



ROGER GURR  
ASSOCIATES

## Human Capital Symposium

# Attracting & Retaining Key People

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# WHAT YOU SEE - IS WHAT YOU GET!



ROGER GURR  
&  
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FRANCE

MERCER  
Human Resources Consulting

Montreal 12 years

Universities

SOUTH AFRICA

BioTech

BANKS &  
CREDIT  
UNIONS

Crown Corporations

Mining

Job Evaluation

BOARD DIRECTOR PAY

Stock Options

Organization Development

Canadian  
International  
Development  
Agency  
Agence  
canadienne de  
developpement  
international

Forest Products

United States

Vancouver 12 years

England

International Partner

ALGERIA

Salary Ranges

Governments

Executive Compensation

ICD Corporate Governance College,  
Directors Education Program

OIL & GAS

Change of Control

Succession Planning

HiTech

PRICEWATERHOUSE COOPERS

Executive Contracts

MARKET BASED PAY

HayGroup

Bonus Incentives

Co-operatives

Performance Management

BELGIUM

# Work!

- Why do you work?
- Where do you work?
- At organization ~\*\*!!&!!\*\*~
- What's it like there?

# What's it Like at ~\*\*!!&!!\*\*~

- Things are OK
- I like it
- I love it

It's all about *“Engagement”*

# Assessing Relationship with ~\*\*!!&!!\*\*~

1. Enjoy the job
2. Respect the boss
3. Like the people
4. Learn & grow (mentor, mentee)
5. Quality organization
6. (Work) life balance
7. Money/equity

Oops – only 3 out of 7!

# Changing Jobs is Easy

**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

**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.

Heather Scofield reports. B5

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.

Virginia Galt's Career Coach. B10

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.

Story. B5

**CANADIAN ECONOMY 'RIDING HIGH'**

PRODUCTIVITY JUMPS

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

**Home construction soars across Greater Vancouver**

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

Vancouver-area housing starts rocketed 30 per cent last month compared to the same month last year, reported Monday.

Over the first quarter, starts are up a sizzling 24 per cent to 5,093 units, despite worries about affordability and rising 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 \$626,745 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 to come," 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 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, says "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 natural resources continue to be 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 30.9 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

**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%

**THINKING BEYOND THE BOX**

ASSOCIATES

# Switch Roles

- Responsible for attracting & retaining top talent
- Tough assignment
- Impact of the CEO
  - Interest & fascination

# 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 concerns:
      - Organization Performance
      - People Retention
  - Not keeping team together could seriously affect growth and legacy objectives

# Six Engagement Questions

OK

1. I would highly recommend ~\*\*!!&!!\*\*~ to a friend looking for employment.
2. I tell others outside ~\*\*!!&!!\*\*~ the great things about working here.

Like

3. It would take a lot to get me to leave ~\*\*!!&!!\*\*~.
4. I rarely think of leaving ~\*\*!!&!!\*\*~ to work somewhere else.

Love

5. ~\*\*!!&!!\*\*~ motivates me to contribute more than is normally required to complete my work.
6. ~\*\*!!&!!\*\*~ inspires me to do my best work every day.

# Engagement Drivers

## People

- Leadership
- Manager
- Co-Workers
- Customers

## Work

- Intrinsic motivation
- Influences
- Processes
- Work activities
- Resources
- Customer contact

## Company Practices

- Customer polices
- People practices
- Performance assessment
- Diversity

## Opportunities

- Career opportunities
- Training
- Recognition

## Rewards

- Pay
- Benefits
- Recognition

## Quality of Life

- Work/life balance
- Flexibility
- Physical work environment
- Safety
- Stress

Engagement  
Drivers



# Review Total Reward Principles

## Mindset/Inherent Job

- Build psychological contract with employees (Engagement)

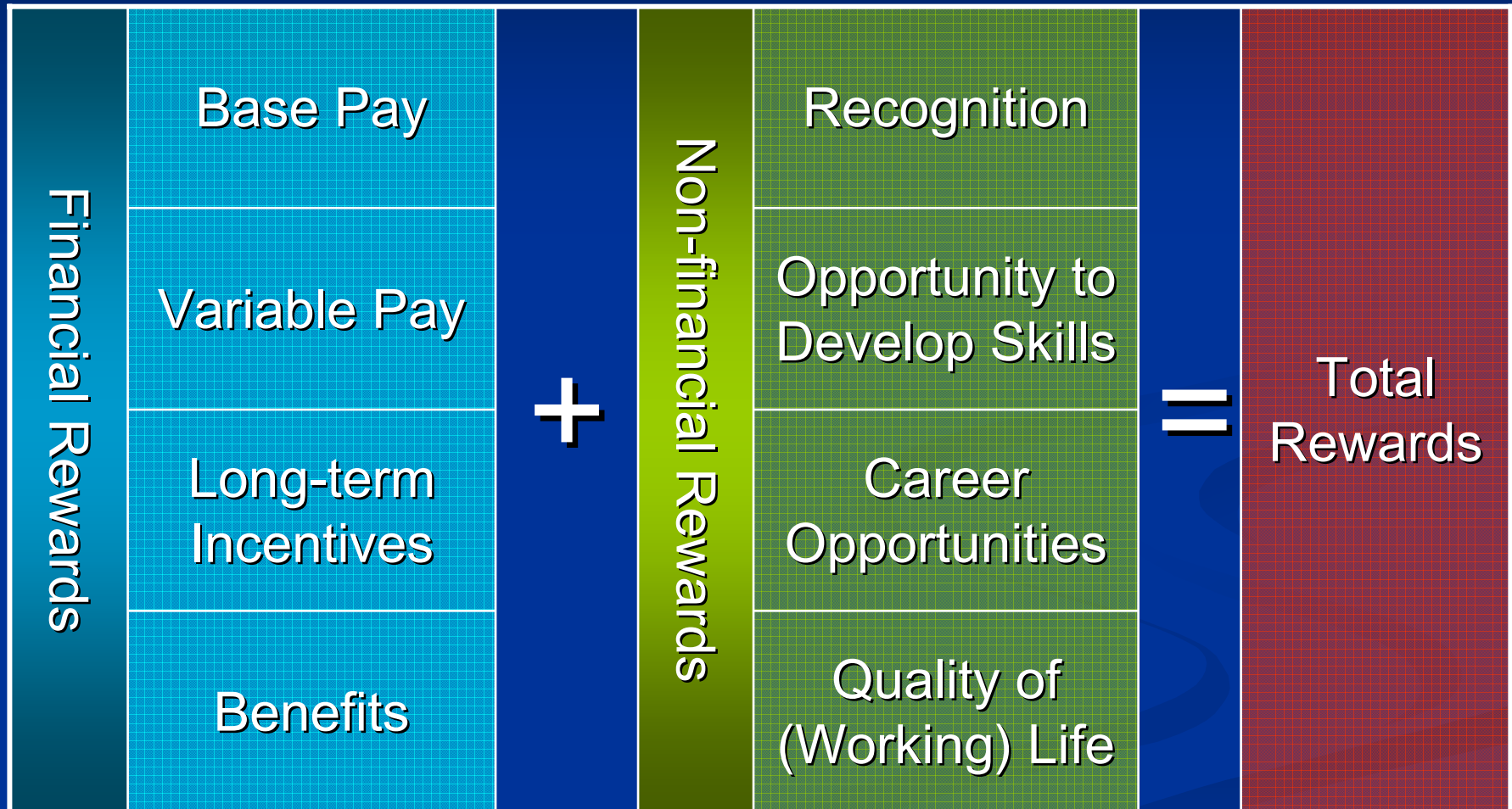
## Individualize

- Build flexibility and choice into offer

## Pay Programs

- Market competitive package
- Performance based pay – *disproportionably* reward high achievers

# Focus on Total Rewards



# Financial Rewards Can Influence Engagement

- Highly engaged employees stay
  - **Recognition** - spot awards, celebrate
  - **Base Pay** - competitive and fair
  - **Incentives** - deliver the promise
  - Create **Wealth** - stock options .....
  - **Performance** - links to pay
- Not delivering – recipe for disaster

# Show Me the Money – Cold Hard Cash

- Tough economic market (shortage of top talent)
- Cash (and a *piece of the action*) attracts
- What retains
  - Delivering cash rewards
  - Pay (big) for performance
  - Shareholder *feeling*
- Throw out (modify) old rules
- *Out of box* thinking

# Cash Compensation – *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 – *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 – *Out of the Box*

- 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

# Technology Sector – Issues & Trends

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

## Current Trends:

	Approx. Recent Annual Compensation Increases
Board Directors	20%
CEOs	6%
Executives	5%
Staff	4%

**Limitations:** Salary range and restrictive salary rules

# Technology Sector – Annual Incentives

- Improving at performance management
- Effective use of annual incentives
  - Pay out up to 20% EBIT
  - Minimum corporate performance required
  - Maximum payouts typically 2 times target
- Typical target bonus levels
  - CEO 50% salary
  - Executives 35%
  - Directors 20%
  - Managers 15%
  - Professionals 10%
  - Other Staff 5%
- Currently actual levels below target but improving

# Technology Sector – Long-Term Incentives

- Stock options most popular
- Some (limited) movement towards restricted share units
- Dilution (outstanding options relative to issued shares) a continuing problem
- Majority provide annual grants – many to all employees to help retention
- Use time vesting, some emergence of performance vesting
- Tech companies often have annual option grant guidelines – number per grade level
- Share ownership guidelines for executives

# 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

# Wealth Creation

## ■ 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!

# Wealth Creation

- Encourage 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 Must Build and Sustain Business Results. Engage Employees.
  - Help CEO reach legacy goals
  - Identify and retain High Performers
  - Update 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