesting schedule for your organization's phantom stock/SARs? (N = 23)

Installment vesting	43%
Cliff vesting	39%
Not applicable	17%

47. If you issue SARs, what is the base price at which your organization grants the SARs? (N = 17)

Fair Market Value (FMV)	59%
Formula	24%
Other	18%

Note: No respondents reported issuing SARs at higher than or lower than FMV

48. What is the frequency of phantom stock/SAR awards?

	Every Year	Every 3 Years	Special 1X Grant	Other	N
CEO	64%	7%	7%	21%	14
Other Executives/Officers	65%	12%	6%	18%	17
Managers/Supervisors	*Insufficient data*				9
Exempt Salaried	*Insufficient data*				5
Nonexempt Salaried	*Insufficient data*				1
Nonexempt Hourly Nonunion	*Insufficient data*				2

Note: No respondents reported issuing phantom stock/SARs every two years, or at hiring or promotion

49. What valuation methodology do you use to determine the value of the phantom stock and SAR grants?

(N = 19)

Outside appraisal to determine real equity value	53%
Formula	32%
Discretion of the Board	11%
Other	5%

50. If you use a formula to determine the value of your phantom equity and SARs, what factors influence the formula price of the phantom equity?

The number of responses was too small to report data for this question.

51. How does your organization pay out the value of phantom stock and/or SARs? (N = 20)

Cash	75%
Cash and/or shares are paid into a deferral account	20%
Combination of cash and equity	5%

Note: No respondents reported paying out the value of phantom stock/SARs in equity.

Section 7 - Performance Awards

52. Does your organization have a long-term performance award program in place?

	Yes	No	N *
All	33%	67%	114
LLC	29%	71%	24
S Corp.	36%	64%	11
C Corp.	34%	66%	44
Subsidiary	*insufficient data*		3
Other	40%	60%	10

** Data cut responses do not sum to 114 because some respondents did not report a company type*

Responses to questions in the remainder of this section apply only to companies with a performance award plan in place.

53. For 2006, please indicate the percentage of employees who received performance awards.

	Mean	Median	N
CEO	72%	100%	30
Other Executives/Officers	69%	100%	35
Managers/Supervisors	23%	5%	25
Exempt Salaried	7%	0%	20
Nonexempt Salaried	8%	0%	15
Nonexempt Hourly Nonunion	6%	0%	16

Note: Mean statistics highlight overall prevalence in the survey population, while median statistics show practices at a typical private company.

54. What types of performance awards are granted? (Check one or both.) (N = 41)

Performance shares/units	29%
Performance cash	78%

55. What are the performance measures used to determine the number of shares or units, or the amount of cash earned? (Check all that apply.) (N = 38)

Annual sales/revenue	34%
Operating income	32%
Net income/earnings per share	29%
Return measure	21%
Economic profit or similar measure	8%
Stock price	5%
Other	39%

56. What basis does your organization use to set performance targets for performance awards? (N = 40)

Budget	48%
Relative to peers	28%
Improvement over the prior year	23%
Formula	18%
Fixed standard	15%
Other	18%

57. What is the linkage for long-term performance awards by position?

Long-term performance awards for individuals in the employee category are based on:
(N = 39)

	Corporate Performance	Division/Team Performance	Individual Performance
CEO	93%	10%	24%
Other Executives/Officers	82%	31%	28%
Managers/Supervisors	71%	43%	50%
Exempt Salaried			
Nonexempt Salaried			
Nonexempt Hourly Nonunion		*Insufficient data*	

58. What is the performance period for your organization's performance awards? (N=42)

One year	24%
Two years	5%
Three years	62%
Four years	5%
Five or more years	5%

Section 8 - Deferred Compensation

59. Does your organization have a deferred compensation program in place?
(N = 118)

Yes	43%
No	57%

Responses to questions in the remainder of this section apply only to companies with deferred compensation programs in place.

60. For 2006, please indicate the percentage of employees who received deferred compensation awards.

	Mean	Median	N
CEO	62%	100%	41
Other Executives/Officers	54%	73%	42
Managers/Supervisors	25%	1%	22
Exempt Salaried	26%	0%	20
Other	25%	0%	16

Note: Mean statistics highlight overall prevalence in the survey population, while median statistics show practices at a typical private company.

61. Who contributes funds to the deferred compensation plan for the benefit of individuals in the plan? (N = 53)

Employer only	17%
Employee only	38%
Both	45%

62. Does your deferred compensation program offer an employer match for participants? (N = 52)

Yes	65%
No	35%

If yes, what is the match?

	Mean	Median	N
% of salary	13%	7%	12

63. What are the investment vehicles available under your deferred compensation plan? (N = 44)

Mutual fund	61%
Interest rate	34%
Stock market index	30%
Company stock value	9%
Other	11%

Section 9 - Demographics

64. Please select the industry that best describes your firm's primary business.

Business and Professional Services	18.1%
Manufacturing	18.1%
Financial Services and Insurance	12.2%
Retail, Wholesale and Distribution	9.1%
Health Services	7.7%
High Technology	7.0%
Hospitality, Media and Entertainment	5.2%
Construction and Real Estate	2.1%
Agriculture	1.7%
Energy	1.7%
Utilities	1.7%
Transportation	1.4%
Telecommunications	0.3%
Other	13.6%

65. How many full-time equivalent (FTE) employees does your organization have? (N = 287)

More than 5,000	11.8%
2,500 to 4,999	11.8%
1,000 to 2,499	18.1%
500 to 999	13.2%
250 to 499	11.8%
100 to 249	16.0%
Less than 100	17.1%

66. What is your organization's annual revenue for 2006? (N = 277)

More than $5 billion	4.7%
$2.5 billion to $4.9 billion	4.3%
$1 billion to $2.49 billion	12.3%
$500 million to $999 million	13.0%
$250 million to $499 million	16.6%
$100 million to $249 million	11.9%
Less than $100 million	37.2%

67. What is your organization's corporate status? (N = 248)

L.L.C.	26.2%
S Corp.	20.2%
C Corp.	36.7%
Subsidiary	3.6%
Partnership	2.8%
Other	10.5%

68. Is your organization's CEO an owner? (N = 284)

Yes	41.2%
No	51.8%
Yes, and also a founding member of the organization	7.0%