



It's That Time Again!

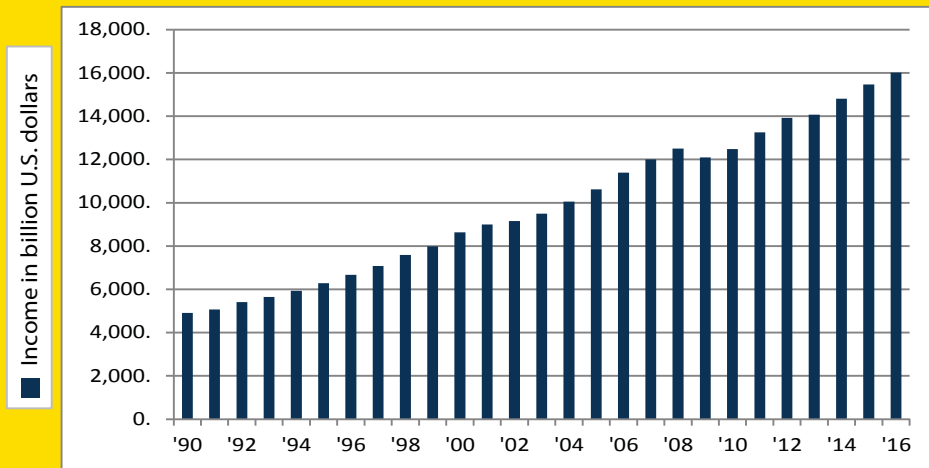
The older you get, the faster time goes by. At least that's what they say. No matter how fast time goes by, though, one thing is for sure: It's that time again!

It's fall and the question comes up – just like every year at this time – of how you've been doing over the last year, of whether you were working hard and staying on the ball, or were maybe a bit lazy and wasteful with your time. The question comes up, in essence, of whether you were "naughty" or "nice", and

whether or not a serious talk is needed with the Board of Directors – or maybe also with HR (which may be waiting with a "piece of coal" for you). The question of a reward (pay increase) or not, is in this sense hanging in the air, just like your stocking above the fireplace.

So, it's that time of year – and again the question comes up of: What is the fair and appropriate compensation for a specific task and function in a particular industry, location, and marketplace? For example:

Personal income in the United States from 1990 to 2016
(in billion U.S. dollars)



© Statista 2017 Source BEA

accordingly, whether you'll get your just reward at the end of the year.

But no, this isn't about Christmas.

This is about the annual ritual of evaluating past and present business performance. In the end this isn't just about whether the responsible business manager has done his/her job – whether he/she was diligent or not, was or was not a team player, and whether tasks and agreements were taken seriously and fulfilled, or not. This may culminate in

What's the right pay level for the head of a North American unit of a European machinery manufacturer with sales of \$50 million and 10 employees located in the state of South Carolina near Charleston?

Not a simple question!

There are multiple items and issues to consider. In addition to aspects related to the particular industry segment, market environment, product positioning, local costs, the area's unemployment rate, and

Testimonial

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Jan Heck
President
Miele USA



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the quality of available workers, you have to look at how tight the labor market is for these workers, internal pay structures, as well as external factors (unions, taxes, regulations) and the awareness about and reputation of the company – all of which of course have their counterparts in the European home market. You then naturally have to consider the international context including the influence of the exchange rate (since you're aiming for uniformity and comparability), as well as the various underlying cultural and economic issues that play a role in the evaluation.

Last but certainly not least, there are then all the local variables to be considered, such as education and training structures, social status of certain vocational segments (industries, products, functions), expectations and ratings regarding foreign-based companies, local tax rates, the influence of supplemental labor costs (health insurance, 401(k), vacation and sick days, holidays, maternity leave, etc.), as well as specific questions about the cost of living. These could touch on regional issues, such as housing costs in a certain city plus municipal taxes and fees, as well as the cost for kids' schooling beginning with kindergarten through college.

Furthermore, you should account for commuting times and costs as well as risks related to crime rates and the potential for negative weather events.

There has always been an effort to set wage levels in foreign markets so that they're in line with those which have been successfully applied on the home turf in Europe, and so arrive at a certain degree of uniformity. The idea is that in this way the company can not only fend off potential problems stemming from internal comparisons and "discussions", but it can also achieve a reasonably fair pay structure.

A wide range of methods are applied targeting this fairness – not always successfully and not always fully thought out. This is a problem similar in large part to efforts by companies to come up with a globally uniform set of titles, resulting often in even more misunderstandings, both internally and externally.

Devising an appropriate and market-oriented pay structure for a specific functional profile is, however, not so difficult. At least not if the right recruiting partner is selected: Unless the salary question is completely clear, the prospective employer should request a

"Profile Compensation Assessment" from the recruiter before initiating a search.

This is a matrix that compares criteria from the job description/profile with current salary levels in the particular industry sector, while also accounting for the scope of the specific function and experience level of the candidate. If the profile's criteria are exactly matched, the result is the "appropriate candidate"; or with a slight shift downwards, then a "rising star" may be of interest (who among us wasn't one of these before proving ourselves to be a "superstar"?). Alternatively, there may a slight upward variance, representing the "seasoned manager" who can hit the ground running.

Personnel consultants tightly embedded in the industrial marketplace with decades of their own work experience, like the consultants and researchers of J.R. BECHTLE & Co., have relevant and comprehensive compensation data at their disposal. This concrete information is collected from their regular daily recruiting interactions with hundreds of candidates from the same industry. They're therefore generally able to promptly produce a qualified and meaningful picture of the salary "reality" in a particular market segment. We'd be glad to help you with a brief evaluation, even if no new placement is planned. Please contact us about this at: jrb.management@jrbechtle.com.

Without a qualified evaluation of salary options based on the reality of the local market, discussions about desired or possible compensation levels are just reflections of wishful thinking.

Wishful thinking, however, should be reserved for the Christmas holiday, if you celebrate, and the upcoming visit by Santa who hopefully will bring gifts, and not coal, for your stocking!

Egon Lacher
President
JR BECHTLE & Co.

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Since 1979, JR BECHTLE & Co. has been the leading American consulting firm specialized in supporting the corporate interests of German, Austrian, and Swiss companies in North and South America, as well as Canada.

Our areas of expertise are:

- Retained Executive Recruiting.
- Human Resource Consulting: Compensation & Benefits Advisory, Assessment of Talent Management.
- Management Assessment Services: Corporate organization and structure analyses in North and South America.
- Management Consulting: Human Resource Strategy in the United States.

Equal Pay

For some time now efforts have been made by a number of government agencies and companies in the U.S. to reduce and ultimately eliminate the unfair differences in pay for the same job among male and female employees.

A law passed by the state of Massachusetts represents a new push in this direction. The law goes into full effect beginning in 2018 and it's expected that other states will follow suit with similar legislation.

The new regulation seeks to establish a framework which prevents, or at least significantly reduces discrimination already at an early stage:

- It is no longer allowed to ask candidates about their current salary;
- It is no longer allowed to prohibit employees from discussing their respective salaries with each other;
- Not only must "identical" employment functions be compensated identically, this will also apply to "similar" functions.

The specifics on how these rules will ultimately be handled by HR departments and executive recruiters, and how this will all be monitored by the government, will become evident in the coming years. It is, however, urgently recommended that firms become informed about this development as early as possible and then in a timely manner begin reviewing and, where necessary, adapting their own processes. This applies to how new employees are hired, but also to how those already on-board are treated.

The old rule that in the U.S. nothing – at least in the HR arena – should be done without competent legal counsel at your side, is still valid and maybe more so now than ever before.

This is certainly the case for subsidiaries of foreign-based companies which are already over-burdened by dealing with the rules and norms of the many cultures where they do business. These subsidiar-

ies increasingly run the risk of making a variety of (often only minor) mistakes in their hiring processes.

These oversights may not necessarily be critical right now, and so may be quickly forgotten about. However, in the case of a later lawsuit and the subsequent efforts by opposing lawyers to dig deep to uncover even a hint of improper (or even overtly obstructive) behavior, these little "mis-steps" would be just what the other side is looking for. These supposedly minor transgressions could easily end up negatively influencing a court – and this can be quite expensive!

The recommendation is therefore clear – follow the local rules!

Rules and rituals – especially in common law America – aren't always easy to read up on and typically have to be "experienced" in order to be understood or even known about. By bringing in qualified advisors who are familiar with local requirements for the planning and conduction of personnel searches, problems can not only be largely avoided, but also in the case of a lawsuit down the road, it can be shown that the company was actually seeking to "do things correctly". Judges will often look favorably on this.

Attempting to skimp here by working with inexperienced advisors or engaging firms which aren't established or recognized, can lead to falling into the age-old trap of being "penny wise but pound foolish"!

Susanne Lipke
Director International Business Development
JR BECHTLE & Co.

Board of Directors

The Board of Directors is a crucial instrument for the development and implementation of long-term strategies, controlling and support of management, and communication between the various stakeholders, the general public, and the public interest bodies.

A well-structured and active board is not only indispensable for a successful business, but is also an assurance for local and international partners (banks, suppliers, clients) and for current and future management personnel.

Mr. Egon Lacher, President of JR BECHTLE serves as Chairman or Director on various boards of German, Swiss, and Austrian companies conducting business in North and South America.

jrb.management@jrbechtle.com



Cost of Living in Selected Cities - Basis: Chicago

(Necessary annual income corresponding to \$200,000 in Chicago)

Alabama (AL)	Louisiana (LA)	Ohio (OH)
Birmingham \$148,662	New Orleans \$163,712	Cincinnati \$153,012
Alaska (AK)	Baton Rouge \$160,535	Cleveland \$166,054
Anchorage \$216,555	Maine (ME)	Columbus \$149,833
Arizona (AZ)	Portland \$186,629	Dayton \$158,863
Phoenix \$161,204	Maryland (MD)	Oklahoma (OK)
Arkansas (AR)	Baltimore \$194,649	Oklahoma City \$141,973
Little Rock \$159,699	Massachusetts (MA)	Tulsa \$149,498
California (CA)	Boston \$247,826	Oregon (OR)
Los Angeles \$239,632	Pittsfield \$191,304	Portland \$214,381
San Diego \$241,472	Michigan (MI)	Pennsylvania (PA)
San Francisco \$301,505	Detroit \$159,304	Philadelphia \$197,157
Colorado (CO)	Grand Rapids \$152,067	Pittsburgh \$159,699
Denver \$185,284	Minnesota (MN)	Rhode Island (RI)
Connecticut (CT)	Minneapolis \$176,254	Providence \$204,682
Hartford \$202,007	Mississippi (MS)	South Carolina (SC)
New Haven \$206,355	Jackson \$144,314	Charleston \$173,746
Delaware (DE)	Missouri (MO)	Greenville \$158,696
Wilmington \$180,268	St. Louis \$151,013	Tennessee (TN)
Florida (FL)	Montana (MT)	Chattanooga \$160,201
Ft. Lauderdale \$194,482	Bozeman \$167,391	Knoxville \$139,298
Miami \$187,124	Nebraska (NE)	Nashville \$159,866
Orlando \$158,194	Omaha \$154,181	Texas (TX)
Georgia (GA)	Nevada (NV)	Austin \$162,207
Atlanta \$164,716	Las Vegas \$172,742	Dallas \$168,324
Savannah \$150,669	New Hampshire (NH)	Houston \$164,548
Idaho (ID)	Manchester \$198,829	Utah (UT)
Boise \$153,177	New Jersey (NJ)	Salt Lake City \$157,525
Illinois (IL)	Newark \$204,348	Vermont (VT)
Chicago \$200,000	New Mexico (NM)	Burlington \$203,846
Champaign-Urb \$152,341	Albuquerque \$159,197	Virginia (VA)
Springfield \$151,348	New York (NY)	Richmond \$158,194
Indiana (IN)	Manhattan \$382,609	Roanoke \$148,829
Indianapolis \$153,846	Buffalo \$161,204	Washington (WA)
South Bend \$154,348	Rochester \$168,227	Seattle \$242,642
Iowa (IA)	North Carolina (NC)	Spokane \$162,876
Des Moines \$150,334	Charlotte \$158,528	Wisconsin (WI)
Kansas (KS)	Raleigh \$158,194	Madison \$177,926
Kansas City \$155,017	Wilmington \$159,699	Milwaukee \$166,221
Kentucky (KY)	North Dakota (ND)	Wyoming (WY)
Lexington \$156,187	Bismark \$162,876	Laramie \$154,682

JR Bechtle & Company 2017 (based on data from CNN Money, September 2017)