



ROGER GURR
ASSOCIATES

Executive Compensation Attraction & Retention of Top Talent

CFO Roundtable

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Economic Environment - Uncontrollables - The Good

Employment in Vancouver is expected to surge

LABOUR MARKET | 45% of companies in the city plan to hire staff in next 3 months

BY WENCY LEUNG
VANCOUVER SUN

FINANCIAL POST

FPI NATIONAL POST, SATURDAY, APRIL 8, 2006

JOBS BOOM ROLLS ALONG

CANADIAN ECONOMY 'RIDING HIGH'

PRODUCTIVITY JUMPS

time goes on," said Ted Carmichael, senior economist at J.P. Morgan Securities Inc. in

Jobless rate drops to 32-year low

Red-hot growth Unemployment rate slides to 6.5% in March

Job hunt time? Graduates can expect best market in 15 years

U.S. surprise After 211,000 gains in March, inflation worries grow

More Canadians are working than ever before, as labour markets in Ontario and British Columbia defy the strong Canadian dollar, high energy costs and global competition. Over the past year, the number of jobs has increased an astounding 530,000 or 2.1 per cent.

The employment boom isn't extending to young people, with the jobless rate stuck at 11.5 per cent for those under 25. But while graduates may have trouble stepping right into a job that meets their new qualifications, opportunities are definitely looking up.

U.S. employers went on another hiring spree in March, dropping the unemployment rate to a 46-year low. But the labour report, which was stronger than expected, has some economists worrying that much higher interest rates might be needed to fend off inflation.

Heather Scofield reports, B5

Virginia Galt's Career Coach, B10

Story, B5

Home construction soars across Greater Vancouver

Housing starts increase 24 per cent to 5,093 units in first quarter

costs for land, labour and materials. In the Fraser Valley, starts soared nearly 64 per cent in the first quarter to 2,358 multiple unit construction.

"We're well on our way to matching last year's pace of construction which was the second best in a decade," said Peter Simpson, chief executive of the Greater Vancouver Home Builders' Association.

"If homes just sat there and nobody was buying them, then we would be concerned, but everything that is placed on the market is sold. There is still huge interest from first-time buyers," CMHC said the average price of a single detached new home ranges from \$312,770 in Chilliwack to \$426,953 in the Abbotsford region and \$636,745 in the Vancouver metropolitan area which stretches from Bowen Island in the north to White Rock in the south and Maple Ridge and Langley to the east.

Senior market analyst Cameron Muir said the pace of construction should help reduce the likelihood of bidding wars. "It is a pretty good testament to the ability of the construction sector to continue to increase their output over time," Muir said. "The more housing starts that we see is good news for the beleaguered home buyer who is faced with ever-

See HOUSE PRICES FORECAST D2

THE VANCOUVER SUN, FRIDAY, APRIL 14, 2006

'Wave of prosperity' sweeps Canada

REPORT | The economy is increasingly pushing against its capacity limits, StatsCan says

China now B.C.'s No. 2 trade partner

ASIA PACIFIC | Japan drops to No. 3 while USA remains by far our largest market

China topped Japan as B.C.'s second-largest trading partner for the first time last year, when trade between the province and China reached \$8.9 billion, the Asia Pacific Foundation reports. Chinese imports totalled \$7.5 billion, up 23 per cent from the 2004, according to a report from the Vancouver-based think tank. That far outweighed B.C.-origin exports to China, which rose nine per cent to nearly \$1.4 billion.

In comparison, total trade with Japan last year was \$8.8 billion, while the U.S. remained the province's largest trading partner with total trade worth \$36 billion.

Kenny Zhang, research analyst at the Asia Pacific Foundation, said "China is rising. They have a huge increase in export capacity. On the other hand, Japan has stayed at the same level for quite a while, over five years now."

The report said the types of goods B.C. exports to China have not changed dramatically over the past 15 years. The main exported resources continue to be natural resources and resource-based products, such as pulp and paper, wood, coal, copper and other minerals. China's demand for such commodities has risen due to the country's robust manufacturing sector.

B.C., meanwhile, is importing more higher-value items, such as computers and electronics, from China as opposed to the simple consumer goods that dominated China's production more than a decade ago.

In 1990, toys, games and sporting goods was the No. 1 import to the province from China, valued at \$271 million. Last year, however, that spot was taken by boilers and appliances, which totalled more than \$1.2 billion, followed by electrical machinery and equipment, valued at nearly the same amount.

"The tremendous growth and the diversification of B.C.-China trade are mainly attributed to the growing number of B.C. companies becoming involved with the China market, in addition to the efforts of many trading companies doing business with the Asian giant," the report said.

At least 140 B.C. companies currently have business operations in China, including Hong Kong.

Trade with China is more important to B.C. than it is to the other provinces, the report said. B.C. contributed 30 per cent of Canadian exports to China, and received 25.4 per cent of all Chinese-origin imports to the country.

Zhang said trade with China is only expected to grow.

"We have spent huge amounts of our efforts to tap into the China market and the trade levels will increase dramatically," he said.

Source: Asia Pacific Foundation

THINKING BEYOND THE BOX

B.C., China rolling up the rim trade

B.C. relies more on trade with China than any other Canadian province.

- \$8.9 billion: Total value of trade between B.C. and China in 2005
- \$7.5 billion: Value of Chinese imports to B.C., up 23% from 2004
- \$1.4 billion: Value of B.C. exports to China, up 9%


Economic Environment – Uncontrollables – the Bad?

Wk4 working.com WORKING.COM NATIONAL POST, WEDNESDAY, MARCH 22, 2006

TALENT CRUNCH

66% of employers have difficulty filling jobs ... and it's getting worse

It's being referred to as a talent "crunch." According to Manpower Inc., 66% of Canadian employers indicate they already have difficulty filling positions. The firm offers suggestions to help companies improve their hiring practices. **1.** Enhance links with schools by generating meaningful work-placement opportunities for students. **2.** Tap into underemployed sources such as disaffected youth, single mothers and older workers. **3.** Promote inclusivity by investing in technology for individuals with disabilities. **4.** Encourage older workers to stay to share their knowledge and train new generations. **5.** Investigate job redesign. **6.** Become more adept at attracting talent through motivation and promotion. *CanWest News Service*



Baby-boom retirements to cool economic growth

Labour force growth won't keep up, says business council

BY MICHAEL KANE VANCOUVER SUN

B.C. is headed for an inevitable decline in economic growth as labour force increases in the labour force fail to compensate, the Business Council of B.C. warns.

Barring "a miraculous increase in productivity" or an unlikely doubling in the number of immigrants to B.C., employers will be scrambling for severely limited economic growth, the council's executive vice-president Jock Finlayson writes in a Policy Perspectives study released Tuesday.

Under realistic scenarios, B.C.'s labour force growth rate of 1.7 per cent over the past five years is likely to slip below one per cent per year by the end of the decade, and to fall further by 2020. By 2020 the province's workforce may no longer be increasing. Even if more people join the workforce and fewer take early retirement, that would simply slow the inevitable decline, Finlayson says.

Higher levels of immigration and net inter-provincial migration would expand the labour force, but an improbably large number of additional migrants would be required to fully offset the looming baby boom retirement surge.

Over the next dozen years, B.C. is projected to have one million job openings of which about three in five will be due to retirements.

Barring a miraculous increase in productivity, Finlayson said the pace at which living standards improve will moderate. B.C.'s potential economic growth rate is likely to drift somewhere between 1.0-1.6 per cent by 2020.

See ERA OF D2

WHITE-COLLAR CRUNCH

B.C. SNAPSHOT

The estrogen-driven economy

The provincial government has released the latest facts reflecting the importance of women in B.C.'s economy.

More women are working than ever before: more than 1.021 million as of January 2006.

The unemployment rate among women in 2005 was 5.3% — the lowest annual number on record.

84.4% of female job creation since December 2001 has been full-time.

B.C. has the fastest growth in female small business ownership among all Canadian provinces.



Source: B.C. Government, CIBC World Markets

NATIONAL POST, WEDNESDAY, MARCH 8, 2006

MINING INDUSTRY FACES HUGE SKILLS SHORTAGE

THE VANCOUVER SUN, WEDNESDAY, MARCH 15, 2006

B.C. not ready for Chinese tourist boom: minister

Tourism | Approved destination status from China will bring influx, Hansen says

BY WENCY LEUNG VANCOUVER SUN

B.C.'s Minister of Economic Development Colin Hansen said Tuesday the province is unprepared for an expected influx of Chinese tourists once Canada receives approved destination status from China.

The special status, which allows Chinese citizens to obtain tourists visas to visit Canada, is expected to help boost the number of Chinese visitors to the Greater Vancouver area alone by nearly 600 per cent by 2015.

While some tourism associations are actively working to prepare for the boom, Hansen said: "There are some that I don't think there are others that still have a ways to go."

"There are some that I don't think perceive the opportunities that are there and are waiting for the [approved destination status] document to be signed. But by then, they'll wish they had started a year earlier to prepare," he added during an interview on Tuesday.

"Though China agreed to grant Canada approved destination status last year, the terms of the agreement have yet to be negotiated between Ottawa and Beijing. Until it is officially granted, only Chinese visitors travelling on business can receive visas to Canada."

Hansen said he had inquired about the status of the negotiations with the Canadian ambassador to Beijing, who also expressed puzzlement over the delay.

"It's a bit of a mystery to them," Hansen said. "The best that they can explain is it is not that it's off the table, it's that it got slowed down just because of other issues of higher priority."

Hansen said that in the meantime, tour operators need to quickly prepare their staff for the cultural and language needs of Chinese visitors.

He said the expected surge from China will be a much more dramatic than the boom in Japanese tourists in the 1980s, since B.C. tour operators and tourism agencies at the time had more time to adjust to the growth.

"I think that if the approved destination status were to happen tomorrow, I think it would hit us much faster than the 1980s," Hansen said.

According to Tourism Vancouver figures, with the approved destination status, the Greater Vancouver area is expected to receive 500,000 Chinese visitors in 2015, compared with 71,000 visitors in 2004.

In 2005, Canada received 120,000 visitors from China, up 14.8 per cent from 2004, marking the largest annual increase among top overseas countries. About 84,000 of those Chinese visitors entered Canada through B.C.

www.bccbc.com

Bracing for the surge:

This is the projected growth for Chinese visitors to Greater Vancouver alone once Canada's approved destination status is officially in place in China:

2004: 71,000 visitors
2015: 500,000 visitors
+604.2%

Source: Tourism Vancouver

CEO Challenges

- Lifetime as a CEO is declining (currently 4.5 years in North America)
- Pressure to perform in short term – most CEOs likely won't last beyond 2010!
- Leave a legacy during these economic boom times means growth and profitability
- Need to build a **team around you**

CEO Concerns

- Impact of People (Top Talent)
 - Recent research/surveys of major concerns of CEOs in North America
 - Top Two:
 1. Organization Performance
 2. People Retention
 - Not keeping team together could seriously affect growth and legacy objectives
 - **So Please look after this**
Help me build and sustain business results

Attraction, Retention and Engagement

- Finding and Keeping the Best People – Tough, Uncontrollable Environment
 - All about – attraction, retention and motivation
 - Motivation – better described as *Engagement*
 - Engagement
 - Willingness and ability to contribute to organization success
 - Emotional and rational connection to the job
 - Willingness to *Go the Extra Mile*
 - WorldatWork research indicates in North America that degree of engagement is only moderate

Role of Total Rewards

■ Top Drivers of Attraction

#1 - Competitive base pay

- Work-life balance
- Challenging work
- Career advancement opportunities
- Salary increases linked to performance
- Learning and development opportunities
- Competitive benefits and pensions
- Coaching and mentoring

Role of Total Rewards

- Top Drivers of Retention

- #1 - Retention – keeps people with skills
(Domino Effect)**

- Quality of people decisions
 - Relationship with *boss* (understanding)
 - Work – life balance
 - Good employer *reputation*
 - Salary criteria – fair and competitive
 - Opportunity to learn and grow

Role of Total Rewards

- What's the Total Rewards Message?

Soft Rewards (more long term)

- Work environment (work-life, stress, boss, empower)
- Inherent job challenges
- People (warm and cuddly)

Semi-Soft Rewards (medium term)

- Development – promotion with pay increase

Hard Rewards (short term – now or annual)

- Compensation strategy
- Delivering rewards

Hard Dollars – Show Me the Money

- Cold Hard Cash
 - Total rewards approach is beneficial
 - Cash – somewhat *lost in shuffle*
 - Tough economic market (shortage of top talent)
 - Cash (and a “piece of the action” helps with attraction)
 - Retention of people
 - Cash – short-term solution
 - Maybe *knee jerk* (reactionary)
 - But it works!
 - Examine compensation approach – swing back pendulum!

Trends in Cash Rewards – *The Rules*

- Salary Planning and Target Market Positioning
 - Most organizations adopt a conservative approach to compensation (median) but now need to rethink:
 - Compensation Strategy
 - Comparator Group
 - Position vs. group (P25, P50 ...etc.)
 - Salary Administration
 - Range above job rate (0%, 20%, etc.)
 - Organizations are reviewing strategy to enhance retention – pay Stars and Hipots at P75 or well above midpoint

Compensation Strategy

- Revisiting Compensation Strategy – *Out of the Box*
 - Comparator Group – competition for talent
 - Sector (Industrial, Financial, Public)
 - Sub sector (e.g. Telecommunication, Biotech)
 - Special selected (mix of sub-sectors)
 - Geographic (Canada, USA, Europe)
 - Treatment of Specialized Functions, Jobs
 - Internal Auditors
 - VP, Regulatory Affairs
 - CFOs
 - Chair, Audit Committee
 - Etc.

Compensation Strategy

- Revisiting Compensation Strategy - *Out of the Box* (cont'd)
 - Level of Competitiveness (salary, total cash, equity based)
 - Top quartile
 - Median
 - Low quartile
 - Impact of Performance Compensation
 - Company
 - Quarterly bonus
 - Group
 - Annual bonus
 - Individual
 - Medium/Long term incentives
 - Consider Impact of selected Policy Upon:
 - Attraction
 - Retention
 - Engagement

Compensation Strategy

- Particular Challenges in Public (Para Public) Sectors
 - Competition (from private sector) for transferable functional skills (auditing, accounting, IT, HR)
 - Some sectors have been *catching up* – higher annual salary increases than private sector
 - Lack of variable (bonus) compensation and wealth creation vehicles
 - Need to review/ **update compensation strategy**:
 - Consider (weight) private sector for salary
 - Introduce performance-based bonus awards
 - Pension arrangement (usually higher competitive) help with retention – but right people?

Delivering Cash Rewards

- Issues, Trends and Limitations

Issue: Internal equity or external competitiveness
Current Market – external rules

Current Trends:

	Approx. Recent Annual Compensation Increases
Board Directors	20%
CEOs	5%
Executives	4%
Staff	3%

Limitations: Salary range and restrictive salary rules

Delivering Cash Rewards

- Flexibility and Fortitude

Flexibility

Employee negotiation

Bend the rules with justification

Fortitude

Differentiate based upon

- Performance
- Future Value

Open up salary ranges

Use market based premiums

Delivering Cash Rewards

- Ideas for Consideration
 - High (really) salary increases for *Stars and Hipots* (highly engaged)
 - Low (or zero) increases for disengaged
 - Introduce quarterly (six monthly) increases
 - Bonus awards
 - multiplier (x2) for Stars
 - early payouts for Stars
 - Differentiate (and justify) all increases
 - Disengaged (and moderately engaged) subsidize the highly engaged Stars

Delivering Cash Rewards

D2 THE VANCOUVER SUN, SATURDAY, APRIL 15, 2006

BUSINESS

Firm famous for designing tugs, fireboats

From D1

and agile tugboats.”

The company helped design a series of compact and speedy harbour tugboats for Seattle-based Foss Maritime Co., which are now in use at the ports of Los Angeles and Long Beach. These tugs manoeuvre vessels through increasingly crowded harbours.

Allan estimated that the 4,000-horsepower tugs cost close to \$6 million.

While this new generation of tugboats are not yet in B.C. waters, Allan said he expects they will be soon. Forerunners to the Foss tugs are already used throughout the coast.

“[At] the port here, we’ll be seeing some new tug tonnage coming in the very new future, I think, and that will reflect the most current technology in tug design,” Allan said.

The Vancouver Port Authority is expect-

IT firms pay to keep talent

LABOUR | Companies face increasing competition for key personnel

BY KRISTIN GOFF

OTTAWA — Money is talking louder as companies begin to deal with a renewed problem of retaining key technology workers, according to Robert Half Technology, a staffing agency.

Its survey of chief information officers found pay hikes and bonuses were among popular strategies for keeping key talent. Of 270 small and medium-sized companies surveyed, 40 per cent listed compensation and 39 per cent listed bonuses as one of their retention strategies.

The most popular method of keeping IT workers, however, was “providing training or professional development,” a strategy used by 58 per cent of employers surveyed. Offering flexible sched-

ules, listed by 41 per cent of employers, was also among popular responses. (Employers could list multiple answers to the survey question about retention strategies.)

The responses didn’t surprise Geoffrey Thompson, division director in Ottawa for Robert Half Technology.

Compensation is becoming more important in both hiring and retaining key technology personnel as the sector continues recovering from the downturn of a few years ago, he said. The market in Ottawa has improved to the point that people are now getting multiple job offers in certain key categories, he said.

“Compensation and base salary is probably the No. 1 reason for people deciding where to work,” he said.

He estimated compensation had gone up by seven to 12 per cent for certain high-demand skills in Ottawa over the past year. Those skilled in IT security, some application developers and business analysts are among technology professions most in demand, he said.

Employers who listed “training and

professional development” as the most popular strategy are part of a trend of trying to keep workers interested and learning, said Thompson.

“Now that the market is healthier, a lot of organizations are doing a lot of key projects,” he said. Pulling key people off their regular jobs for special projects “changes the environment, keeps them learning and keeps work fun.”

Despite increases in training opportunities and compensation by some employers, a full 25 per cent of chief information officers said they weren’t taking any special steps to address employee retention.

Only seven per cent offered “equity issues” such as stock options. That wasn’t much different than the trend during the technology boom. Stock options were commonly offered when an employee was hired and acted as an inducement to stay on until they could be exercised in the future, but they weren’t usually an ongoing retention tool, said Thompson.

Ottawa Citizen

Delivering Cash Rewards

- Variable Compensation
 - Strong incentive – onetime significant payment
 - Short-term (annual) retention element
 - However, sales compensation
 - pay early
 - retain – has negative impact
 - Use a multiplier to provide significant annual bonus for outstanding performers e.g. up to 2X in effect pays for income taxes

	Multiplier
Outstanding Performer	1.5 – 2.0
Average Performer	1.0 – 1.5
Below Average	0.5 – 1.0

Delivering Cash Rewards

- Wealth Creation
 - Use long term incentive plans (LTIPs) eg. stock options to reward:
 - Performance
 - Employee continuity
 - Again high performers should receive twice provision
 - LTIPs should vest over time – in effect *handcuffs*
 - Ensure retaining high performers (not just loyalty), pay attention to expectations!

Delivering Cash Rewards

- Wealth Creation (cont'd)
 - Encourage (insist on) stock ownership, ensure employee understands potential *double whammy* downside (lost value, lost job)
 - Use (and communicate) other *wealth* creation vehicles:
 - Pension Plan
 - Housing Assistance
 - Education Assistance
 - EAP
 - Annual Medicals
 - Personal Training and Trainers
 - Etc.

Healthy is wealthy for both employee and employer

Conclusions

- Successful Organizations Can (and Must) Build and Sustain Business Results
 - Help CEO reach legacy goals
 - Identify and retain High Performers
 - Review compensation strategy
 - Be open and flexible
 - Use cash and equity-based comp. creatively
 - 6 monthly reviews of salary
 - Multiply bonus awards
 - Control numbers – High Performers

Thanks, Questions

- Thank you
 - Questions, debates, discussion
-

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