

Saratoga  
Human resource services

# The Saratoga Review

Newsletter Issue: February 2008

## In this issue

Driving retention through a better exit  
survey process

Results from PricewaterhouseCoopers' 2007  
global equity incentives survey

Metric of the month: Pay for performance ratio

# Driving retention through a better exit survey process

(Summary of an October 2007 Saratoga webcast)

According to Saratoga's 2007/2008 US Human Capital Effectiveness Report, 88% of organizations reported conducting exit interviews. Among organizations that conduct exit interviews, nearly four out of ten are not able to make effective changes based on their exit interview results. In addition, as reported during a recent Saratoga webcast focused on exit surveys, eight out of ten respondents reported being dissatisfied with their current exit interview process and wanting change. In other words, conducting an exit interview doesn't automatically lead to useful information for an organization.

Exit interviews are typically conducted with separating employees during their final day of employment. They are often mandatory, occur while individuals are in the process of making a major life change, and are typically administered one-on-one by Human Resources staff or the employee's supervisor. Depending on the organization, exit interviews may or may not consist of a standardized questionnaire. In contrast, exit survey programs use a standardized questionnaire, are consistently administered to separated employees, are conducted after the employee has left the organization, and require the individual to opt in to participate.

Saratoga believes that employing a program approach for exit surveys is a best practice. A program approach consists of three primary phases:

1. Design and Planning
2. Implementation
3. Deliverables

During the **Design and Planning** phase, organizations consider factors such as survey timing and frequency, developing a separation list, size of voluntary turnover by key roles, and questionnaire design. Three primary themes Saratoga considers when designing exit survey programs are:

- Processes and Structure – the way the work is organized for people
- People Management – the way people are developed and rewarded
- Work Environment – how suited people are to the work environment

During the **Implementation** phase, the organization administers the exit survey. Saratoga recommends sending each participant a survey packet including a branded mailing envelope, a cover letter signed by the CEO, the exit questionnaire, and a business reply envelope. Telephone follow-up calls are a helpful step to ensure respondents have received the survey packet, to answer questions about the survey, and to offer survey completion over the phone.

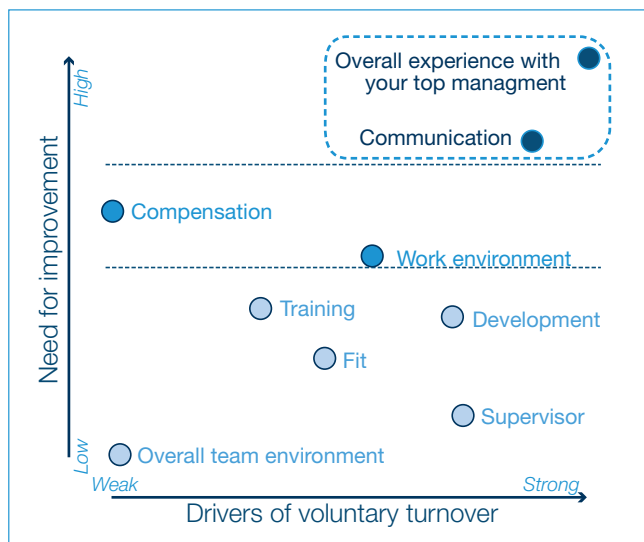
During the **Deliverables** phase, the survey results are analyzed and reported and action plans are created. A great amount of data can be collected using exit surveys. Therefore, Saratoga recommends conducting comprehensive analysis of the survey data to identify systemic issues, uncover drivers of employee engagement, identify separated employees who may wish to rejoin the organization, and develop a plan to clearly communicate results. Below are examples of Saratoga's exit survey deliverables.

Heat Maps highlight high and low performance scores by key demographic groups displaying systemic and isolated issues. At a glance, you can compare the strengths and vulnerabilities of the entire workforce.

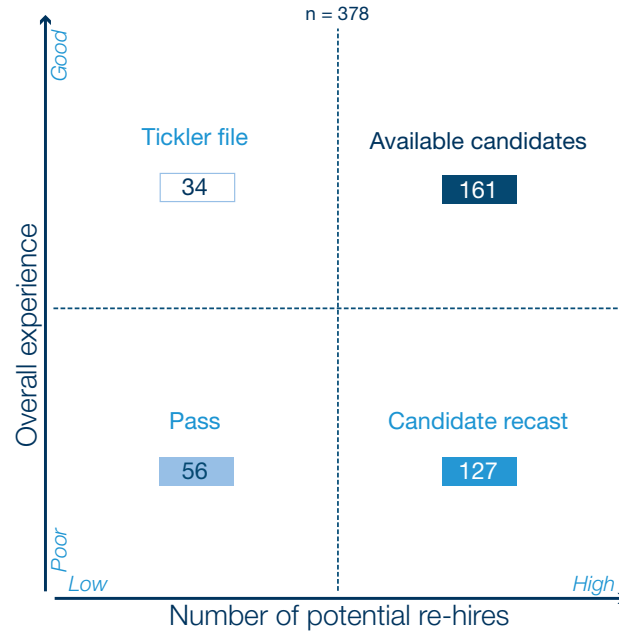
All exited employees and demographic breakouts	Overall	Sr. Exec	High Pers	>11 yrs	Abv Av Perfs	3-5 yrs	Mgr	Non-Ex Hire	Ex Hire	Staff	2 yrs	Bel Av Perfs	<1 yr
Average impact score low to high	377	19	63	32	36	159	77	221	142	51	61	43	88
I believe my coworkers were conducting business ethically.	1.83	1.58	1.76	1.63	1.61	1.77	1.71	1.79	1.84	1.73	1.84	1.79	1.83
People in my team were pleasant and easy to get along with.	1.85	1.47	1.54	1.81	1.81	1.80	1.63	1.79	1.85	1.96	1.95	1.91	1.82
My benefits plans met my (and my family's) needs.	1.93	1.47	1.74	1.63	2.08	1.81	1.92	1.87	1.93	2.04	2.11	1.60	1.89
People in my team worked well together as a team.	1.99	1.58	1.73	1.88	1.74	1.95	1.83	1.93	2.00	2.06	2.03	2.16	3.15
I felt confident ABC was headed in the right direction for future success.	2.13	1.63	2.13	1.88	2.08	2.06	2.19	2.06	2.02	2.18	2.07	1.93	2.86
My work involving other ABC teams was usually productive and effective.	2.13	1.74	2.03	2.00	1.91	2.12	1.96	2.07	2.03	2.08	2.14	2.12	2.74
My skills were a good match with the challenges of my last job.	2.18	1.74	2.00	1.88	2.03	2.09	2.00	2.13	2.25	1.92	2.38	2.05	3.00
For the most part, I believe I was a good fit with ABC's culture.	2.30	1.74	2.21	1.91	2.03	2.14	1.94	2.26	2.15	1.98	2.43	3.02	2.99
Taking everything into account, I was satisfied with my work experience at ABC.	2.36	1.37	2.16	1.75	2.06	2.16	2.05	2.25	2.18	2.14	2.39	2.72	2.74
ABC offered adequate opportunities for development.	2.42	1.84	2.33	2.19	2.17	2.32	2.23	2.39	2.32	2.27	2.49	3.15	2.91
There was effective two-way communication with my supervisor.	2.52	1.78	2.05	2.26	2.11	2.46	2.41	2.39	2.38	2.42	2.30	2.72	3.15
The training I received sufficiently prepared me for my job.	2.57	1.84	2.41	2.06	2.33	2.49	2.29	2.46	2.53	2.46	2.30	2.72	3.06
My supervisor clearly communicated the expectations that he/she had of me.	2.58	2.21	2.19	2.53	2.17	2.45	2.44	2.41	2.55	2.46	2.84	2.85	3.33
My work gave me a sense of personal accomplishment.	2.58	2.05	2.25	2.38	2.28	2.48	2.42	2.56	2.55	2.46	2.91	2.72	3.06
I received praise/recognition from my supervisor for my contributions.	2.66	2.42	2.24	2.65	2.64	2.54	2.58	2.59	2.55	2.93	2.77	3.02	2.74
My supervisor provided feedback/coaching that allowed me to improve my performance.	2.68	2.05	2.16	2.69	2.33	2.69	2.63	2.57	2.97	3.29	3.11	2.86	3.12
The amount of out-of-town travel required for my job was acceptable to me.	2.71	2.16	2.56	2.69	2.79	2.69	3.11	2.77	3.08	2.90	2.84	3.07	3.12
Raises were paid based on good performance.	2.92	2.37	2.16	2.56	2.97	2.80	2.84	2.89	2.92	2.84	2.98	3.11	3.29
My performance reviews helped me succeed.	2.96	2.37	2.62	2.56	2.92	2.84	2.98	2.93	2.85	3.02	2.89	3.21	3.18
ABC offered adequate opportunities for promotion.	2.96	2.42	2.56	2.94	3.14	2.91	3.02	2.87	2.72	3.04	3.02	3.33	2.83
Bonuses, if applicable, were paid based on good performance.	3.00	2.63	2.57	2.74	3.15	2.88	3.12	2.89	3.02	3.29	2.97	2.87	3.15
I felt that my career goals could be met at ABC.	3.09	2.37	3.17	2.87	3.08	2.92	3.27	3.10	3.04	3.18	2.90	3.09	3.13
The bureaucracy at ABC seldom interfered with the progress of my work.	3.15	3.21	3.03	3.59	3.31	3.10	3.03	3.09	3.10	3.29	3.00	3.33	3.12
The balance between my work life and personal life was about right.	3.29	3.79	3.29	3.47	3.47	3.19	3.62	3.29	3.61	3.35	3.17	3.10	3.33
Average=	2.53	2.16	2.33	2.40	3.43	2.44	2.47	2.47	2.50	2.51	2.51	2.51	2.52

Unfavorable Very unfavorable

The Key Driver Matrix identifies areas that statistically influence employees to leave the organization. Immediate opportunities to improve voluntary turnover emerge in the top right quadrant of the matrix.



The *Re-hire Map* segments respondents into four categories based on their overall experience with their past employer and their interest in returning.



*Business Unit/Divisional Scorecards* bring it all together, reporting all relevant exit survey results in a single view.

	Division A Results			FY 07 Target	Q1 2007	Q2 2007	Q3 2007	Q4 2007	2006 Industry Benchmark
	2005	2006	Q7 YDT						
<b>Retention</b>									
Voluntary separation rate	16.3%	14.2%	13.9%	12.1%	3.4%	2.9%	3.5%	4.1%	7.4%
First year of service voluntary separation rate	9.7%	8.3%	8.1%	6.7%	2.0%	1.3%	2.2%	2.6%	3.7%
One to three years of service voluntary separation rate	9.7%	12.6%	21.6%	11.3%	3.5%	4.8%	6.2%	7.1%	9.7%
<b>Number of potential re-hires</b>					<b>Top reason for leaving</b>				
Available candidates	45				Trust in leadership	26%			
Candidate recast	30				Supervisor quality/relationship	13%			
Tickler file	12				Lack of promotion	11%			
Pass	16				Compensation	7%			
<b>Strengths</b>					<b>Weakness</b>				
I was proud to tell others I worked for ABC					Development and promotion opportunities were available to all employees on an equal basis				
People in my work group were pleasant and easy to get along with					I felt that my career goals could be met at ABC				
					The bureaucracy at ABC seldom interfered with the progress of my work				

By utilizing a program approach for exit surveys, organizations can improve the quality of data collected from separated employees, and ultimately improve voluntary turnover. To learn more about Saratoga's exit survey process, please contact Robert Tate (robert.tate@us.pwc.com; 408-817-5896).

# Results from PricewaterhouseCoopers' 2007 Global Equity Incentives Survey

There have been many stories in the news over the past few years about changes in employee compensation practices. One of the largest changes since 2005 has been the requirement for US and global organizations to expense stock options. In order to help multinational companies monitor trends in equity compensation and plot their strategic position within their markets, PricewaterhouseCoopers has conducted a Global Equity Incentives Survey over the past few years.

This year's survey was conducted between June and July 2007 and included 152 multinational companies based in 15 countries. 64% of participants were based in the Americas, 28% were based in Europe and Africa, and 8% were based in Asia-Pacific. Some of the key highlights of the survey include:

- In spite of increased visibility into the cost of equity compensation, 97% of respondents reported that the benefits of equity compensation outweigh the costs, up from 75-80% during 2003-2006.
- While there is a continuing decline in the use of stock options, they continue to be the most popular equity compensation vehicle in virtually all industries.
- Participants in this year's survey were only half as likely to grant stock options as those in the 2003 Survey.
- Performance ("operating" and "market") based equity compensation plans continue to increase in prevalence.
- The "pay for performance" mantra is resonating with both CEOs and broader employee populations. Over 40% of participants indicate executive pay will change based on performance over the next 12 months and next 5 years, and nearly 30% report a similar relationship between employee pay and performance.
- Cuts in stock option grant sizes were made at all levels of the organization, not just among the rank and file.
- Market-based benchmarking is almost universally employed as a tool to analyze and track compensation plans.
- A larger percentage of participants in 2007 reported that shareholders provided "no" votes to equity compensation plans submitted to them compared with 2006.

To access the full executive summary of the 2007 Global Equity Incentives Survey, please visit <http://www.pwc.com/us/geis2007>

# Metric of the month: Pay for performance ratio

Does your organization align pay and performance? According to Saratoga's 2007/2008 US Human Capital Effectiveness Report, nine out of ten organizations have pay for performance programs; yet among these organizations, one in six reports that its ability to tie pay to performance is "poor" or "very poor." In today's increasingly competitive labor market organizations must provide unique rewards programs for their top performers.

To help organizations begin to understand how well they differentiate the pay for high performer and the overall workforce, Saratoga created the metric Pay for Performance Ratio. The formula for this metric is:

High Performer Professional and Management Compensation Cost per FTE / Compensation Cost per FTE

The resulting metric produces a ratio showing the difference between high and average performer compensation per FTE. For example, let's say organization A has a ratio of 1.25 while organization B has a ratio of 1.10; these results would show that organization A has the larger variation between the pay of high performing Professional and Management employees and the overall workforce.

Given the differing pay programs of organizations (e.g., investment banking vs. manufacturing), Saratoga recommends organizations focus on industry benchmarks for this metric.



Have an idea or topic that you would like Saratoga to write about? If so, we would love to hear from you! Please send your ideas and/or topics to [saratoga@us.pwc.com](mailto:saratoga@us.pwc.com).

The Saratoga Review is copyrighted and protected by federal law. The re-use of its content is restricted (see copyright statement below), but we allow sharing it in part or whole so long as proper attribution and our copyright are included. However, you are permitted, in fact encouraged, to forward this email, in its entirety, to as many of your associates and colleagues as you wish. Or, have them sign up for their own copy at [saratoga@us.pwc.com](mailto:saratoga@us.pwc.com).

To unsubscribe from the Saratoga Review, please send an email to [saratoga@us.pwc.com](mailto:saratoga@us.pwc.com). Make sure to include the word UNSUBSCRIBE in the subject field.

© 2008 PricewaterhouseCoopers. All rights reserved. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity. PM-08-0489-A/DL/1-08

For more information, call 866-727-2864 or visit us on the web at <http://www.pwc.com/saratoga>