

# EXECUTIVE SEARCH

## ARE YOUR SENIOR EXECUTIVES SUITABLY REMUNERATED?



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Companies often approach us looking for advice on whether their senior executive remuneration packages are in line with those offered by similar organisations. Few employers routinely have access to this data and obtaining it can be a challenge.

### Why is remuneration level so important?

Setting the correct level of senior executive remuneration is important to organisations for a number of reasons. In some cases it is because companies do not want to risk losing their top executives to competitors offering better pay packages. In other cases they want to be able to prove to their shareholders, in black-and-white, that their senior staff provide value for money.

With variations in pay being the potential difference between retaining or losing highly valued directors and keeping shareholders happy, salary benchmarking can be crucial to the success of an organisation. Listed businesses have remuneration committees in place for exactly this purpose. Without having access to comparable data from other organisations, however, it can be difficult for these committees to know how to structure and value their own compensation packages.

### Where can businesses get this information?

Salary surveys can be useful for benchmarking at more junior levels where there is a far greater volume of comparable roles. At more senior levels, there are not only fewer positions to compare but there is also a huge variation in the make-up of compensation and benefits packages. Consequently, salary surveys are less accurate and not nearly as useful for these roles.

### Salary benchmarking provides a more accurate solution

Salary benchmarking provides a much more focused and detailed process than a traditional salary survey. It gives a complete breakdown of the compensation package, allowing companies to compare salary and benefits available for directors at specific companies. This data can then be split by sector and/or business size, allowing firms to get an accurate picture of how their remuneration level compares.

Specifically, salary benchmarking provides data by company size, sector and revenue breaking down the compensation package earned by basic salary, cash bonus, share bonus, long-term incentive plan (LTIPs) and pension of the position in question (be it CEO, COO, CFO or FD). Overall, therefore, it is a far more precise science.

### Accessing the information required for salary benchmarking

Information for listed businesses can be accessed from published literature. However, organisations will typically not have the required resources to invest suitable time to decipher the data into meaningful results and analysis. Enlisting an experienced third party to carry out this work can save a lot of time and also produce impartial, completely reliable and accurate results.

**“SALARY BENCHMARKING PROVIDES A MUCH MORE FOCUSED AND DETAILED PROCESS THAN A TRADITIONAL SALARY SURVEY.”**

### Variation in executive pay

Executive compensation packages and the value and composition of its components (e.g. salary, bonus, LTIPs, pension etc.) can vary considerably, even within similar-sized organisations in comparable sectors.

Salary benchmarking helps employers overcome the difficulties presented by these differences by considering the total value of compensation along with the variation in how remuneration packages are structured.

The tables opposite, for example, illustrate the variation in compensation packages – in terms of value and structure – of CEOs and CFOs within similar-sized companies in the same sector.

CEO REMUNERATION PACKAGE							
(£)	Salary	Benefits	Cash Bonus	Share Bonus	LTIP	Pension	Total
Upper Quartile	234,500	18,000	69,250	75,235	186,069	41,000	624,055
Average	203,884	13,318	54,803	48,280	99,956	29,989	450,231
Lower Quartile	160,092	998	38,587	23,343	45,231	13,250	281,501

CFO REMUNERATION PACKAGE							
(£)	Salary	Benefits	Cash Bonus	Share Bonus	LTIP	Pension	Total
Upper Quartile	170,675	17,000	29,000	11,234	71,732	23,250	322,891
Average	140,401	10,498	36,627	8,042	40,280	19,645	255,493
Lower Quartile	114,750	1,000	11,326	6,021	15,072	5,484	153,653

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### KEY ADVANTAGES OF SALARY BENCHMARKING

Salary benchmarking offers a number of key advantages for organisations. We consider some of these below.

#### Accounting for sector variation

Pay varies widely depending on sector. For example, in recent research we found that two specific businesses from different sectors, but with similar revenues, paid their CEOs basic salaries of £175,000 and £288,000 respectively. Salary benchmarking allows organisations to gain an understanding of these differences in the context of the complete remuneration package, while also making comparisons with similar-sized businesses in the same sector.

#### Getting a clear indication of the true value of a remuneration package

The value of different components of the package can differ greatly depending on the employer. Salary benchmarking considers all aspects of remuneration to ensure an accurate comparison is made.

LTIPs, for example, are generally offered to senior directors to ensure they stay with or grow the company in the short, medium or long-term.

Typically, they provide the opportunity to buy shares at a certain price but, as part of the deal, forbid executives from selling them for a set period of time.

As LTIPs routinely include share options, and share prices change daily, they are the hardest part of the package to benchmark. However, our salary benchmarking approach – which includes an analysis of the frequency that the LTIPs are granted – ensures these are accounted for in the final results.

**“SALARY BENCHMARKING CONSIDERS ALL ASPECTS OF REMUNERATION TO ENSURE AN ACCURATE COMPARISON IS MADE.”**

#### Making clear comparisons

Salary benchmarking allows companies to make comparisons between a large number of other businesses. It also determines the mean and lower and upper quartile values for further interpretation and analysis.

#### Conclusion

Clear and effective remuneration information can equip organisations with the knowledge required to make well-informed compensation decisions before key senior staff become a flight risk. In essence, salary benchmarking can be the difference between an organisation retaining or losing its best executives. Its importance to the continuing success of a business should therefore not be underestimated.

**Robert Walters provides an independent salary benchmarking service for its clients.**

**To find out more contact Andrew Linger on +44 (0)20 7509 8724 or [andrew.linger@robertwalters.com](mailto:andrew.linger@robertwalters.com)**

### ABOUT ROBERT WALTERS EXECUTIVE SEARCH

Robert Walters Executive Search focuses solely on the recruitment of executive level positions. We are the advisor of choice for organisations seeking guidance and counsel on senior leadership hiring and our clients range from leading blue-chip multinationals through to SMEs. Our goal is to exceed client expectations through our dedication to quality and delivery.

For more information on the service we provide, please visit [www.robertwalters.co.uk/executive-search](http://www.robertwalters.co.uk/executive-search)

### CONTACT THE EXECUTIVE SEARCH TEAM

If you wish to discuss any current or anticipated recruitment needs please call:

Andrew Linger

Tel: +44 (0)20 7509 8724

email: [andrew.linger@robertwalters.com](mailto:andrew.linger@robertwalters.com)

