



# Frankfurt Technology Forum

**DE-CIX Competence Center, May 9, 2014**

*Patrick Gutmann – Director DACH*

*Axel Schütte – Associate Director EMEA*

*Andreas Gärtig – Senior Consultant*



# Welcome and Introductions

# Agenda

---

- 09:30 – 10:00      Arrival and Coffee
- 10:00 – 10:15      Welcome and Introductions
- 10:15 – 11:00      Radford News, Facts and Trends
- 11:00 – 11:15      Networking Break
- 11:15 – 12:15      Using the Radford Structure for Global Compensation Management
- 12:15 – 13:15      Lunch Buffet and Networking
- 13:15 – 14:00      Compensation Trends in Different Technology Sectors in DACH/Europe
- 14:00 – 14:15      Networking Break
- 14:15 – 15:15      Roundtable Discussion
- 15:15 – 15:30      Wrap-up and Closing



# Today's Participants

1&1 Internet AG	EXFO	Logitech Europe SA
Alstom Germany	Freescale Halbleiter	Microchip Technology
CSC	Groupon	SAP AG
CTS EVENTIM AG	HomeAway Deutschland GmbH	Soundcloud
Dassault Systems	Honeywell International	SunGard Systeme GmbH
Dell GmbH	Lam Research AG	Thermo Fischer Scientific



# Introductions

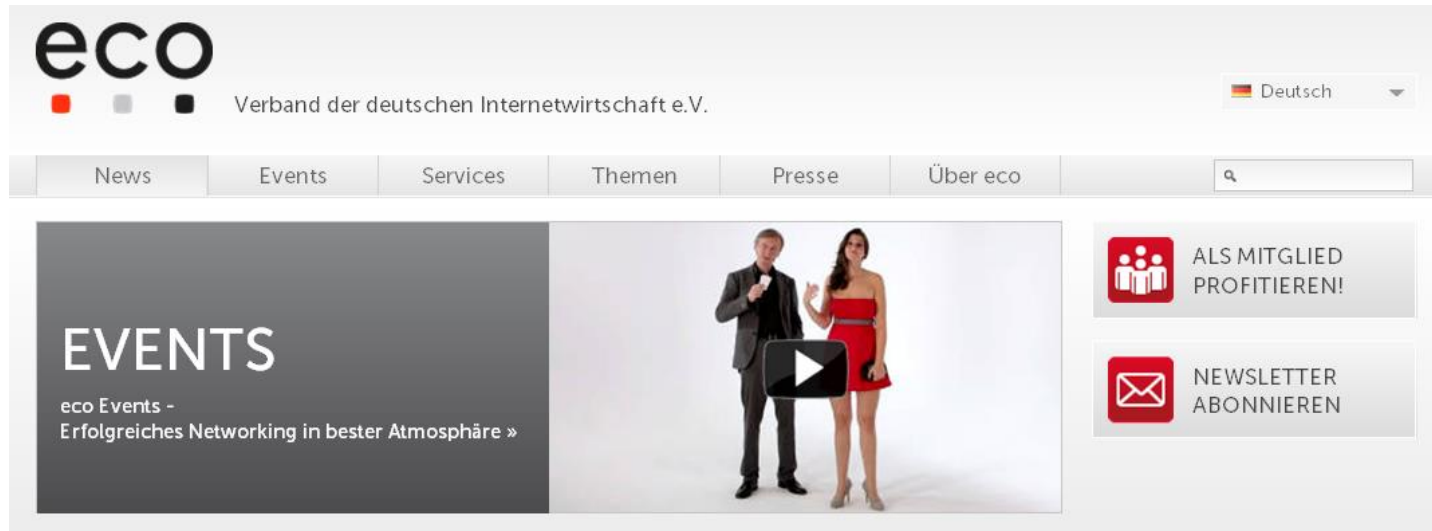
---

- Your name
- Your title
- Company and type of industry
- Number of employees
- Local, regional, global



# Our Host for Today

- Lars Steffen: eco - Verband der deutschen Internetwirtschaft e.V.



The screenshot shows the homepage of the eco website. At the top left is the 'eco' logo with three colored squares (orange, grey, black) and the text 'Verband der deutschen Internetwirtschaft e.V.'. To the right is a language dropdown menu set to 'Deutsch'. Below the logo is a navigation bar with links for 'News', 'Events', 'Services', 'Themen', 'Presse', and 'Über eco', along with a search bar. The main content area features a large 'EVENTS' section with a video player showing a man and a woman. To the right of the video are two call-to-action buttons: 'ALS MITGLIED PROFITIEREN!' and 'NEWSLETTER ABONNIEREN'.

## News



News | 08.05.2014

### Trotz Social Media und Co.: E-Mail bleibt zentrales Kommunikationsmittel

- Anlässlich der Email-Expo am 13. und 14. Mai 2014 wurden rund 100 Onlinemarketing-Experten befragt
- Gemeinsame Umfrage von eco und der [Email-Expo](#)
- Pressegespräch mit Dr. Torsten Schwarz, Leiter der eco

## Internet Startup Award





# Radford News, Facts, Trends

# Radford Surveys

- Consistent methodology globally - single input across all countries to provide solutions for a more streamlined global survey participation process
- High international growth accelerated by the Aon Hewitt integration, currently partnering with Aon Hewitt China/Australia/India to collect and report more robust data for APAC
- Radford Network® offers access to compensation data, company practices by country and quarterly Trends Reports for selected countries
  - Covers full spectrum of compensation elements; base, STI, LTI and allowances, for all positions and levels of employees globally
  - Updated survey results allow companies to join throughout the year, collects company's most recent pay data
  - Custom Reports available to reflect company's peer groups; customise by business unit, level within organisation; execs, manufacturing, etc.





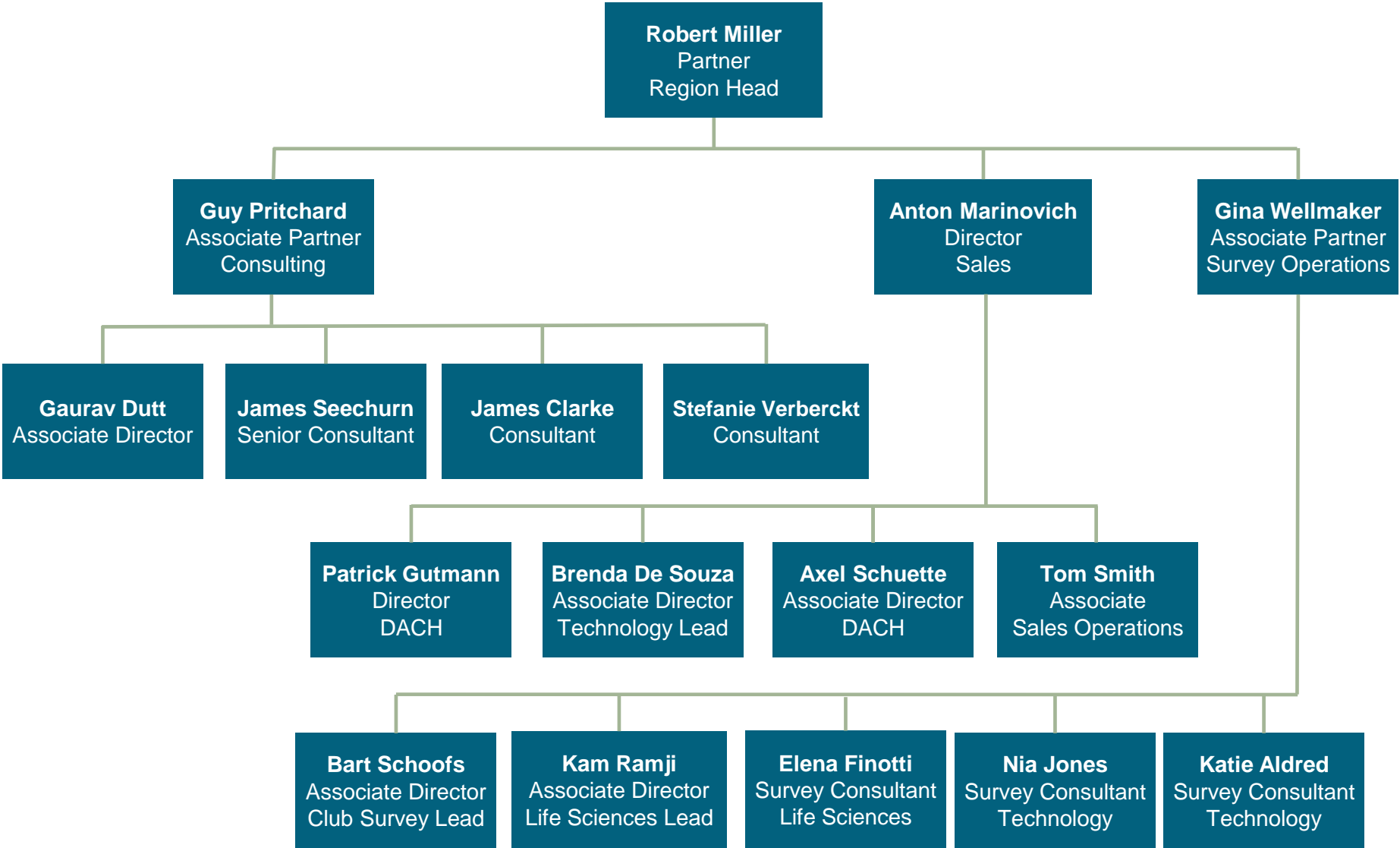
# Radford Global Technology Platform

Full Radford Global Survey Platform	▶	Global Technology Survey	Global Sales Survey	Pre-IPO/ Venture-Backed Survey	Trends Report
100 Surveyed Countries	▶	84 Reporting Countries	83 Reporting Countries	US IPO Pipeline Companies	93 Countries with Salary Budgets
2,500 Participating Organizations	▶	1,990 Participating Organizations	1,280 Participating Organizations	329 Participating Organizations	1,334 Participating Organizations
6.3 Million Incumbents	▶	5.7 Million Incumbents	664 Thousand Incumbents	33 Thousand Incumbents	Salary Budgets Turnover Hiring Workforce Changes Hot Topics

Source: Global Technology Survey and Global Sales Survey demographics represent published data as of May 2014. Pre-IPO/Venture-Backed Survey demographics represent published data as of April 2014. Trends Report demographics represent data as of the Q1 2014 publication.



# Radford Team in EMEA (17)



# 2014 EMEA Technology Events Schedule

2014 Radford EMEA Events	Location	Date
<i>Managing Employee Benefits Effectively</i>	<i>London</i>	<i>13 March</i>
<i>Middle East Forum</i>	<i>Dubai</i>	<i>25 March</i>
<b>Technology Reward Forum</b>	<b>Frankfurt</b>	<b>9 May</b>
Nordics Breakfast Technology meeting	Sweden	15 May
Sales Compensation	Webcast	9 June
<b>Technology Reward Forum</b>	<b>Munich</b> (at Infineon)	<b>11 September</b>
EMEA Regional Meeting	London	8 October
EMEA Medical Device Meeting	Geneva (at Medtronic)	10 November



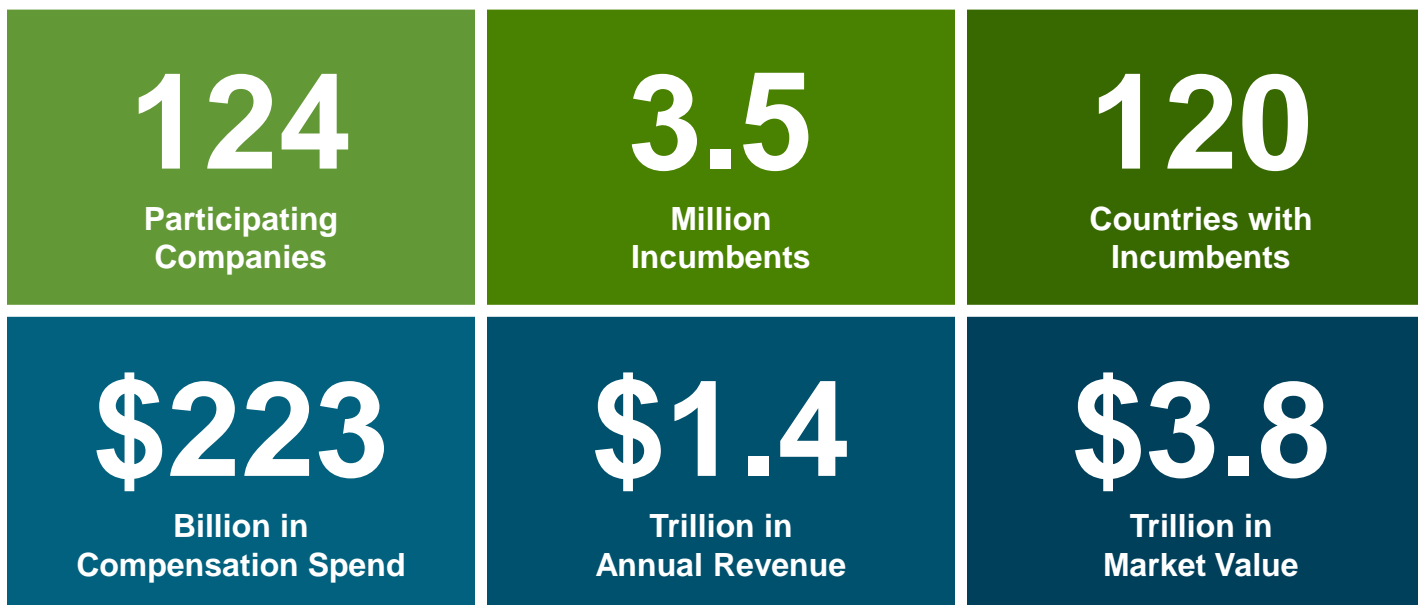
# What is Global Workforce Analytics (GWA)?

- Radford's GWA program allows clients to go beyond traditional benchmarking to unlock new insights that inform talent strategies
- The key driver behind GWA is the collection of full census data covering all employees in all global locations:
  - Traditional, specific job matching captures the core of the population; and
  - Complementary "roll-up" jobs capture everyone else to complete the view
- This foundation, when merged with information like corporate performance metrics, allows HR leaders to frame global talent and compensation issues in an entirely new light

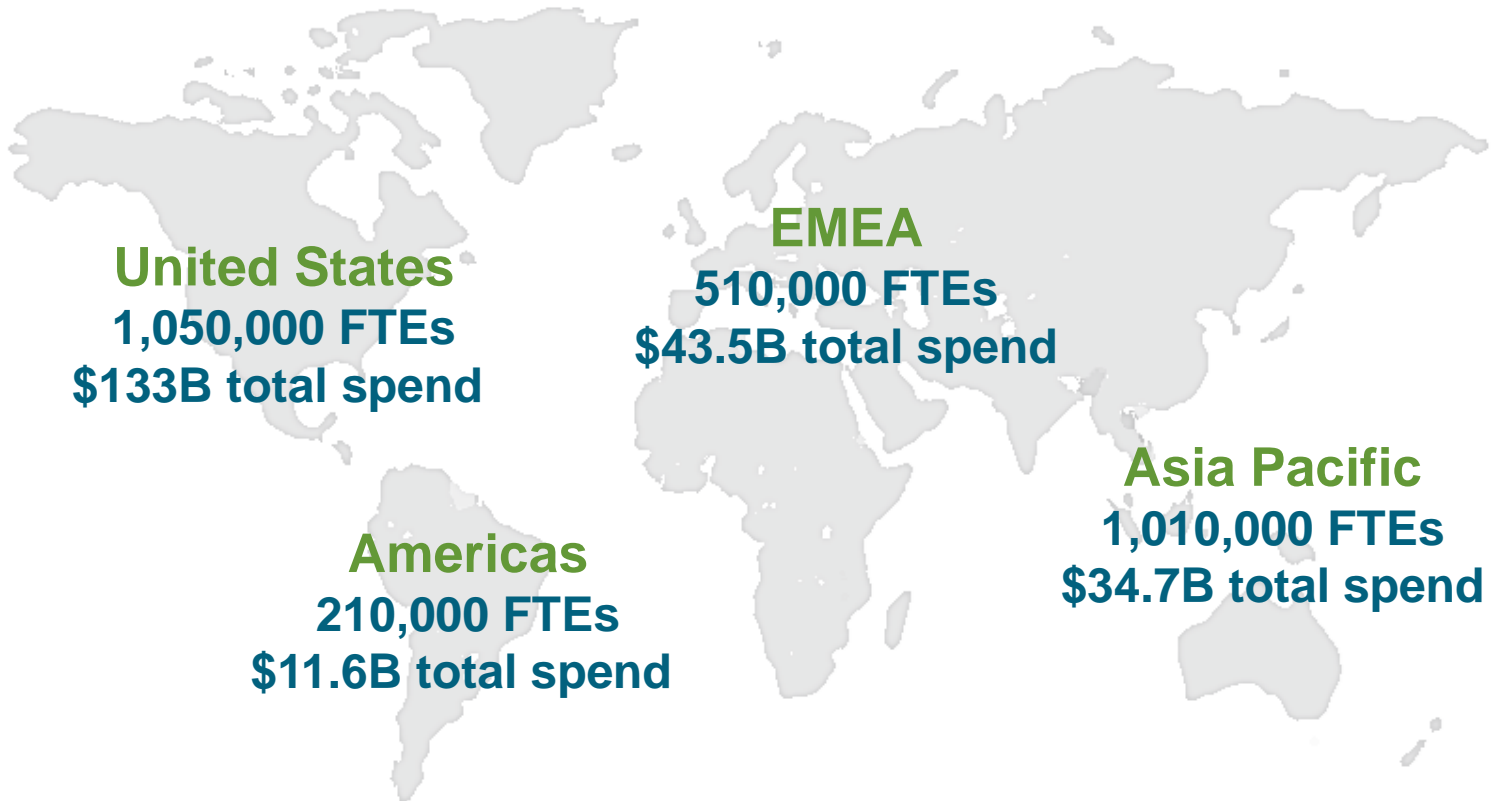


# GWA Database Snapshot

- As of February 2014, the GWA database housed full census data for 124 technology sector companies, which employ 3.5 million people
- By the end of 2014, we expect participation in GWA to approach approximately 250 companies



# GWA's Global Footprint



# Actionable Insights

<b>Global Workforce Distribution</b>	<b>Delivers answers to macro questions on where talent resides, what it consists of and its aggregate value</b>
<b>Distribution of all employees by country</b>	<ul style="list-style-type: none"><li>▪ What percentage of the organization is in key markets and how does that compare to the benchmarks?</li></ul>
<b>Distribution of all employees by function</b>	<ul style="list-style-type: none"><li>▪ What is the distribution among the functional areas or by business as compared to the benchmarks?<ul style="list-style-type: none"><li>▪ What percentage of the labor pool consists of Product Development, Infrastructure, Sales, etc.</li></ul></li><li>▪ How does this compare by country?<ul style="list-style-type: none"><li>▪ What percentage of total Product Development talent is in the US vs. India vs. China?</li></ul></li></ul>
<b>Distribution by job level</b>	<ul style="list-style-type: none"><li>▪ What percentage of the population are at various levels (e.g., executive, management, professional individual contributors, or support?)</li><li>▪ What is the distribution by job level within each category?</li><li>▪ What is the distribution by function or business in a country/geo?</li></ul>



# Global Benefits Survey

- **2014 Edition: Europe, Middle East & Africa**
- **Survey Features:**
  - Online access to Aon Hewitt's Greater Insight platform to view your benefits data, survey results and updates. You will be able to generate side-by-side comparisons of your programs against market practices on a globally consistent platform
  - Easy data submission because our consultants will migrate your plan details into the system
  - Country report summarizing survey results and highlighting trends
  - Report delivery: October 2014

**Survey Scope:** [https://www.radford.com/sites/ah/global\\_benefits\\_survey/](https://www.radford.com/sites/ah/global_benefits_survey/)

Retirement, Risk & Health	Paid Time Off	Other Benefits
<ul style="list-style-type: none"><li>▪ Retirement</li><li>▪ Life</li><li>▪ AD&amp;D/Personal accident</li><li>▪ Disability</li><li>▪ Business travel accident</li><li>▪ Medical, dental, vision</li><li>▪ Other</li></ul>	<ul style="list-style-type: none"><li>▪ Vacation</li><li>▪ Maternity leave</li><li>▪ Paternity leave</li><li>▪ Sick leave</li><li>▪ Bereavement leave</li><li>▪ Marriage leave</li><li>▪ Other</li></ul>	<ul style="list-style-type: none"><li>▪ Car and transportation</li><li>▪ Flexible benefits</li><li>▪ Meal benefits</li><li>▪ Education benefits</li><li>▪ Fitness benefits</li><li>▪ Childcare benefits</li><li>▪ Other</li></ul>





# Current Economic Environment

## Emerging Market Growth Declined

- Asia outlook one of steady growth
- Latin America and Caribbean expected to stay in low gear
- Central and Eastern Europe in the wake but unusual constellation of risks clouds the outlook

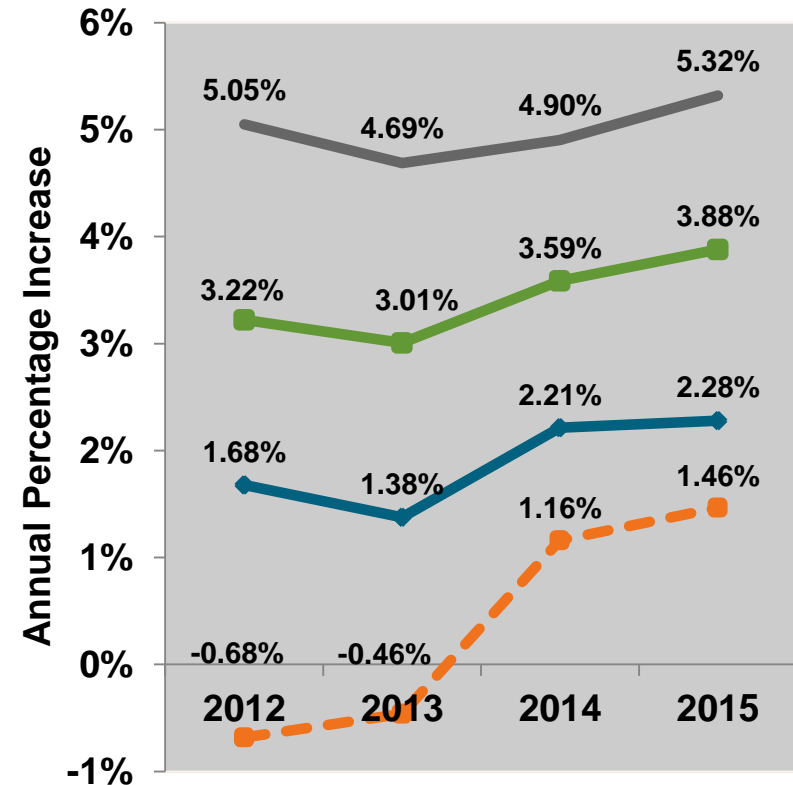
## Advanced Economies Recovering

- Euro area recovering further
- US in mild, but consistent recovery
- Advance economies to repair balance sheets and implement structural reforms

## Global Economy

- Global activity has broadly strengthened and is expected to improve further in 2014–2015
- Increased financial volatility in emerging market economies increases the cost of capital and damps investment

## Global GDP Growth



Source: IMF World Economic Outlook – April 2014

- World
- Euro area
- G7
- Emerging markets

# Global Economic Snapshot

- Global GDP is projected to rise slightly in 2014, including expected upticks in most major economies
- At the same time, projected global unemployment rates are either flat or down, with US rates continuing to drop post-recession

Country	GDP Percent Change			Unemployment		
	2014 Projection	2015 Projection	Trend '14 to '15	2014 Projection	2015 Projection	Trend '14 to '15
Brazil	1,8	2,7	▲	5,6	5,8	▲
China	7,5	7,3	▼	4,1	4,1	=
India	5,4	6,4	▲	na	na	
United States	2,8	3,0	▲	6,4	6,2	▼
Austria	1,7	1,7	=	5,0	4,9	▼
France	1,0	1,5	▲	11,0	10,7	▼
Germany	1,7	1,6	▼	5,2	5,2	=
Poland	3,1	3,3	▲	10,2	10,0	▼
Switzerland	2,1	2,2	▲	3,2	3,0	▼
United Kingdom	2,9	2,5	▼	6,9	6,6	▼

Source: GDP and unemployment data is collected from the International Monetary Fund (IMF) World Economic Outlook (WEO) database, as of the April 2014 edition.



# The World According to the Headlines

## ■ The talent reality...

***If you're looking to recruit an engineer right now, be prepared for a dog-eat-dog world.***

“Recruiters say it now takes twice as long to hire engineers compared to other jobs, and salaries are spiking. For the lucky few who chose engineering all those years ago, the payoff is huge...Employers trying to poach talent from their competitors are offering massive salaries and incentive plans.”

— [Engineers Get Rich As Talent War Heats Up](#) CNN Money, July 2013

## ■ Big Pay...Big Expectations

***Twitter pays engineer \$10 million as Silicon Valley tussles for talent.***

“Welcome to Silicon Valley where a shortage of top engineering talent amid an explosion of venture capital-backed startups is inflating paychecks...The number of A-list players in Silicon Valley hasn’t grown...but the demand for them has gone through the roof and ***The Lore of 10X*** - a person so talented that he or she does the work of 10 merely competent engineers. Having 10X engineers at the top is the only way to recruit other 10 X engineers.” -- The Economic Times, October 13, 2013

## ■ What CEO’s Say...

***What’s going to happen in the next 5 years: I have no idea and neither do you...***

“But what is important is the right attitude about change and reinvention...CEO’s need to expect the unexpected and develop resilience...balance efficiency with agility...cut costs without cutting value. It’s a move from risk management to resilience. The way forward is to build organizations that are agile and adaptable, able to cope with disruption and emerge stronger than before.” — PWC 16<sup>th</sup> Annual Global CEO Survey



# And Locally....

**Handelsblatt** Finanzen Unternehmen Politik Technologie Auto Meinung Sport

Deutschland International Konjunktur Ökonomie

ARTIKEL KOMMENTARE (21) DOSSIERS

**STUDIE**  
2015 fehlen Deutschland drei Millionen Arbeitskräfte

## newsroom

RADFORD - AN AON HEWITT COMPANY

17.04.2013 | 11:57

Mitarbeiter an Schlüsselpositionen verdienen bis zu 20 Prozent mehr



## IT-Fachkräfte

### Mangelware Nerd

Von Anja Tiedge



Corbis

Ja, wo stecken sie denn? Computerexperten sind in Deutschland eine seltene Spezies. Auch Finanzkrise und Rezession haben an diesem Fachkräftemangel nichts geändert. So kommt es, dass selbst Quereinsteiger auf dem IT-Jobmarkt gute Chancen haben. Ein Überblick.

## Arbeitsmarkt: Mangelware Ingenieure und IT-Kräfte

**Laut einer europaweiten StepStone-Umfrage sind IT-Profis und Ingenieure für Unternehmen nicht leicht zu finden. Dabei tun sich die deutschen Firmen besonders schwer.**

Source: Handelsblatt.com, presseportal.de, Stepstone.com, spiegel-online.de



# Expected Workforce Changes in Next 12 Months

- The US and China lead in terms of expected workforce increases, with at least 28% of companies expecting growth in those markets
- In Europe, the UK ranks number one with almost 24% followed by Poland and Germany

Region	Decrease	Stay The Same Size	Increase by up to 10%	Increase by more than 10%	Unknown
Brazil	2.9%	53.3%	19.1%	1%	23.8%
China	4.5%	54.1%	20.1%	8.6%	12.7%
India	2.5%	55.0%	18.5%	3.4%	15.2%
United States	5.8%	44.7%	28.8%	10.2%	9.5%
France	4.4%	67.7%	9.8%	2.2%	15.7%
Germany	2.9%	67.2%	12.3%	2.8%	14.8%
Poland	5.2%	59.8%	12.3%	3.1%	19.6%
United Kingdom	3.7%	59.0%	17.4%	6.5%	13.3%
<b>All Tech</b>	<b>5.6%</b>	<b>45.0%</b>	<b>29.1%</b>	<b>10.2%</b>	<b>10.2%</b>

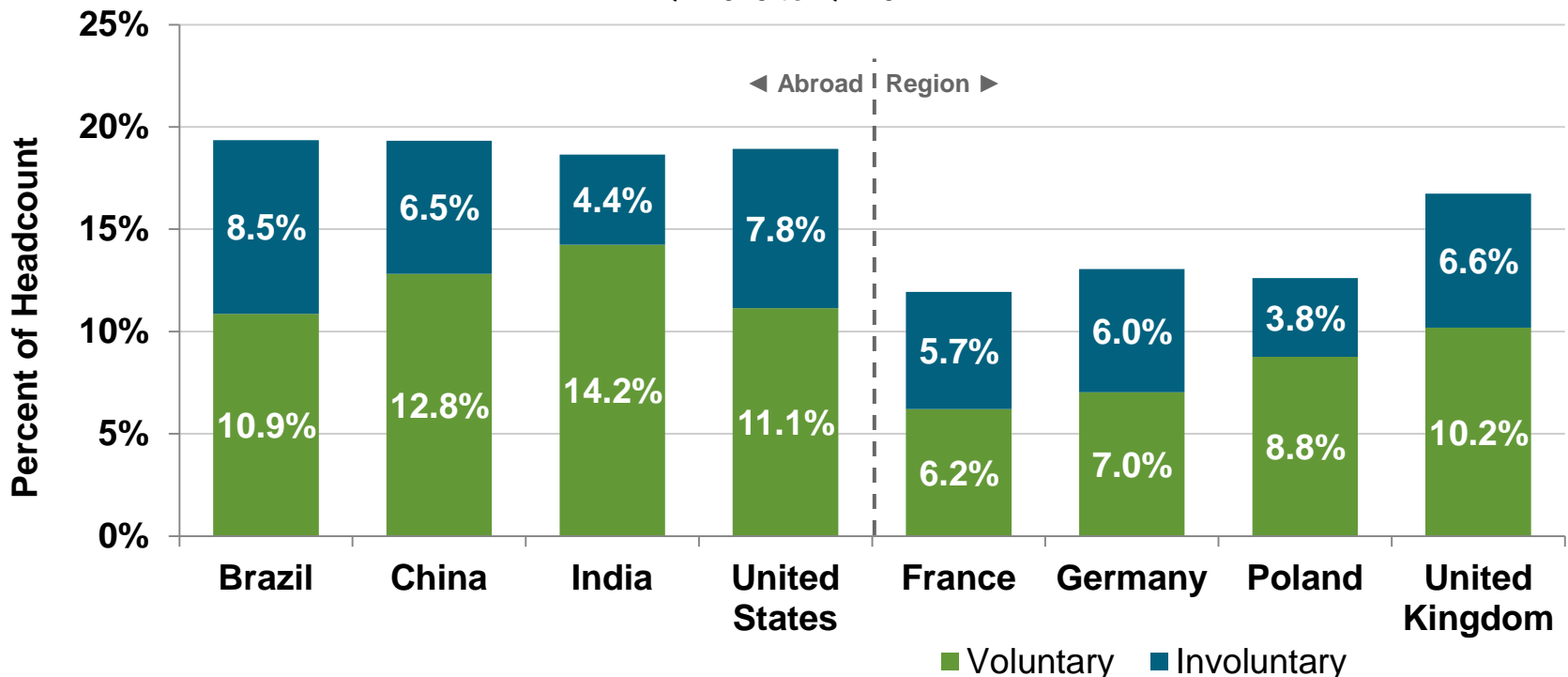
Source: Radford Trends Report, Q1 2014 Global Edition



# Employee Turnover

- Across Europe, voluntary employee turnover is highest in the UK
- The US is in-line with high turnover countries: Brazil, China and India

**Average Employee Turnover  
Overall Technology Industry  
Q1 2013 to Q1 2014**



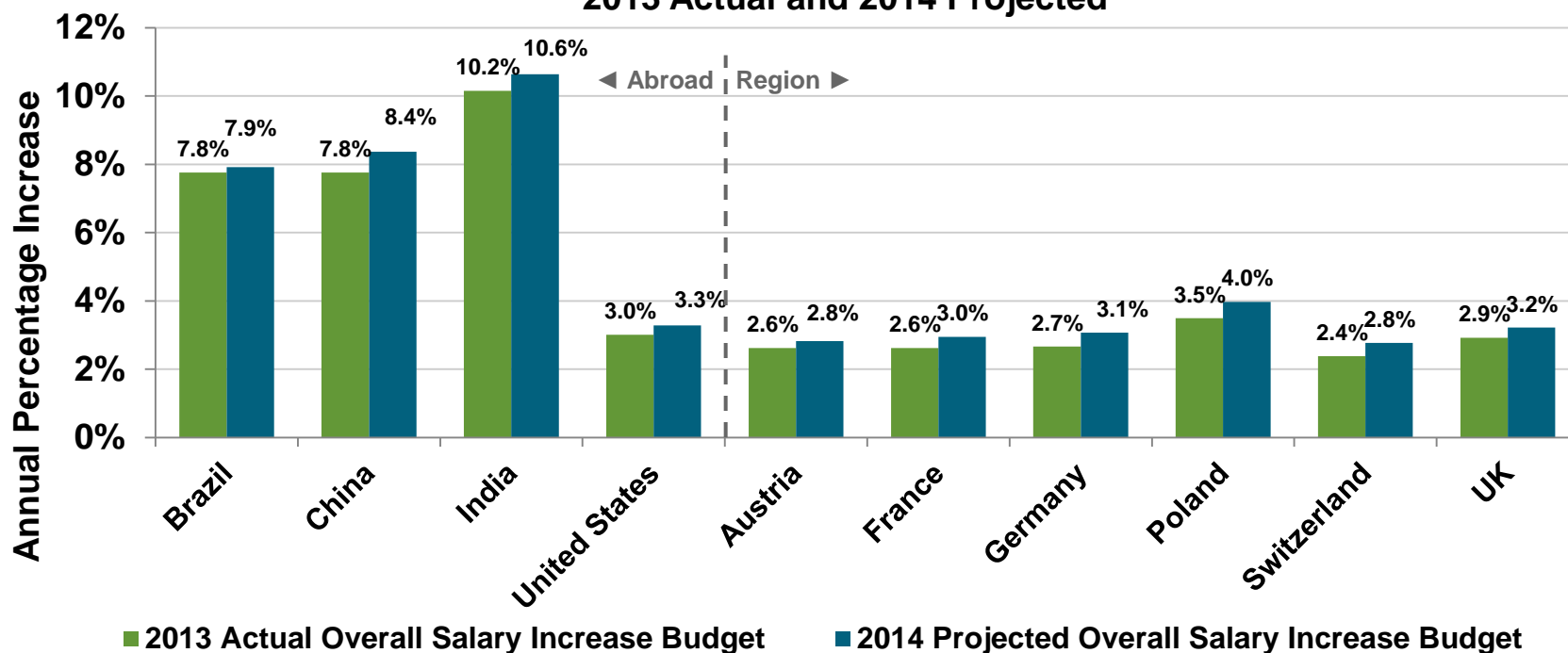
Source: Radford Trends Report – Q1 2014; overall technology industry, all companies



# Salary Increase Budgets: 2013 and 2014

- Salary budgets generally track with economic development and relative salary levels -- with lower salary increase budgets in more advanced, mature markets than in the emerging markets.
- Generally 2014 budgets are forecasted to be slightly higher than 2013

**Average Annual Salary Increase Budgets  
2013 Actual and 2014 Projected**



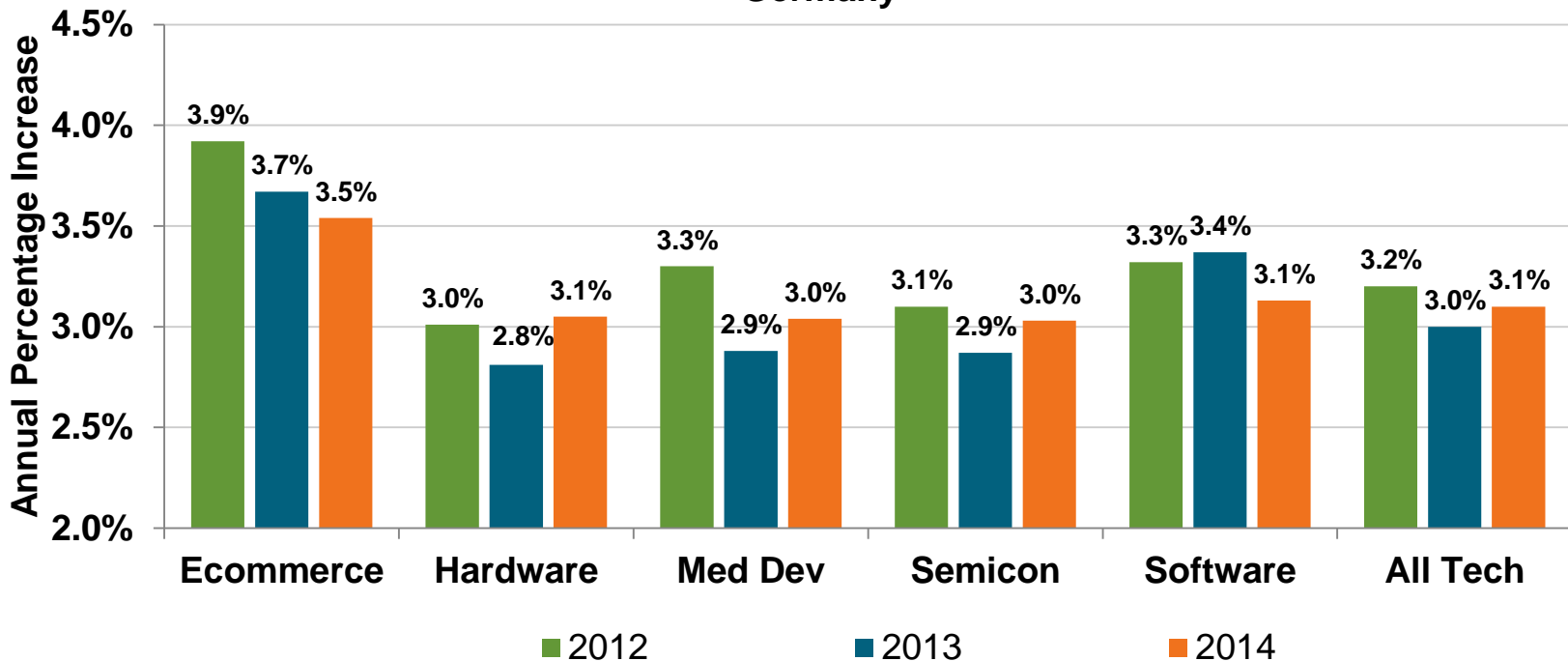
Source: Radford Trends Report – Q1 2014; overall technology industry, all companies, average overall budget, diluted



# Salary Budgets by Sector

- 2013 and 2014 forecasted salary budgets are broadly consistent across technology industry sectors. Internet/e-commerce is coming down from 2012 highs but still more aggressive.

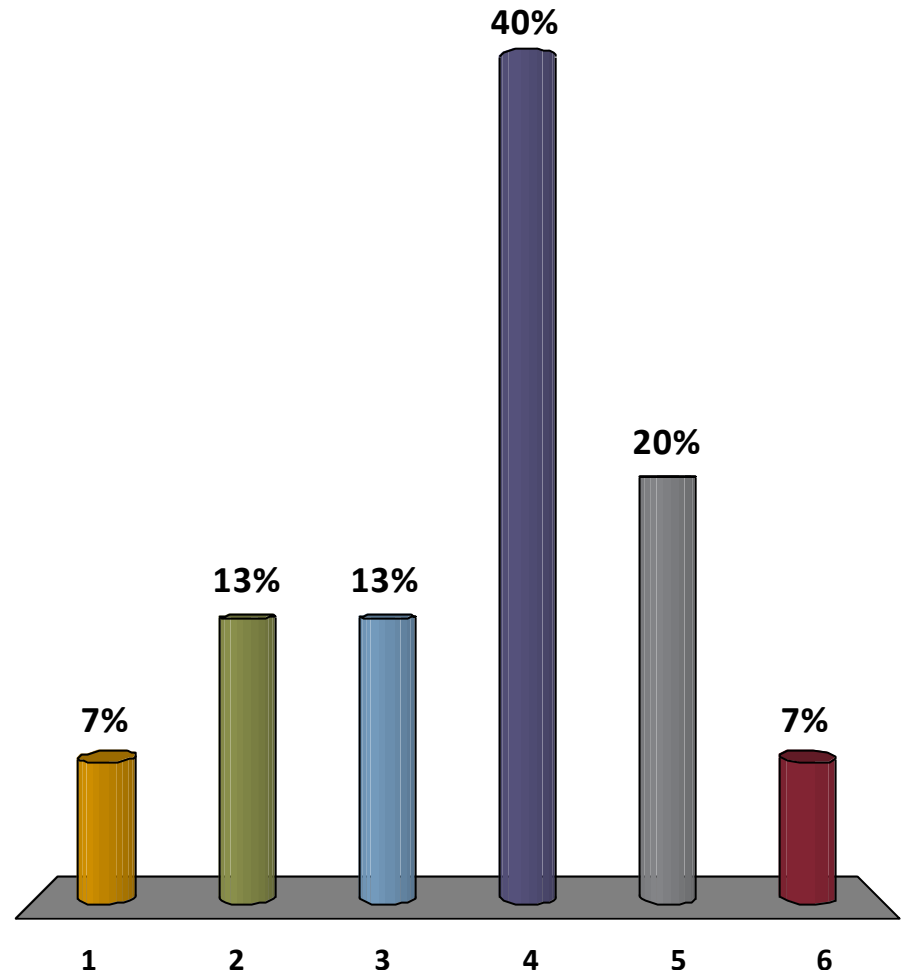
2012 to 2014 Salary Increase Budgets  
by Tech Industry Sector  
Germany





# What did (or will) your company do in 2014 in Germany?

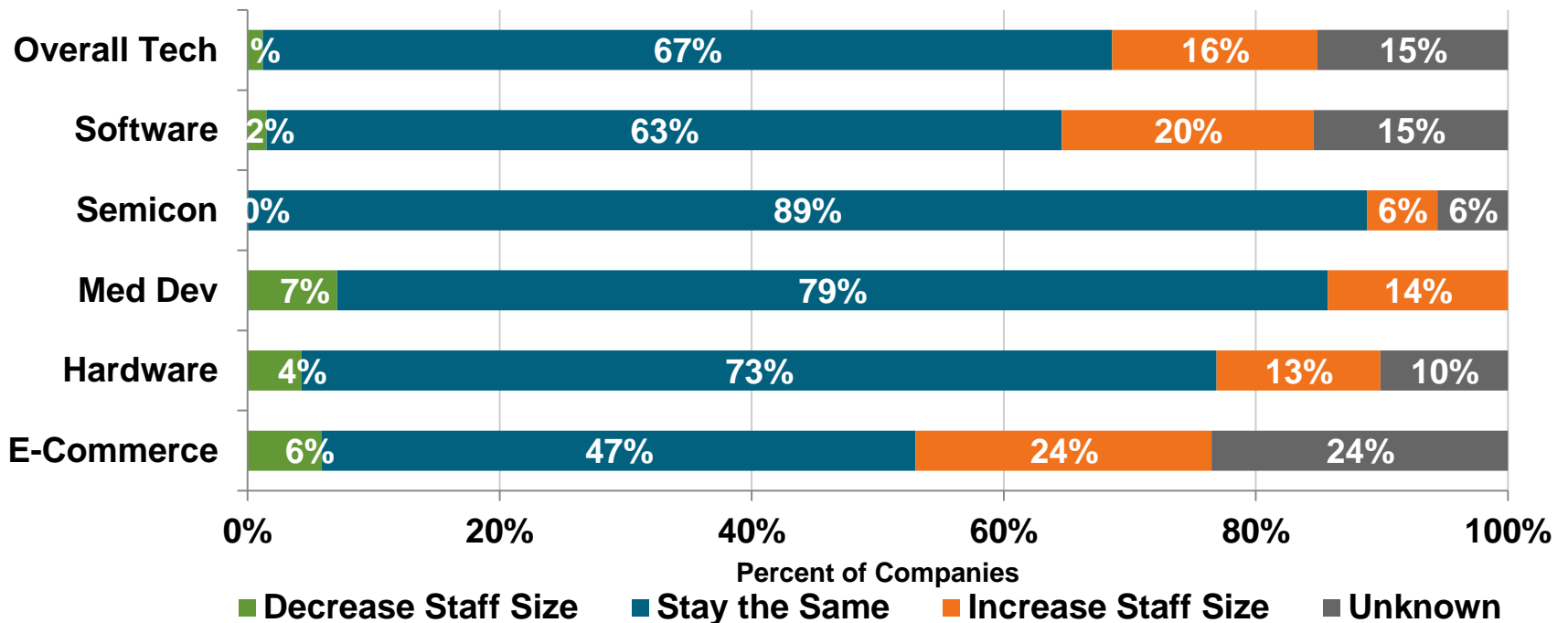
1. Zero
2. Up to 1%
3. Up to 2%
4. Up to 3%
5. Up to 3,5%
6. Above



# Expected Workforce Changes By Tech Sector

- E-commerce leads with 24% of companies expected to add to staff in Germany

Expected Workforce Changes in Germany  
Next 12 Months  
By Technology Industry Sector

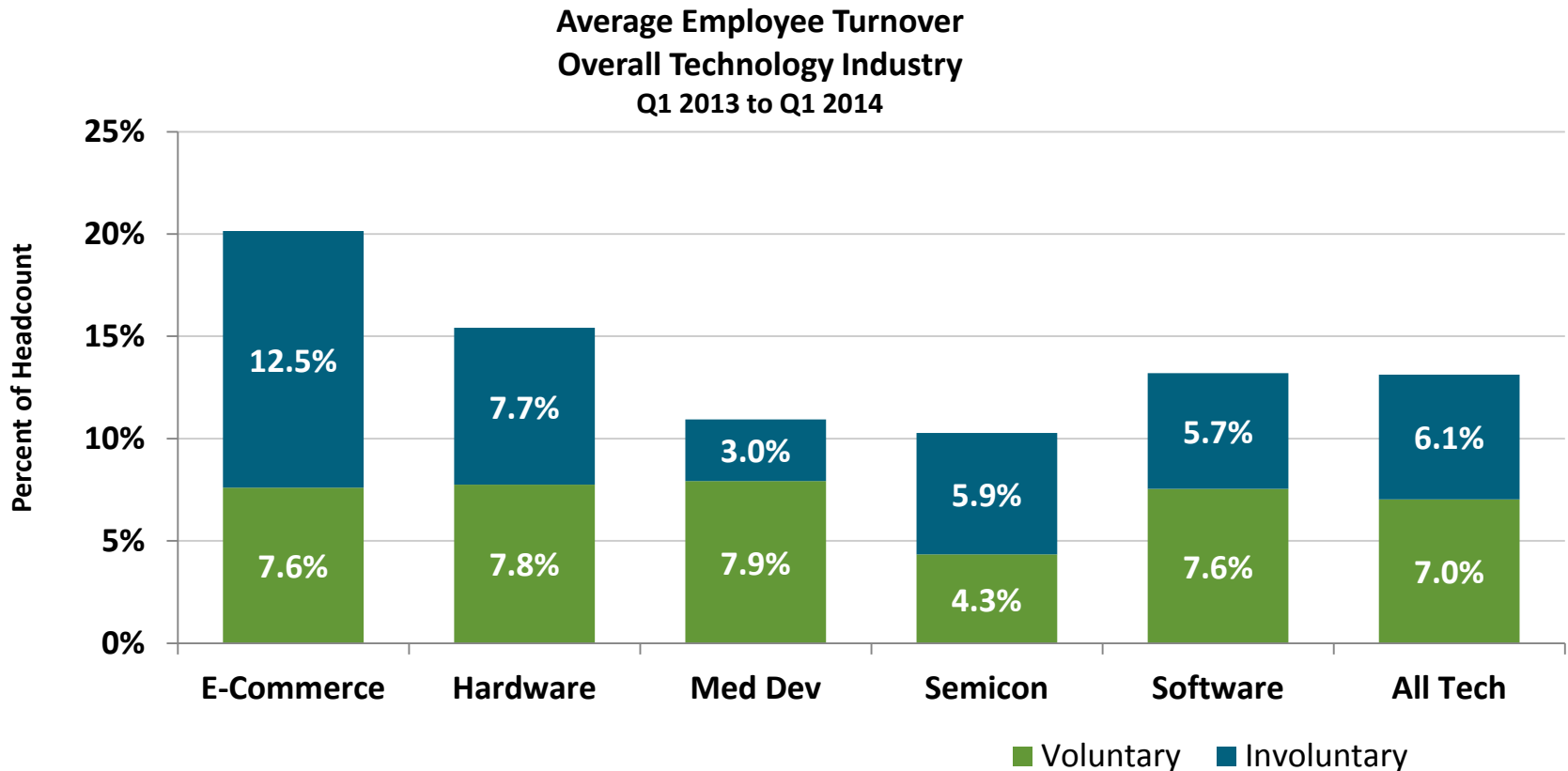


Source: Radford Global Workforce Analytics – Q1 2014; Overall Technology and custom cuts by industry, all companies



# Employee Turnover

- Across the German tech sector, turnover rates are fairly low compared to other countries. Highest rates are at internet/e-commerce companies and lowest in semiconductor



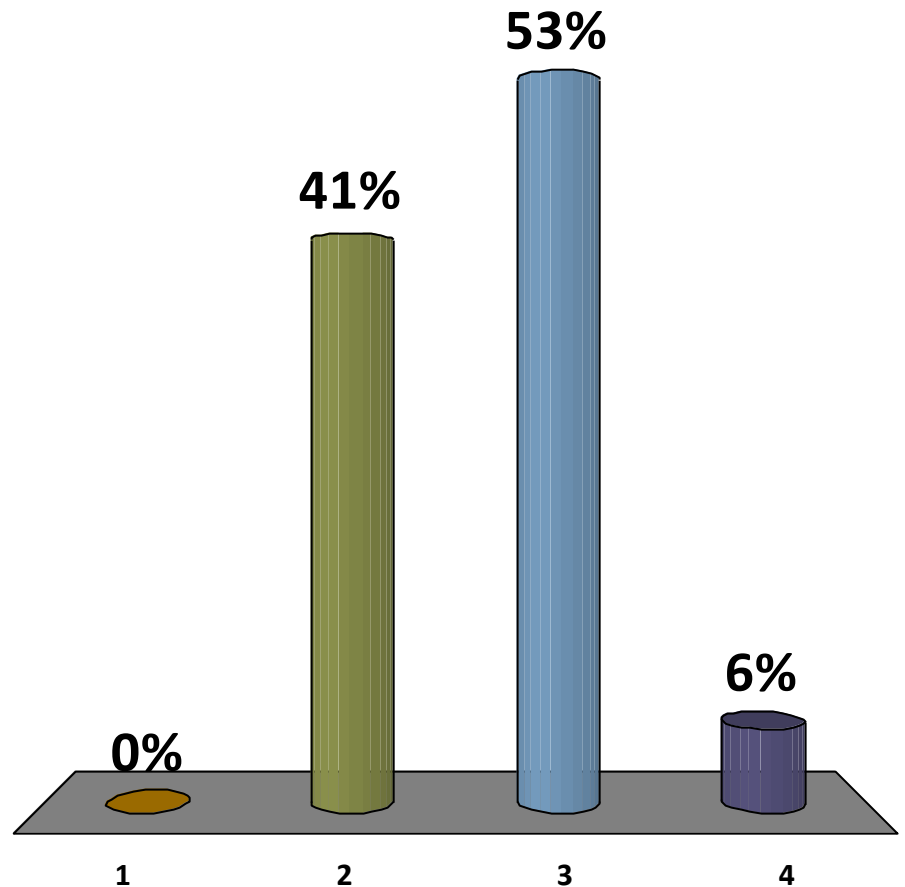
# Current Hiring Environment

- Across German technology sectors, most companies are doing “normal” or “selective” hiring



# What is your hiring expectation for the remainder of the year?

1. Freeze
2. Very selective
3. Normal
4. Aggressive

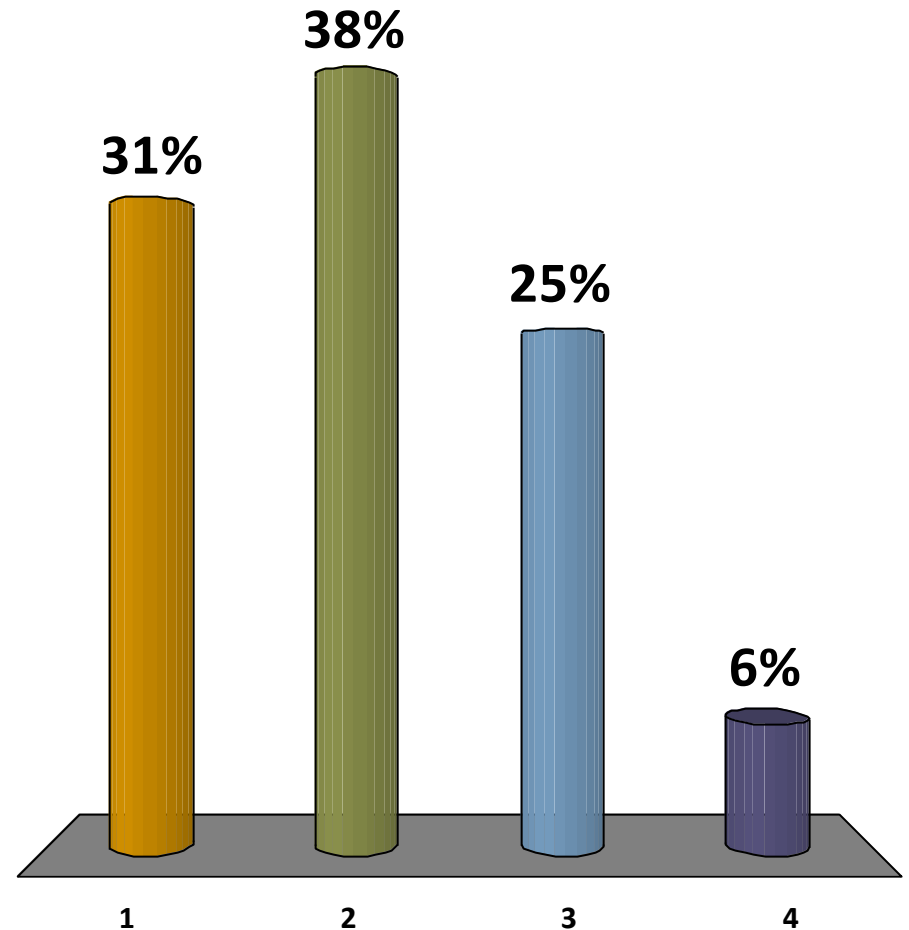




# Using the Radford Structure for Global Compensation Management

# Do the managers in your organisation understand how job levels are assigned and salary decision are made?

1. Not at all
2. Partly
3. Predominantly yes
4. Fully



# Key Drivers of Engagement in Europe



- The results of the analysis, representing 3.8 million employees at 2,560 organizations, rank these five factors as being the most important drivers of employee engagement, and thus also having the greatest opportunity to improve engagement.
- These factors are not consistent around the globe. For example, pay is ranked #2 for Asia-Pacific and parts of Eastern Europe but does not make the top five in North America

Source: Aon Hewitt 2013 Trends in Global Employee Engagement Report.





# The Pay Message

---

- Pay is a communication tool, letting employees know the results and behaviors that are valued in a company, the relationship between a manager and an employee, and the effectiveness of the company's practices.
- If messages are not explicit from the company, employees determine a message of their own, leading to a variety of interpretations - and misinterpretations - as well as limited trust.



# Goals of Global Compensation Management

---

- The strategic goals of compensation management are to:
  - support business goals
  - reward, recruit and retain high performers
  - achieve/maintain competitiveness
  - manage costs and streamline pay setting process
  - ensure internal equity
  - communicate to employees to drive behaviour



# Who Cares about the Compensation Structure?

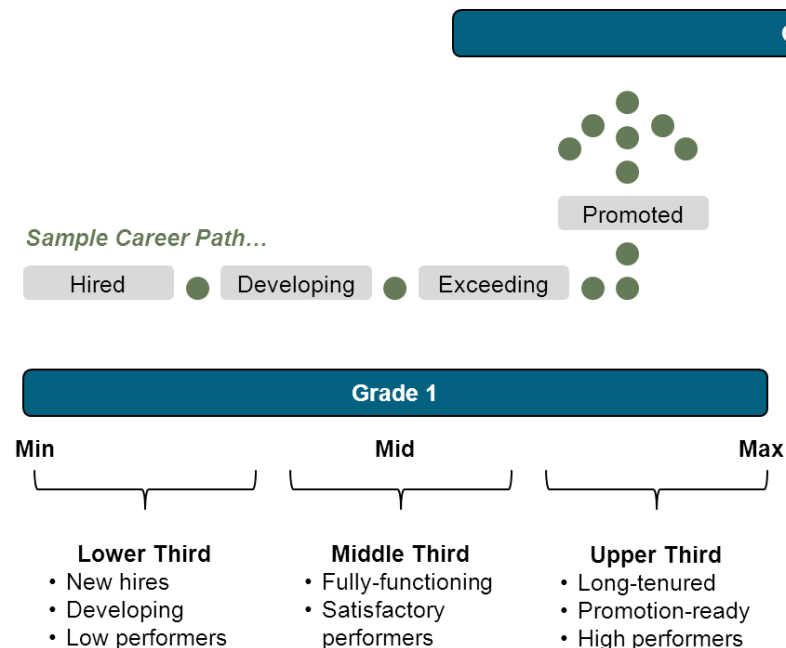
---

- Senior management
  - Helps define the culture, achieve the strategy
  - Attracts and retains key contributors
  - Substantial portion of operating costs
- Managers
  - Enables them to hire talent away from competitors
  - Helps define their authority with employees
- Employees
  - Want to know if they should feel good about their pay opportunities

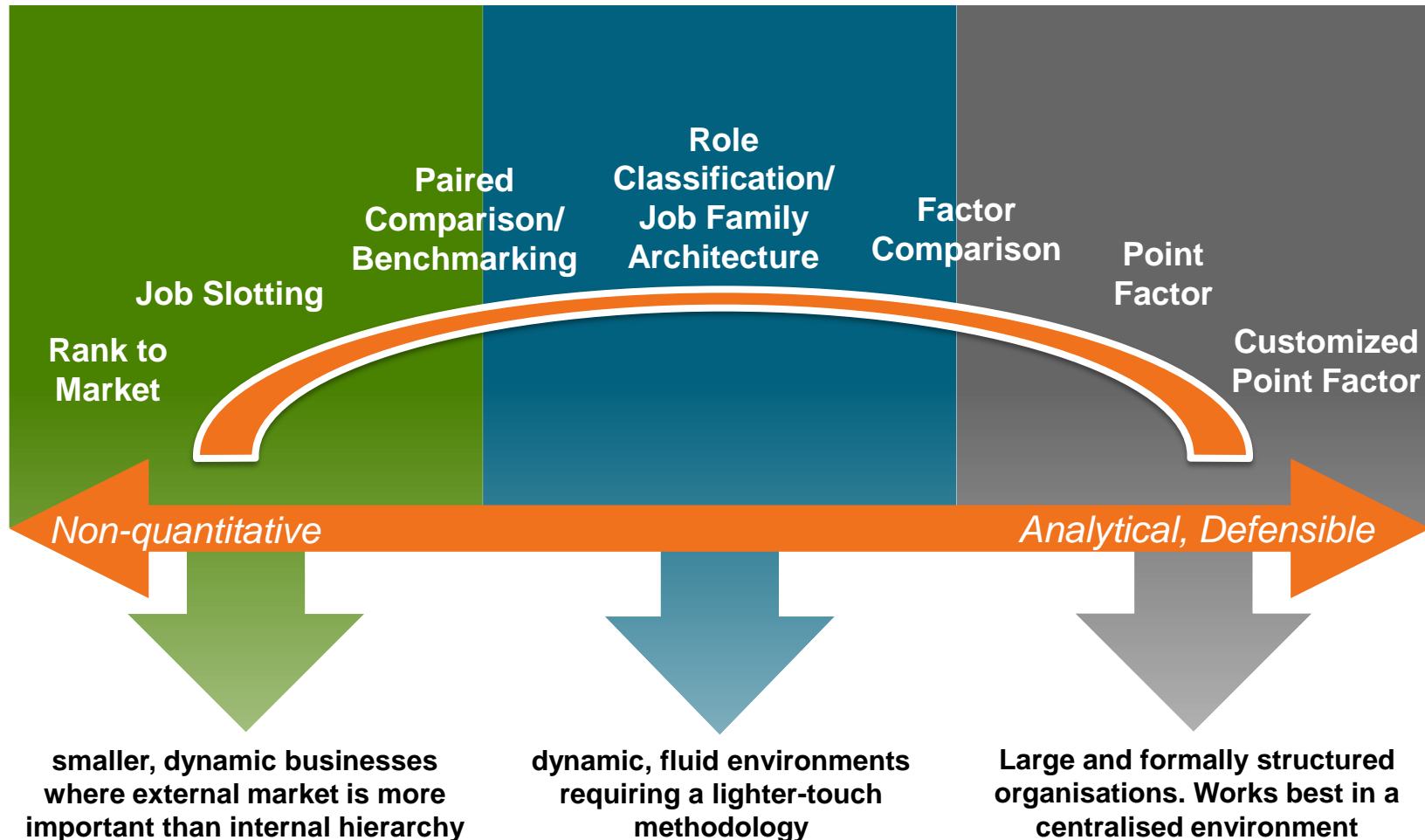


# Compensation Structure Design

- A grade structure provides:
  - A system that groups like-paid jobs into a limited number of ranges or “grades”
  - Simplifies administration of ongoing compensation decisions for both HR and Managers (new-hire offers, merit increases, promotional increases, etc.)

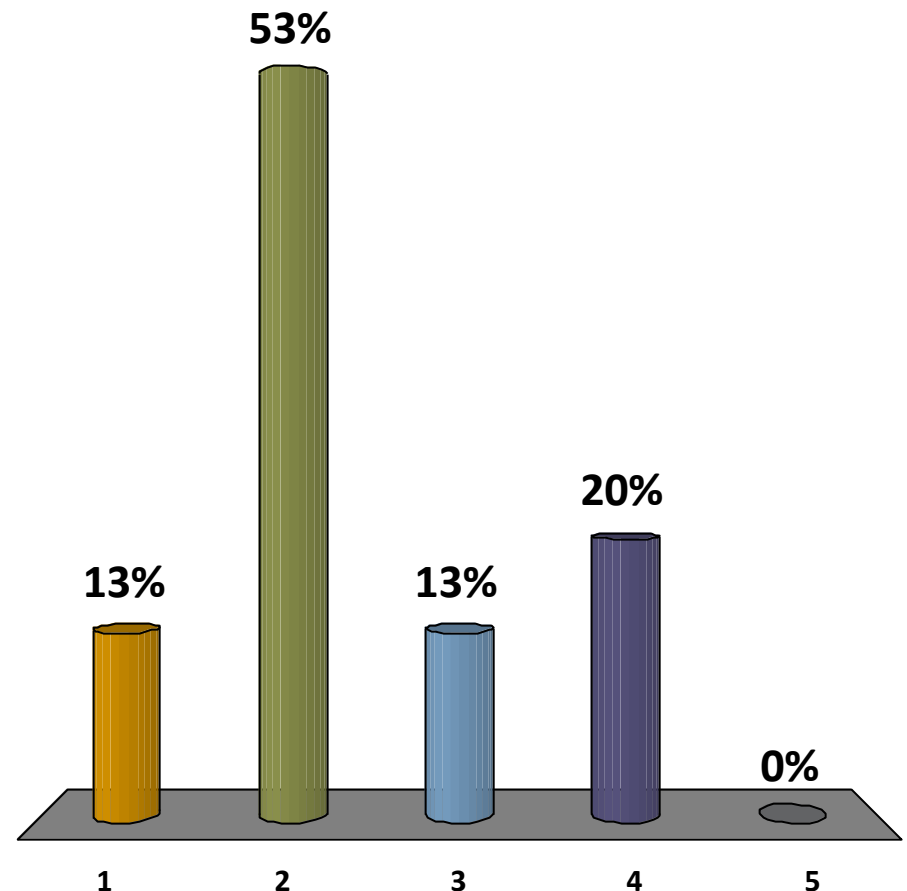


# What is out there?



# How does your organisation structures jobs?

1. Rank to Market/  
Benchmarking
2. Role Classification/  
Job Families
3. Factor Comparison
4. Point Factor  
Methodology
5. Other

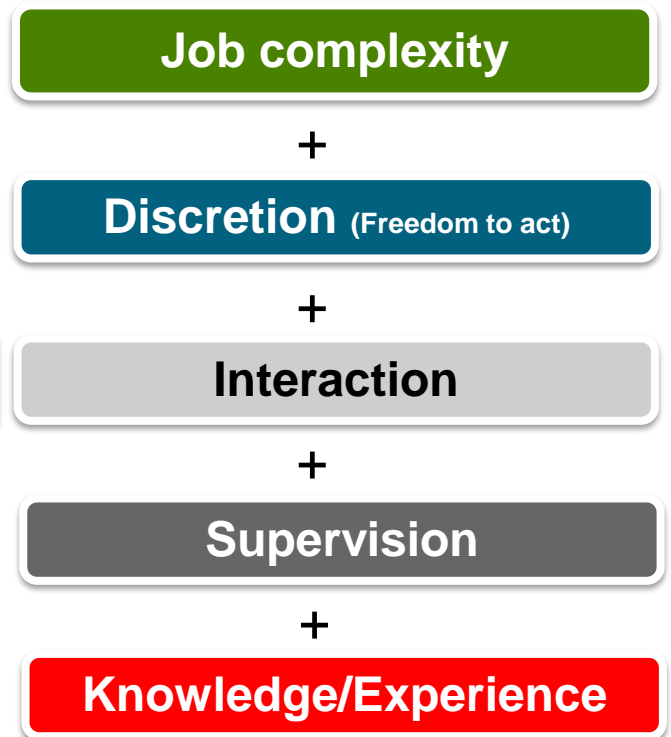


# Radford's Global Levelling Methodology

Assign a Function, Category, Job Family and Level to each employee



Management	Professional	Support Individual Contributor
Sen. Director – M6		
Director – M5	Principal – P6	
Senior Mgr – M4	Expert – P5	
Manager – M3	Advanced – P4	
Sr. Supvr – M2	Career – P3	
Supvr – M1	Developing – P2	Specialist – S5
	Entry – P1	Highly Skilled – S4
		Senior – S3
		Intermediate – S2
		Entry – S1



# Job Levelling

## PROFESSIONAL INDIVIDUAL CONTRIBUTOR JOB LEVEL CHART

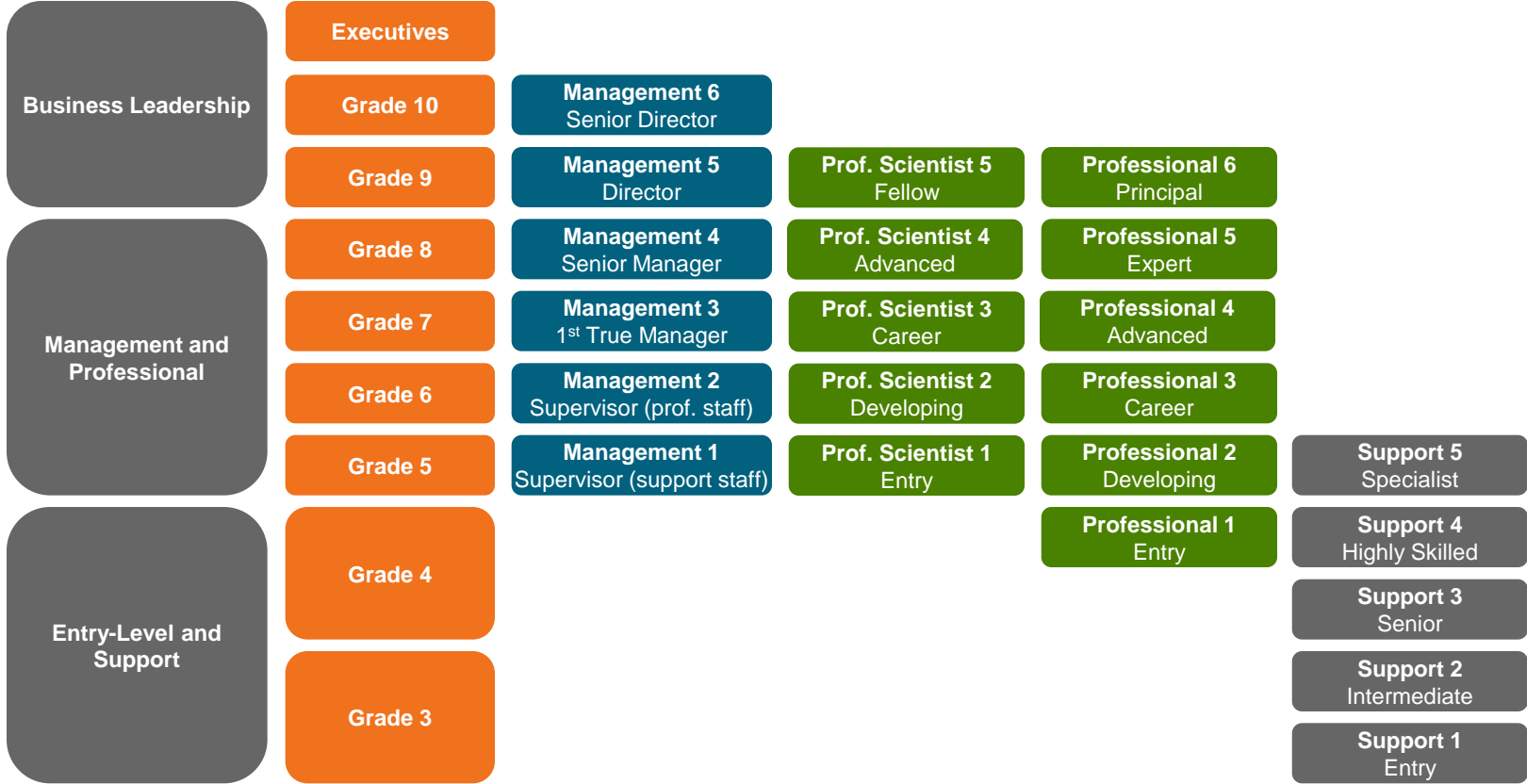
LEVEL:	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	LEVEL 5	LEVEL 6
	ENTRY	DEVELOPING	CAREER	ADVANCED	EXPERT	PRINCIPAL
<b>ANALOGY:</b>	Learns about rope	Can tie basic knots Shown complex knots	Calculates rope strength	Understands rope making	Knows more about rope than you ever will	Invented nylon
<b>KNOWLEDGE</b>	Learns to use professional concepts. Applies company policies and procedures to resolve routine issues.	Developing professional expertise, applies company policies and procedures to resolve a variety of issues.	A seasoned, experienced professional with a full understanding of area of specialization; resolves ...	Having wide-ranging experience, uses professional concepts and company objectives to ...	Having broad expertise or unique knowledge, uses skills to contribute to development of ....	As an expert in the field, uses professional concepts in developing resolution to critical issues ...
<b>JOB COMPLEXITY</b>	Works on problems of limited scope. Follows standard practices and procedures in analysing...	Works on problems of moderate scope where analysis of situations or data requires a review of a variety of factors	Works on problems of diverse scope where analysis of data requires evaluation of identifiable factors.	Works on complex issues where analysis of situations or data requires an in-depth evaluation of variable factors.	Works on significant and unique issues where analysis of situations or data requires an ...	Works on issues that impact design/selling success or address future concepts, products or technologies
<b>SUPERVISION</b>	Normally receives detailed instructions on all work.	Normally receives general instructions on routine work, detailed instructions on new projects or assignments.	Normally receives little instruction on day-to-day work, general instructions on new assignments.	Determines methods and procedures on new assignments and may coordinate activities of other personnel ...	Acts independently to determine methods and procedures on new or special ...	Exercises wide latitude in determining objectives and approaches to critical assignments.
<b>EXPERIENCE</b>	Typically requires no previous professional experience.	Typically requires a Bachelor's degree and a minimum of 2 years of ...	Typically requires a minimum of 5 years of related experience with a Bachelor's degree; or ....	Typically requires a minimum of 8 years of related experience with a Bachelor's degree...	Typically requires a minimum of 12 years of related experience with a Bachelor's degree...	Typically requires a minimum of 15 years of related experience with a Bachelor's degree; or ...





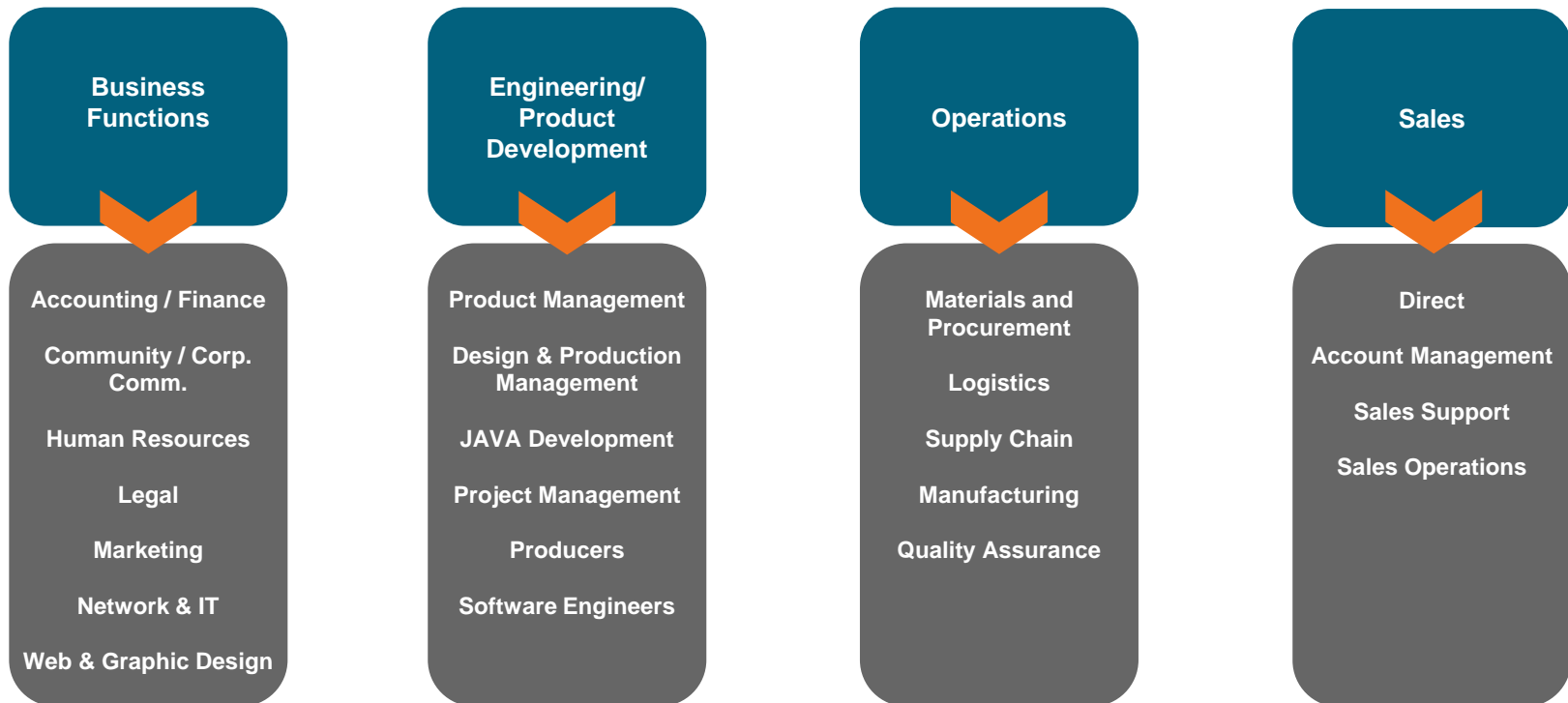
# Role Classification Architecture

- A global leveling job structure starts with an alignment of career levels. A typical career level structure based on Radford job levels shown below
- Geographic modifications may be made within this structure



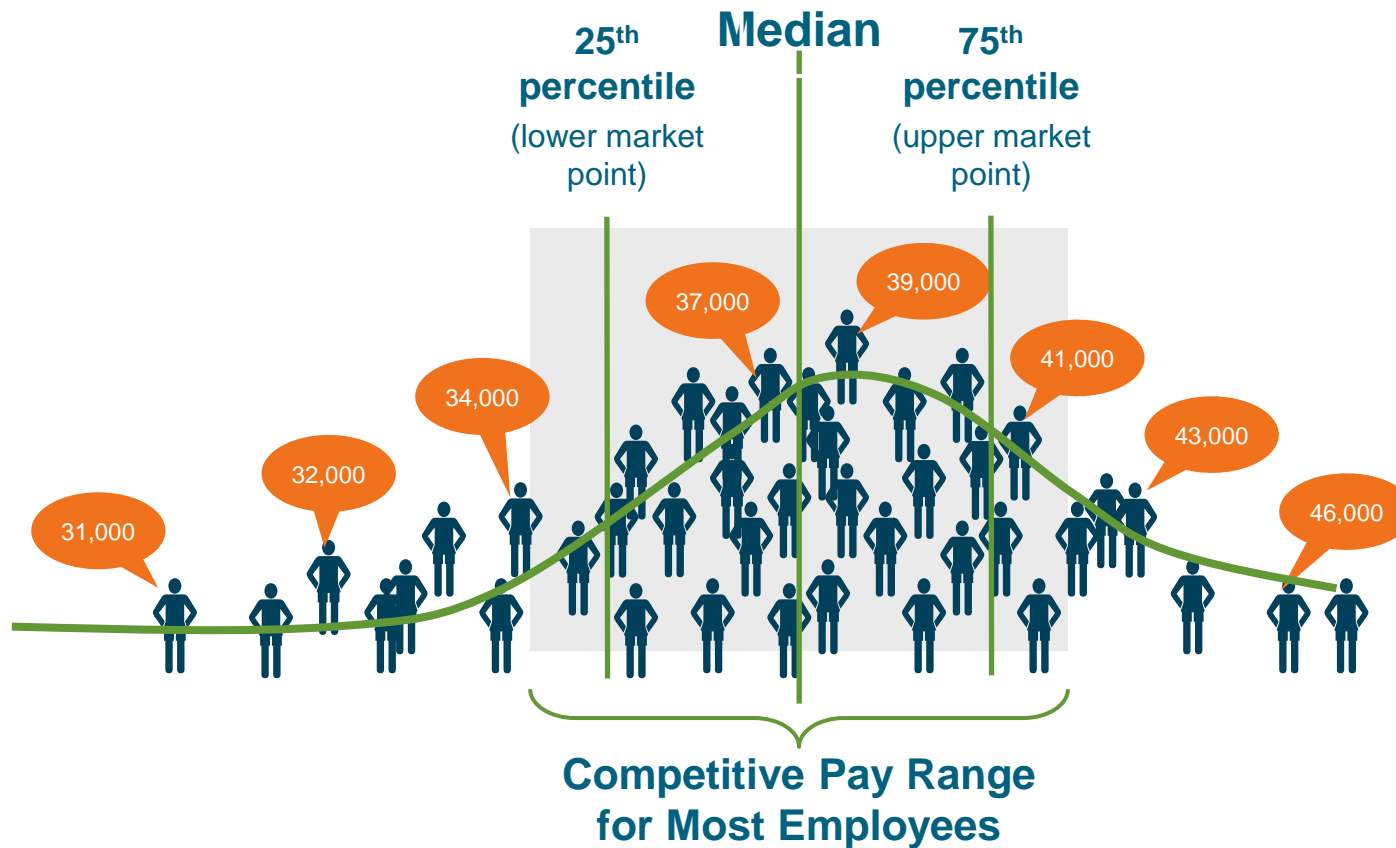
# Global Levelling Example

- Analysis of job families that share similar skills/attributes and their market pay results in functional groupings
- The goal is to balance internal equity and career progression with the external market

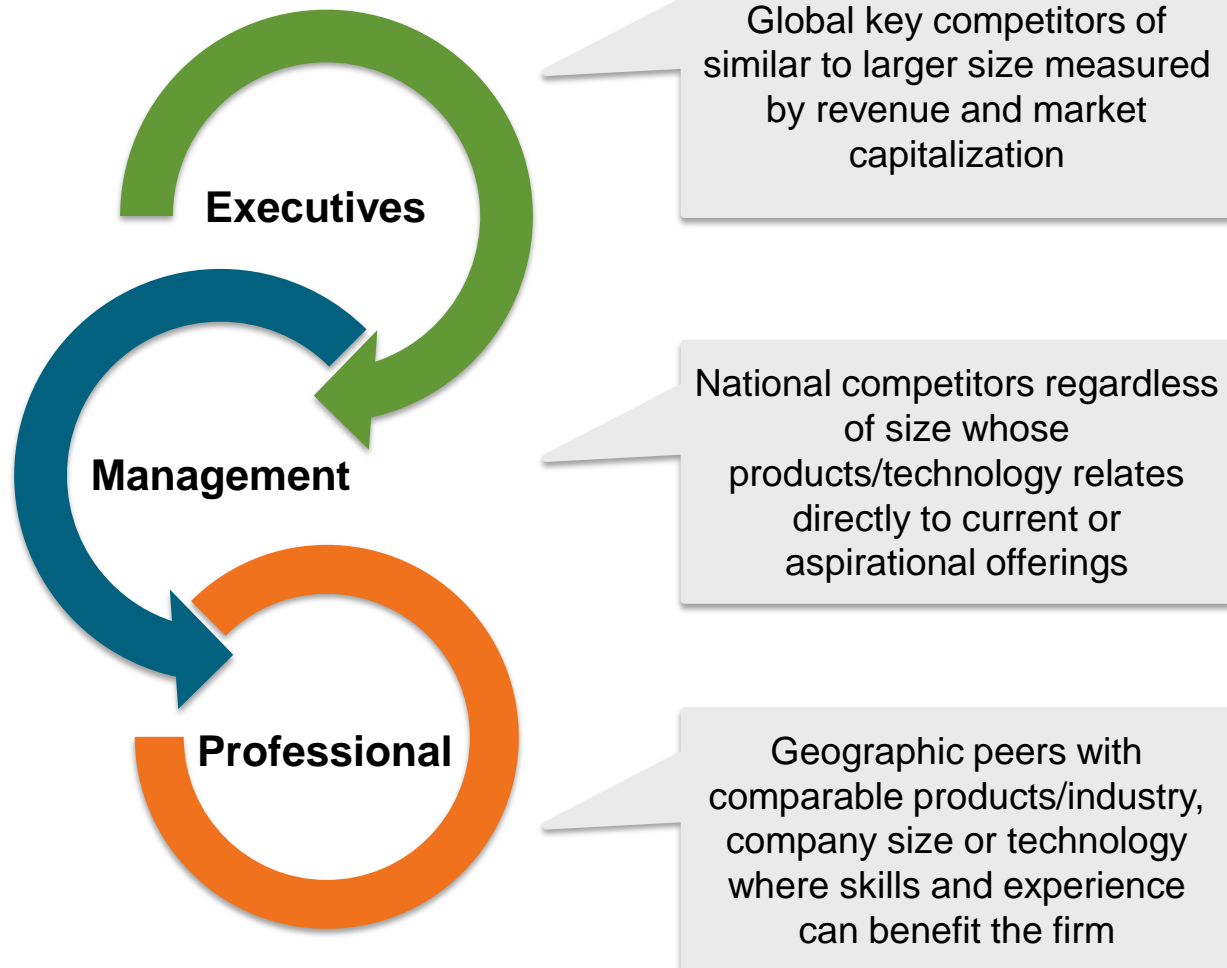


# Working with Market Data

- Market data help us understand the distribution of pay for a job
- Competitive pay is a range – not a single point



# Define Your “Market”



# Global Levelling Example

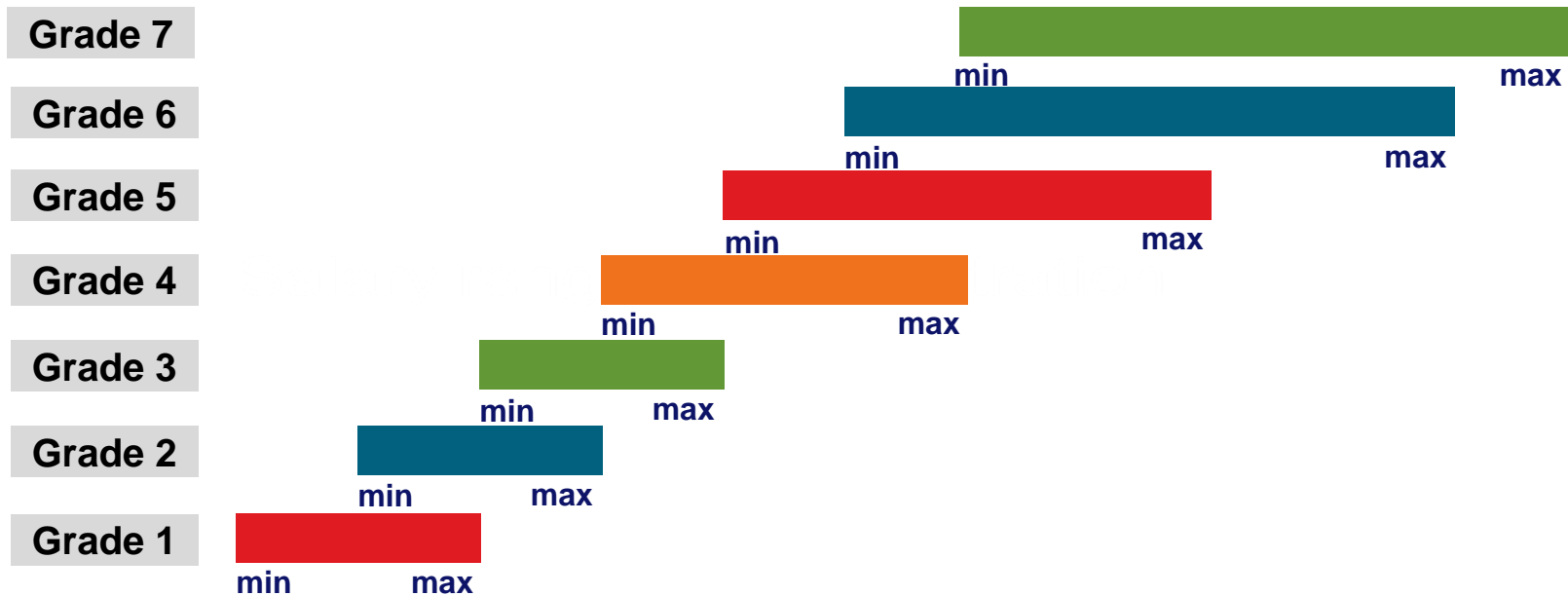
- Salary ranges by job level or global grade are created for each functional grouping based on local market pay and the company's targeted market position for those jobs
- As shown below, this results in a unique, market-focused and internally aligned set of salary ranges for each functional group, for one geography. Other geographies would follow the same overall structure, but with locally-specific pay ranges.

Grade	Radford Level			Market Suggested Midpoints		
	Mgmt	Prof	Support	Business Functions	Operations	Engineering
9	Mgmt 4	Prof 5		134,500	142,000	157,000
8	Mgmt 3	Prof 4		107,500	113,500	125,500
7	Mgmt 2	Prof 3		86,000	91,000	100,500
6	Mgmt 1	Prof 2	Sppt 5	71,500	75,500	83,500
5		Prof 1	Sppt 4	60,000	63,000	69,500
4			Sppt 3	50,000	52,500	58,000

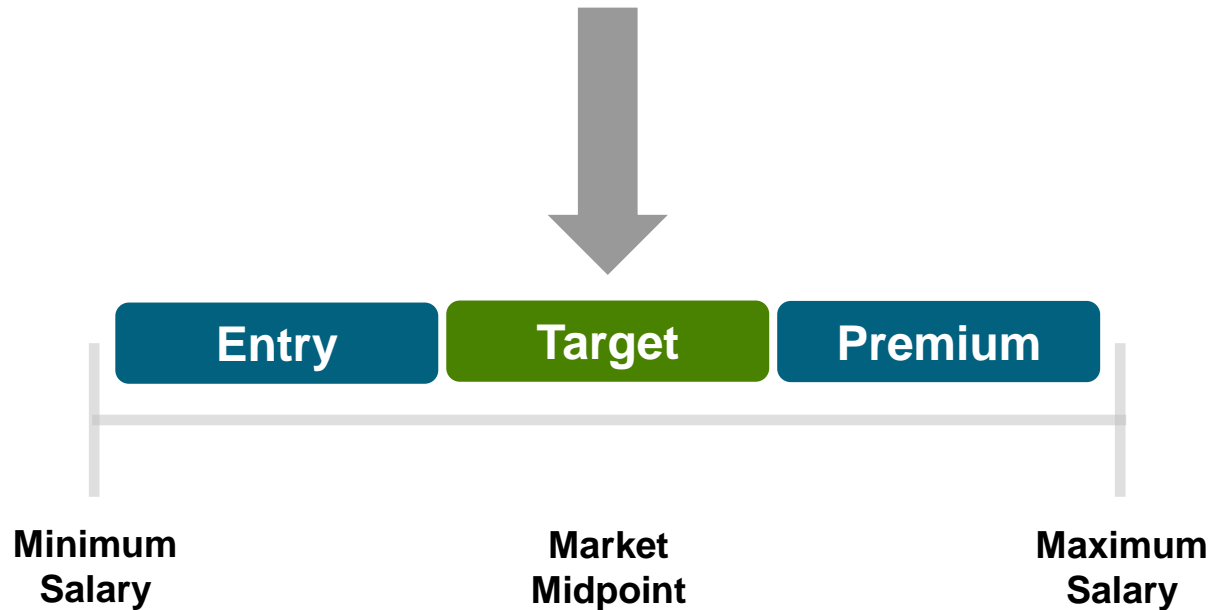


# Width of a Salary Range

- Minimum to maximum range spread widens as you move up in the structure
  - At higher levels, there are typically fewer promotions and consequently fewer opportunities to move to a higher grade
  - Wider range allows incumbents to remain in positions longer and receive salary increases without exceeding the maximum



# Concepts to Keep in Mind



- **Entry:** Inexperienced new hire or recent promotion
- **Market “Target”:** Fully experienced and qualified employees
- **Premium:** Small number of employees whose value to the company warrants being paid above-market salaries



# Salary Framework (Example)

Grade	Competitive Position	Range		Base Pay Midpoints		Target Bonus	
		+	-	IC	Mgmt.	IC	Mgmt.
8	Q3	25%	25%	-	169.600	-	50%
7	Q3	25%	25%	-	110.300	-	40%
6	Q3 for IC	20%	20%	68.900	86.000	20%	30%
5	Q3 for IC	20%	20%	62.000	62.700	15%	20%
4	Median	20%	20%	47.400	39.900	10%	10%
3	Median	15%	20%	37.300	-	-	-
2	Median	15%	20%	29.100	-	-	-
1	Median	15%	20%	24.200	-	-	-

- Salaries are managed by using a sector-specific market (where you lose and hire employees from) for each of the desired job family groupings and career path
- Enables companies to offer attractive pay packages and by the same time manage salaries effectively
- Allows flexible comp design based on business needs





# Why Does it Work?

---

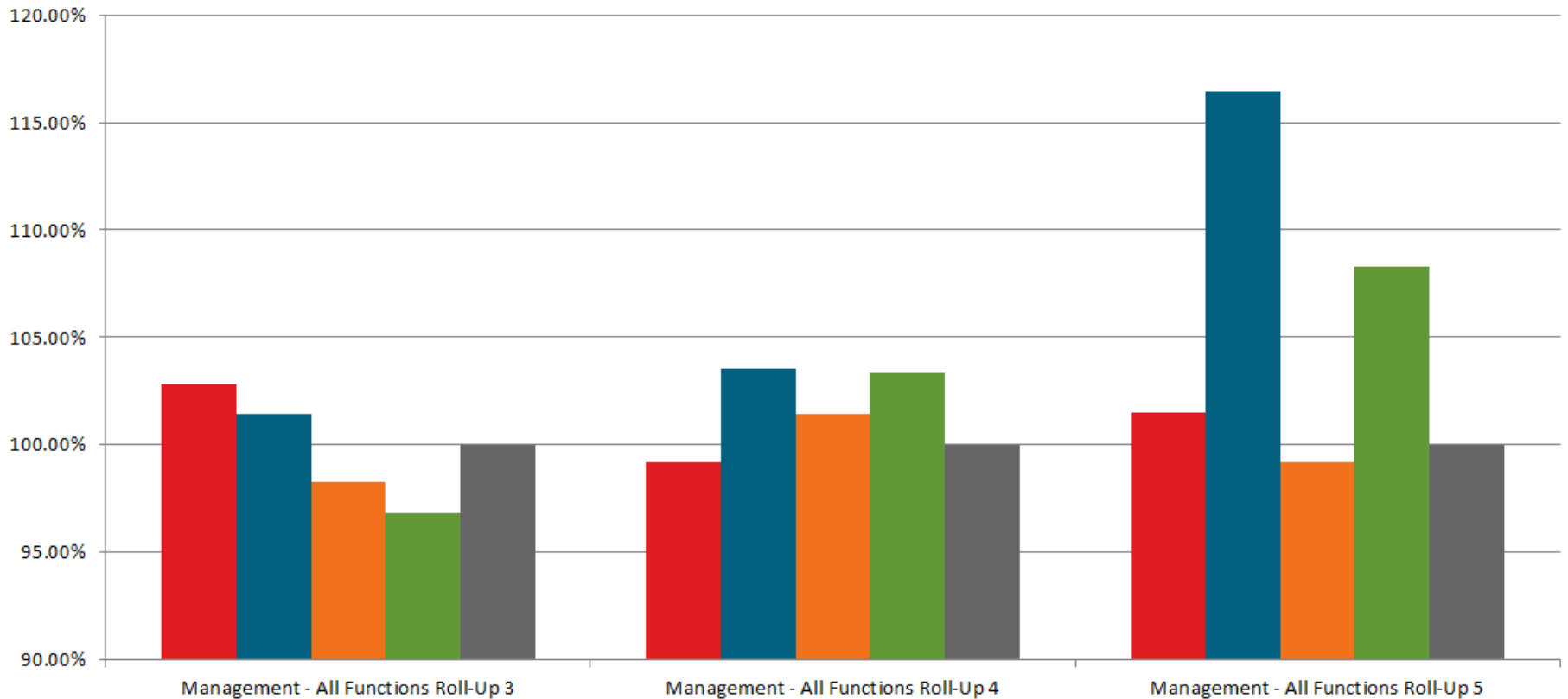
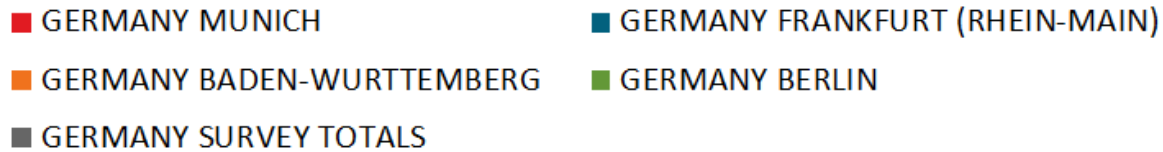
- Transparent job levelling architecture is easy to understand and implement
- Supports communication to line management and staff
- High flexibility for the implementation of organisational changes (merger, growth, new business line) at low maintenance cost
- Focus is on competency development rather than on upward movement
- Provides control over cost and enables effective and market-driven compensation programs
- Helps managers to understand pay structures and allows to differentiate pay increases based on performance



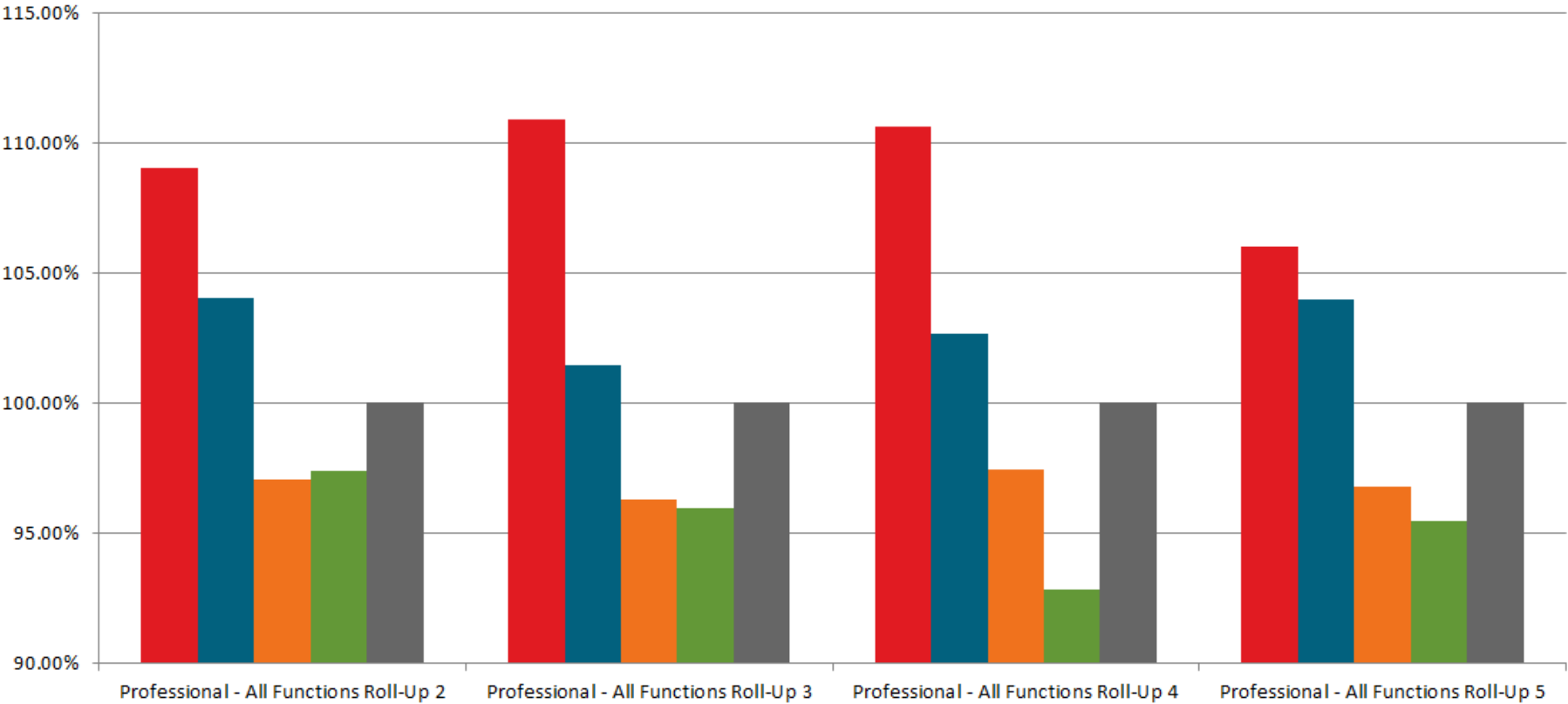
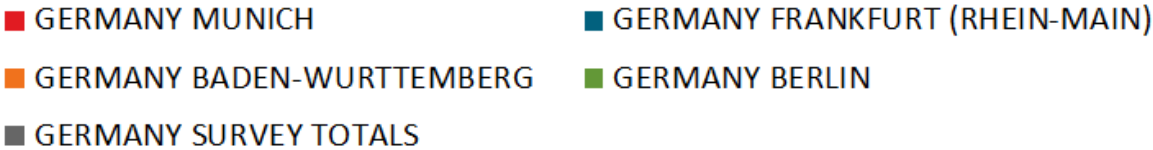


# Compensation Trends in Technology Sectors

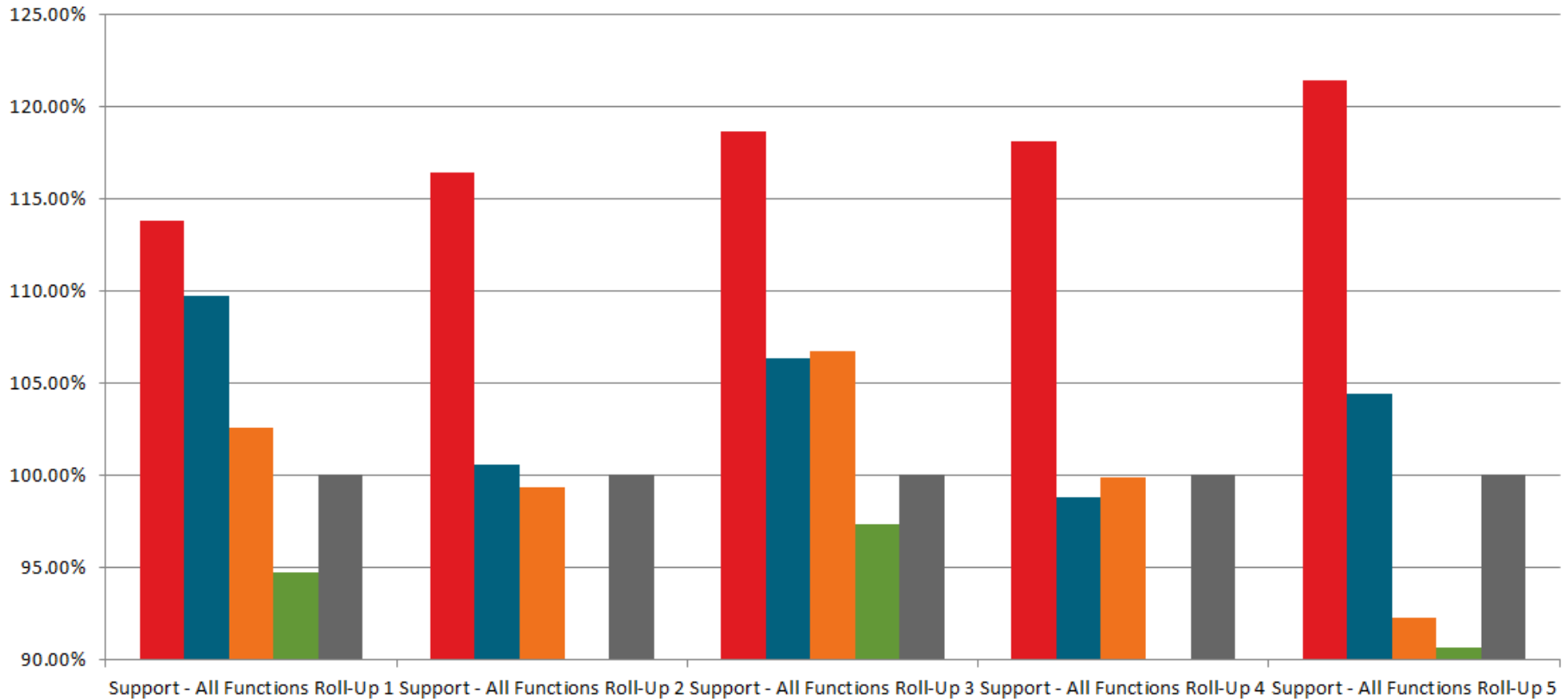
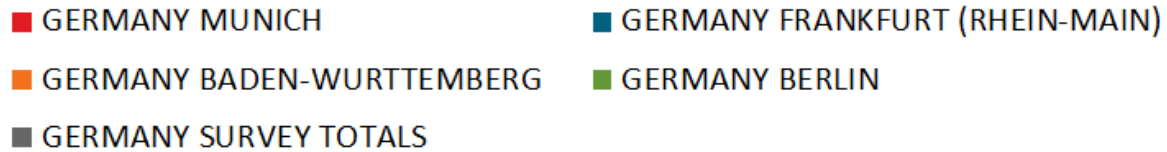
# Germany Regional Differences - Manager



# Germany Regional Differences - Professional

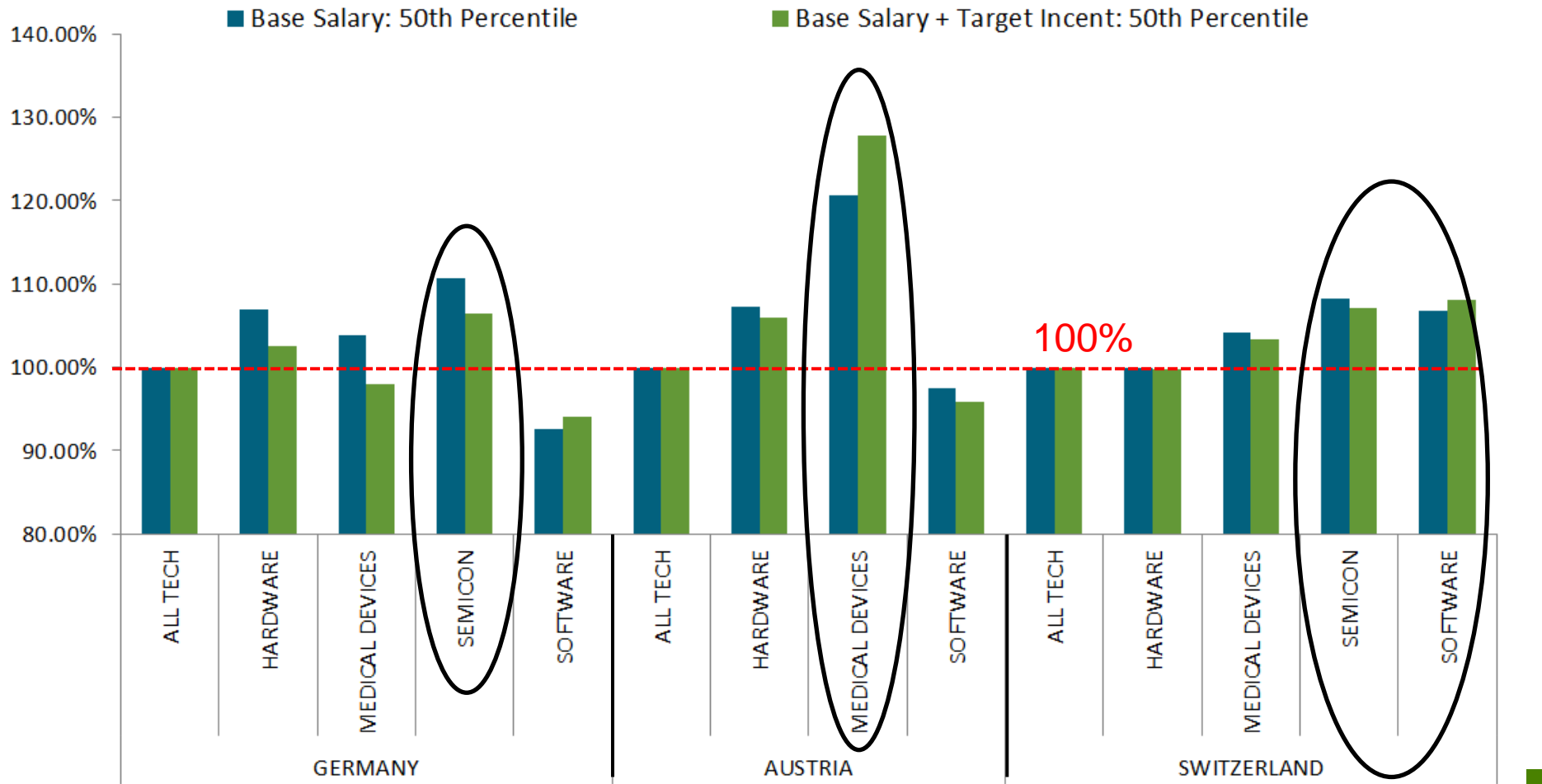


# Germany Regional Differences - Support



# DACH - Salary Differentials – All Functions Level 3

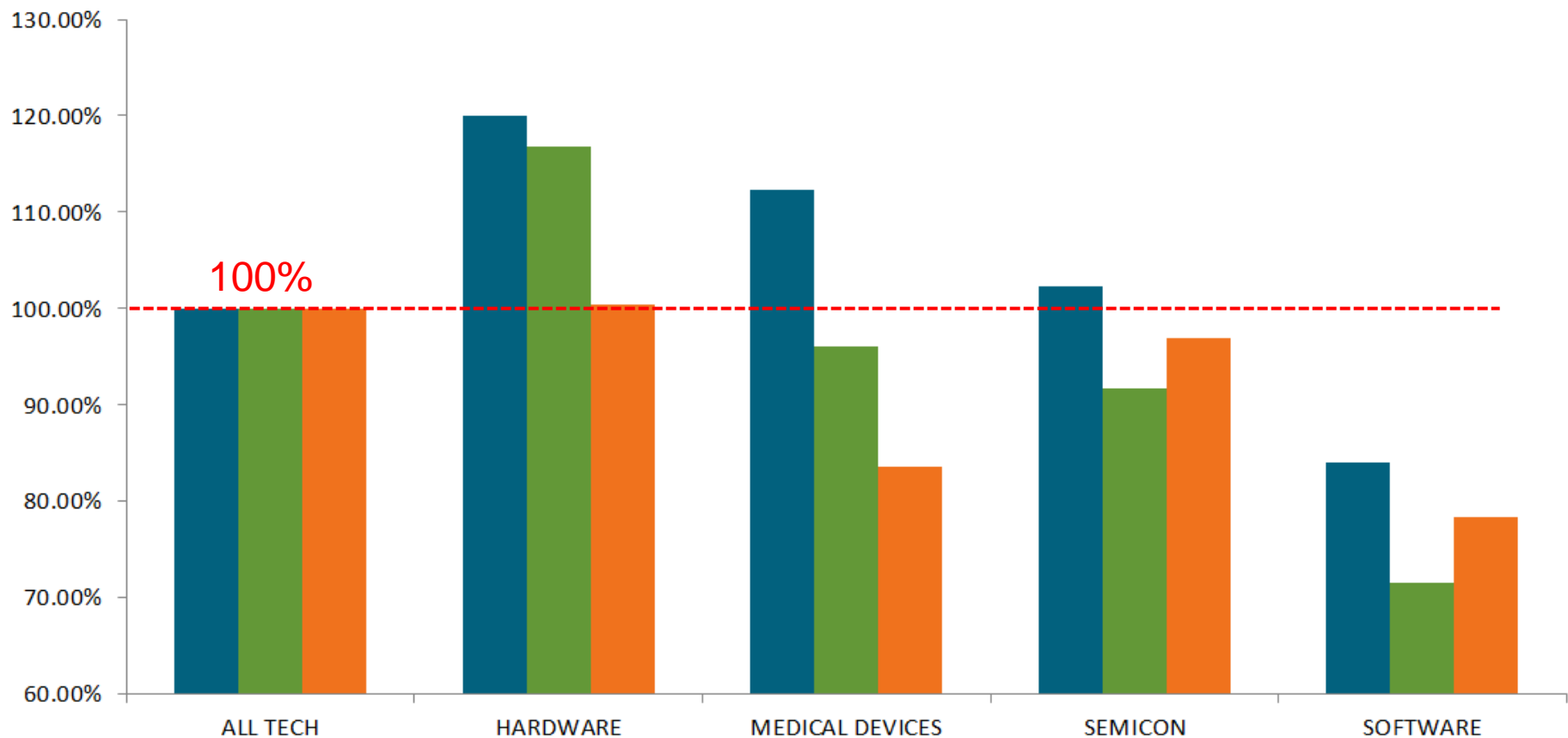
- Median pay differentials between sectors: All Tech = 100%



# Germany – Pay Differentials Exec Level 7

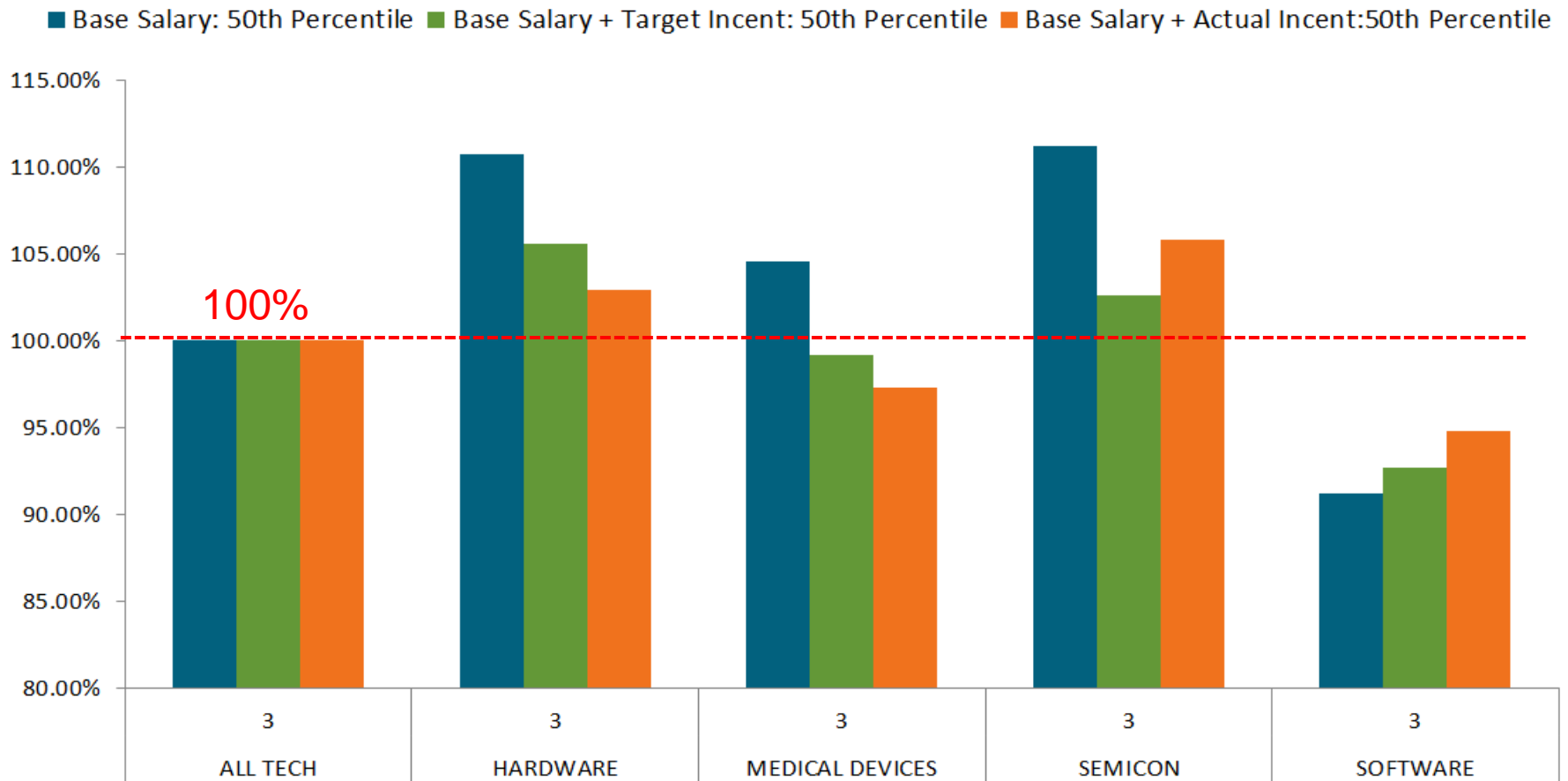
- Median pay differentials between sectors: All Tech = 100%

■ Base Salary: 50th Percentile ■ Base Salary + Target Incent: 50th Percentile ■ Base Salary + Actual Incent: 50th Percentile



# Germany – Pay Differentials Manager Level 3

- Median pay differentials between sectors: All Tech = 100%

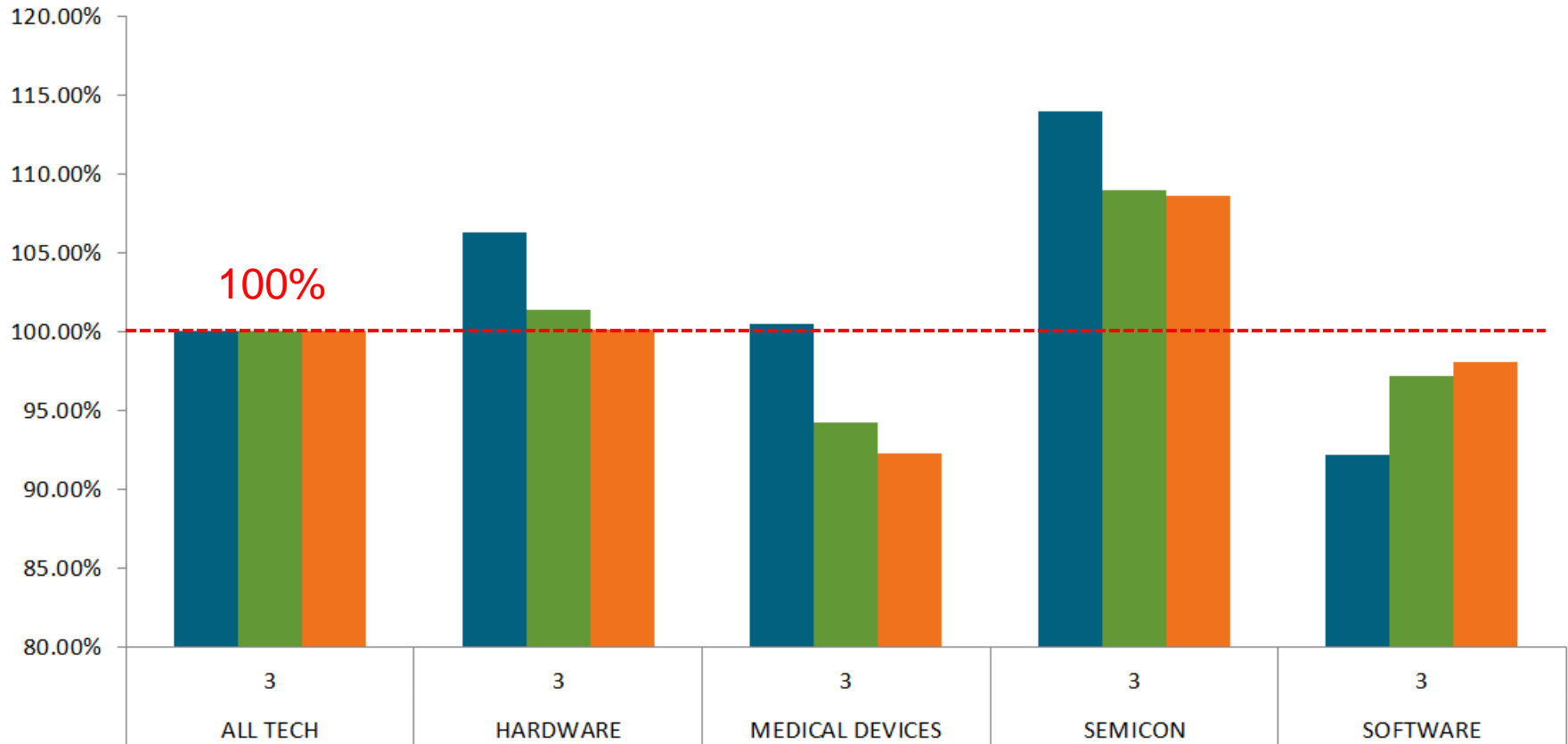




# Germany – Pay Differentials Prof Level 3

- Median pay differentials between sectors: All Tech = 100%

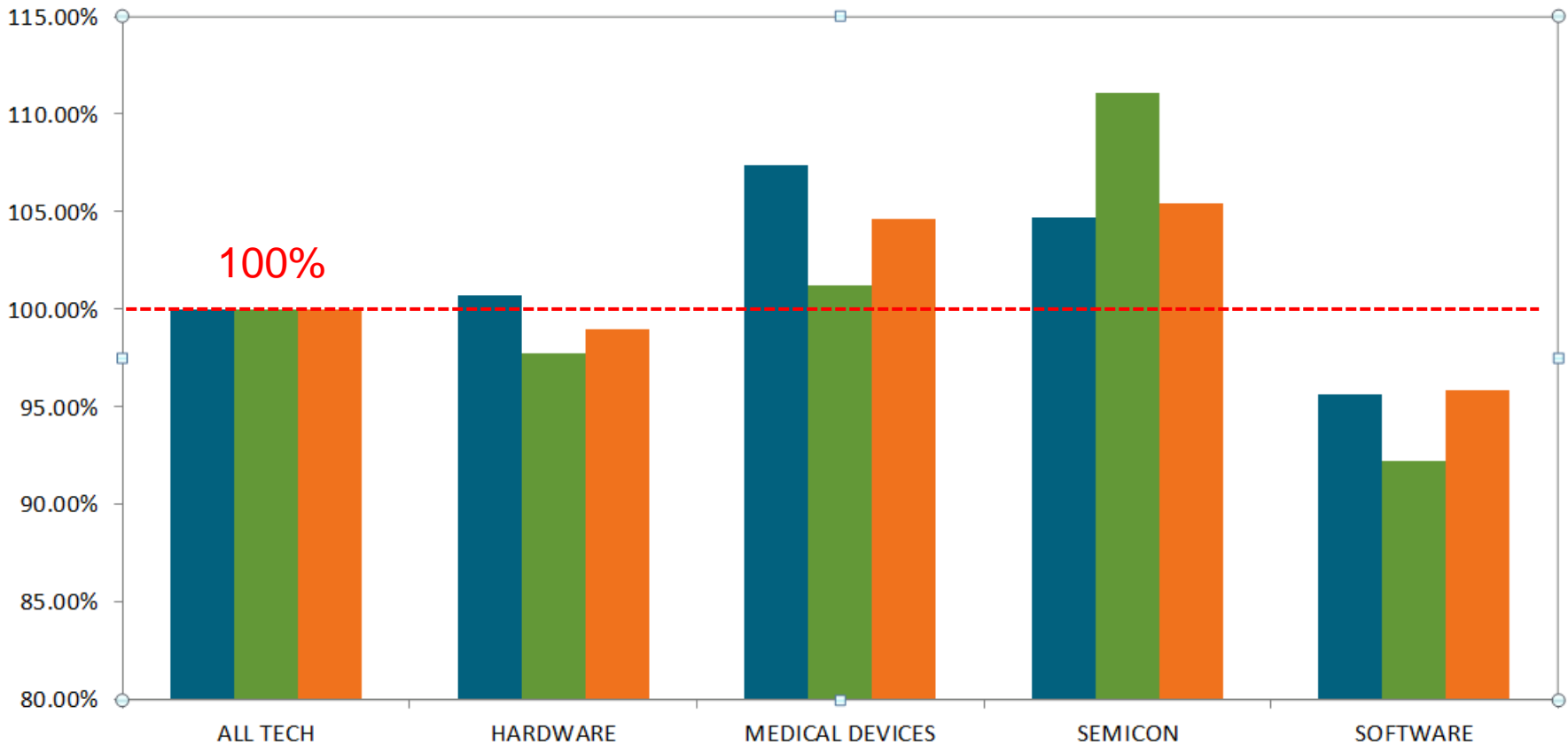
■ Base Salary: 50th Percentile ■ Base Salary + Target Incent: 50th Percentile ■ Base Salary + Actual Incent: 50th Percentile



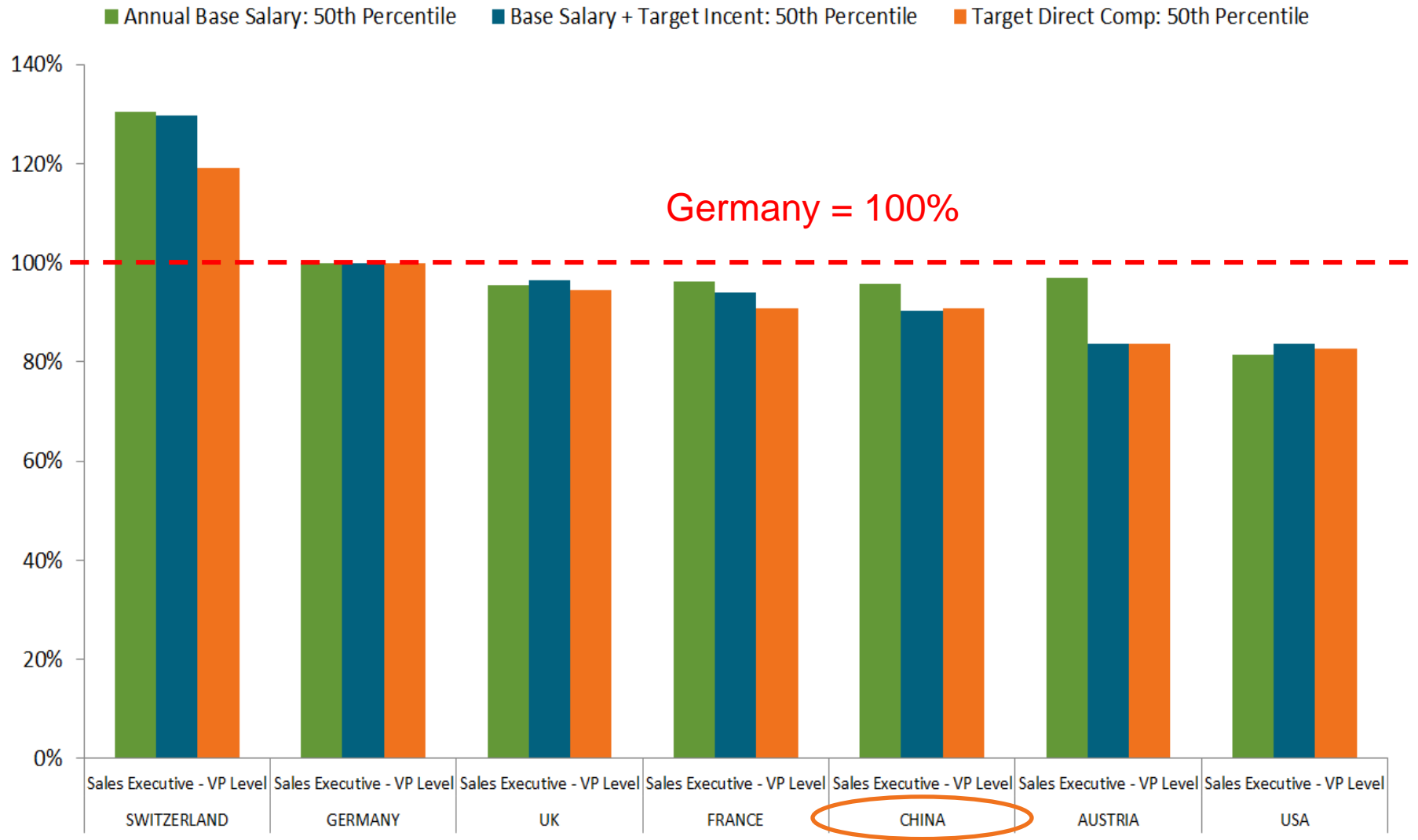
# Germany – Pay Differentials Support Level 3

- Median pay differentials between sectors: All Tech = 100%

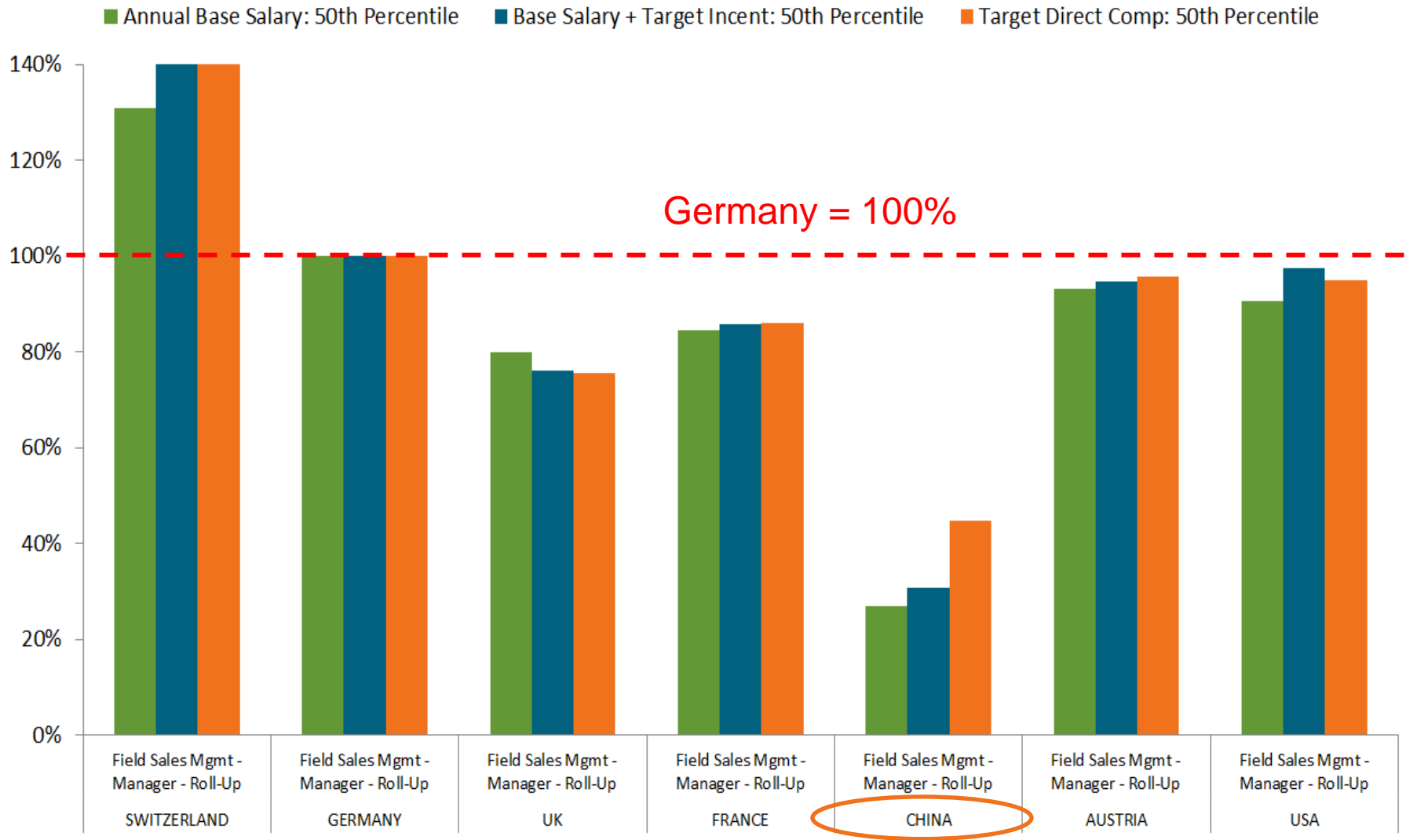
■ Base Salary: 50th Percentile ■ Base Salary + Target Incent: 50th Percentile ■ Base Salary + Actual Incent: 50th Percentile



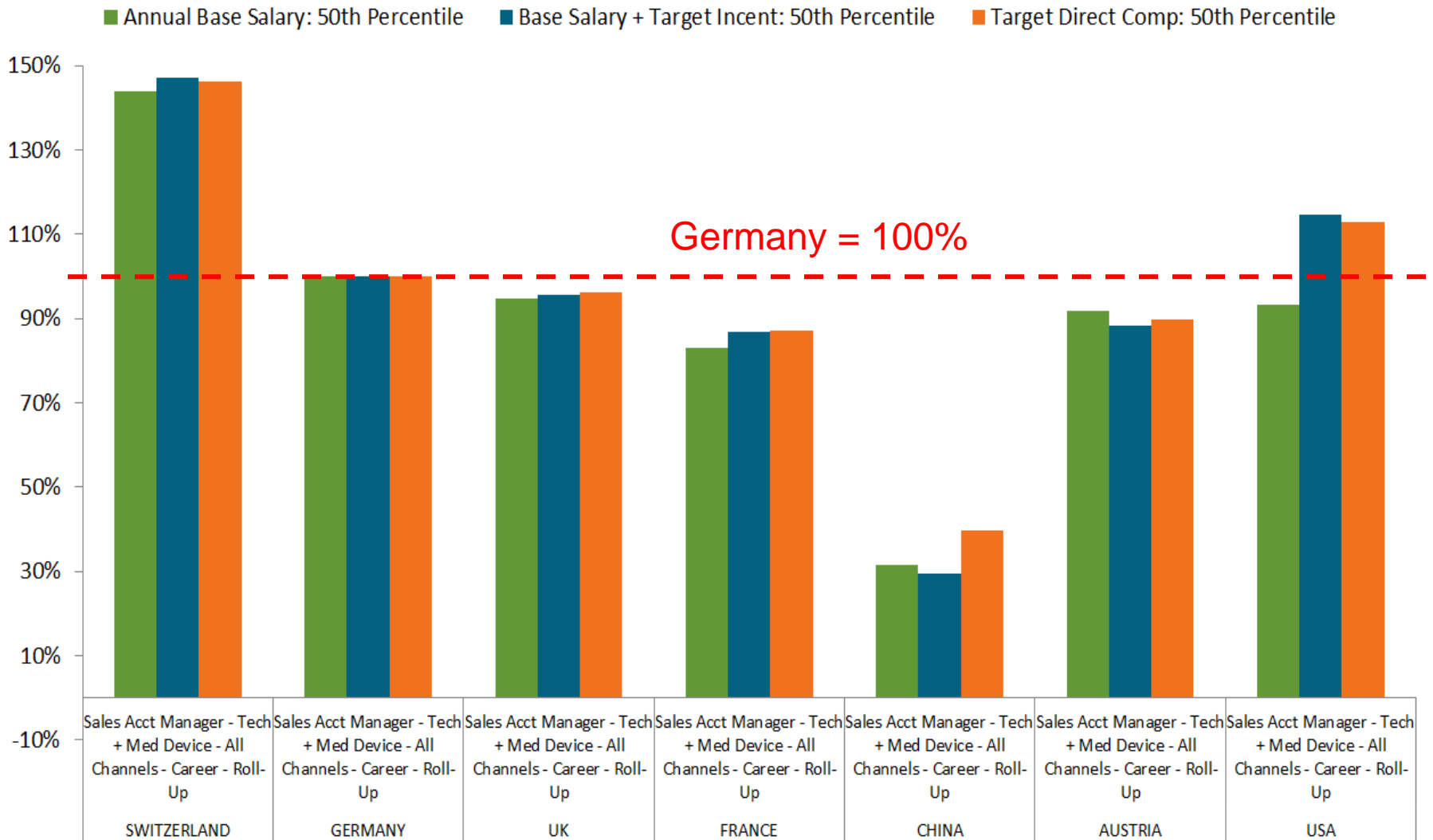
# International Comp Differentials for Sales Executives: Example Level 7



# International Comp Differentials for Field Sales Manager: Example for Mgmt Level 3

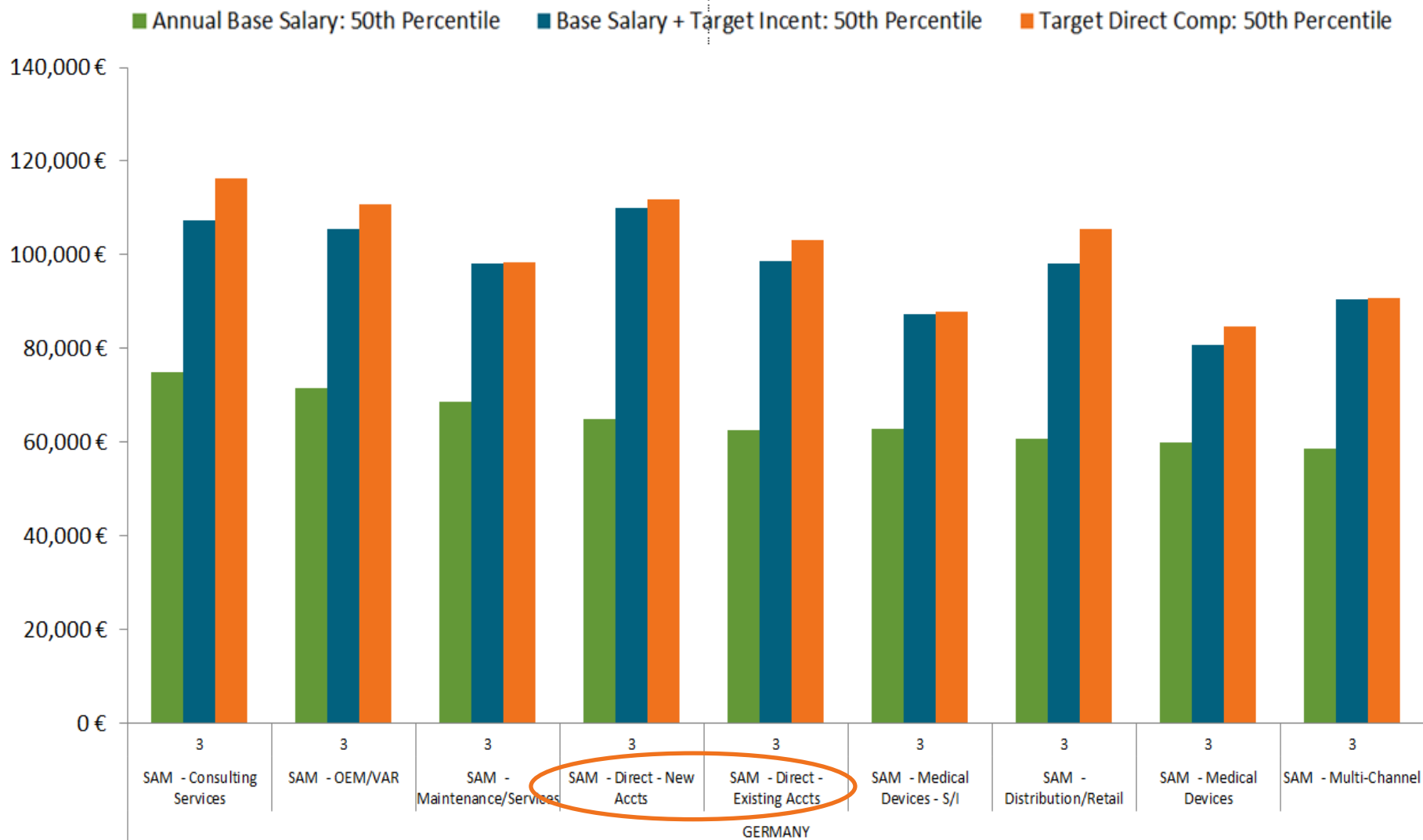


# International Comp Differentials for Sales Account Manager: Example for Prof. Level 3



# Check Sales Channels and Products

## Example Germany – Sales Account Mgr Level 3

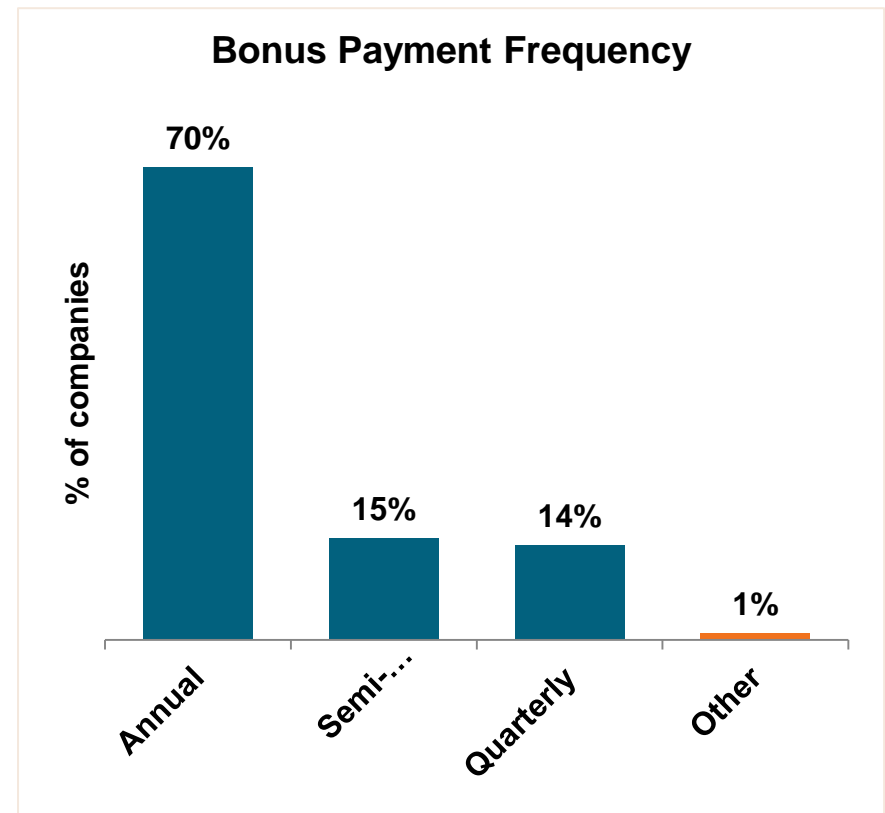
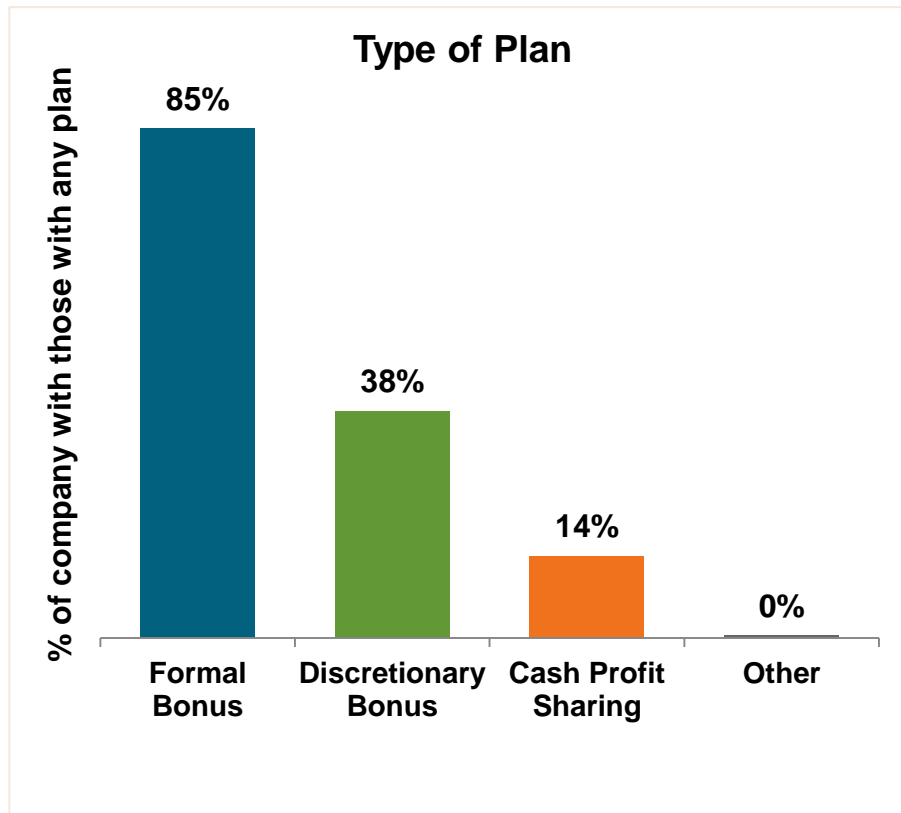




# Compensation Facts – STI

# Types of Variable Cash Incentive Plans

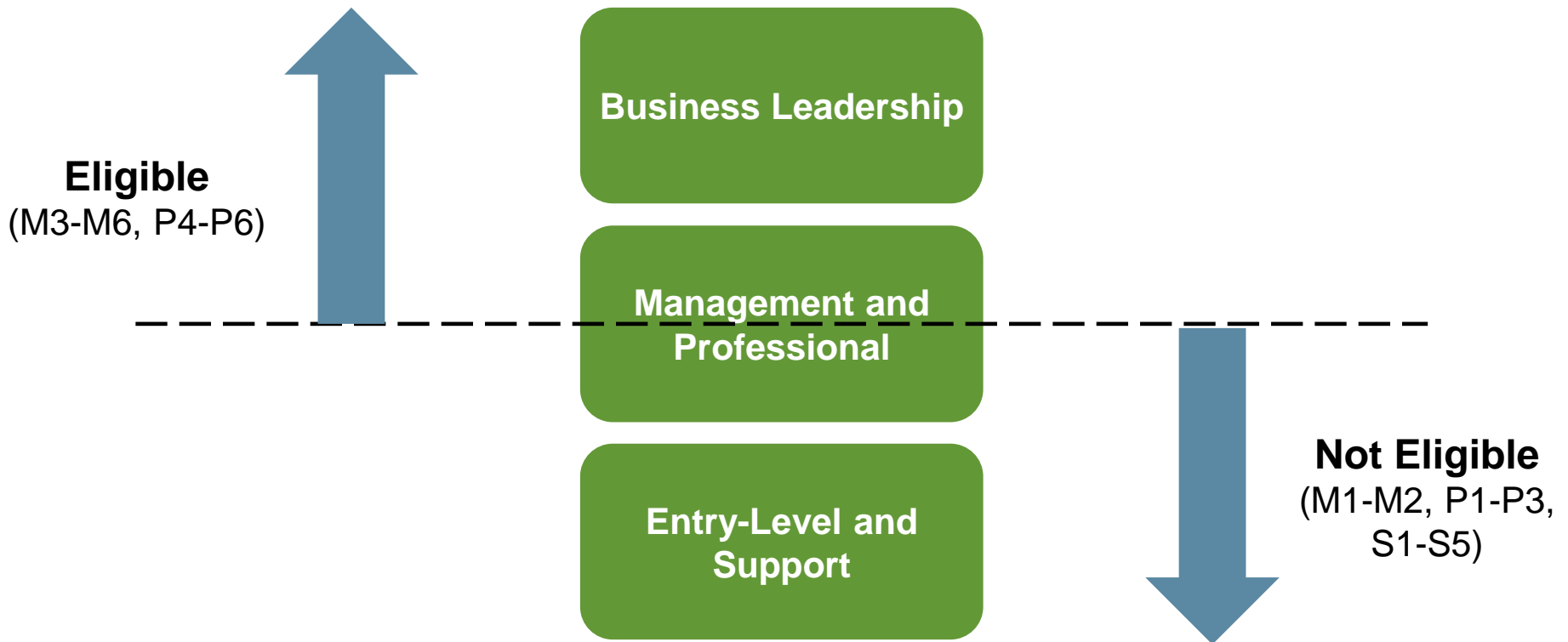
- 95% of US headquartered companies have an annual cash incentive plan, enabling a portion of compensation costs to be variable instead of fixed; tied to performance and affordability





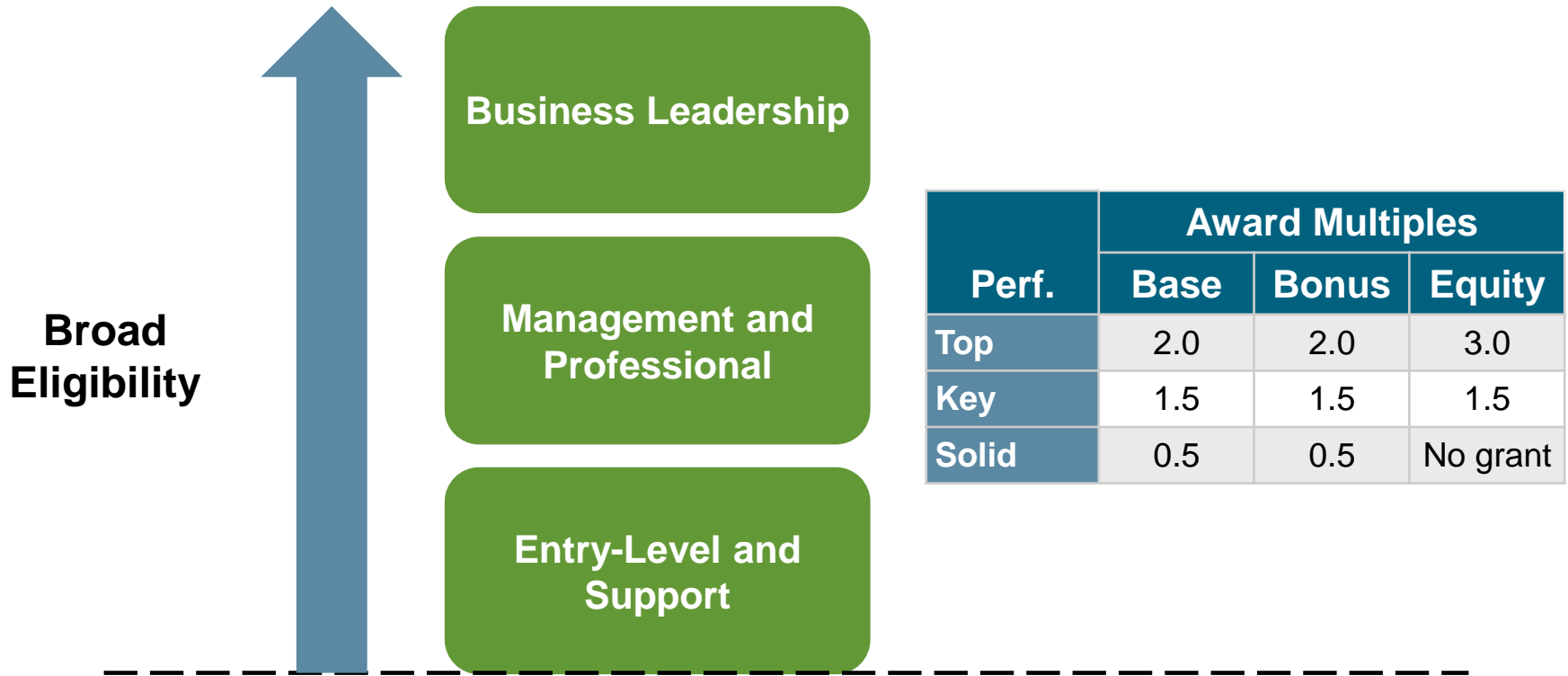
# Pay Differentiators

- Traditional Approach: level-based eligibility



# Pay Differentiators

- Evolving Approach: Performance-Based



# Annual Bonus Plan Eligibility by Country

- Under a global strategy, annual incentive plan eligibility consistent across countries, based on job level

Incentive Plan Eligibility by Job Level and Country (% of employees eligible, average)					
Job Level	US	China	Poland	Switzerland	Germany
<b>Management</b>					
Vice President	99%	99%	99%	99%	99%
Director (M5-M6)	96%	99%	98%	99%	98%
Manager (M3-M4)	89%	95%	94%	93%	93%
Supvr (M1-M2)	75%	80%	84%	83%	81%
<b>Individual Contributor</b>					
Expert (P5-P6)	85%	90%	90%	89%	91%
Career (P3-P4)	75%	80%	80%	83%	80%
Entry (P1-P2)	65%	70%	78%	76%	72%
Support (All levels)	55%	65%	69%	69%	65%



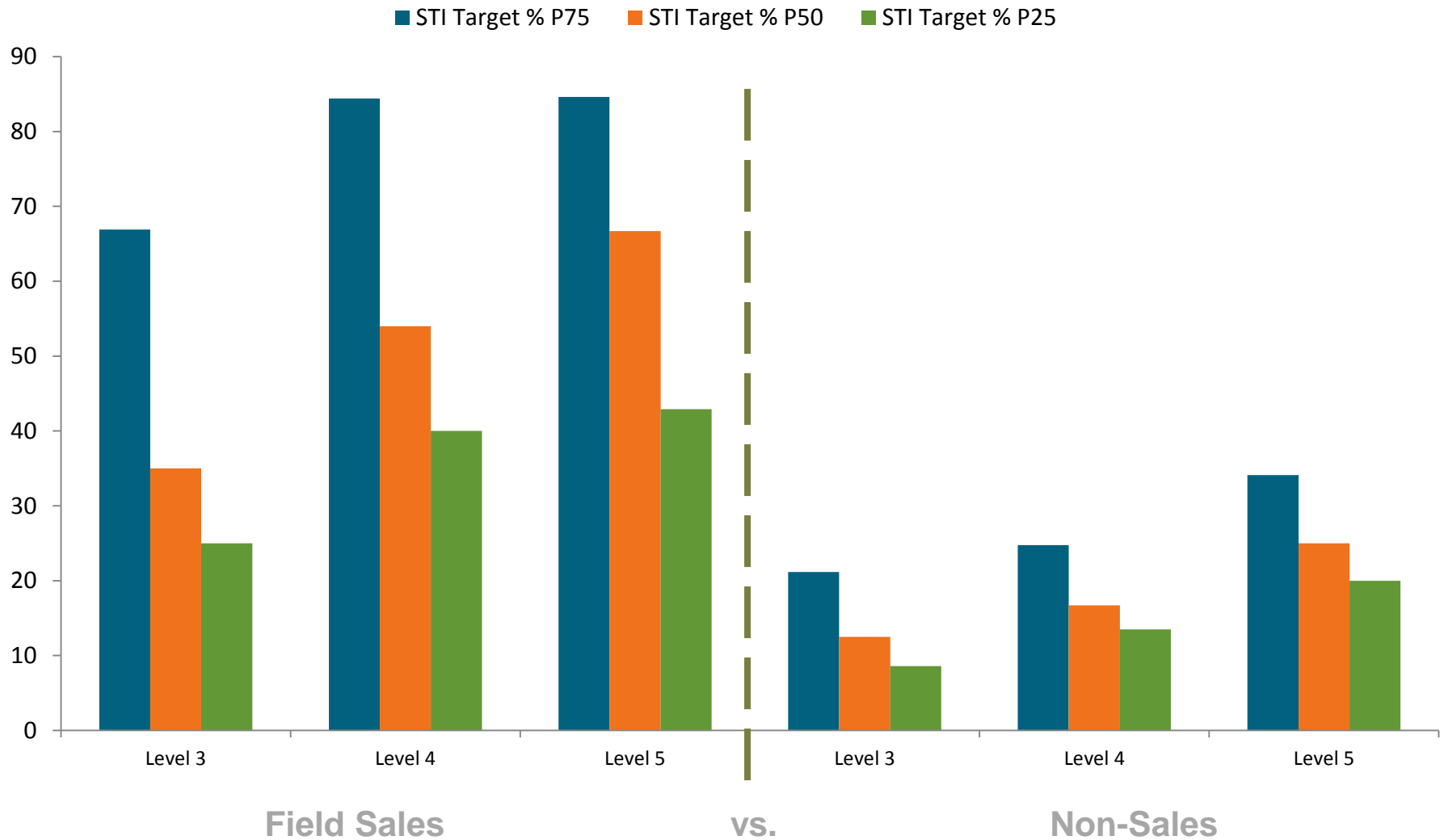
# Annual Bonus Target Awards by Country

- Under a global strategy, target awards as a percent of salary/fixed compensation are fairly consistent by job levels across countries

Incentive Plan Target Award by Job Level and Country Overall Technology Industry (Target award as % of salary/fixed compensation, median)					
Job Level	US	China	Poland	Switzerland	Germany
<b>Management</b>					
Vice President	40%	35%	42%	40%	50%
Senior Director (M6)	30%	30%	28%	30%	35%
Director (M5)	20%	25%	22%	25%	30%
Manager (M3-M4)	15%	15%	10%	15%	20%
Supvr (M1-M2)	10%	10%	6%	10%	10%
<b>Individual Contributor</b>					
Principal (P6)	20%	20%	20%	25%	25%
Expert (P5)	15%	15%	15%	15%	16%
Career (P3-P4)	10%	10%	10%	10%	12%
Entry (P1-P2)	10%	10%	7%	8%	10%
Support (All levels)	5%	5%	6%	5%	5%

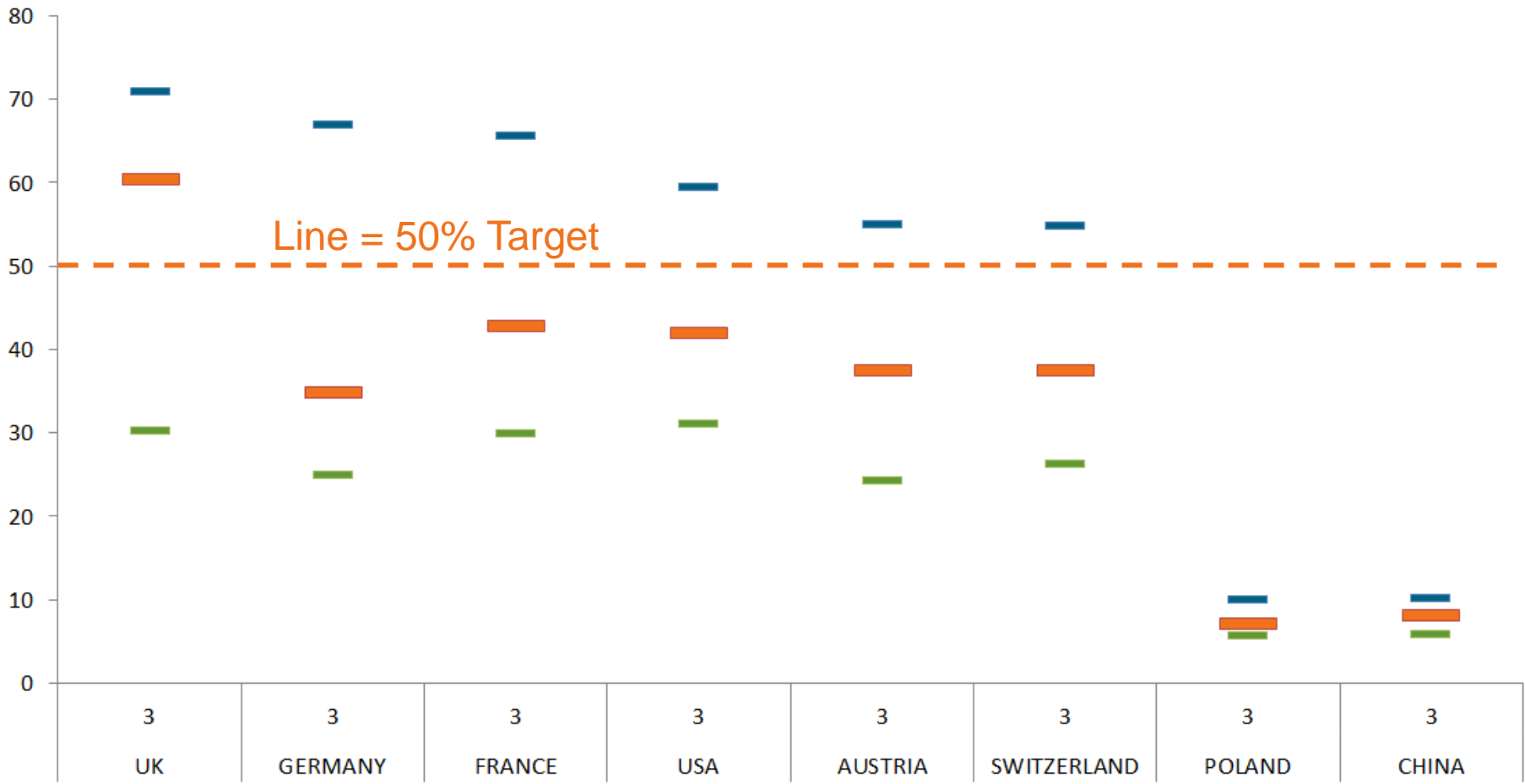


# Typical Target Setting for Manager Field Sales vs. Non-Sales e.g. in GERMANY



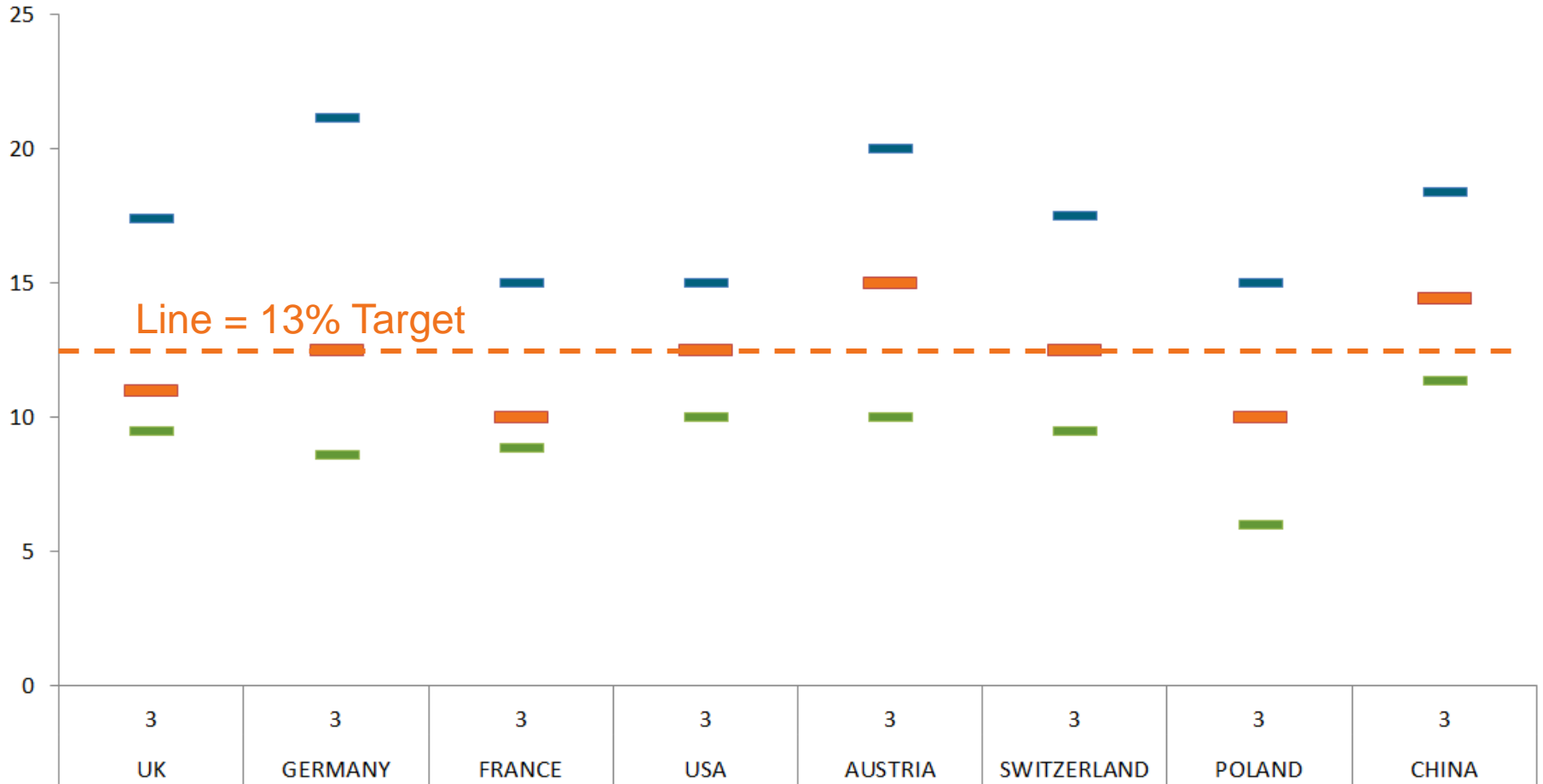
# STI Spread for Field Sales Manager Level 3

— STI Target % P75    — STI Target % P50    — STI Target % P25



# STI Spread for Manager Level 3 – Non-Sales

— STI Target % P75 — STI Target % P50 — STI Target % P25





# Compensation Facts – Equity



# LTI/Equity Eligibility by Country

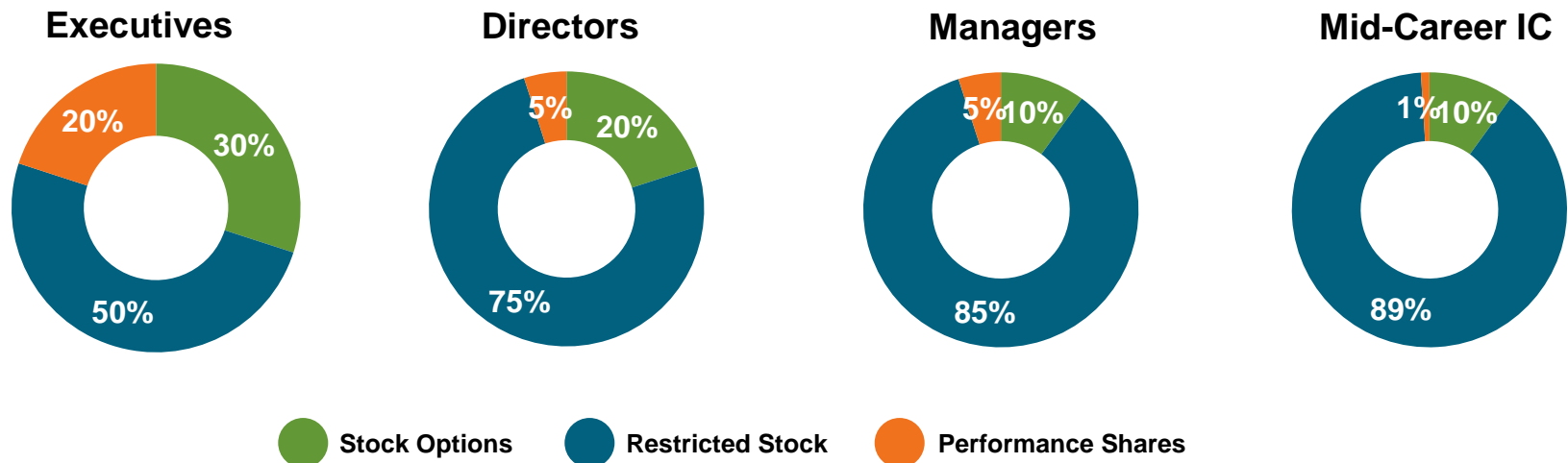
- Under a global strategy, the receipt of LTI/equity awards is fairly consistent across countries and is primarily at higher job levels

LTI/ Eligibility by Job Level and Country Overall Technology Industry (% of employees receiving LTI/Equity ongoing award, average)					
Job Level	US	China	Poland	Switzerland	Germany
<b>Management</b>					
Vice President	100%	100%	100%	100%	100%
Director (M5-M6)	93%	98%	96%	96%	98%
Manager (M3-M4)	82%	86%	85%	83%	86%
Supvr (M1-M2)	70%	71%	65%	68%	69%
<b>Individual Contributors</b>					
Expert (P5-P6)	82%	83%	83%	86%	86%
Career (P3-P4)	74%	78%	77%	77%	76%
Entry (P1-P2)	60%	54%	58%	55%	52%
Support (All levels)	51%	42%	44%	44%	44%



# LTI/ Equity Vehicle Trends

- Across the technology sector, nearly all employees receive most of their equity value in the form of restricted stock
- Executives remain the exception with a far more diverse equity portfolio, which still includes a sizable amount of stock options and performance shares



Source: Radford Global Long-Term Incentive Report, July 2013 Custom Industry Reports.



# Long-Term Incentive Plan Evolution

Long-Term Incentive Vehicles	Company Profile				Objectives and Implications
	Startup/ Pre-IPO	Mid-Cap/ Growth Market	Mid-Cap/ Mature Market	Large Cap/ Mature Market	
Stock Options Only	Most Common Practice	Most Common Practice	Least Common Practice	Least Common Practice	<ul style="list-style-type: none"> <li>Stock options help employees focus on upside potential, either stock price growth or company valuation growth</li> </ul>
Restricted Shares/ Units Only	Least Common Practice	Most Common Practice	Most Common Practice	Least Common Practice	<ul style="list-style-type: none"> <li>Restricted shares/units de-emphasize stock price growth in favor of employee retention and ownership</li> </ul>
Stock Options and Restricted Shares/ Units	Emerging Practice	Emerging Practice	Most Common Practice	Emerging Practice	<ul style="list-style-type: none"> <li>A mixed approach attempts to balance growth with retention, and typically involves different mixes for different employee levels</li> </ul>
Performance Shares/ Units	Least Common Practice	Emerging Practice	Emerging Practice	Most Common Practice	<ul style="list-style-type: none"> <li>Performance shares allow companies to introduce targeted goals (beyond stock price growth) into their equity programs</li> </ul>
Long-Term Cash	Least Common Practice	Least Common Practice	Emerging Practice	Most Common Practice	<ul style="list-style-type: none"> <li>Often used in conjunction with equity, long-term cash allows for more diversity of performance goals, but requires an ability to set goals over multiple years</li> </ul>
Relative Total Shareholder Return	Least Common Practice	Least Common Practice	Emerging Practice	Most Common Practice	<ul style="list-style-type: none"> <li>The use of TSR metrics typically reflects alignment with the institutional investor perspective (i.e., portfolio performance) and requires a stable peer group</li> </ul>

■ Most Common Practice   
 ■ Emerging Practice   
 ■ Least Common Practice





# Wrap-up and closing

# In Summary

## Economic and Business Outlook

- Economies are restructuring with Advanced Economies returning to stronger growth and Emerging Markets rebalancing
- Technology industry is anticipated to grow in 2014 and beyond

## Compensation Strategies and Structures

- Market benchmarking and well-designed compensation strategies ensure optimal competitive positioning and cost-effective pay delivery

## Workforce Analytics

- Dynamic changes to staffing models have a dramatic impact on overall labor costs – as well as to potential productivity/value-add
- Understanding these workforce changes helps to anticipate and manage future costs, expected productivity and investment returns





**Thank You!**

**Please complete the meeting  
evaluation form!**