

**EXPERT OBSERVATION**

“The most important issue for executives is the organization’s image, energy and clarity of strategic direction. Executives need to understand what success will look like in the new environment as well as how their contribution will be measured and ultimately compensated.”

**Darwin Park**  
PARTNER, DAVIES PARK, EDMONTON

A reaction to public outcry against executive salary excesses? 24% of executives from the companies surveyed experienced no salary increase in the most recent fiscal year.

**CEO Base Salary by Company Type**

	Public Companies	Private Companies
High	\$750,000	\$384,000
Low	72,000	130,000
Median	194,000	200,000

**CEO Benefits**

	Total Benefits	Industry
High	\$22,527	Resource Industries
Low	1,500	Resource Industries
Median	5,640	N/A

**CEO Perquisites**

	Total Perquisites	Industry
High	\$56,000	Transportation
Low	150	Resource Industries
Median	11,000	N/A

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Executives from only 14.3% of companies surveyed exercised stock options. The value of exercised stock options for all executive positions ranged from \$15,000 to \$837,500, with a median of \$75,000.

### Median Base Salary by Position as Compared to Companies' Gross Annual Revenue

	Under \$10 million	\$10-99 million	\$100-500 million+
Chief Executive Officer	\$135,000	\$230,000	\$200,000
Chief Operating Officer	108,000	120,000	120,000
Chief Financial/Accounting Officer	100,000	100,000	125,000
Chief Sales/Marketing Executive	95,000	110,000	133,500
Chief Manufacturing Executive	N/A	85,000	137,500
Chief Engineering Executive	N/A	N/A	135,000
Chief Human Resources Executive	N/A	87,058	102,000
Division Head	100,000	83,500	85,141

### Annual Bonuses

	Bonus High (\$)	Industry	Bonus Low (\$)	Industry	Median (\$)
Chief Executive Officer	\$1,743,333	Biotechnology	\$6,300	Transportation	\$99,000
Chief Operating Officer	633,360	Biotechnology	15,000	Manufacturing	114,224
Chief Financial/Accounting Officer	140,000	Real Estate	1,000	Construction	35,000
Chief Sales/Marketing Officer	88,000	Construction	3,244	Transportation	30,000
Chief Manufacturing Executive	30,000	Transportation	2,925	Transportation	26,500
Chief Engineering Executive	294,000	Real Estate	22,000	Transportation	38,599
Chief Human Resources Executive	41,724	Transportation	1,350	Transportation	18,500
Division Manager or Head	157,000	Real Estate	1,000	Construction Financial Services (tie)	10,000

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## Compensation Policies

Survey participants were asked a variety of questions about their compensation policies. The following is a summary of their responses.

### Salary Review

The vast majority (89.3%) of companies review salaries on an annual basis. The remainder (10.7%) review salaries on an ad hoc basis or relative to market conditions.

### Vacation Entitlement

There is a great deal of variation in the number of weeks of vacation executives can take. From the companies surveyed, executive officers are able to take as few as two weeks and as many as five weeks of holidays after just one year. Most executives (46.4%) start at three weeks. After five years, exactly half of executives from the companies surveyed were entitled to four weeks of holidays.

After 10 years, 71% of executives are entitled to three weeks, 50.0% are entitled to four weeks, 25.0% are entitled to five weeks and 14.2% are entitled to six weeks.

Not surprisingly, middle-level managers and entry level professionals are entitled to fewer holidays: 42.9% of middle managers and 46.4% of entry level professionals get two weeks of holidays after one year with the company.

### Salary Increases

Interestingly, executive officers were the least likely to obtain salary increases, with 24% experiencing no salary increase in their most recent fiscal year. In comparison, only 18.5% of entry level professionals and 14.3% of middle level managers didn't obtain salary increases.

The highest wage increase reported for an executive was 40%. For middle-level managers, it was 10% and for entry level professionals, it was 13%.

### Average Salary Increases

	Most recent fiscal year	Next fiscal year (planned or estimated)
Executive Officers	6.30%	3.87%
Middle-Level Managers	4.40	3.83
Entry Level Professionals	4.16	4.29

### Incentives

Annual bonuses remain the most popular form of incentive for employees, with 64.3% of executive officers receiving these as part of a company incentive plan. For middle managers and entry level professionals, 50.0% and 28.6% receive annual bonuses, respectively. The following summarizes other popular forms of incentives, with the percentage of employees that are awarded each type.

### Types of incentives offered

	Annual Bonus	Sign-on Bonus	Profit Share	Stock Options
Executive Officers	64.3%	17.8%	32.1%	17.8%
Middle-Level Managers	50.0	14.2	21.4	17.9
Entry Level Professionals	28.6	7.1	21.4	7.1

### Vacation Entitlement after One Year

	2 weeks	3 weeks	4 weeks	5 weeks
Executive Officers	21.4%	46.4%	28.6%	3.6%
Middle-Level Managers	42.9	42.9	14.3	0.0
Entry Level Professionals	46.4	50.0	0.0	0.0

### Vacation Entitlement after Five Years

	3 weeks	4 weeks	5 weeks	6 weeks
Executive Officers	35.7%	50.0%	10.7%	3.6%
Middle-Level Managers	64.3	32.1	3.6	0.0
Entry Level Professionals	78.6	14.2	3.6	0.0

NOTE: PERCENTAGES MAY NOT ADD UP TO 100% IF, IN SOME CASES, NO RESPONSE WAS RECORDED

### EXPERT OBSERVATION

“Most (executives) want to see language in their contracts pertaining to how they will be treated should their services no longer be required by their potential new employer. In most cases, the negotiations refer to what happens if the employee is terminated for a non-performance issue such as a corporate restructuring or merger/acquisition.”

**Robert S. Travis**  
MANAGING DIRECTOR, BOYDEN  
GLOBAL EXECUTIVE SEARCH,  
CALGARY

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planning, it takes  
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### Executive Compensation Report

#### Eligibility for Promotion

Of those companies surveyed, the majority (65.5%) cited **personal performance** as the most important factor in determining an employee's eligibility for promotion. Other factors cited, in order of importance were:

- Project performance
- Company performance
- Performance of department/division
- Board or management's discretion
- Specified amount at a specified time (e.g., annually or every two years)

#### EXPERT OBSERVATION

“Follow through on commitments made by the employer/company as part of the employment offer package is an issue for executives. An example is how bonuses are promised in the compensation package but criteria are either unclear or changed after the executive has joined the firm.”

**Ed Murphy**  
GENERAL MANAGER, DIVERSIFIED  
STAFFING GROUP, CALGARY

#### Training and Continuing Education

For the second year, 100% of companies participating in the Alberta Executive Salary Survey indicated that they offered opportunities for training and continuing education. The average amount spent per employee was \$4,432 and ranged from \$100 to \$50,000. Also, 92.9% of companies indicated they covered costs for out-of-house courses, with 67.9% of companies covering up to 100% of the costs.

#### Executive Search Companies: A Snapshot

*Alberta Venture* surveyed a sample of firms\* providing executive search services to Alberta companies. Here's what we found.

There are two types of executive recruiters: retained fee and contingency fee. Retained fee recruiters ask for a fee up front and may provide a prorated fee if employers cancel the search, while contingency fee recruiters are only paid if a successful candidate is found. Typically, recruiters are paid 25% to 35% of a candidate's first year compensation.

- 60% of executive recruiters surveyed operate on a retained fee basis
- 40% operate on a contingent fee basis

#### Average number of executive searches conducted per company:

- 2001 34.8
- 2002 29.8
- 2003 (predicted) 31.2

#### Average fee per search:

- \$25,200

#### Growth industries according to search firms:

- Energy
- Manufacturing
- High Tech

#### Executive compensation trends identified by search companies:

- More executives are looking for and receiving stocks and options.
- Job offers often contain language that specifies a dollar amount should the executive position cease to exist at no fault of the leaving party. This often includes wording around merger and acquisition (M & A) activity.
- Benefits and perks that add to the business environment are becoming more popular with executives.

\*SMALL SAMPLE SIZE

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### 10 things to look for when selecting an executive recruiter

- 1. A proven track record, including good references.** A good recruiter should have up to 75% in repeat customer business, and completion rates that exceed 85%. Also, speak to references that can discuss recent accomplishments, ethical recruiting practices, and prove long-term, repeat business.
- 2. Search results.** For each assignment, find out how many candidates will be sourced, contacted and interviewed, and how many finalists will be presented.
- 3. Availability.** If a recruiter is working on more than three current assignments, you can expect limited attention. Junior associates are no substitute to the quality recruitment offered by an experienced pro.
- 4. Industry specialists, not generalists.** Specialty recruiters are more capable of completing an assignment quickly. Knowing where to go to find the best talent, and having the ability to quickly gain their confidence is essential for a timely result. Recruiters that specialize within the employer's unique segment of industry are often more effective.
- 5. Appropriate position specialists.** Recruiters often specialize in lower, middle or executive level assignments. Find a recruiter that specializes in the level position the employer is looking to fill.
- 6. Trade association involvement.** Association involvement helps establish a recruiter's reputation and network of contacts. Find out what personal involvement and contributions the recruiter has made through participation in trade committees, writing articles for trade magazines, giving talks at industry events, and other prominent networking avenues.
- 7. Twelve month guarantee.** Make sure if the new hire resigns or is terminated within 12 months, the recruiter provides a replacement at no professional fee.
- 8. Premium service.** Cost is usually the lowest factor on any hiring survey when employers are questioned on the most important factors looked for in selecting an executive search. The old adage, "you get what you pay for" is true in most cases when hiring an executive recruiter.
- 9. Reasonable blockage.** Check "off limit" policies. Find out what firms are off limits to the recruiter (protected firms that cannot be recruited from). If those firms are likely sources to fill the position, do not work with a recruiter who cannot touch those executives.
- 10. National capability.** A national recruiter can often recruit a localized market effectively, but a local recruiter rarely can recruit a national market effectively. It is even far more important to find a successful recruiter who will locate the best candidates than one who happens to be based nearby.

SOURCE: FREDERICK C. HORNBERGER JR., REPRINTED WITH PERMISSION

### Methodology

*Alberta Venture*, with the assistance of Web site development company Avalon Global E-Business Solutions Inc., surveyed human resource managers across Alberta between Sept. 9 and Sept. 29, 2003, requesting information on compensation and incentive programs for executive staff. The survey was conducted through a completely secure and anonymous Web site. Some 477 HR managers at Alberta companies of diverse size and from diverse industries were invited to participate. *Alberta Venture* would like to thank all those individuals who took the time to be involved.

#### Additional notes:

1. Compensation information is based on a company's most recent fiscal year.
2. Annual bonus, benefits, and perquisites are calculated based on those companies that awarded these (does not include zero values).
3. Total benefits include health and insurance benefits.
4. Total perquisites include vehicle allowance, housing allowance, association memberships and social club memberships.

During this same period, *Alberta Venture* also surveyed 41 executive search firms across the country, with the main criteria that they conduct executive searches for Alberta companies.

Please note: Complete results of this survey are available only to survey participants in our exclusive Executive Salary Report.

**N/A:** Data not available or not applicable.