

How Employees See Executives

A recent survey showed that 92% of executives and managers see themselves as excellent, while only 67% of employees gave their managers favorable ratings. Companies should consider 360 degree reviews, in which the employees do written, anonymous performance reviews of their managers and executives.

Source: *HR Magazine* November 2006

In another survey, employees were asked what changes they would make if they were president of their companies.

26% Improve the work environment

26% Nothing

17% Improve employee communication

15% Improve company operations/performance

10% Don't know

6% Other

Source: Robert Half Mgt Resources

Work/Life Balance

Technology has allowed companies to make great strides in speed, accuracy, and connectivity. Unfortunately, this increased connectivity with cell phones, BlackBerries, pagers, and laptops, has made it more difficult than ever for executives to "unplug" from work. According to a survey by the Association of Search Consultants:

- 46% of executives feel that their work/life balance has declined in the past five years.
- 87% say that work/life balance is crucial when deciding whether to join a company.
- 55.7% would consider refusing a promotion if it negatively affected work/life balance.
- Only 7.5% say that their companies have a program to improve work/life balance.

Source: *HR Magazine* September 2006

EXECUTIVES

Hiring an Executive

Finding the right executive is crucial to the success of a company and differs from the process of hiring employees. Whether promoting someone internally or finding one from an external source, companies should look for key competencies, including

- Complete and up-to-date skills for the job.
- Experience in a similar industry and size for a reasonable amount of time; job-hopping too frequently can be a red flag.
- Strong leadership, motivational, and communication skills.
- A success story, showing his or her positive impact on the company.
- The right fit for the company's needs; depending on whether the company needs someone who can foster growth, put out fires, or ensure continued success.

Source: *PEO Insider*, March 2007

Paying an Executive

When paying executives, companies walk a delicate line in balancing legal restrictions with a plan that is attractive enough to draw the best talent. Consider both issues when creating an executive compensation plan.

Legal

In late 2003, the IRS began doing audits on businesses, examining problem areas in executive compensation, including golden parachute (severance) payments, fringe benefits and perks, and transfers of payment options to family limited partnerships. You should look carefully at how executives are paid and make sure it does not skirt any tax laws.

The compensation plan should also withstand legal scrutiny, such as perceived discrimination if one executive's package is more attractive than another's. Consider hiring a lawyer or consultant to review your plan to make sure it is compliant with all applicable tax, employment, and executive compensation laws.

Recruitment/Retention

Aside from legal compliance, you will also want to make sure the executive compensation plan is competitive with marketplace norms and attractive enough to bring in the best talent. Be sure to look at the compensation as a whole package rather than just consisting of a paycheck. Make a formal, concrete plan to include all parts of the compensation package, including pay, benefits, retirement, college savings plan, tuition reimbursement, club memberships, and all other perks given to executives, rather than offering them piecemeal. This will help both in recruitment and in giving the plan legal stability. Once the executive is hired, use a total compensation statement that ties in all pay and extra benefits. This will be a useful tool when reviewing pay to show how much the company is actually paying on the executives behalf, beyond just the paycheck.

Sources: *HR Magazine*, May 2005 and *Paytech*, December 2006

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