



Effective Compensation & Reward Management...

in times of economic uncertainty


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Agenda

- Introduction
 - Key Survey Findings – Global and Local perspective
 - Best practice approach to designing effective compensation and reward programs
 - Integrating with broader human capital challenges
 - Parting Words
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A Call for Wisdom...

- Organizations required to take **continuous stock** of both the economic landscape and their workforce profile.
- They can ...and must ... **identify measures** that are financially credible ones and can help them retain their talent and emerge in an unpredictable future in the best-possible shape.
- **Some key questions:** Are people an investment to be managed or an expense to be reduced? Is a one-size fits all strategy viable or differentiation the need of the hour? Should organization impose a recruitment freeze, decrease salary increments or reduce training budgets?

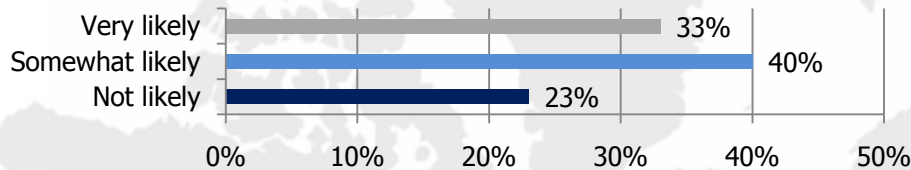
Global Survey Findings

- By and large, most companies have refrained from taking severe and broad-based steps, such as very deep workforce cuts, across-the-board salary freezes, or elimination of certain health benefit programs.
- Globally, 81% of respondents in the survey expect their company's **business performance** to decline in 2009.
- 69% of respondents expect to curtail overall hiring to below replacement level
- 1/3 of respondents (35%) expect to make significant **reduction in their workforces**.
- 70% of respondents do not expect to reduce the number of staff on international assignments as these employees are often sent to high growth markets.

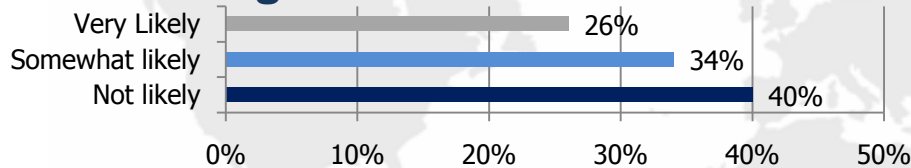
Global Perspective – Compensation Programs

How likely is it that your company will...

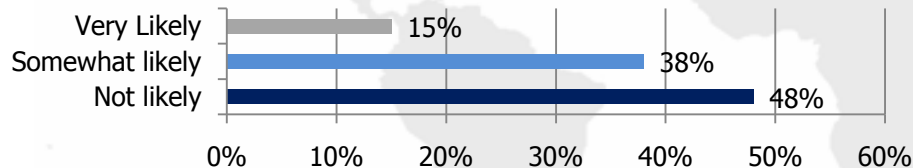
Reduce 2009 salary increases from those originally planned/budgeted



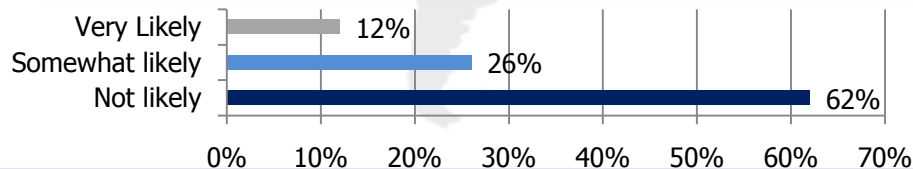
Reduce 2009 Bonus Payouts (for 2008 performance) from those originally planned budgeted



Change or develop new Variable Pay programs



Freeze wages at 2008 levels



Local Perspective

- 54% companies have implemented a **hiring freeze**
- Only 10% of the companies were considering implementing a **wage freeze** at 2008 levels.
- A majority of respondents were not considering a **performance bonuses reduction** based on 2008 performance
- **33%** companies have recorded a **reduction in training budgets**. Some companies have frozen **travelling** for training purposes.
- In 45 percent of companies surveyed, authority for **financial approval** has been moved one level above

Source: Survey by Abacus Consulting from Mercer TRS-2008 participants, January 2009

Addressing top issues in the emerging crises...

- Reduce cost and manage risk
- Generate top-line growth
- Sustainability of business

**..through key action steps while designing
compensation programs...**

A renewed call for balance

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- More balanced focus on Retention & Rewards
- More holistic approach to performance metric selection & target setting
- More even-handed use of short- & long-term compensation elements

... "a balanced program will deliver balanced results."

“ companies should examine their programs to ensure that the balance is appropriate and payouts delivered under a range of performance outcomes are reasonable and defensible. ”

Optimizing limited rewards through differentiation

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- **Top performers** – have the greatest opportunity to leave; poor performers – are less likely to leave voluntarily
- Companies should **differentiate performance** by analyzing the relationship between pay and performance outcomes
- Career opportunities and non-monetary attributes should be differentiated and directed to employees who are:
 - key performers,
 - significant contributors to enterprise value

“ Economic uncertainty, is the ultimate HR ‘stress test’ especially in the case of recruiting, retaining and engaging key talent, particularly high-impact employees ”

Maximizing ROI with segmentation

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Using segmentation as a basis for making rewards decisions is another way to increase the returns on your human capital investments.

“...ensure that compensation programs are tailored to reward employee populations based on the impact of their business, geographies, and functions on the enterprise”

- *What talent is the most critical to the business?*
- *How should reward strategies be tailored to each business?*
- *What do your employees value?*

A challenge call...tough times can make you stronger...

- ✓ Leadership to **proactively plan** and develop **competitive strategies**, instead of confronting the situation based on weak planning and assuming the 'panic mode'.
- ✓ Focus on development of **strong HR systems, procedures, and practices** that contribute significantly to enterprise value
- ✓ Dealing with **Employee Anxiety** through Senior Management's clear and timely communication will help them move past paralyzing uncertainty
- ✓ Enhancing **work environment** based on sense of commitment and motivation will prove to be the most critical factor for employees

Parting words...

These times can act as catalyst and an opportunity for actions aligned to longer-term HR and business strategies, and thereby can permit **employees, board members, and share holders** to sleep more soundly in the future.

The image features a world map graphic. The left side of the map is light gray, while the right side is dark blue. The text "Thank You!" is centered on the dark blue portion of the map.

Thank You!