## COMPENSATION & TOTAL REWARDS

### Compensation Fundamentals
- **Apr. 7** Providence, RI
- **Apr. 29** Salt Lake City, UT
- **Anytime** E-Learning

### Excel Skills for Compensation Professionals
- **Apr. 22-23** London, United Kingdom
- **Apr. 27-28** New York, NY

### Advanced Excel Skills for Compensation Professionals
- **Apr. 30-May 1** New York, NY

### Writing Effective Job Descriptions
- **Apr. 21** Online Blended Learning Begins

### Regulatory Environments for Compensation Programs (C1)
- **Apr. 6-7** Houston, TX
- **Apr. 20-21** Columbus, OH
- **Anytime** E-Learning

### Job Analysis, Documentation and Evaluation (C2/GR3)
- **Apr. 6-7** New York, NY
- **Apr. 9-11** Hong Kong

### Accounting and Finance for the Human Resources Professional (T2)
- **Apr. 14-15** Boston, MA
- **Anytime** E-Learning

### Quantitative Methods (T3/GR2)
- **Apr. 6-7** Houston, TX
- **Apr. 7-8** Troy, MI

### Base Pay Administration and Pay for Performance (C4/GR4)
- **Apr. 8-9** Seattle (Bellevue), WA
- **Apr. 13-15** Hong Kong
- **Apr. 23-24** Jacksonville, FL
- **Anytime** E-Learning

### Business Acumen for Compensation Professionals (C8) **NEW**
- **Required for CCP and GRP.**
- **Apr. 15-16** Honolulu, HI
- **Apr. 15-16** Minneapolis, MN
- **Apr. 20-21** Santa Ana, CA
- **Apr. 21-22** Troy, MI
- **Apr. 23-24** Richmond, VA

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Apr. 15-16 St. Louis, MO
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Apr. 13-14 Denver, CO
Apr. 15-16 Milwaukee, WI
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Total Rewards Management (T1/GR1)
Apr. 13-14 Cincinnati, OH
Apr. 14-15 Boston, MA
Apr. 15-16 West Des Moines, IA
Apr. 17-19 Shanghai, China
Apr. 22-23 Dallas, TX
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International Financial Reporting Standards for Compensation Professionals (T7) NEW!
Required for CCP Canada and GRP.
Apr. 13-15 Moscow, Russian Federation
Anytime E-Learning

International Remuneration — An Overview of Global Rewards (GR7)
Apr. 14 Online Blended Learning Begins
Apr. 16-18 Singapore
Apr. 20-22 Moscow, Russian Federation
Apr. 22-24 London, United Kingdom
Apr. 22-24 Madrid, Spain
Apr. 29-30 Chicago, IL
Anytime E-Learning

EXECUTIVE COMPENSATION

Advanced Concepts in Executive Compensation
Apr. 22-23 Troy, MI
Anytime E-Learning

Determining Pay for Executives (Competitive Market Pay)
Apr. 24 Troy, MI

Principles of Executive Rewards
Apr. 20-21 Troy, MI
Anytime E-Learning

BENEFITS

Regulatory Environments for Benefits Programs (B1)
Apr. 8-9 Phoenix (Scottsdale), AZ
Anytime E-Learning

Retirement Plans — Design Considerations and Administration (B2)
Apr. 14-15 Boston, MA
Anytime E-Learning
The Recipe for Recognition Success
Employees are falling out of love with their jobs at a much quicker pace today than they did in the past. By creating a meaningful recognition program and involving line managers, companies can successfully retain and engage valued employees.

Thinking About an HR Portal
Read These 7 Considerations First
Created effectively and managed well, an HR portal can be one of the most valuable elements of HR technology that your organization uses. Learn key considerations for making an HR portal meet specific organizational needs while empowering and engaging users.

4 Tips for Choosing Health-Plan Options
Choosing a benefits plan for your employees is a decision that cannot be approached lightly. Annual changes to plan features, participating doctors and providers, rates and co-pays as well as regulatory considerations prevent a simple annual renewal of plan choice. Therefore, HR must take a thoughtful approach that leverages data and looks beyond the premiums.

How Private Exchanges Should Integrate Well-Being
Saving Money Isn’t the Only Consideration for a Healthy, Productive Workforce
When shopping for benefits plans and providers on the private health exchange, there’s more to consider than cost to employers and employees. Extending your focus beyond health to include well-being can have a positive impact on your workforce performance.

Make Engagement Happen
To unleash innovation, companies need employees engaged in the efforts. This article explains how total rewards and HR professionals, company leaders, managers and individuals can go beyond measurement and actually make engagement happen.
Celebrating 50 years, ASHHRA is the nation’s only membership organization dedicated exclusively to meeting the needs of health care HR practitioners through educational resources, research, thought leadership, advocacy, networking and best practices for the health care HR professional.

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These are some of the adjectives used to describe the Millennial Generation. Right or wrong, and regardless of whether you believe these to be true, this generation is the fastest growing demographic in the workforce. Estimates put the group, born 1978 and later, at 80 million strong in the United States. Millennials are expected to make up 75 percent of the global workforce by 2025.

It’s too big a group for total rewards professionals to ignore, and it forces a reconsideration of conventional practices. But how do we build total rewards strategies for Millennials?

First, focus on the work. Allow these employees to contribute from Day One on the job. Millennials are used to high levels of stimulation, so job content must be diverse and challenging. Along with that comes a desire for a significant learning component and for work to be fun. There needs to be sufficient time for interpersonal contact, along with a clear understanding of how their work aligns with the company strategy. Include a sense of security.

Second, bestow freedom and autonomy. Millennials prefer collaborative work arrangements that give them the freedom to work whenever and wherever. This is where supportive work-life balance is key.

Third, provide direct, honest and continual feedback. Communicate frequently and seek input from this demographic. There’s a desire to be seen as people, not just employees, and they want to be heard because it provides validation. It’s not a matter of micromanaging, rather being available for support and guidance. Help them figure out their own strategies for work performance.

Finally, provide development opportunities. Showcase tuition and professional dues reimbursement programs as well as internal training opportunities. Provide stretch assignments to develop new competencies. Take advantage of their technological prowess by considering reverse mentoring programs in which Millennials teach senior staff about technology and social media.

Get Millennial rewards right, and the entire organization can benefit from their creativity, drive and technical prowess.

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LENGTH OF SERVICE CALCULATION IN EXCEL

Q

Anyone know the formula for “Length of Service” calculation in Excel. Most HRIS systems will now calculate the field within HRIS, so I have not had to calculate on my own in a while. Help, please? If you have calculation for age, that is helpful, too.

— Anonymous

A

You can calculate length of service using Yearfrac, but easier than that is the Datedif formula. This does not show up under the Date formulas in Excel, but it works perfectly.

Let’s say you put hire date into cell A1. In cell A2, you can either put =TODAY() to get an interactive today’s date that will change every time you open the file. Or you can type in today’s date, or you can press control and semicolon, to give you a static today’s date.

In cell A3, write the following formula =DATEDIF(A1,A2,”y”). This measures length of service in years and rounds it down. You also can use this to calculate age by putting date of birth in cell A1. It’s a great formula as it calculates age or length of service and rounds it down all in one go. And, as we all know, we always want to round down our age! But joking aside, of course, we always do round down age and mostly we round down length of service to the nearest completed year.

If you want to calculate the period difference in months, you can write the same formula but using “m” instead of “y”. If you want to measure years and months in separate columns, then write the formula with “y” in cell A3 and the same formula with “ym” in cell A4. This will put the years rounded down in cell A3, and the months in addition to the rounded down years in cell A4.

Or you can, as early posts said, use the Yearfrac formula, which is under Date formulas in Excel. This will give you the answer as a year and a fraction of a year. You can write the formula =YEARFRAC(A1,A2). You can additionally, for the last part of the formula, choose the basis on which it calculates a year or leave the last part blank to default to the 360-day option.

— Dianne Auld, CCP, GRP, WLCP, CSCP
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Why Do Women Earn Less?
Research Can Only Take Us So Far; It’s Time for Action

This may seem like a ridiculous question. How could a modern society pay one gender less, on average, than the other?

Yet, it happens. After nearly 35 years in compensation, this remains my most perplexing unanswered question. How could this happen? The gender pay gap, on average, remains about 20 percent, according to the U.S. Bureau of Labor Statistics.

The labor force believes in pay for performance, pay for talent, pay for potential, pay for contribution and pay for leadership. We expect individuals to be paid based on their talents, contributions and potential. We expect differences in pay based on merit. However, we do not expect unexplained biases in levels of compensation, particularly across gender and ethnic lines.

Much has been written, particularly in academia, to explain why the gender gap exists. But for practical purposes, let’s look at the technical aspects of pay increases, irrespective of gender. Pay can increase one of four ways:

1. Starting salary at the point of hire
2. Merit/annual increase administered across the company
3. Promotion/job change
4. Administrative action outside the normal cycle.

It is possible, and likely, that pay inequity creeps into each of these four areas of pay change.

First, let’s examine starting salaries. As we know, all recruiting takes place with an idea of a starting salary we expect to pay the new hire. Job seekers at entry level, or near entry level, have relatively little bargaining power as each brings potential, but little experience. These employees tend to be hired at the expected starting salary. However, move to middle or higher levels of jobs, and candidates bring both potential and past experience, as well as salary

Michael Davis, CCP
Adjunct Professor,
University of Minnesota
WorldatWork Volunteer
Former WorldatWork Board Chair and Member
history. Depending on the candidate and the job, it can become quite a negotiation. We all have been part of shaping a compensation package to fit the candidate, and unexpected differences do come into the picture.

Second, merit/annual increases are done differently from company to company, and are more structured at large companies than in medium-to-small companies. In a large company, this pay change cycle has corporate oversight, so pay actions outside the norm will likely draw scrutiny from the senior level. However, most employers are smaller, with few or no HR staff members. Merit annual increase cycles may not even exist. Pay raises may happen ad hoc, with little to no systematic application.

Third, promotions and job changes generally include a pay increase. Even at the most sophisticated companies with guidelines and structure, this can be an area of significant variation. In larger companies with structured career paths, promotional increases tend to follow a historical and defined pattern. However, a job change outside a career ladder is wide open for pay changes that vary from employee to employee. In an unstructured setting, each job/promotion change is dealt with individually, with moderating influence from past practice. These pay changes can be highly variable.

Finally, administrative action is the category for “all other” pay changes. These are changes in compensation that are outside the initial job offer, annual pay increase, and job change/promotion. All compensation professionals have experience in this area. Guidelines are few with little to no transparency. These are individual pay actions, often because of personal circumstance. And this is an area where most managers prefer privacy. However, there is room to maneuver for any needed pay change, large or small. This is the Wild West of compensation; anything can happen.

So, back to gender pay differences: All four of these pay action categories should be gender blind. All will generate differences in pay, but none should favor anyone but the most able. Yet gender pay differences, on average, continue to emerge. According to the U.S. Census Bureau, gender pay differences exist in every state. Every state! And women trail men in pay in every major tracked industry, according to the U.S. Bureau of Labor Statistics.

Many of my colleagues say that differences in pay happen in each of the four areas: at the point of hire, at the annual increase, at the time of promotion/job change, or in an ad-hoc action. And this is likely true. Of course, variations in each area are appropriate when needed. And compensation professionals add value in these discussions because each decision requires judgment and experience. It is our job to make sure that the cumulative nature of these decisions makes sense. Or, when we make exceptions, that they are well-thought-out and understood.

Still, the aggregate pay actions in these four areas appear to produce, on average, biased gender pay outcomes. It would be great if the bias tilted toward high performers, or those with the greatest potential. However, most studies show that the bias favors the majority to the detriment of others. This must stop.

As with any change process, the first step is recognition of the problem. I think you’ll agree that we have a problem. What needs to follow is a willingness to talk about it and, hopefully, a desire to change.

It is a shame that the voice of gender pay inequality comes from academia and the government. While well intended and correct, according to the data, these groups of people don’t have hands-on experience. Compensation professionals do. Nobody is better able to speak to the issue than those of us who know the most about it.

It pains me to hear critics explain away the pay gap because of maternity leaves, hours worked or an overarching desire for family flexibility. Even worse is the reasoning that men are better at negotiating pay and job-level changes. I can tell you that none of this rings true. I have never met anyone, irrespective of gender, who asks to be paid less. Every employee wants a fair shot at making a meaningful contribution at work, and being rewarded appropriately.

It would be great if 2015 is the year that the compensation profession found a voice on gender pay discrimination. I would be happy to join any or all of you on this journey. The research proves our point, but our expertise and experience are needed to make a difference.
Washington, D.C. isn’t just the birthplace of laws. It also is a city that produces regulations — many of which affect total rewards professionals and their jobs.

Every year, the federal government releases thousands of pages of new regulations. In November 2014, the federal government released its list of pending or expected rules for 2015. The Unified Agenda of Federal Regulatory and Deregulatory Actions reported on the status of 3,415 rules currently in the regulatory pipeline. This number is up from 2013’s 3,305 rules, but down from the 4,062 reported in 2012.

It’s still a lot of regulations for this year, but the Obama Administration has less than two years to implement its regulatory agenda before leaving office in January 2017. WorldatWork is closely following specific regulations that could affect the total rewards industry. The association submits an official industry response to many regulations and partners with other Washington associations to submit joint comments when interests are aligned. These comment letters are posted on the WorldatWork website on the “Resource Center/Public Policy” page.

The top proposed regulations likely to affect total rewards professionals, along with an update on each one, follows here.

**Compensation**

**Overtime Exemption**

The U.S. Department of Labor (DOL) is writing new rules to make overtime compensation available to a wider range of currently exempt employees. The rule could increase
the minimum eligibility for overtime exemptions for employees who make between $550 and $970 per week. The notice of proposed rulemaking (NPRM) was expected in February with a final rule issued later this summer. At the time of this printing, the NPRM had not been released.

Compensation Data Collection
The DOL’s Office of Federal Contract Compliance Programs (OFCCP) is working on regulations governing data collected from federal contractors. These include the equal pay report and the prohibition of retaliation by federal contractors against employees who discuss their pay and/or salary. A final rule is expected in August.

Minimum Wage for Federal Contractors
In January, the minimum wage for federal contractors and subcontractors increased to $10.10 an hour. This final rule on this regulation was issued by the DOL on Dec. 8, 2014.

Executive Compensation

Pay Ratio
The U.S. Securities and Exchange Commission (SEC) is considering rules to enforce a section of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 that requires publicly traded companies to disclose the ratio between the CEO’s total compensation and the median employee’s total compensation. A final rule is expected in October.

Pay-for-performance rules are being issued to implement the Dodd-Frank act to more clearly demonstrate to shareholders the relationship between an organization’s executive compensation and its financial performance.

Clawback
These SEC rules, also derived from Dodd-Frank requirements, will spell out how companies can recover incentive-based compensation from executive officers whose organizations issue accounting restatements. The NPRM is expected in October.

Pay for Performance
These SEC rules are being issued to implement the Dodd-Frank act to more clearly demonstrate to shareholders the relationship between an organization’s executive compensation and its financial performance. Regulations may further define “pay” and “performance,” and the time periods of measurement. The NPRM is expected in October.

Hedging
The SEC also is issuing regulations for companies to disclose whether employees and directors are permitted to hedge the market value of securities granted as compensation. SEC regulations require disclosure regarding hedging economic risk of owning company securities, but the agency has not yet formally proposed additional hedging regulations required under Dodd-Frank. The NPRM is expected in October.

Benefits

Conflict-of-Interest Rule for Investment Advice
This new rulemaking will be the DOL’s second attempt to propose broadening the definition of “fiduciary” in the Employee Retirement Income Security Act of 1974 (ERISA) to reduce conflicts of interest for those charging a fee to advise organizations on investments related to their benefits plans and retirement accounts. First proposed in 2010, the department was expected to re-release its NPRM in January. At the time of this printing, nothing had been released.

How Regulations Are Created
Governed by the Administrative Procedure Act of 1946, “rulemaking” is the formal process of regulation creation. Once an agency decides that regulatory action is necessary, it typically develops and publishes a proposed rule, or Notice of Proposed Rulemaking (NPRM) in the Federal Register. Comments on the proposal are then solicited from the public. After the agency considers this public feedback and makes changes where it deems appropriate, a final rule is published in the Federal Register, with a specific date upon which the rule becomes effective and enforceable.
The WorldatWork public policy team represents WorldatWork’s members before lawmakers, federal agencies and other policy institutions through strategic lobbying and advocacy and targeted outreach and communications. Through legislative and regulatory analysis, we keep the total rewards profession informed on the myriad public policy issues that could affect them. We assess, analyze and advocate for you.
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Compensation benchmarking. For many executive compensation and rewards professionals, benchmarking can be the stuff of which nightmares are made. But it’s here to stay, so make sure you understand the ins and outs of benchmarking sooner rather than later.

What Is Benchmarking?
Compensation benchmarking is used by compensation committees to determine whether gaps exist between the company’s desired compensation policy and its current compensation levels. It’s the method of
companies typically screen for a peer group based on company size (revenues) and GICS matches. For firms with many different lines of business, GICS matches can be erroneous and the peer group may need to be expanded to other industries. Public companies have a brief opportunity to update the composition of their most recently disclosed proxy peer groups to ISS and Equilar (which provides data to advisory firm Glass Lewis). While ISS and Equilar evaluate a company’s executive pay

### FIGURE 1
**PEER GROUPS DEVELOPED FOR REITS WITH < $500 MILLION IN REVENUES.**

<table>
<thead>
<tr>
<th>Company Name</th>
<th># of Full-Time Employees</th>
<th>Total Revenues ($Millions)</th>
<th>Fiscal Year-End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alexander &amp; Baldwin</td>
<td>946</td>
<td>$297</td>
<td>12/31/2012</td>
</tr>
<tr>
<td>American Assets Trust</td>
<td>114</td>
<td>$232</td>
<td>12/31/2012</td>
</tr>
<tr>
<td>American Campus Communities</td>
<td>2,913</td>
<td>$492</td>
<td>12/31/2012</td>
</tr>
<tr>
<td>Associated Estates Realty</td>
<td>400</td>
<td>$181</td>
<td>12/31/2012</td>
</tr>
<tr>
<td>BRE Properties</td>
<td>670</td>
<td>$393</td>
<td>12/31/2012</td>
</tr>
<tr>
<td>Campus Crest Communities</td>
<td>650</td>
<td>$138</td>
<td>12/31/2012</td>
</tr>
<tr>
<td>Colonial Properties Trust</td>
<td>911</td>
<td>$425</td>
<td>12/31/2012</td>
</tr>
<tr>
<td>Consolidated-Tomoka Land</td>
<td>13</td>
<td>$17</td>
<td>12/31/2012</td>
</tr>
<tr>
<td>Cousins Properties</td>
<td>159</td>
<td>$148</td>
<td>12/31/2012</td>
</tr>
<tr>
<td>DGT Holdings</td>
<td>94</td>
<td>$11</td>
<td>07/28/2012</td>
</tr>
<tr>
<td>Forestar Group</td>
<td>130</td>
<td>$173</td>
<td>12/31/2012</td>
</tr>
<tr>
<td>Investors Real Estate Trust</td>
<td>353</td>
<td>$259</td>
<td>04/30/2013</td>
</tr>
<tr>
<td>Kennedy-Wilson Holdings</td>
<td>340</td>
<td>$64</td>
<td>12/31/2012</td>
</tr>
<tr>
<td>Mid-America Apartment Communities</td>
<td>1,384</td>
<td>$497</td>
<td>12/31/2012</td>
</tr>
<tr>
<td>Post Properties</td>
<td>625</td>
<td>$343</td>
<td>12/31/2012</td>
</tr>
<tr>
<td>St. Joe Company</td>
<td>74</td>
<td>$139</td>
<td>12/31/2012</td>
</tr>
<tr>
<td>Stratus Properties</td>
<td>37</td>
<td>$116</td>
<td>12/31/2012</td>
</tr>
<tr>
<td>Tejon Ranch Co.</td>
<td>140</td>
<td>$47</td>
<td>12/31/2012</td>
</tr>
<tr>
<td>Thomas Properties Group</td>
<td>141</td>
<td>$82</td>
<td>12/31/2012</td>
</tr>
<tr>
<td>W.P. Carey &amp; Co.</td>
<td>216</td>
<td>$276</td>
<td>12/31/2012</td>
</tr>
</tbody>
</table>

25th Percentile: $107
Median: $177
75th Percentile: $308

Source: Main Data Group

Public Companies and Peer Group Selection

Benchmarking really begins with peer group and published survey data selection. The use of peer compensation data to evaluate executive pay plans is common practice and is supported by the Securities and Exchange Commission (SEC) and shareholder vote advisory firms Institutional Shareholder Services (ISS) and Glass Lewis & Co LLC.

Before they advise shareholders how to vote, ISS and Glass Lewis & Co. LLC develop their own peer groups. From this they look at how a company’s pay and performance compare with the peer group. If the company pay is above the peer-group median, the company’s performance should be as well. However, ISS and Glass Lewis & Co. LLC peer group methods differ. ISS relies on the Global Industry Classification Standard (GICS) of the target company and its selected peers, whereas Glass Lewis uses peers generated by Equilar through its market-based “peer of peers” methodology.
programs based on their own choice of relevant peer companies, they do give consideration to the self-selected peers the company uses for benchmarking compensation. If changes are submitted, ISS and Equilar will consider the updated company self-selected peers when assembling its own list of comparator companies for use in their next analyses.

In addition to industry peers, research has shown a strong correlation between company size and executive compensation levels. In the *Quarterly Journal of Economics*, authors Gabaix and Landier confirm that firm size is correlated with CEO pay. The peers from the industry are sorted to include those that are within a reasonable range, usually 0.5x to 2x. Ideally, a peer group of 15 to 20 companies would be used, to avoid any statistical bias. Larger peer groups also give a better chance of getting data on positions that are not always listed, such as chief operating officer or general counsel. While revenues are a good size metric for industrial firms, assets are better for financial firms and market capitalization for startups. If the company dominates an industry where market share is concentrated, like Boeing, then it will need to look beyond its industry and compare with other dominate industry leaders.

<table>
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<th>Officer Name</th>
<th>SCT Titles</th>
<th>Salary ($)</th>
<th>Bonus ($)</th>
<th>Stock Awards ($)</th>
<th>Option Awards ($)</th>
<th>NEIP ($)</th>
<th>Total Direct Compensation ($)</th>
<th>Total Compensation Including Benefits and Perquisites ($)</th>
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</table>

25th Percentile: 126 $107,000, $450,000, $46,955, $0, $0, $1,340,738, $1,505,202
Median: 278 $177,000, $500,000, $594,987, $0, $329,200, $1,764,681, $2,067,911
75th Percentile: 655 $308,000, $576,650, $305,000, $2,043,577, $35,032, $762,500, $3,537,189, $3,701,057
Figure 1 shows a peer group developed using GICS codes for real estate investment trusts (REITs) with less than $500 million in revenues.

Peer-Group Data Evaluation and Analysis

Review all elements of total direct compensation together and each component of pay (base salary, annual incentives and long-term incentives) separately. Review market data for the 25th, 50th and 75th percentiles to show a market range. (It’s common practice to consider the 25th percentile the low end of the competitive range and the 75th percentile the high end.)

Do the matches compare with the company’s scope of responsibility? Were any premiums or discounts applied? If so, what was the rationale? Are market values based on targeted pay opportunity or realized compensation? If based on realized compensation, what underlying performance led to those results? Using realized incentive pay to set the target opportunity is not good practice. Additional proxy or survey analysis may be needed to determine how peer-group bonus opportunities compare with your company.

Private Company Benchmarking

Much has been discussed about the compensation of Fortune 500 CEOs. However, far less is known about executive pay packages at private companies because they are not required to report executive compensation information. Lack of private company proxy statement data complicates benchmarking for private companies, especially those that compete with...
large corporations for top talent. Most private companies rely on published survey data from a variety of survey firms. This avoids any possible survey bias that may occur if just one survey is used. It is common practice to use multiple published survey sources to benchmark each job. The survey data are adjusted for company size and industry. With published surveys, the critical step is matching the company’s jobs to the survey jobs. Regression analysis can be used to predict pay levels for companies with the same revenues. Figure 2 provides a sample of an executive benchmarking sheet which uses multiple survey sources.

While long-term incentives are the dominant pay element for public companies, private companies provide a smaller amount of long-term incentives. See Figure 3, which compares...
the typical CEO pay mix for public and private companies. The public company’s emphasis on long-term incentives is due in part to the stock market’s ability "to pay" for the long-term incentive. Private companies eventually have to pay executives cash for their long-term incentive gains.

Many private companies adjust public company long-term incentive grant levels to develop their own grant guidelines. The adjustment is typically 40 percent to 60 percent of the public company grant levels. Economic models of projected payouts and cost ultimately determine the size of private company long-term incentive grants. For long-term incentive benchmarking, dilution is a major public company factor, while cash expense is the major factor for private companies. Thus if a public company would provide a senior executive 100 percent of his/her salary in a stock grant, a private company would only provide 40 percent to 60 percent. In part, the adjustment guideline is derived from plan prevalence data. Approximately 60 percent of private companies offer long-term incentives and 90 percent of public companies, according to WorldatWork and Vivent Consulting.

Nonprofit Executive Compensation Benchmarking

Executive compensation benchmarking is also important at nonprofit organizations. The IRS can fine non-profit companies that provide excessive compensation. To avoid this pitfall, make sure the organization’s executive compensation does not exceed that of its peer group. Non-profits are required to file a Form 990 with the IRS.

FIGURE 4

COMPARISON OF CURRENT SALARY TO 990 AND SURVEY DATA
that lists the compensation and benefits received by the top five executives. A peer group can be developed based on organization size and the 990s of these companies can be analyzed.

Figure 4 compares the current salary of a nonprofit CEO to nonprofit published survey data and Form 990 peer-group data. The two survey groups are adjusted to have the same size operating budget. The CEO is paid competitively but is below the 75th percentile, and not excessive. This same analysis would be done on a total compensation basis that would include the value of benefits. Many nonprofit executives have nonqualified or supplemental retirement plans that can provide a significant compensation benefit, which need to be part of the market analysis.

**Conclusion**

Benchmarking must be the foundation of any executive compensation program. Are peer groups perfect? No. Each company is different and has its own business model. After all, you must offer something different than your competitors. But compensation committees need to understand what is fair and reasonable. So benchmarking and peer groups are here to stay.

However, no peer group or benchmarking methodology should replace the judgment of the compensation committee, who is in a solid position to determine a fair level of compensation. Of course they should use benchmarking as a guide, but make adjustments as necessary.

Mark Reilly is principal and head of the executive compensation practice at Verisight. He can be reached at mark.reilly@verisightgroup.com.

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Give Kudos Early On

Go Beyond Tangible Rewards

Involve Senior Leaders and Train Managers

Recognition Must Be Meaningful
Did you know that 21 percent of full-time workers wanted to change jobs in 2014? That’s the largest percentage since 2008; it’s up from 17 percent in 2013, according to a survey from CareerBuilder.com and Harris Interactive. This has resulted in employees being more likely to look for other career opportunities. How can your company retain and engage employees for the long term? To go beyond simply mitigating turnover all the way to increasing efficiency and company loyalty, employers need to take a closer look at their recognition strategy.

Current Use of Recognition Falls Short
Formal employee recognition — beyond the traditional gifts and points doled out for showing up to work day in and day out — is a leading driver of employee engagement. Employers who show appreciation for employees through a balanced mix of tangible and intangible rewards and demonstrate a genuine respect for an employee’s work go a long way toward developing a strong bond. In fact, according to a survey conducted by Bersin & Associates, “The State of Employee Recognition in 2012,” organizations with recognition programs that enable employee

By Cord Himelstein, Michael C. Fina
engagement had lower voluntary turnover than organizations with ineffective recognition programs.

Unfortunately, the majority of organizations — 91 percent, according to research firm Accelir — use reward and recognition programs simply to honor employees for tenure and only 12 percent include an early recognition element during the first five years of employment. However, 67 percent of those respondents reported that employees should be recognized for their first year of service at a company, so it's clear that there is a perceived importance in recognizing employees early. So what does a successful recognition and engagement plan look like?

The Ingredients for a Successful Recognition Program

Four critical steps will encourage new employees become engaged and productive from the get-go, which helps ensure they'll stick around for a long time.

1. Give Kudos Early On

Providing a form of meaningful service recognition early, at the one-year or three-year mark, perhaps acclimates employees to the recognition culture quickly. The early show of appreciation demonstrates to the employee that the organization is committed to his/her professional growth and overall well-being. This is an especially important motivator for Millennials.

For one top building products company, early recognition has been a hallmark of its employee engagement strategy. The company begins recognizing employees on their one-year anniversary, followed by their three-year and five-year milestones, and then every five years. With a relationship-oriented corporate culture, the three-year mark can be a critical turning point in employees’ careers. Offering certificates in addition to a choice of gift helps promote a sense of camaraderie within the company, as well as long-term loyalty and long-lasting relationships, according to company leaders.

2. Go Beyond Tangible Rewards

For employees, positive verbal or written words of appreciation for reaching a goal or service anniversary often resonate the most. Tangible rewards are helpful but employees also need to know that their work is respected through regular formal and informal verbal feedback. This type of communication can easily be added to an overall program without raising the scope of the program’s budget.

An achievement-based system, where managers can instantly nominate all employees, including new hires, for rewards in order to bolster early accomplishments can be helpful for encouraging employees to continue meeting corporate goals and objectives.

When employees feel a deep employee-to-employer connection, they are more likely to be productive, happy on the job and stay with the organization long-term. This type of culture is optimal for the growth of an organization and meeting overall business objectives.
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Involve Senior Leaders and Train Managers

Recognition programs are most successful at organizations that have senior leaders who believe in the initiatives and the recognition culture, and who are willing to step in and be a mouthpiece for communicating the importance of the program. When senior leaders act to recognize early and often, other managers and personnel are likely to do the same, fostering the program’s overall objectives and creating a trickle-down effect throughout the organization.

Managers also need to be on board with the recognition program and invested in the early recognition philosophy. A big misconception in recognition is that managers are automatically qualified to give recognition by virtue of being managers, but this isn’t always the case. The American Society for Training and Development reports that 28 percent of managers say they feel unprepared for their roles, and 58 percent report not receiving any training at all.

When employees are promoted to a managerial level, they should receive training and instruction on how to communicate and engage with employees. This includes a proper introduction to existing recognition program initiatives. Throughout the course of the program, managers should understand how to offer ongoing verbal feedback and praise. Short emails to welcome new hires are especially important, as well as status check ups, which are valuable for engaging on a meaningful and personal level from Day One.

Recognition Must Be Meaningful

In the end, recognition is effective when it’s meaningful, engages employees on a personal level and ties back to an employer’s core values and culture. In today’s competitive talent market, companies must take a closer look at how early recognition can further boost employee engagement and nurture relationships in order to retain employees. A deep level of personalization should be taken into account when designing and implementing recognition programs so initiatives are successful in building long-lasting connections with employees.

Conclusion

While many companies are currently falling short with their recognition efforts, your company doesn’t have to be one of them. By providing rewards early in employment, giving verbal praise in addition to tangible rewards, involving senior leaders and training managers, and making sure all recognition efforts are meaningful, your company can become a success story.

Cord Himelstein is vice president of marketing and communication for employee recognition company Michael C. Fina. He can be reached at chimelstein@mcfina.com.

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The ubiquity of HR technology in delivering HR and benefits programs continues to change the HR profession. Developed effectively, HR technology improves productivity, streamlines business processes and increases efficiency for employees and managers alike.

With the evolution of consumer-grade technologies throughout our personal lives, it should be no surprise that one of the sharpest trends in HR technology during the past 18 months has been the deployment, or in some cases redesign, of the HR employee experience through an HR portal. An HR portal can take many forms in how it helps employees and managers accomplish various tasks, but all effective HR portals share a few common, but critical, characteristics. This article explores key considerations for making the organization’s HR portal meet specific organizational needs, while empowering and engaging users along the way.

What is an HR portal? Simply put, it’s a single access point to all HR- and benefits-related content and transactional systems. Ideally, it is organized around the same look and feel, and is built on the same foundation. Importantly, it

By Jonathan Sears, Towers Watson
creates a personalized experience that presents the right information to the right audience – and if done correctly, it’s a huge boon to the HR and benefits team.

In 2014, 76 percent of organizations responding to Towers Watson’s HR Service Delivery and Technology Survey had, or planned soon to have, an HR portal for employees and managers, and 78 percent report it as being an effective way of meeting organizational objectives. Of organizations that have already implemented a portal, two-thirds (67%) reported that it met or exceeded expectations. And of all organizations responding, one in five indicated that an HR portal is the most significant area of investment for the year ahead.

An HR portal is an effective means to meet both organizational objectives and employee needs. For their part, organizations can dramatically improve their approach to managing and distributing HR and benefits content when delivering this via an HR portal. HR portals meet an important demand for immediacy and ease of publishing, whether for planned communications or emerging news. They provide the opportunity to target content by giving different user groups fresh, personalized content, as well as reducing redundant, conflicting and outdated material. They meet the need to provide content in multiple languages, as well as use multimedia vehicles such as video, chat and interactive technologies within the HR portal. Portals help HR streamline communication in organizations that operate in many locations, and reduce the number of inquiries HR otherwise might receive. This efficiency can help HR to focus on the more strategic elements of its role.

For employees, HR portals offer a solution to the perennial challenge of not being able to find the HR information they need. Today’s HR portals offer employees a personal, straightforward, relevant and trusted source of communication and information, as well as the consumer-grade user experience that they’ve come to expect in their personal, and now professional, lives. This consumer-grade experience means more sophisticated personalization, usability, features and functionality than available in past HR technologies. It comes with easy access from home, office and mobile devices, as well as the ability to leverage social tools to both create and “see” what others in the organization are doing.

7 Critical Considerations for an Effective Portal
Regardless of whether the organization is starting anew on the HR portal journey or improving an existing system, the cardinal rule of HR portal development is to start with a solid foundation and framework. This provides the road map from which all operational, governance, content and design initiatives will originate, and this will help ensure that the development team works in coordination with IT, communication and the business to deliver an excellent end result.

The author’s company recommends that organizations recognize seven key factors for HR portal success:
1. Communication
2. Collaboration
3. Access
4. Identity management
5. Personalization
6. Content governance
7. Search.

Communication
At the core, communication is the main intent of the HR portal. Some concepts around HR portal communications may be less intuitive, and therefore at first less comfortable, than a traditional top-down communications stream. But adhering to some special communications concepts will help the HR portal meet this critical objective.

First and foremost, distributed and shared authorship is vital to the success of the HR portal and the accuracy of the information. While there are examples of success using a centralized authorship model,
engaging multiple contributors to be responsible for various content streams ensures that communication is developed at the source and is presented accurately and knowledgeably to users. Along the same lines, all content needs to be targeted to a specific audience, and the onus is on the content writer to make sure the message is sensitive to, and understood by, the target audience. This means paring down lengthy communications into bite-size and consumable chunks of information, and it also requires that any content approval processes be kept to the bare minimum while ensuring that information is legally accurate.

To help with accuracy and freshness of content, information posted to the HR portal needs to have both a start date and an expiration date, where content is scheduled to automatically come up and down without daily manual intervention. When all of this resides in a single place on the HR portal, users will come to regard it as the single source for this information.

2 Collaboration
Developing content in the manner described calls for ongoing, systemic collaboration and processes that facilitate this. When driving for adoption of collaboration tools and processes, it’s important to find a solution that is easier to do than not do for all parties. Many of the HR portals that are commercially available today provide a full array of collaboration and social functionality ranging from limited collaboration (e.g., commenting on and rating of articles) to full collaboration (e.g., crowdsourcing of ideas). This is an opportunity for your organization to leverage your technology vendor and its products to advance your internal HR collaboration and social strategies, while at the same time allowing you to be prescriptive and patient with how quickly your workforce adopts these tools.

Another consideration that facilitates collaboration includes ensuring that your HR portal is more than just a document library. Collaborative areas within your HR portal should have a careful mix of security and ease of access, and the native search functionality within the HR portal should be able to index the collaboration areas while still respecting security and permissions. These steps will help ensure that collaboration is a systemic process incorporated into the foundation of the portal, and that it is respected by all contributors.

3 Access
Providing an easy, consistent manner for accessing transactional systems will drive traffic, decrease costs and improve the user experience. While ideally seamless to users, the HR portal will, behind the scenes, provide the access layer into all of the organization’s online transactional systems. This may include links to compensation, performance management, health and retirement benefits information and transactions, among many others.

In general, transactions are best left in the underlying system, though summary dashboard reports or high-volume data elements (e.g., 401(k) account balances) are ideal to be pulled out into an HR portal to eliminate the additional click into the transactional system. There is no value in rebuilding an existing application and its logic into the HR portal without a business reason; in fact, this can be detrimental. An HR portal is, among many other things, designed to make service delivery efficient. This is an opportunity to let it do its job.

4 Identity management
At the forefront of the news, and the minds of users, is security of personal information. Identity management and security definitions are key components of this, and are vital to the success of any HR portal initiative. While single sign-on, meaning that only one identity verification step is required to access information, is the end goal, working to reduce login steps is the key to getting started.

It’s helpful to deliver this objective in manageable pieces. Organizations that seek a big-bang deployment often find the results short of expectations and significantly over budget and time. One effective step is to prioritize systems based on the number of users, not necessarily the importance of the system to the business or the most vocal users.

5 Personalization
One of the most valuable elements of an HR portal is the opportunity to personalize content, which helps
to make the portal experience more engaging and meaningful to each user. This is an important way that the portal can contribute to the overall employee experience in a manner that static communications often cannot. In many companies, ensuring that content is targeted at the right audience is vital to an effective communications strategy.

What should be personalized? At a minimum, everything. It’s worth noting that personalization means tailoring the view a user has of a page based on known system attributes (e.g., office location, professional level, hire date, etc.). It is not the same as allowing user customization of a page. During the next few years, experts expect micro-segmentation to become more prevalent throughout HR portals, allowing an organization to personalize on more than known system attributes. With micro-segmentation, you’re creating profiles based on user responses to polls, user participation in HR and benefit programs, and other user behaviors that can provide insights on the users and their preferences. For those deploying personalization for the first time, it’s important not to overcommit to too many audiences, as variations of content may need to be written for all of them, and administration can be challenging if you don’t have a proven and established governance model. Focus on the seven to 10 standard audiences that you probably use today (e.g., new hires, managers, benefits-eligible employees, office location, etc.) and then add audiences as required over time.

6 Content governance
A good portal is like a garden and needs to be carefully tended, with content planted and cultivated in a logical, valuable manner over time, with a season for all. This requires ongoing and consistent management that adheres to an overarching set of norms or governance. Good governance must consider the entire content life cycle, not just its creation and loading. After all, the success of any technology is not simply how it looks and operates at launch, but how it works one year later and beyond.

Governance is important for compliance, but by far the most important consideration is the user experience. To help all contributors work within the established governance, it can be helpful to have the system automatically enforce key guidelines as content is loaded into the system, as well as provide content choices where all of the options are palatable. It’s important to keep in mind that any exceptions create a precedent for other exceptions, so let governance guidelines do their job, and make sure that contributors adhere to them.

7 Search
A final consideration in developing an HR portal is search. It may seem a small thing, but bear in mind that poor search results are the No. 1 complaint by employees regarding internal corporate systems. When a key goal of the HR portal is a good user experience, failing to pay attention to search can diminish the valuable employee experience that makes an HR portal so effective.

Let’s be honest, searching content can be difficult, and thanks to our friends at Google, Microsoft, Yahoo and many others, the model has continued to shift from a concept of search to a concept of find. Eight years ago, you would have heard that having a search that indexes 100 percent of your content on your HR portal is the ultimate measure of success. Over time, that statement has proved to be untrue. Today, success is measured by returning the right result at least 80 percent of the time. This is achieved by personalization, tailoring results to employees and a little bit of proactive cheating. It’s most important to get this right, so if that means organizing content to appear first based on what users are likely searching for, that’s a worthwhile endeavor.

Conclusion
Created effectively and managed well, an HR portal can be one of the most valuable elements of HR technology that your organization uses. In addition to providing an efficient and accurate way to give information and conduct transactions, an HR portal is a great asset to the employee experience. It has the power to communicate, inform and engage. By taking the preceding considerations into account, organizations can be better assured of a successful result.

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We are pleased to announce the recipients of the WorldatWork Alliance for Work-Life Progress 2015 Innovative Excellence Award. These organizations are forward-thinking employers that look beyond their own cultural, demographic and institutional boundaries to continually create new ways to enrich the lives of employees. Please join us in congratulating our 2015 Innovative Excellence Award recipients!

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Go beyond the cost of premiums when looking for health-plan options.
Today’s employers are able to offer a wide range of benefits plans to fit their employees’ individual needs. They either provide multiple benefits plan options through a private insurance exchange or work with an insurance broker or other benefits professional to choose a health insurance program to offer directly to employees. Choosing the right health plan can be confusing and time-consuming — both for employers and employees. Simply picking the plan with the lowest premium can prove to be a narrowly focused decision that generates dissatisfaction from workers who are surprised by out-of-pocket costs and HR staff who are unexpectedly required to dedicate more of their limited time to resolving benefits issues.
The key to selecting the right benefits option — whether as an employer choosing a single plan for all employees or providing multiple options to employees through a private exchange — is ensuring that all critical elements needed to understand the value of a plan are considered and that the premium is not the sole determinant. Making the right decision requires a complete assessment not just of each plan’s costs, but of its coverage, out-of-pocket expenses and satisfactory comparison to other plans.

1. **Costs: Don’t Be Blinded by the Premium**
   Just because a plan has a low premium does not make it the best value. All costs, including co-payments, deductibles, co-insurance, coverage for out-of-network care and additional premiums for dependent coverage (if offered) must be clearly disclosed and understood. If employees have to reach deep into their wallets each time they use their coverage, they will be less satisfied with their plan (and with you, their employer).

2. **Coverage: Understand What Is (and Isn’t) Included**
   Nothing will frustrate your employees faster than receiving a substantial bill for a service they assumed was covered. Communicate clearly to employees exactly which services are included and excluded as well as any special rules for accessing care (e.g., certain services may require pre-authorization).
   
   Your employees should consider which providers participate in the plan. This includes doctors of whom they are already patients as well as specialists whose services they or their family could likely require. Many “low-cost” plans keep premiums affordable by contracting with a limited number of doctors, thus offering a narrow provider network. It is important to consider whether a plan has enough doctors in the clinical specialties that employees use most frequently, and if the doctors practice near where employees work and live. If employees must travel significant distances for services, absenteeism could become an issue. And if they have to seek out-of-network care too often, out-of-pocket costs can add up quickly.

   Finally, even with a robust provider network, your employees may choose to visit an out-of-network doctor. Will they want a plan that reimburses for out-of-network care and if so, how much will be covered and how will the reimbursement be calculated? Make sure your employees have access to tools to help them understand potential out-of-network costs; such online cost-comparison tools can often be found through your HR department, your insurer or independent sources.

3. **Context: Compare Plan Options**
   Making sound benefits decisions is impossible in a vacuum. Luckily, a wide range of reliable data sources can help your employees choose and take advantage of their coverage. Many state-run, insurance and not-for-profit websites offer robust cost-comparison tools that provide a useful estimate of how much members may have to pay for services in their area.
   
   Contextual data can help you and your employees make smart plan choices. For instance, if you provide employee health benefits through a private insurance exchange, you can offer a choice of plans that fit employees’ individual needs. But you cannot invite them into a virtual marketplace, ask them to go shopping without the right tools and then expect that they all will make appropriate choices.
   
   Benefits advisers and insurers should offer members clear, transparent decision-support tools that provide simple, apples-to-apples comparisons of plan costs, coverage and benefits options. Some
PROVIDE EMPLOYEES WITH TOOLS THAT TRANSLATE COMPLEX HEALTH INSURANCE TERMS INTO INFORMATION THAT MEMBERS CAN USE.

insurers and advisers even provide decision aids that guide employees to appropriate plans by asking about their regular doctors or medications. Insurers can use data to help employees plan by showing them the different procedures a specific treatment might require and their related costs. For example, an insurer can create profiles that predict a typical annual course of treatment for chronic conditions such as diabetes or for the particular services related to procedures such as a knee replacement. If you cannot find an adviser who provides this type of information, consider integrating reliable, unbiased data into your company’s own educational tools.

Communication: Don’t Leave Employees in the Dark

Most consumers do not understand basic health insurance terms such as “co-payments” or “deductibles.” When choosing a single plan for all employees or offering them options on an exchange, provide them with tools that translate complex health insurance terms into information that members can use. While researching plan options, ask when and how the insurers communicate with members and review the insurers’ websites to ensure that the materials are accurate and user-friendly. Will employees have access to easy-to-read benefits summaries? Will insurers send regular emails, newsletters or other publications to plan participants? Will the online provider directory be easy to navigate and regularly updated? Clear, transparent information is key to helping employees make informed decisions up front, which saves HR staff time on the back end.

Take Time to Research and Select the Right Benefits Plan

Choosing the right benefits plan to offer to your employees, whether a single plan or multiple options, takes time, but analyzing and comparing plans are well worth the effort. By consulting in advance with insurers and advisers, evaluating plan options and costs thoroughly and offering employees useful tools to select and manage their benefits, you can ensure that employees get the most value out of the benefits plan that you work so hard to provide.

Robin Gelburd is president of FAIR Health, Inc., in New York City. She can be reached at www.fairhealth.org.

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How Private Exchanges Should Integrate
The private health insurance exchange environment has created opportunities to transform employers’ plan designs in ways that positively impact employees and their well-being while yielding likely cost savings for employers. However, many of the available multicarrier private exchange offerings are letting this opportunity pass them by for a slightly altered version of the health-plan status quo.

Health is not simply the absence of disease, but “the complete physical, mental and social well-being of an individual” according to the World Health Organization. This broader, more holistic definition of health should encourage employers to expand the dimensions addressed by their current health management programs.

By Dr. Bruce Sherman and Scott Rabin, Buck Consultants at Xerox
When benefits plans capture these aspects of well-being, employees are likely to perform better at work and be more productive. This all-encompassing approach can ultimately lead to more effective health-care cost containment as individuals are supported to become more engaged in their own health management.

One way that employers can embrace well-being for their employees is by selecting a private exchange with a well-being program that is fully integrated with other benefits services — one that yields measurable outcomes and addresses all aspects of health (physical, mental and social) and financial well-being. 

And while companies can certainly integrate well-being using other types of programs, this article focuses on the integration of well-being with private exchanges.

**Well-Being Operationalized**

Well-being programs address all areas of physical, mental, social and financial health. A hierarchy of personal needs should be addressed before individuals can more comfortably attend to their physical health. For example, significant financial stress may well be a higher priority for an individual to address than exercise. Employers can’t ignore employee financial concerns while promoting an exercise program, expecting those concerned employees to participate. That’s why the focus is not wellness, which largely implies physical health considerations, but well-being, which is a considerably broader approach.

The extent of well-being program offerings in private exchanges varies substantially as does the level of program integration within the broader exchange offering. When surveying private exchange features, it is important to appreciate that some exchanges have well-being as a core offering.

With the growing recognition that high health-care deductibles can contribute to financial stress, tactics to support financial well-being have become increasingly recognized as a source of employer value as a means to keep employees focused on their work and not distracted by personal financial concerns. Growing numbers of employers have formally incorporated financial literacy programs into their benefits offerings, but for many, such programs are siloed and don’t necessarily engage those who may have the greatest need.

**How Is Well-Being Integrated into the Exchange?**

When considering a private exchange offering, employers should assess the level of integration of all available programs within the exchange offering. Are the programs strategically integrated to minimize redundancy and ensure that a comprehensive scope of relevant well-being services are offered to the appropriate individuals? Is there operational integration, such that referrals between programs are easily and consistently facilitated? Is there comprehensive data integration, such that aggregate reporting across offerings provides greater health management insights than siloed individual program reporting? Is there a systematic approach to reporting that provides actionable insights for both the exchange vendor as well as the employer? Is the value of the provided programs quantified in a credible manner? 

Below are additional areas for employers to consider as a part of the selection process:

**Measurable outcomes:** Employers should ensure that they have a clear set of outcome measures that provide evidence of well-being success. These should include program participation and satisfaction rates as early indicators of engagement; measures of improvement in health and well-being status as intermediate indicators; and favorably trending engagement, cost and/or productivity measures as lagging indicators of program impact. Employers should ask for standard well-being reporting when evaluating exchange options to ensure that these components are included.

**Personalized elements:** Substantial evidence supports the use of personalization to foster individual engagement in health and well-being management programs. This is particularly important given that individuals have different well-being concerns and will benefit more from an offering that can be tailored to meet their individual needs. Employers considering private exchanges should inquire as to the level of personalization and request...
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A hierarchy of personal needs should be addressed before individuals can more comfortably attend to their physical health.

However, when benefits decisions are made, cost is too often the primary (if not sole) concern. When an employer looks at a piece of equipment, for example, consideration is given to how the cost of the equipment compares with the expected incremental increase in revenue generation. In contrast (and perhaps paradoxically so), when shopping for benefits, employers often limit their evaluation to the line-item cost of the program, neglecting the impact that the offering may have on workforce performance.

There is value in investing in the overall health and well-being of the workforce. Healthy workers have lower health-care costs, are absent less often and perform better at work than their unhealthy counterparts. Using cost-shifting tactics as a means to reduce health-care costs may have unintended consequences, including less effective chronic condition management, increased financial stress as individuals deal with high out-of-pocket costs, and less optimal work performance. But when viewed as an asset, strategic investments in workforce health have the potential to improve employee well-being, foster employee engagement, and enhance workforce and business performance.

Employers entering the private exchange market have an opportunity to change the way they think about their health benefits strategy. While cost containment is a fundamental objective, an opportunity exists to implement an exchange strategy that helps to optimize workforce well-being and performance. Improperly implemented, cost-containment tactics risk underuse of many appropriate health-care services. As a result, health-care costs may fall — and to the detriment of individual health, well-being and performance.

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Make Engageme Happen

Learn about the seven drivers of engagement.
After the Great Recession, many companies gained control over their profitability and are sitting on large amounts of cash with unclear channels for investment. Some organizations seem to be buying back stock to prop up share prices to the detriment of longer-term growth, employee prosperity and organizational health, according to William Lazonick in the September 2014 Harvard Business Review. But what organizations really need now is growth fueled by innovation — and innovation fueled by engaged employees.

Most global organizations have been affected by a confluence of economic, technological, demographic and social changes. Cost and growth pressures are significant in a world that increasingly is connected and disrupted by exponential technological advances. Businesses must become more agile to unleash innovation and growth and avoid disruptive competition.

The same holds true for employees. They must be increasingly agile to anticipate and come up with ideas to adjust and stay relevant themselves. Individual agility to innovate and perform on behalf of one’s company depends on engaging, or investing discretionary effort toward better performance.

Employee engagement is more important than ever.

Some business leaders have questioned whether employee engagement remains a relevant metric. The notion that employee motivation or engagement is irrelevant seems misguided. For example, companies certified by Aon Hewitt as “Best Employers” achieve engagement levels in the top quartile, with almost half of their employees highly engaged. These companies outperform average companies in several financial metrics.

By Ken Oehler, Ph.D., Aon Hewitt
However, the average global organization has about 22 percent of its employees highly engaged and that 22 percent creates most of the value. If employee engagement and agility are important to growth, and the average organization continually measures little meaningful organizational impact, what gives? This article examines lessons learned and best practices from best employer organizations.

How to Make Engagement Happen

Two fundamental questions should be answered to create a culture of employee engagement: On what should we focus to engage employees, and who owns what?

The seven drivers in the middle of Figure 1 are the top employee engagement drivers, as identified in “Aon Hewitt’s 2014 Trends in Employee Engagement” report, that help determine employers’ focus. Across the globe, organizations that favor these seven elements have significantly higher levels of engagement than organizations that do not. The four circles around these drivers, as shown in the figure, represent the owners of employee engagement: HR professionals (H), leaders (L), managers (M) and individuals (I) and which aspects of the seven drivers they own.

Companies that create a culture of engagement focus on clear and holistic action taken by each of these stakeholder groups to impact top engagement drivers.

### The Total Rewards/HR Professionals’ Role

Total rewards and HR professionals play a significant role in many of the top engagement drivers, including career opportunities, managing performance, pay and the employee value proposition. Their most important role in the engagement equation is to articulate a compelling employee value proposition that encompasses all of the company’s various programs. Career paths and decisions to build or buy talent have tremendous impact on the top driver of employee engagement — career opportunities.

Total rewards and HR professionals have a great deal of responsibility proactively to challenge and support the organization in achieving high levels of employee engagement. However, leaders, managers and individuals are the real owners of employee engagement.

### Leaders Set Priorities

Senior leaders most directly affect managing performance, reputation, communication and recognition from the top engagement driver list. Leaders’ basic responsibilities are to set, articulate and meaningfully communicate strategic priorities for employees. Many leaders struggle to instill company pride in employees and remove barriers that prevent employees from performing well. A simple example comes from an organization that prioritized...
“breakthrough innovation,” yet whose leaders failed to change old processes and governance. This conflict impeded speed to market and stifled employees’ trust, belief and willingness to fight through the bureaucracy. Beyond giving direction, engaging leadership rests on a service mentality in which employees are on the demand side, as W. Chan Kim and Renee Mauborgne describe in the September 2014 Harvard Business Review.

Research by the author’s company finds that engaging leaders share three fundamental characteristics. The first two are the experiences and the beliefs that they bring to their jobs. These leaders almost invariably have had early experience that stretched their abilities, and they typically have strong core beliefs about their purpose and the importance of relationships, trust and emotions. The third characteristic is a distinct set of behaviors. These engaging leaders inspire and motivate through their own engagement, often in the face of ambiguity and change. They stabilize and connect with individuals through openness and authenticity. They step up and own solutions as well as outcomes. And they serve and grow their followers. These behaviors have an infectious, positive impact on the engagement of those around them.

In the average organization, engaging leaders are rare, dispersed or distracted, or they exit before they can have meaningful impact. Best-employer companies typically identify, select, develop and reward leaders for these behaviors and surround them with a critical mass of other engaging leaders.

Managers as Coaches
Managers are the stewards of employee engagement and deliver all of the top seven drivers of engagement. The most important drivers that managers own are career opportunities, performance and pay discussions. Many managers act as good coaches, but only for performance and not for careers. Managers need to help employees achieve career goals, even if that means that an employee leaves a manager’s team.

Performance and pay discussions also are critical. Many managers struggle to articulate a short list of meaningful goals that are aligned with business priorities. What’s worse, most managers struggle to have difficult conversations with employees about performance expectations and pay. Employees require clear goals, candid feedback, meaningful recognition and a path forward to engage. This is effective people management.

Employees rely on managers for many critical ingredients to be fully engaged. Organizations, therefore, should be focusing more on training first-time managers, especially in the area of coaching performance. Some organizations are selecting and developing managers based on their ability to engage teams in line with the attributes discussed above.

Employees’ Control
With 40 percent of global employees either passively or actively disengaged, many leaders are asking what role the employee has in his/her own engagement. Evidence is emerging that individuals have some control over their engagement and that organizations can start to assess and select individuals who are predisposed to be engaged.

Organizations are realizing the power of mindfulness or reflection on engagement, energy and the reduction of overload, as David Rock writes in Your Brain at Work. Increasingly, organizations are reporting engagement results back to individuals and asking them to reflect on what they could do to be more engaged.

The most predictive personality traits for individual engagement are positivity, drive and ambition. Advancements in assessment tools now make it possible for companies to get engagement to happen before new employees walk in the door.

Change Management Required
To create a culture of engagement, leaders must approach it with principles of change management. They must focus on behavior change and coordinate holistic activities across multiple stakeholders. Today, engagement is not just nice to have for innovation and growth — it is paramount.

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An anti-HR sentiment in the business media is on the rise.

Articles and commentary in top-tier publications such as The Wall Street Journal and Harvard Business Review as well as business networking websites such as LinkedIn have been openly dismissive of the role human resources plays in organizations. When feature authors advocate “getting rid of human resources,” this anti-HR tide can no longer be ignored or dismissed. HR leaders need to pay attention to these headlines and be ready to demonstrate why human resources is a necessary business discipline and articulate the value that it provides.

When it is effective, human resources contributes tremendous business value. For example, talent management is an essential HR function that has never been more challenging or important than it is today. Performance management, employee relations and compensation services are vital functions that align human resources to core business operations. Human resources continues to grow in sophistication with HRIS and selective outsourcing helping to achieve business outcomes. These are just a few examples of how human resources increasingly provides value-added business services. Smart companies view these core strategic HR functions as non-negotiable, although they are open to outsourcing some HR functions.
HR professionals need to counter the anti-HR headlines and demonstrate the connection between human resources and the bottom line. I propose that we address the “Get Rid of Human Resources” headlines by exhibiting the strategic business value of HR with the following five key actions.

1. Align HR’s Priorities and Actions With Those of the CEO and CFO
The C-suite is concerned about a range of key challenges and opportunities. When a successful business is poised for growth, these challenges include finding and retaining the talent the business requires, managing health-care costs, motivating employees during continued slow salary and incentive growth and staying out of regulatory hot water. Such issues are crucial to the business and represent areas where human resources makes vital contributions.

I find that senior executives have mixed attitudes toward human resources. Executives rely heavily on human resources and often want to see the department bring more business value to the table. To be effective, HR executives must be more conversant and fluent in discussing the financials of the business, including understanding profit and loss, cash flow and cost centers. Our CEOs and CFOs expect this as well as our ability to focus on the ultimate impact on bottom-line results. How we align ourselves with the C-suite often reflects whether we get (and retain) our seat at the table.

2. Focus on Managing Business Risks
HR executives must identify ways to motivate employees and maximize their contributions within the reality of a complex legal and regulatory framework. Few things frustrate innovation or stifle organizational growth more than an expensive lawsuit or inappropriate employment practices that tamp down employee and organizational productivity. Savvy HR executives must engage line managers in discussions on these matters to design a workplace that supports the needs of the business.

In my experience, outstanding HR leaders monitor and manage business risks, not just HR risks. Do policies and handbooks support or limit the workplace and the employees the company is recruiting and engaging? Do performance-management discussions support managers and employees in ways that nurture innovation? Do HR policies protect intellectual property? Is human resources attracting and retaining the right talent to fulfill the company’s goals and objectives? These questions and others like them must be explored and acted upon by HR leaders.

3. Cultivate Internal Constituencies
Human resources is not an island. We must build strong professional relationships at all levels of the organization by explaining and demonstrating how HR contributes to the business.

A strong relationship with the CEO can give HR leaders a solid foundation and the credibility to engage other leaders. Additionally, while there has been a growing professional respect and understanding between finance and human resources, the two functions need to continue to learn from each other’s perspective. A 2014 survey of 550 chief HR officers (CHROs) and CFOs conducted by Ernst & Young reported that 80 percent of respondents see greater collaboration between CHROs and CFOs, with 42 percent reporting “much greater” levels of collaboration. The survey also said that high-performing CHROs and CFOs communicate regularly — both formally during meetings and informally through one-on-one conversations. To build true business credibility, HR professionals must...
develop a stronger understanding of the broader business, especially the financial and business fundamentals of the organizations that we serve.

To keep their functional areas running smoothly (e.g., to help remedy staff issues that arise), line managers also need strong ties to human resources. I find that HR professionals are most effective when working proactively with line managers — for example, by offering multiple options for resolving people problems rather than issuing “No, you can’t do that” edicts. Human resources is most effective when it provides alternatives and solutions as opposed to putting up roadblocks.

4. Be Available to Employees
Business is about people and the numbers. HR’s key role is to connect with and support employees while serving as a management adviser. In my experience, open doors in HR build trust among employees so that they come to us with workplace issues before those issues blow up into crises.

With so much emphasis on cutting costs, avoiding litigation and protecting company interests, it is easy to forget that employees need HR advocacy during change initiatives. Line managers do not have the time, expertise, background or desire to handle these issues on their own. This is a proper role for HR expertise!

5. Find a Balanced Approach to Outsourcing
A common battle cry of the anti-HR brigade is to “Just outsource it!” Certainly, some HR activities can and should be outsourced. In fact, a key rationale for outsourcing routine tasks and processes is to free HR leaders and staff to focus on more strategic work such as talent management, change management and employee relations.

Fortunately, HR leaders are more willing to hire vendors to achieve the goals of business. For example, the market has many choices of valuable HRIS systems that help HR complete the necessary administrative work better, faster and cheaper. Using inventories and audits, HR can identify system inefficiencies to build a solid, quantitative business case for outsourcing solutions to address and solve these problems.

Make the Case!
The efforts outlined above will allow HR to be more strategically aligned with the C-suite and respond quickly and decisively to the priorities of the executive team. This will enable HR to influence the dialogue and serve as a stronger business partner while demonstrating the value that it contributes to the business. Most of all, when we apply these critical skill sets, we proactively make the business case for our profession.

HR professionals have never been more important than in today’s competitive business arena. We need to counter the anti-HR headlines and reinforce that we are an essential business discipline that will help a company grow, remain competitive and achieve its mission.

Amy Polefrone, SPHR, CVR, is CEO of HR Strategy Group LLC, in Maryland. She can be reached at amy@hrstrategygroup.com.
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Erin Siegrist: If You’re Not Moving Forward, You’re Falling Behind

Analytical skills have really helped me move forward in HR in general, particularly in Total Rewards. The most important thing I learned in college was how to think, thanks to my philosophy professor, Dr. Arvid Adell. We studied decision-making models, logical fallacies and a wide range of philosophies and religions. These studies helped me create a solid foundation for analysis by developing my critical thinking skills and logic, which reduce biases and enable sound conclusions.

What role did professional development play in your career?
I’ve always loved to learn. That has been a strong force behind my advancement. I harnessed my thirst for knowledge to get a bachelor’s degree at Millikin University in Decatur, Illinois and a master’s degree in human resources from the University of Illinois Urbana-Champaign. Both have served me well in my career.

And while I’m proud of what I’ve done in the past, you can’t rest on your laurels because expectations of us as total rewards professionals are always increasing. Our customers and stakeholders need more from us today than they did yesterday and will need more from us tomorrow than they do today. I strongly believe in that old adage that if you’re not moving forward, you’re falling behind. In addition, the field of human resources was previously viewed as a very siloed set of specialties. I think it is incumbent upon us as total rewards professionals to look for other areas of the business where our skills will translate, like financial planning or actuarial, to be more well-rounded.

To that end, I’m currently pursuing the Chartered Property Casualty Underwriter designation to build my business acumen in the insurance industry. I better understand the business of insurance, and it helps me more fully consider issues facing Erie.

How has the use of analytics evolved over the past 10 years? What impact has it had on your career?
With the rise of big data, particularly in health care, I have seen data play an increasingly larger part in total rewards decision making. For a data nerd like me, this is a really exciting time because there’s a lot more data available. But moving from a data drought to a virtual monsoon is also challenging. For anyone who wants to be successful and move ahead, they’ve got to be able to transform data into actionable intelligence. My team and I try to always ask, “So what?” If it’s not relevant or actionable, it’s not intelligence ... it’s just noise. As I’ve become more adept at telling the story of the data, I’ve enjoyed greater success in my career.

Why are adaptability and flexibility important characteristics for rewards professionals?
The way we live and work is changing every day. You can fight it or avoid it.
Or you can welcome it with open arms and capitalize on it. I think the real challenge is looking for a way to leverage change for a positive outcome. It doesn’t mean that change isn’t uncomfortable, because it will be at times. It means accepting some discomfort in the interest of a bigger, long-term payoff.

**What qualities do organizations look for when they want professionals with strategic business understanding?**

I think leaders in all areas are expected to understand their organization’s revenue stream, distribution channels, marketing strategies and key differentiators. Understanding these and honing your business acumen mean you can have a richer conversation with an eye on the greater enterprise impact.

**Why is proactivity an important characteristic for rewards professionals? How did it benefit your organization(s)?**

I think it is important to anticipate customer needs and wants, which positions you to meet or exceed their expectations. When you can think ahead, plan strategically and go the extra mile for your stakeholders, you build trust and credibility with them. That trust and credibility are commodities you bring with you to future discussions and negotiations.

**Name a characteristic or skill set that sets a total rewards professional above the rest.**

I don’t think you can underestimate the importance of solid project management skills for total rewards professionals. Much of the work we do is projectized, and being able to deliver on time, in scope and within budget is an essential function of our job. It also shows your stakeholders that you deliver on your promises.
Perquisites or “perks” are forms of nonmonetary compensation offered to select employees in addition to their salaries and benefits. Perks typically are not performance based.

Perks are regarded in organizations as a form of gratitude offered to high-performing executives or key employees to distinguish them from average employees. Perks can be used to reward top talent in a way that conveys status or enables those employees to do their jobs more efficiently or both. A perk’s status value often exceeds its financial value, holding more of an intrinsic value than an extrinsic one for the recipient.

**Scrutiny of Executive Perquisites**

Public revelations of opulent perks and concerns about runaway and excessive executive pay has led to legislation, regulation and increased scrutiny of executive perks.

The Securities and Exchange Commission (SEC) requires companies to disclose in their annual proxy statement details about the value of the perks for the top five most-highly compensated executives (Named Executive Officers or NEOs). To be reportable in the proxy, the SEC says a perk should confer on the NEO a direct or indirect benefit with a personal aspect, not be directly related to the performance of the executive’s duties and not be offered to all employees. The value of perks and personal benefits is reported in the All Other Compensation column of the Summary Compensation Table.

The Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 resulted in the SEC releasing say-on-pay rules in 2011 that require public companies to give shareholders a nonbinding vote on executive pay practices. Perquisites can certainly be a hot button that contributes to shareholder opposition votes.

The media, labor groups, shareholders, legislators, employees and governance experts continue to criticize executive perquisites as being excessive and without benefit to the company.

**Prevalence**

While disclosure requirements and scrutiny of executive pay has led many companies to review, reconsider and often reduce executive perks, limited perks that are justified exist at a majority of companies today. Some of the most common executive perquisites include:

- Personal use of company aircraft
- Automobile or allowance
- Financial/tax/legal assistance
- Executive physical exam
- Personal or home security.

Important to note is that executive perks are not substantial in value when compared with total executive compensation, representing less than 5 percent of an executive’s total compensation. However, these perks have a psychological benefit that is difficult to measure and can be important in attracting and retaining talent.

**Justification**

Today the trend is toward limiting perks to those directly related to legitimate business purposes and to clearly communicate this rationale to shareholders. Perks that allow an executive to do his/her job more efficiently, those that directly assist him/her in focusing on company responsibilities or those that enhance the safety, health and security of the executive and his/her family are the easiest to justify. For example, drivers to and from work and use of company aircraft can maximize executive work time and make travel less onerous. Use of company aircraft can also be justified as a security measure for executives who are recognized as public figures.

Sue Holloway, CCP, CECP, is associate director of practice leadership for WorldatWork and specializes in executive compensation. She can be reached at sue.holloway@worldatwork.org.

**Perquisites or “perks”**

Perquisites or “perks” are forms of nonmonetary compensation offered to select employees in addition to their salaries and benefits. Perks typically are not performance based.
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2015 Schedule*

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr. 13-17</td>
<td>Atlanta</td>
</tr>
<tr>
<td>Jun. 8-12</td>
<td>Chicago</td>
</tr>
<tr>
<td>Jul. 27-31</td>
<td>Phoenix</td>
</tr>
<tr>
<td>Sep. 28-Oct. 2</td>
<td>Phoenix</td>
</tr>
</tbody>
</table>

*Dates indicate dates and location of in-person week. The first online meeting will be held the week prior.

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## Flexibility, Engagement and What Employees Want

### How Prevalent Are Flexibility Programs? (By Voluntary Turnover)

Teleworking, flex time and part-time schedules top the list.

<table>
<thead>
<tr>
<th>Flexibility Option</th>
<th>Low 0% to 5%</th>
<th>Medium 6% to 10%</th>
<th>High 11% and more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telework on an ad hoc basis (meet a repair person, etc.) (n=370)</td>
<td>24%</td>
<td>36%</td>
<td>40%</td>
</tr>
<tr>
<td>Telework on a regular monthly basis (at least one day per month, but not full time) (n=240)</td>
<td>23%</td>
<td>35%</td>
<td>41%</td>
</tr>
<tr>
<td>Telework on a regular weekly basis (at least one day per week, but not full time) (n=220)</td>
<td>26%</td>
<td>34%</td>
<td>40%</td>
</tr>
<tr>
<td>Telework full time (every regularly scheduled workday) (n=145)</td>
<td>26%</td>
<td>38%</td>
<td>37%</td>
</tr>
<tr>
<td>Shift flexibility (n=229)</td>
<td>24%</td>
<td>33%</td>
<td>43%</td>
</tr>
<tr>
<td>Compressed workweek (e.g., 4/10, 9/80) (n=196)</td>
<td>28%</td>
<td>34%</td>
<td>38%</td>
</tr>
<tr>
<td>Flex time (flexible start/stop times) (n=363)</td>
<td>27%</td>
<td>34%</td>
<td>39%</td>
</tr>
<tr>
<td>Part-time schedules (with or without benefits) (n=363)</td>
<td>22%</td>
<td>38%</td>
<td>40%</td>
</tr>
<tr>
<td>Phased return from leave (n=276)</td>
<td>26%</td>
<td>32%</td>
<td>42%</td>
</tr>
<tr>
<td>Job share (n=98)</td>
<td>30%</td>
<td>36%</td>
<td>35%</td>
</tr>
<tr>
<td>Phased retirement (n=121)</td>
<td>27%</td>
<td>33%</td>
<td>40%</td>
</tr>
<tr>
<td>Career on/off ramps (n=98)</td>
<td>22%</td>
<td>34%</td>
<td>44%</td>
</tr>
<tr>
<td>Combination of programs (n=210)</td>
<td>27%</td>
<td>31%</td>
<td>42%</td>
</tr>
</tbody>
</table>

Source: WorldatWork’s Survey on Workplace Flexibility, 2013 (Because of rounding, may not equal 100 percent.)

### Workplace Flexibility is believed to have a positive effect on engagement.

More than 60% believe their workforce would say there is a positive or extremely positive effect of flexibility programs on:

- **Employee engagement (64%)**
- **Employee motivation (65%)**
- **Employee satisfaction (73%)**

Source: WorldatWork’s Survey on Workplace Flexibility, 2013

### Employees want flexibility.

#### 52% of U.S. workers (not including those self-employed) and 58% of working parents say they could do a better job with more flexibility.

#### 43% of workers and 46% of working parents say they could do their job better if they were allowed a more consistent and/or predictable schedule.

#### 61% of Millennials say they could do a better job with more flexibility.

Source: Harris Poll, of 4,096 U.S. adults surveyed between May 27 and May 30, 2014
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