

“How High is Too High?”

A discussion of compensation and pricing strategies
for professionals...

Talentlogix^{Inc.}
Professional People Solutions

This Discussion as Advertized

Most professionals work to satisfy a variety of needs. Managing a good practice requires appropriate pricing and compensation. Balancing value for service with a fair profit requires ongoing attention and is often the source of much debate at proposal submission time as well as at year end. Managing risk in fixed price situations and maintaining relationships with subcontractors and associates in the supply chain adds even more to the mix.

As professionals who solve complex problems for clients we sometimes fail to take the time to assess our own business situations to answer tough questions like, “What’s the right price for my services?” Whether it’s as an employee or a practitioner it’s the same issue often thought of as, “How high is too high?” This discussion will take your critical thinking about your compensation to the next level. We’ll explore:

- Why we work and how get paid
- Current market pricing and typical compensation scenarios
- Strategies to achieve the balance that’s right for you and your client(s) or employer

Any professional from Software Tester to Business Analyst to Infrastructure Architect to Project Manager has wondered what they are worth and how they should be compensated. Come join your peers for a discussion of the issues and how you can be better equipped to deal with them.

Discussion Outline

- ✓ Introductions
- ✓ Theories of why we work and how we are motivated
- ✓ Selected local compensation information
- ✓ Comparing employment relationships
- ✓ Negotiating approaches and strategies
- ✓ General discussion



Introduction

Jules Fauteux helps teams and individuals to improve performance. He focuses on people and applies best practices to help teams and individuals to think, plan, change and grow.

Mr. Fauteux holds a Master of Business Administration, is a Certified Management Consultant, a Certified Human Resource Professional, a Registered Professional Recruiter, and a Certified Change Manager.

Jules Fauteux is currently Principal Consultant at Talentlogix Inc. where he provides Management Consulting and Recruitment services. His practice areas include Talent Strategy, Workforce Planning, Business Change, and Recruitment.

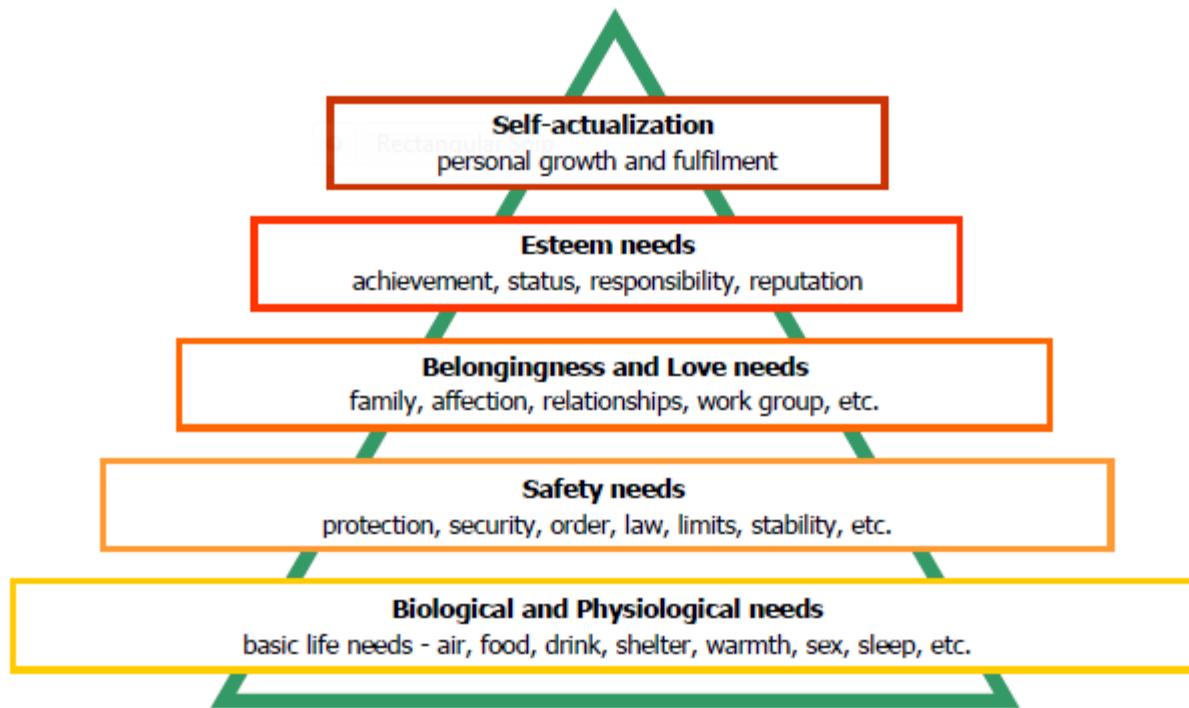


Theories About Motivation

- Abraham Maslow - 1945
- Frederick Herzberg - 1959
- Cameron Crowe - 1996
- Jack Gabarro - 2002
- Tammy Erickson - 2011



Mazlow - Hierarchy of Needs

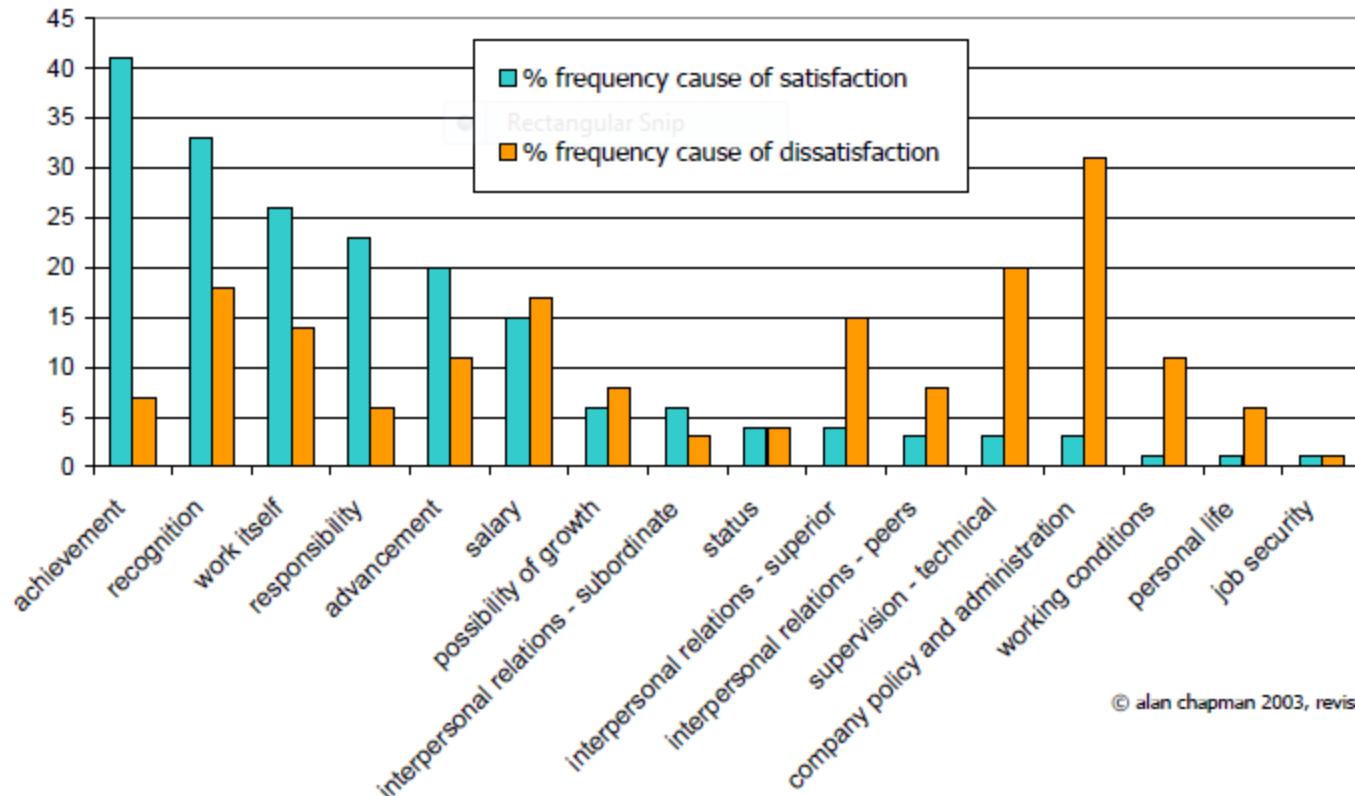


© design Alan Chapman 2001-7, based on [Maslow's Hierarchy of Needs](#)

Herzberg - Factors & Motivators

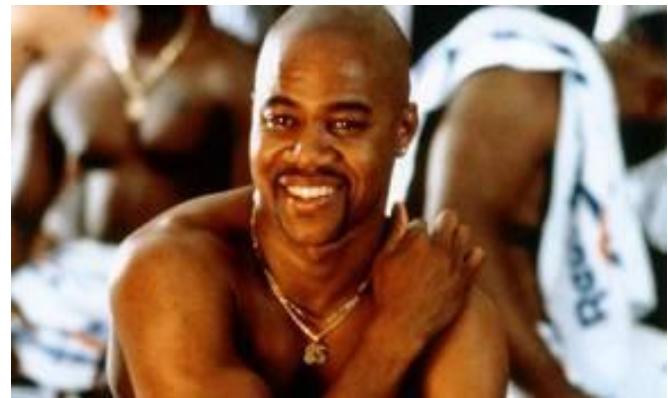
Herzberg's motivators and hygiene factors

(Achievement to advancement are motivators; the others are hygiene factors. Based on percentages of total factors causing high and low attitude effects; Herzberg - The Motivation To Work, 1959.)

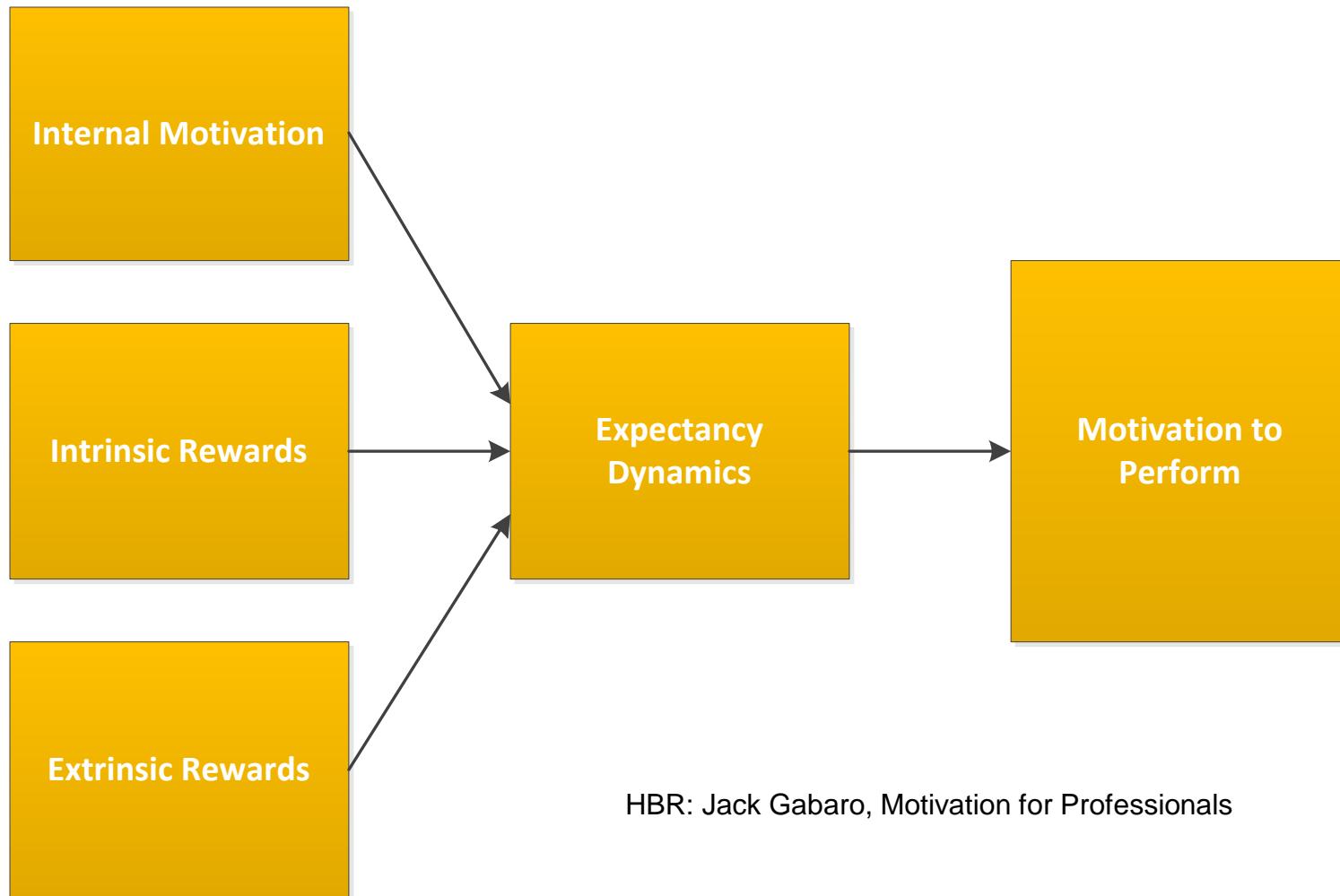


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Crowe - Jerry Maguire!



Gabarro - Expectancy Dynamics



HBR: Jack Gabaro, Motivation for Professionals

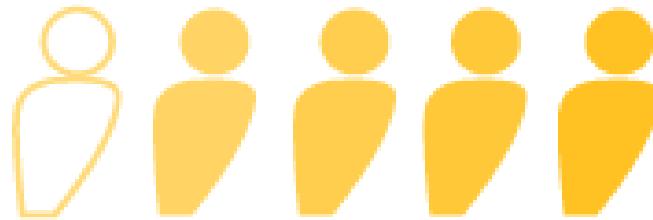
Erickson - Meaning is The New Money



Tammy Erickson – Talent management, Generational Issues, Communication

Total Compensation

- Base Salary
- Variable Incentives
 - Short Term
 - Long Term
- Bonuses
- Insured Benefits
- Pension
- RRSP Contributions
- Training and Development
- Perk Allowances
- Tax Avoidance and Deferred Compensation



Atlantic Compensation Findings

- 24% of Atlantic firms froze salaries in '10 compared to 28% in '09
- Of the 76% who increased, the average actual increase was 1.9%
- 42% of firms said they plan to hire more people in '11, 49% said they would reduce, and 9% said they will remain the same
- For companies who are hiring, growth will be the greatest in sales, customer service, production, and marketing/ communications
- 65% of firms plan salary increases in '12 with the average estimated at 2%
- Almost half (49%) of employees indicate they are “satisfied” or “very satisfied” with their current level of pay
- 37% of employees say they intend to look for another job in the next year
- 22% of employees are “very worried” the current economic climate will impact their career prospects and earning potential



Gerald Walsh Associates Inc.

Executive Search

Career Transition

Executive Coaching

Atlantic Compensation Findings

Position	Large '11	Large '10	Small '11	Small '10
IT Manager	\$72,000 - \$83,000	\$70,500 - \$81,500	\$66,500 - \$76,000	\$64,000 - \$74,500
Business Analyst	\$55,500 - \$65,500	\$54,500 - \$64,500	\$51,000 - \$61,500	\$50,000 - \$60,500



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Sample Local Consulting Rates

Local Consulting Rates Multi Firm/ Role/ Level Government Source (summary on next slide)

Local Consulting Rates
Multi Firm/ Role/ Level
Government Source
(summary on next slide)

APPENDIX G / ANNEX G		CATEGORY AND LEVEL / CATÉGORIE ET NIVEAU																					
CONTRACT #	VENDOR NAME	PM1	PM2	PM3	PL1	PL2	SSA1	SSA2	PA1	PA2	P1	P2	P3	TA1	TA2	TA3	TAN1	TAN2	TO1	TO2	PAD1	PAD2	
N° DU CONTRAT	NOM DU VENDEUR	DirP1	DirP2	DirP3	ChP1	ChP2	AFP1	AFP2	AnaP1	AnaP2	Prog1	Prog2	Prog3	SArT1	SArT2	SArT3	SAnaT1	SAnaT2	OpT1	OpT2	AdmP1	AdmP2	
31513-09	Accreon Inc.	900	1050	1250	875	950	890	975	685					675	900		825	725	464	561			
31484-09	Ajilon Consulting	950	1125	1400						1200									650	700			
31782-10	Alexander Consulting Services																						
31541-09	Ambir Technology Group	985	1090																		600		
31493-09	Arc Performance Inc.																						
31554-09	Barrington Consulting																				416		
31490-09	Baseline Business																						
31507-09	Bell Aliant																						
31547-09	Xwave a																						
31504-09	Bluedrop																						
31509-09	Broadcom																						
31472-09	BrunNe																						
31503-09	Ca																						
31542-09	Capita																						
31510-09	Capita																						
31478-09	Capita																						
31479-09	Capita																						
31471-09	Capita																						
31491-09	Capita																						
31497-09	Capita																						
31516-09	Capita																						
31479-09	Ian Martin Limited																						
31471-09	IMP Solutions																						
31487-09	Indosoft Inc.																						
31505-09	Isomni Solutions Inc. - NOW DOES BUS																						
31485-09	Lawrence M Bishop Consulting Services	700	800																				
31545-09	LinkSource			1225	1325																		
31519-09	Locality Software Consulting Services																						
31496-09	Manpower Services	975	1075	1235	820	975	725	840	675										960	1180	1345	725	840
31469-09	Mariner Partners Inc	945	1050	1210	790	895	815	945	685	810	580	630	710	895	1025	1150	660	820	500	610	475	610	
31498-09	MicroEase Ltd.	800	900	1000	750	850	800	900	700	800	500	550	600	800	850	900	600	700	375	425	375	400	

Typical Atlantic Consulting Rates

Position	Large '11	Large '10	Small '11	Small '10
Project Manager	\$130/Hour - \$170/ Hour	\$130/Hour - \$170/ Hour	\$105/Hour - \$120/ Hour	\$105/Hour - \$120/ Hour
Analyst (Senior / Intermediate)	\$115/Hour - \$130/ Hour	\$115/Hour - \$130/ Hour	\$100/Hour - \$130/ Hour	\$100/Hour - \$130/ Hour
Analyst (Intermediate/ Junior)	\$75/ Hour - \$120/ Hour	\$75/ Hour - \$120/ Hour	\$60/ Hour - \$80/ Hour	\$60/ Hour - \$80/ Hour

Pricing and Your Practice

Considerations

- Your overall approach/ strategy
 - one vs many
 - long vs short
 - direct vs indirect
 - Specialized vs generalist
- Standing offer rates
- Forecast utilization
- Developmental opportunities
- Business/ reputation risk
- Expenses and taxes
- Competition

Typical assumptions

- 260 working days per year
- 20 Statutory & vacation days
- 10 Sick days
- 5 Training days
- 80% maximum utilization
- 65% reasonable utilization
- 10-20% overhead expenses
- 18% corporate tax
- Other...

Comparing Employment Relationships

- A relatively Senior IT Manager/ Project Manager employed in a mid sized Atlantic firm compared to an independently incorporated private practice
- Typical mix of reasonable salary versus rate and utilization
- Typical assumptions for other considerations
- It comes down to risk – primarily rate and utilization

Employee		Independent
	Rate	\$115
	Hours/ Day	7.5
	Utilization	65%
	Holidays	20
	Sick	10
	Training	5
	Billing	\$126,141
	Insurance	\$3,000
	RRSP Match	\$3,500
	Training \$	\$2,000
	Expenses	\$12,614
	Corporate Tax	\$18,905
	Net Pre-Personal Tax	\$86,122
\$80,000		

Model for illustration only

Test Your BATNA vs Your Employer/ Client

1. Do they really need you?
2. Would it take long to get someone up to speed with what you do?
3. Would operations suffer in a tangible way if you were to leave (or not take the assignment)?
4. Is it possible for your employer/client to get someone with a similar resume/ skills/ experience to yours at a level of compensation or rate similar to yours
5. Do you have very attractive job / assignment opportunities elsewhere?
6. Would you easily get another job / assignment at a better rate of pay and working conditions?
7. Would you likely be happier somewhere else?
8. Could you go for an extended period without a job / assignment if you needed to?

Yes 1 - 8 = Aggressive

Yes 1 - 4 = Aspiring

No 1 - 4 = Beware

Based on...
Harvard Negotiation Project
Mark Gordon, Vantage Partners...
With modifications...

Negotiating Approach & Strategies

- Know the organization/ client culture
- Research where you stand in the organization and the market
- Consider total compensation and decide what you're looking for - both cash and other compensation
- Try to make it win-win by leveraging performance based models
- Test your BATNA vs your employer/ client
- Choose your strategy
 - Aggressive
 - Aspiring
 - Cautious
- Develop compelling arguments which differentiate you and your value
- Be prepared to negotiate for non-cash alternatives or for next year



For Further Information



Professional People Solutions

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