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## Trends in Executive Compensation

How would you like to get a \$1.9M salary increase? That's the average pay bump individuals received in 2013 if they were promoted to CEO of a Fortune 500 company. 2014 should be even better. These and other nuggets were uncovered by reviewing reports and statistics from executive compensation consultants including Towers Watson, ERC, Meridian, and the NYSE.

As you know, there is increased scrutiny and media attention being paid to executive compensation. This attention is being driven by general public interest as well as the "Say on Pay" provisions of the Dodd-Frank legislation now in its fourth proxy season. In addition, new regulations requiring public companies to report the ratio of CEO pay to median company salary are being implemented in 2014. These dynamics among others are pushing companies to change their executive compensation practices. Over 75% of all public companies conducted a pay-for-performance analysis in the last year.

These studies highlight an important trend. Companies are increasingly attempting to tie executive compensation to business performance. They are reducing the numbers measured down to three or four key metrics, particularly total shareholder return, earnings per share, and operating income. A substantial majority of companies are using the three-year time horizon for their measurements. Roughly 65% of a CEO's total compensation is now performance-based.

Although still a key component of the executive compensation package, traditional stock options are decreasing in importance and are being replaced by time-based restricted stock.

Merit increase budgets for 2014 are roughly within the 3-3.5% range (vs. 3.5-4.5% pre-recession). The highest-rated employees can expect 4.1-4.3% increases on average, with sometimes greater rewards going to essential employees. These increases are being offset somewhat by decreases in employer healthcare insurance contributions.

In a little more detail, companies in the IT, Healthcare, and Energy arenas are projecting slightly larger increases, and functionally, accounting and finance can expect slightly bigger boosts. Naturally, there are significant geographic differences globally with India appearing to lead the pack in executive compensation percentage increases.

One interesting trend to be aware of is that companies are increasingly paying higher salaries to new hires, especially those with hot specialties. The implication here, in addition to developing a hot specialty, is that you might want to consider a company change more so than you might have in the past. Obviously, before you do, check in with your friendly MDL Partners consultant.

## Blindsided

I met recently with an "alumnus" who was just notified that his job was being eliminated as part of a broader downsizing. This despite the fact that he had been promoted twice in the last three years to Senior Vice President of Sales, had helped grow company revenue from \$40M to \$58M in three years and tripled the sales pipeline from \$12M to \$36M. He had consistently received highly positive performance feedback.

The fly in the ointment, however, was that a new CEO was hired six months ago and brought in a new EVP, Sales and Marketing from his prior company only six weeks ago.

This prompts me to send out a reminder to all of our readers that sometimes you can be completely blindsided by an exit, but more likely there are clues, some obvious and some subtle. A new CEO or a new boss anywhere in the chain of command should prompt you to dust off your resume and your network no matter what is said or implied. Other clues that should prompt the same action include any signs of company revenue problems, or any sort of cash flow problems, or for a public company, stock prices not keeping up with the market.

If you see any signs that the company might be for sale-cutbacks in R&D, reduced hiring, undue emphasis on cost control-or rumors in the market, watch carefully. Keep track of rumored layoffs or restructuring, if they increase above the normal noise level, be prepared.

If you stop receiving new assignments and additional responsibilities or if you are increasingly out of the loop on important decisions, or if you are moved to a smaller office, don't ignore the signs.

Do a simple culture test. List the five adjectives that best describe the culture of the business. Then list the five adjectives that best describe your personality. If they don't match pretty well, you should probably become more active. Your intuition and gut feel are probably pretty good guides here.

In this environment, work from the presumption that you are going to be fired tomorrow. Keep up your network. Fortunately, our client has well over 500 active LinkedIn connections and has been very helpful to newer clients along the way. Always devote at least some time to personal skill development either through the job or if necessary, despite the job and its pressures. Keep up any connections you have to search firms, and if you are called by a search firm take names and numbers and if you are not particularly interested in the opportunity, find them a couple of candidates. In general, keep your finger on the pulse of the employment market in your profession and your industry.

The good news is that our client has clearly remembered the MDL Partners drill and started an active search. He has led sales organizations selling into financial services, manufacturing, healthcare, bio/pharma and other industries, and has a premier customer list including Apple, Caterpillar, UTC, Dell, US Steel, Bayer and State Street. He has asked that if you have any connections into growing software as a service (SAAS) companies, whether they have opportunities or not, he would appreciate an introduction. Email to him, [jimgolden@verizon.net](mailto:jimgolden@verizon.net).

## Rethinking Retirement

If you are like most people, every once in a while you will go to an online retirement calculator to determine how much you need to save for retirement. The result is normally the same: save more than you make or retire at age 98. The good news is that baby boomers have \$21.7T in their retirement accounts. The bad news is that this is estimated at \$6.6T short for maintaining a current standard of living. At the same time, lifespan is increasing with many more people living well into their 80s and 90s and generally remaining quite healthy during that span.

While there are important financial and economic reasons to continue working, many baby boomers derive significant personal satisfaction from their work and from the contributions they make, and many are not too excited about life on the golf course or at the senior citizens center. Studies show that people who continue working tend to have better life satisfaction and better physical and mental health. Working beyond age 65 also tends to reduce healthcare costs, increases your eventual Social Security payments and keeps you active and engaged.

At the present time, one third of men and one fourth of women over age 65 are employed full-time or near full-time in the workforce, and this percentage is increasing steadily. One in nine men and one in twenty women over age 75 are similarly employed.

The obvious implication here is that you, along with many others, will work beyond age 65, and there are some things you can do to prepare for this eventuality.

Stay fit. If you have a diet and exercise regimen, stick with it. If you don't, today, immediately after finishing this newsletter, set up your plan.

Stay networked. People tend to let their network deteriorate as they focus more on simply getting the job done. Stay active in industry, professional, community and alumni affairs and keep track of your network statistics. Take advantage of your exceptional wisdom and experience to mentor more junior people. You might possibly establish a mutual mentoring relationship in which you mentor a more junior person while they mentor you in areas such as technology, social media, youth culture and attitudes. Obviously, assist older job seekers who are looking for networking help whenever you can.

Learn new marketable skills. Take advantage of the exploding online educational resources including EdX and Coursera. You can arrange most of a Harvard or MIT MBA online. Plan on developing at least one new skill every year.

Be "consultable." Think about what you could consult on if regular employment disappears. Have a marketable "schtick."

As you age, bring into focus and plan for more nontraditional work options including moving towards part-time employment with some schedule flexibility, identifying and connecting with not-for-profits and possibly moving toward not-for-profit or corporate board opportunities. If you plan for it, you can enjoy working beyond age 65. Warren Buffet is 82 and he seems to be doing pretty well.

## Client Profile

We are pleased to introduce Serge Medvedev, a new client with a unique and interesting background and an excellent record of success in technology management, operations management and general management. He has particularly deep experience internationally, having worked in Eastern and Central Europe, Latin America, and most recently as CEO of a company based in Moscow, Russia. In his most recent position, he turned around a \$230M technology and consulting services provider with 1,300 employees in nine locations for a joint venture between British Petroleum and Russian TNK.

He is seeking a position as CEO or COO of a small to midsized company, Division or Business Unit Leader, VP Operations /Continuous Improvement or CIO/VP, Technology. His industry focus includes energy/power/utilities including alternative energy, oil and gas technology, software services, or major manufacturing. He has a particular interest in determining whether his skills and experience would be of value in the healthcare sector.

If you have any ideas, suggestions, or potential contacts in the above sectors, please contact Serge directly at 617-699-8585 or [serge\\_mededev@yahoo.com](mailto:serge_mededev@yahoo.com). You will find him to be a very interesting as well as high energy client.

## Success Stories

**Al Afonso** has taken a position as VP, Claims and Insurance for a captive insurance company owned by TeamHealth in Knoxville, TN.

**Jon Christopher** will run all application development for the Commonwealth of Massachusetts Center for Health Information and Analysis.

**Gary Goltz** completed a very rapid search and is now in a Senior Sales Position with Dell Computer.

**Paul West** is now Global Distribution Sales Manager for Ametek, a global leader in electronic instruments and electromechanical devices. Ametek has just acquired Creaform, a manufacturer of portable 3-D measurement technologies.

**Bob Brody** has taken a senior position as Director, Project Management at Wolters Kluwer, a global information services and solutions company. He will be focused on the TyMetrex business, a provider of cost-saving and performance-optimizing software and analytics primarily for the legal profession.

**Steve Cramer** networked into a position as Associate Dean for Administration and Finance at the Bouve College for Health Sciences at Northeastern University.

**John Borden** is Product Director, GNSS Systems at Sterling, VA-based Technology Advancement Group. He specializes in technology development and operations in the Federal sector with both military and civilian agencies.

**Larry Buchwalter** is Chief Operating Officer at Long Island Radiology Associates (LIRAD).

**Linda Carr** is now Sr. Architect at Northern Virginia-based VCE, where she works on Vblock™ solutions.

**Mark Davis** is President at Sailors for the Sea, a Newport, RI non-profit organization that educates and engages the boating community in the worldwide protection of the oceans.

**Jim Heller** is now Strategic Account Executive at Wincor Nixdorf, Inc.

**Robert O'Hern** is now Chief Operating Officer at Next Day Blinds, where he oversees direct sales, merchandising, IT, and operations for D.C. & Baltimore-based chain of over 30 retail stores.

**Ravi Reddy** is now DC-based Senior Enterprise Solutions Engineer at ASG Software Solutions.

**Carmel Roberts** is Practice Administrator at Valley OB/GYN in

Saginaw, MI.

**Albert Roy** is President and CEO at not-for-profit Lupus Therapeutics, Inc., based out of Washington, DC.

**Simuel Shaw** is now Program Managing Director & Advisor to the Planning Wing Commander at United Arab Emirates National Defense College (UAE-NDC) in Abu Dhabi.

**David Speirs** is President and Owner at Northern Virginia-based Alba Aviation, an independent aviation consultancy.

**Steve Stern** now serves as Executive Vice President at MDB Communications, a full-service, media-neutral agency in the DC area.

## Thought for the Day

"Talent hits a target no one else can hit; genius hits a target no one else can see."

-Arthur Schopenhauer-

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