

Compensation Conundrums in Not-for-Profit Organizations

**WorldatWork Total Rewards
Conference & Expo**

May 7, 2007

Orlando, FL

DISCLAIMER

- **Our session, by design, will be highly interactive. The session will not be a set of long presentations that leave only a few minutes for audience interaction at the end.**
- **The session is built around a set of discussion topics concerning the special total rewards challenges facing large, prominent, not-for profit organizations. The session will be structured as follows:**
 - One of the co-chairs will frame a topic
 - All the panelists will explore the topic in a give-and-take dialogue
 - We will invite audience comments, questions, and reactions
 - Then we will move to the next topic
- **Given this design, no presentation generated before the session can capture the session – you will have to be there or buy the tape!**
- **The slides in this deck preview the panelists and topics**

Panelists

- **(Co-Chair) Gerry Ledford**
President, Ledford Consulting Network, LLC
- **(Co-Chair) Terry Brown**
Senior Director, Total Compensation Solutions
- **Cynthia Smith**
Vice President, Human Resources, The Nature Conservancy
- **William Colbourne**
**Senior Vice President, Human Resources and Administration,
Blue Cross Blue Shield Association**
- **Michael Tice**
Manager, HR Services Center, The MITRE Corporation
- **Lisa Misakian**
Manager of Compensation and Benefits, The Ford Foundation

Panelist Biographical Statements

- **Gerry Ledford** is a nationally recognized authority on human capital topics, including reward systems. He currently is President of the Ledford Consulting Network. From 1998 to 2003, he was a leader at Sibson Consulting. From 1982 to 1998, he was a key contributor at the Center for Effective Organizations, University of Southern California. He received his Ph.D. and M.A. in Psychology from the University of Michigan. Gerry is the author of over 80 articles and ten books. He is a frequent speaker at professional events, and the national media have often cited his research and opinions.
- **Terry Brown** has consulted on human resource issues for over 15 years. He is a Senior Director with Total Compensation Solutions in their Los Angeles office. His HR experience ranges from broad-based compensation to executive compensation and benefits. His assignments include developing compensation philosophies for public, nonprofit and private organizations, analyzing compensation plan competitiveness, designing short- and long-term incentives, analyzing and designing corporate board compensation programs, analyzing and designing non-qualified executive benefit programs and aligning compensation with a company's strategy, emphasizing value creation or mission expansion.

Panelist Biographical Statements (Cont'd)

- **Cynthia Smith** is Vice President, Human Resources at the Nature Conservancy (TNC). She oversees all aspects of HR, including global remuneration, employee benefits, employee relations, talent management, and learning, and works with the Board of Directors on setting global human resource strategy. Cynthia rejoined TNC in 2005 after serving as Director, Human Resources at IntraHealth International for three years. She previously had a 15 year HR career at TNC and held HR positions at the University of Missouri. Cynthia holds a Masters in Public Administration from the University of Missouri and a BA in English from Southeast Missouri State University.
- **Michael Tice** is Manager, Human Resources Service Center at the MITRE Corporation. Mike is responsible for executive compensation, human resources budgeting, and HR administrative functions including the benefits call center and personnel records. Mike's career of 19 years at MITRE has included positions in both HR and finance. He holds BAs in English and Economics at the State University of New York at Binghamton, and an MA in Economics from the Whittemore School, University of New Hampshire. He is a Certified Financial Planner.

Panelist Biographical Statements (Cont'd)

- **William Colbourne** is Senior Vice President, Human Resources and Administration for Blue Cross Blue Shield Association (BCBSA), a national federation of 39 independent BCBS companies. Bill oversees all HR function as well as meeting services, corporate travel, and facilities. Prior to joining BCBSA, he held management roles in HR and administration in the insurance and financial services industries. Bill earned SPHR and Professional Academy for Healthcare Management designations. He is a member of the founding board for the National Business Group on Health's obesity initiative. Bill earned a B.A. in Industrial Psychology at State University of New York at Binghamton.
- **Lisa Misakian** is Manager of Benefits and Compensation at the Ford Foundation. She is responsible for managing and administering the Foundation's benefits and compensation programs for New York-appointed staff worldwide. Lisa consults with management on local benefits and compensation programs and practices for the Foundation's overseas offices. From 1978-1998, Lisa held HR management positions in the health benefits/insurance industry. Her position at departure from Physicians Health Services was Director, Compensation and Benefits. Lisa graduated from Mount Holyoke College and pursues graduate studies in corporate and political communications at Fairfield University.

Not-for-Profit Panelist Organization Profiles

- **The Nature Conservancy (TNC)**, founded in 1951, is the leading conservation organization working to protect the most ecologically important lands and waters around the world for nature and people. TNC works closely with partners, corporations, indigenous peoples, and traditional communities all over the world. TNC works in all 50 states and more than 30 countries. It has 3,200 employees (720 of whom are scientists), 10,000 volunteers, and 1 million members and supporters. It has protected more than 117 million acres of land and 5,000 miles of rivers around the world, and operates 100 marine conservation projects in 21 countries. Annual revenue at TNC exceeds \$1 billion.
- **The MITRE Corporation**, founded in 1958, applies its expertise in systems engineering, information technology, and enterprise modernization to address its sponsors' critical needs. MITRE manages Federally Funded Research and Development Centers (FFRDCs) for the Department of Defense, FAA, and IRS. The IRS Center provides enterprise modernization support to numerous government agencies. MITRE also has its own independent research and development program. MITRE has 6,500 scientists, engineers, and support specialists, 65% of whom have advanced degrees. Annual revenues currently exceed \$1 billion.

Not-for-Profit Panelist Organization Profiles

- **Blue Cross Blue Shield Association (BCBSA)**, an Association of the Blue Cross and Blue Shield Plans, is dedicated to protecting and strengthening the Blue Cross and Blue Shield brands, supporting the Plans individually and collectively in the pursuit of Blue business, and preserving the private healthcare market. It has a unique structure in which the Plans are its customers, Member Licensees, and governing board. BCBSA has annual revenues of approximately \$350 million and has 900 employees. The Blue Cross Blue Shield Plans collectively have 160,000 employees and over 100 million healthcare subscribers.
- **The Ford Foundation** is a resource for innovative people and institutions worldwide. Its goals are to: strengthen democratic values, reduce poverty and injustice, promote international cooperation, and advance human achievement. Headquartered in New York, the Foundation has 12 offices in Africa, Asia, Latin America, and Russia. For the current fiscal year, there are 556 budgeted positions, of which 320 are based in New York, 60 are expatriate positions in the international offices, and 176 are locally appointed staff positions. In the last fiscal year, grant expenditures were in excess of \$587 million.

Discussion Topics: Key Issues

We will explore as many of the following topics as possible.

- 1. How is the governance of our organization changing?**
- 2. How can we design compensation systems that keep us out of the newspapers, and why does that matter?**
- 3. How do we pay for performance when metrics such as profit are unavailable?**
 - How do we think about executive compensation comparators when we cannot offer stock options?
- 4. What is special about our workforce, and what reward mix best appeals to them?**
 - What is the role of non-monetary rewards for a mission-driven workforce?
- 5. How do we identify the right external comparators for our employee population?**

Discussion Topic Detail:

How is the governance of our organization changing?

- **The role of the Board in corporate America clearly is changing quickly in response to legislation, lawsuits, and new norms. Is the same true of not-for-profit Boards?**
 - Is the Board taking on any different roles, and is it more active than in the past?
 - What accounts for any change? Membership? SOx influence? Publicity?
- **Is your Board's view of executive compensation changing?**
 - If so, how and why?
- **How active is your HR group in working with the Board?**
 - On what issues does the HR group come before the board?
 - Compensation of executives and/or others?
 - Talent management for executives and/or others?
- **How should the HR role changes in the future?**

Compensation Topic Detail:

How do we stay out of the newspapers?

- **Negative publicity can be devastating to a not-for-profit organization, affecting revenue (donations, government support), morale, credibility, and influence**
- **Why is executive compensation and benefits an especially sensitive issue for not-for-profits?**
 - The recent scandal over CEO compensation and benefits at the Smithsonian Institution is just the latest in a long line of similar scandals, affecting such organizations as the United Way, the Getty Museum, and others
 - What were the consequences of negative publicity about executive rewards?
- **What preventive actions can not-for-profits take to avoid negative publicity concerning their compensation and benefits plans?**
- **If negative press occurs, how can the organization respond effectively to avoid a crisis?**

Discussion Topic Detail: How do we pay for performance in not-for-profit organizations?

- **Pay for performance in not-for-profits is difficult, because the metrics that are most commonly used in for-profit firms (profit, growth) often are not relevant**
 - What metrics does your organization use to assess its performance?
- **What pay for performance approaches do you use currently?**
 - Types – merits, performance bonuses, group bonuses, other?
 - Populations covered
 - Short term versus long term performance
- **What have you learned about paying for performance in your organization?**
- **How do you think about rewarding performance by your executives? Do you attempt to provide anything for executives to take the place of equity grants and options offered by publicly-traded firms?**

Discussion Topic Detail: What mix of total rewards best appeals to our special workforce?

- **What are some of the unique characteristics of your workforce?**
 - Consider age, experience, education, geographic location, etc.
 - What are some of the largest subgroups in your population?
 - What groups are your biggest attraction and retention challenges?
- **Not-for-profits tend to be highly mission driven: how do you capitalize on that in rewarding your workforce?**
- **What have you learned about attracting, retaining, and motivating your workforce?**
 - Compensation
 - Benefits
 - Jobs
 - Careers
 - Mission

Contact Information for Co-Chairs

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