

# Example Approach To Non-Profit Organizations

**ExeComp Solutions Compensation Advisory  
Services**

May 2014



# ExeComp Solutions LLC (ECS) appreciates the opportunity to present our services to The Museum

We are pleased to provide our credentials to serve as an independent advisor to The Museum management team (Management) and Board of Trustees (Board). This proposal outlines our approach to advisory compensation services and demonstrates our years of experience serving not-for-profit and cultural arts organizations.

ECS's executive and employee compensation consultants have nearly fifty years of combined experience in serving industry-leading clients, which gives us a unique historical perspective on executive and employee pay, as well as its direction for the future. We understand that the proper compensation structure and reward design supports an institution's mission, values, culture, and processes. It is also a key means in retaining top talent and attracting new employees who carry out the institution's vision.

ECS approaches each assignment believing any organization's success, including our own, depends on its people. Outstanding leaders, board members, management, and staff create value, trust, and confidence in the entire workforce, and help shape the organization's culture. ECS welcomes the opportunity to assist The Museum on this very important engagement.

Best Regards,



*Richard V. Smith*  
Managing Director

ExeComp Solutions LLC

480-477-8051



- ① **Executive Summary / Proposal Overview**
- ② RFP Questionnaire
- ③ Appendix

## Our team has the expertise and experience to provide exceptional service to The Museum

ECS provides advisory services to organizations of varying size and structure, public and private, across many industries. We have experienced consultants with the right backgrounds and knowledge to provide insight on The Museum's compensation issues.

Throughout this proposal it is our goal to demonstrate understanding of The Museum's compensation issues and to thoroughly illustrate our capabilities in: assessing current pay programs comparability to the marketplace and effectiveness in design; recommending enhancements as necessary; and designing and implementing solutions for superior results. We believe we have the right approach, tools, and, most importantly, the right people to meet your consulting needs.

ECS'S comprehensive range of services includes strategic and tactical planning, program design, and continual monitoring and support of your organization's needs. Our services will ensure The Museum's compensation programs are consistent with its pay philosophy, and allow the organization to compete effectively for top employee talent.

We work closely with our clients to become trusted advisors to executive leaders and Boards. It is our intention to create a collaborative relationship with The Museum that blends the benefits of our market and technical expertise with your institutional knowledge. This approach involves greater levels of communication with, and service to, the client, ensuring that solutions are thoughtful, meaningful, and successfully implemented.

# This proposal is based on our understanding of The Museum's current compensation programs

## Overview of The Museum's Compensation Programs

1. In addition to cash compensation, The Museum has historically offered additional forms of rewards to executives, including qualified and non-qualified benefits and perquisites
2. The Incentive Compensation Plan for Investment Staff was first introduced in fiscal year 2002 in order to attract, retain, and motivate key investment professionals
3. The Merchandising Management Incentive Program was introduced in fiscal year 2001 (and revised in 2007) to reward the merchandising management staff for their increasing net contributions to The Museum, consistent with The Museum's long-term strategic plan
4. As a result of a competitive compensation review for Academic employees conducted in 2002, The Museum approved a number of market adjustments for these individuals over the past five years
5. Other administrative employees are eligible for additional compensation opportunities including honorarium payments, hourly compensation for special events greeters, and monthly bonuses for retail store employees

# We offer our clients a robust portfolio of compensation advisory services and capabilities

## Scope of Consulting Services

ECS's scope of work as defined by The Museum will require consulting services for a variety of compensation matters. It is our intention to provide you with a thorough analysis of these matters and identify those areas that can be improved. We will provide to the management team the necessary analytical services and design recommendations to strengthen The Museum's compensation program and, when necessary, we will also present these findings to The Museum's Board of Trustees and other members of your executive leadership team.

Compensation consulting services may include:

- Assessing the competitiveness of existing executive, management, and staff level compensation
- Establishing the reasonableness of current executive compensation for Intermediate Sanctions purposes
- Developing a compensation philosophy that supports The Museum's strategic direction
- Reviewing, and possibly redesigning, The Museum's variable pay plans, including its annual incentive and supplemental pay programs for all levels of Museum staff
- Conducting routine analyses on a regular basis, as well as on an ad-hoc basis when required
- Advising The Museum on other compensation or regulatory issues as they arise

**Please see section two for detailed listing of all our compensation services.**



- ① Executive Summary / Proposal Overview
- ② **RFP Questionnaire**
- ③ Appendix

# We strive to help clients improve the return on their investments in human capital

I: PROVEN EXPERIENCE WITH SUBJECT MATTER

## ECS Consulting Profile

ExeComp Solutions is a leading human capital consulting firm specializing in the development and implementation of custom solutions that maximize our clients' return on their human capital investments. By combining our innovative thinking with deep, on-the-ground industry experience, we are uniquely positioned to help companies achieve their strategic business goals with unparalleled speed and efficiency.

Because we believe that human capital is a severely under-employed source of competitive advantage, we apply thought leadership, rigorous analysis and innovative designs to help companies build competitive advantage as unique as their human capital issues.

## Capabilities

We bring distinctive capabilities that address the specific challenges companies face in three employee groups:

### Management

- Executive Compensation and Benefits
- Governance and Succession Planning
- Performance Management
- Leadership Coaching and Development

### Employees

- Organizational Alignment and Integration
- Talent Management
- Compensation and Broad-Based Incentives
- Performance Management
- Change Management

## Industry Experience

With more than 48 years of combined experience providing service to more than half of the *Fortune 500* companies, many mid-sized companies and not-for-profit entities, ECS consultants are fluent in the issues of a broad range of industries.

## Approach

We seek to forge lasting business partnerships with our clients by working collaboratively to diagnose issues impeding the attainment of strategic objectives, and develop and implement innovative, practical solutions.

## Milestones and Results

We excel in engagements with high degrees of uncertainty and risk, complex economic or employee dynamics and change. Most of our engagements are precipitated by strategic redirection, transactions, acquisitions, or increased performance requirements. Our case history demonstrates significant business impact, including:

- Revenue Growth
- Customer Retention
- Employee Retention
- Profit Improvement
- Cost/Resource Optimization
- Decreased Cycle Times



# Our compensation practice provides the following services as advisors to management and/or the Board

I: PROVEN EXPERIENCE WITH SUBJECT MATTER

## ExeComp Solutions has a robust portfolio of services for clients:

Employee / Leadership Performance and Rewards	Board Compensation	Board Governance
<ul style="list-style-type: none"><li>• Total compensation reviews</li><li>• Compensation philosophy and total rewards strategy development</li><li>• Compensation plan redesign<ul style="list-style-type: none"><li>– Base salary</li><li>– Annual incentives</li><li>– Long-term incentive/equity plans</li><li>– Business unit and special incentives</li><li>– Deferred compensation</li><li>– Retirement</li></ul></li><li>• Executive performance assessment/realignment</li><li>• Top executive contract support</li><li>• Change-of-control provisions</li><li>• Compensation arrangements for transactions</li></ul>	<ul style="list-style-type: none"><li>• Board compensation philosophy development</li><li>• Board compensation reviews</li><li>• Board compensation redesign<ul style="list-style-type: none"><li>– Board, committee, and presiding director retainers</li><li>– Meeting fees</li><li>– Equity participation</li><li>– Ownership requirements</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Board effectiveness assessments</li><li>• Board Policies<ul style="list-style-type: none"><li>– Legal and Regulatory compliance</li></ul></li><li>• Board Practices<ul style="list-style-type: none"><li>– Committee charters</li><li>– Role and decision rights clarification</li><li>– Board performance measures and standards</li><li>– Board alignment and dynamics</li><li>– Board member performance reviews</li><li>– CEO performance reviews</li></ul></li><li>• People<ul style="list-style-type: none"><li>– Board composition</li><li>– Director value proposition</li></ul></li></ul>

Our consultants have deep, practical expertise in all the above areas helping clients design programs that drive superior business results.

# We believe a number of characteristics differentiate ECS from other consulting firms

I: PROVEN EXPERIENCE WITH SUBJECT MATTER

<b>Strategic Orientation</b>	We think about an organization's human capital issues from an overall perspective that is firmly grounded in business strategy.
<b>Tailored, Practical Solutions</b>	We help high-performing organizations distinguish themselves by developing people strategies that uniquely reflect their individual business issues, objectives and cultures, and ensure our clients have the tools and competencies needed to manage similar issues on an ongoing basis.
<b>Senior Level Resources</b>	Rather than involve senior "partner-level" resources only in the selling process, we ensure our senior resources work with clients to share their knowledge, experience, and skills necessary to develop world-class solutions.
<b>Supported Implementation</b>	We believe a great solution, poorly implemented, will yield less-than-desired results. We focus on follow-through to attain targeted results, which includes effective and integrated designs, well executed implementation, and performance measurement.
<b>Holistic Approach</b>	While not directly relevant to this assignment at this time, our work in leadership development, and change management enable us to look at the whole problem and provide more robust solutions.

**Our clients describe us as: independent, objective, analytically rigorous, highly trustworthy.**

# We begin our advisory relationships by becoming familiar with the organization's mission and critical challenges

I: PROVEN EXPERIENCE WITH SUBJECT MATTER

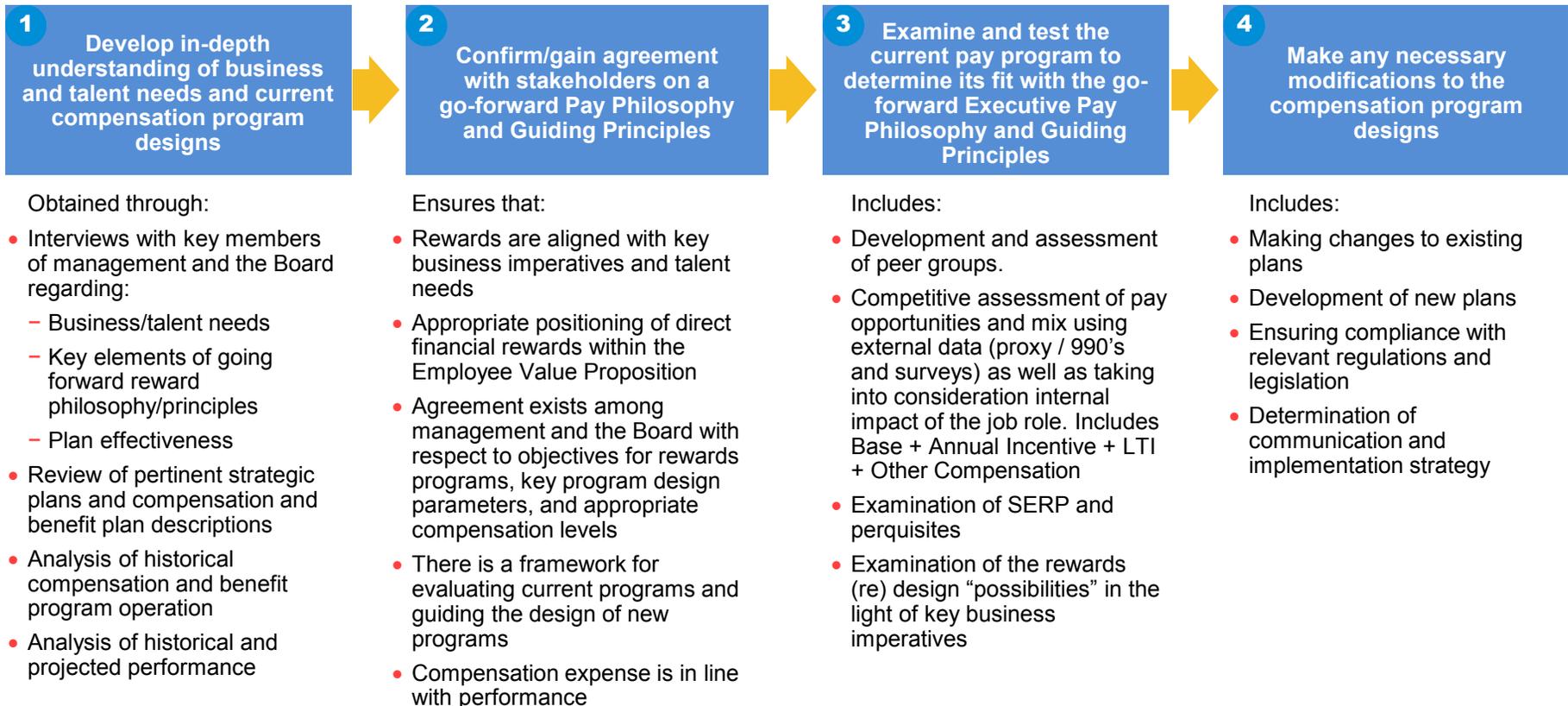
At the outset of our assignment, we will ask The Museum to provide information pertinent to organizational strategy, and reward programs. Our data request will include items such as strategic plans, current and historical compensation data, organization charts, plan documents, employment agreements and financial reports etc. A thorough review of these materials gives us the preliminary background we need to begin understanding program prominence, impact, and effectiveness.

Following our data review, we will meet with members of executive management and the Board to fully understand The Museum's strategy and challenges, as well as perceptions of the current executive and employee pay programs. Our initial meetings are not a singular event. We make a practice of meeting regularly with management and Board members to stay abreast of organizational issues, making sure we have the latest information. In addition to the above initial and on-going relationship building, we are also available to attend relevant management and Board meetings (as desired). In these ways are we best able to understand the diverse perceptions on compensation effectiveness from the people who oversee and manage the plans, as well as plan participants. Through our meetings and collaborative approach with stakeholders, we foster an open dialog on areas of concern and seek resolution by providing objective counsel on sensitive issues. The strength of our relationship ensures all stakeholders feel comfortable with who we are, and the counsel we provide.

**At the beginning of a relationship, many clients choose to engage us in a Total Compensation Assessment that puts all components of the pay programs “on the table” for review**

**I: PROVEN EXPERIENCE WITH SUBJECT MATTER**

## **Our Preliminary Methodology for a Comprehensive Compensation Assessment for The Museum**



**We can customize our approach to accommodate your preferred working style and organizational imperatives.**

# Below are three examples of past engagements that illustrate the type of work that may be performed for The Museum

I: PROVEN EXPERIENCE WITH SUBJECT MATTER

## Sample Client Experience

### 1 For a large church pension fund

Provided compensation advisory services to management and the Compensation Committee that included: performing a review of comparable data for purposes of establishing the market price for executive and employee positions; determining a rebuttable presumption of reasonableness for individual compensation arrangements; designing a cash-based long-term incentive plan with a deferral feature to reward key investment professionals for above-average portfolio performance; and assessing the post-retirement compensation replacement levels for the prior President & CEO.

### 2 For a performing arts center

Retained by outside Counsel to conduct an independent analysis of the competitiveness and reasonableness of the compensation package for the President & Executive Director. The analysis provided relevant total direct compensation data and information that can be used as the basis to determine a reasonable compensation package as compared to those offered to similar positions within similar organizations. This analysis was used by Counsel to establish the reasonableness of the compensation package under Intermediate Sanctions.

### 3 For various colleges and universities

Worked collaboratively with leadership and the Board of Trustees, providing compensation advisory services that included: development of a compensation philosophy and formal pay structure that governs how the institution compensates and manages pay going forward; design of variable pay plans that support the desired culture, align with performance and provide a foundation for future growth; and compliance with Intermediate Sanctions.

We are available to discuss any of these engagements in further detail.

# ExeComp Solutions has a robust library of both published survey and proprietary data

## III: ACCESS TO APPLICABLE COMPARATIVE DATA

ECS has a broad survey data library consisting of published data from all major survey houses and our own proprietary sources. We purchase data annually and use this for our competitive assessment work.. The sample size is typically very large (over 100) and is comprised of organizations with less than \$100 million in revenue to companies with more the \$5 billion revenue. Data cuts are typically available by industry, size and sometimes geography. Dependent upon the position being studied, compensation data will primarily be gathered from two primary sources:

➤ *IRS Form 990s*

- When executive positions are involved, we will develop a specific group of mutually agreed upon peer institutions, which will include competitors for talent. We will capture compensation data as disclosed within Form 990s for select executive positions.

➤ *Survey Reports*

- Survey sources utilized for The Museum will likely include data from all the major survey houses. All job matches will reflect positions of similar responsibility, size/scope and where appropriate, geography. We utilize position specific information from both published and proprietary sources to ensure we are getting the broadest measure of the market possible.

ECS's philosophy is to match jobs and leverage data from multiple sources. Using a variety of data contributes to a more holistic market analysis and provides clarity on the ranges of pay opportunity in the market. Certain positions may be compared not only to data reflective of The Museum's industry and financial characteristics, but of the broader market if deemed appropriate. This method is widely considered suitable since many executive and employee positions are interchangeable between the not-for-profit and for-profit sectors.

ECS itself does not publish any of its own surveys. We do conduct customized surveys on behalf of our clients. We would be pleased to speak with you more about our data resources at your convenience.

# We recognize these are uncertain times in the compensation consulting relationship

## ‘How is your organization responding to recent review of potential conflicts in executive compensation consultants that provide other services to the same organization?’

ECS’s goal in every client engagement is to provide objective, unbiased analysis and advice that aligns the organization’s operations with its strategic goals. In our dealings with an organization at any level (executive, management, staff, etc.), we seek to provide sound, successfully implemented solutions that serve both the employee and the employer, while driving overall organizational performance.

Over the years, concerns have been raised about the ability of compensation consultants to deliver unbiased advice to management and Boards, in light of the competing interests that arise from the consulting relationship. A frequent concern is the ability of the consulting firm to offer advice on pay programs and design for different employee levels of an organization, without being unduly influenced by the economic value of the assignments to the consulting firm.

## We recognize the necessity of independence and transparency in the compensation consulting relationship

### IV: CONFLICTS IN CONSULTING

We believe that the best way to avoid potential conflicts is a commitment to *transparency and information sharing* between compensation oversight Boards, management, and staff. Fully disclosing a compensation committee's guiding principles and goals and an organization's performance serves to mitigate potential disputes when performance is not consistent with pay. This full disclosure of desired and actual performance, throughout all levels of the organization, helps make explicit the success and its shortcomings, and identifies those components in the organizational culture or structure that need changes to properly align its goals and practices.

Even with these legitimate concerns noted, we believe that it is desirable for an organization to retain a single compensation consultant for any potential pay evaluation or design projects. Hiring multiple consultants for different levels within an organization allow costs to multiply needlessly and may yield a competing set of recommendations on new pay plan designs and implementation. Furthermore, retaining a single consultant for compensation projects allows that group to develop a deep and thorough understanding of an organization's structure, culture, performance, and goals.

**ECS does not face any conflicts of interest associated with additional service offerings. We generate our revenue solely through consulting fees (i.e., there is no conflict of interest with accounting / audit, outsourcing or other services). Additionally, we do not maintain financial relationships with third party vendors that might compromise our ability to provide independent, objective recommendations.**