



# Q4FY15 HR Webinar

Oracle Compensation

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Corporate Compensation  
March 2015

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# HR Webinar Presenters



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Director, Compensation



- **Shawn DeValle**
- Compensation Consultant



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# Program Agenda

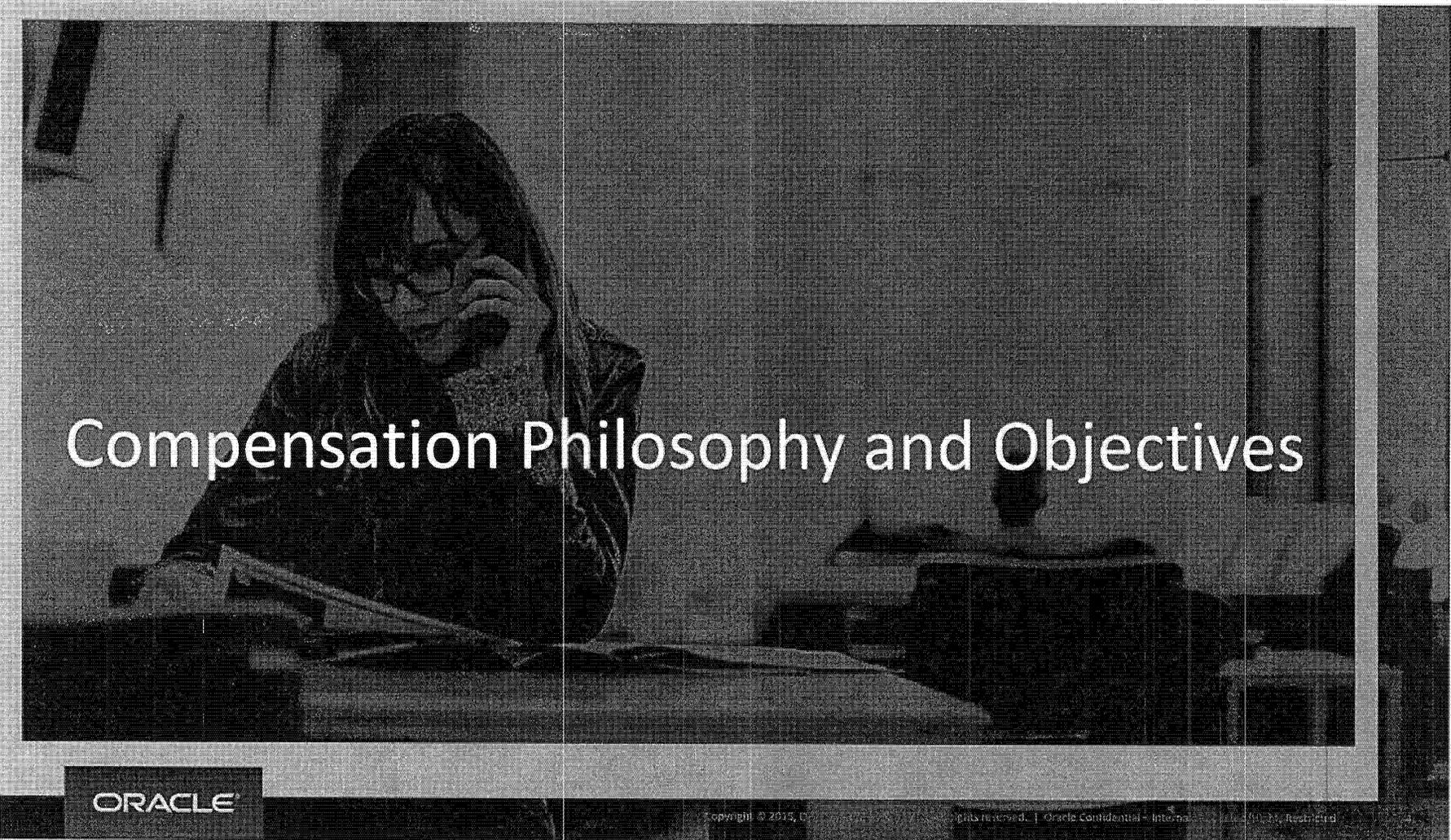
- 1 Compensation Philosophy and Objectives
- 2 Total Compensation Components
- 3 Compensation System Fundamentals
- 4 Managing Pay Decisions
- 5 Compensation Programs
- 6 Tools and Resources

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# Compensation Philosophy and Objectives

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## Oracle's Compensation Philosophy and Objectives

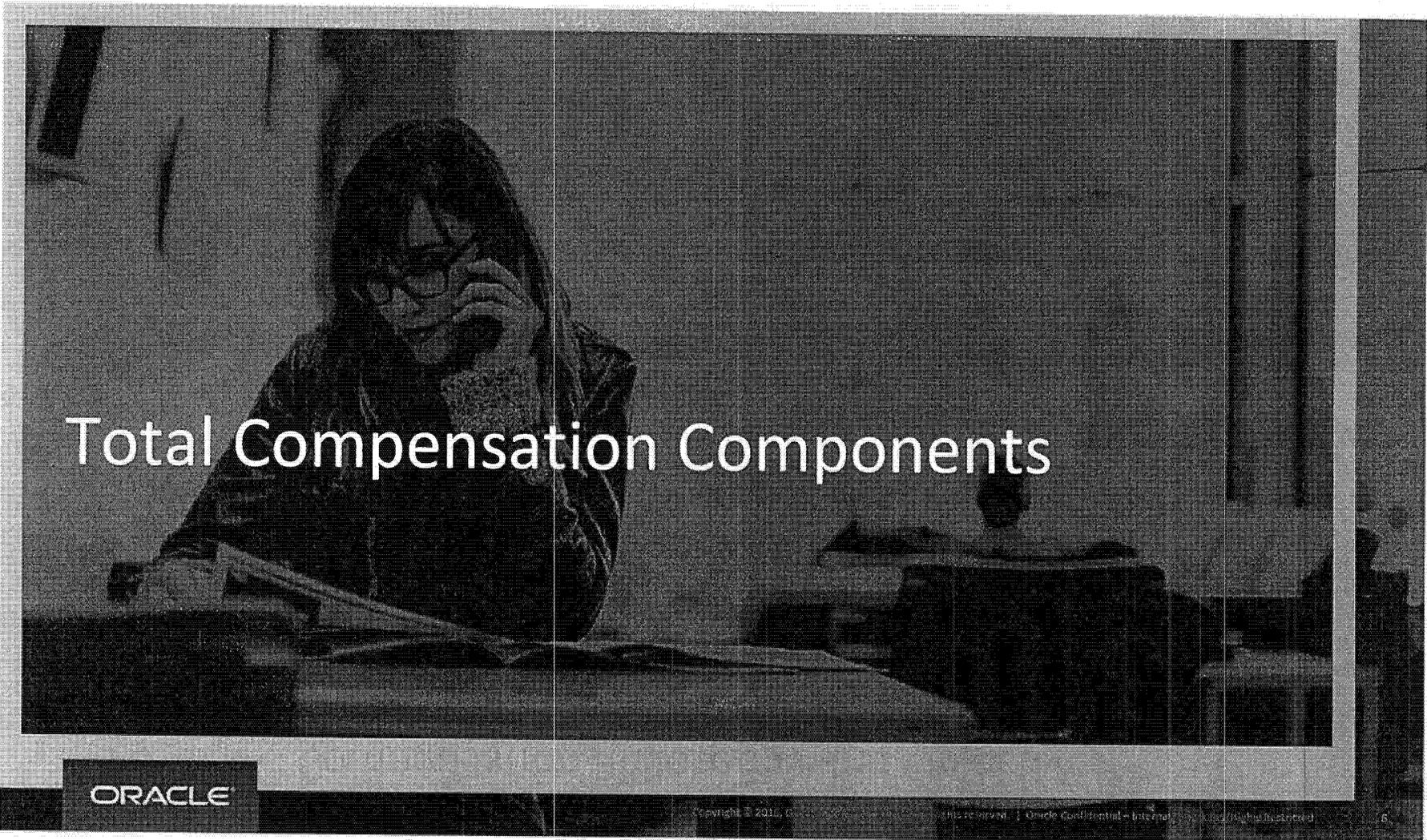
*Oracle must attract, retain and motivate highly skilled, high performing employees to be successful.*

- Provide compensation programs that:
  - **Attract** and **Retain** by being Market Competitive
  - **Motivate** employees to maximize their productivity, but also consider shareholder interests
  - Are legally compliant
  - Are designed to support corporate objectives
- Pay for Performance
  - Company Performance
  - Individual Performance

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# Total Compensation Components

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## Total Compensation Components

- Cash
  - Base Salary
  - Short term incentives (commission/bonus)
- Stock
  - Long term incentive – Stock Options and Restricted Stock Units (RSUs)
  - Employee Stock Purchase Plan
- Benefits

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## Total Compensation Components (cont.)

- Base Salary
  - Linked to employee's skills and competencies in current role, as well as the sustained performance and the local market
- Short term incentives (commission/bonus)
  - Provides a mechanism to reward short-term performance
  - Payments vary according to performance and allows companies to lower cost when results are not achieved
    - Commission – tied to individual/team performance against quota
    - Bonus – tied to company or LOB results

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## Total Compensation Components (cont.)

- Stock
  - Long term incentives – Stock Options and Restrict Stock Units (RSUs)
  - Employee Stock Purchase Plan
- Benefits

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## It Isn't Always About the Money

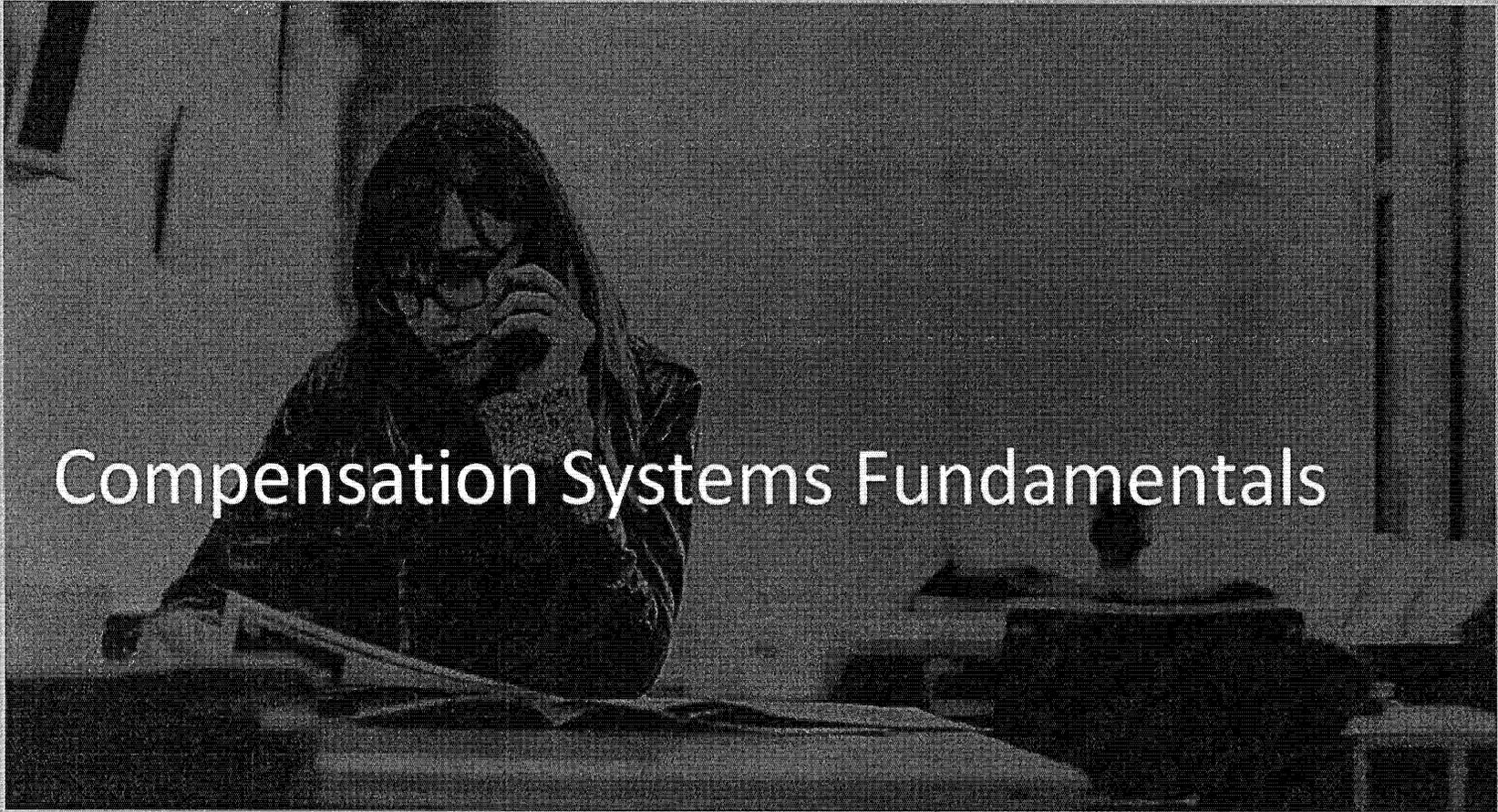
	Employee Ranking	Manager Ranking	2010 Emp Rank - Dr. David Spicer updated research
Appreciation for work done	1	8	3
Feeling "in" on things	2	10	7
Sympathetic help on personal problems	3	9	10
Job Security	4	2	2
Good Wages	5	1	4
Interesting Work	6	5	1
Promotion/grown opportunities	7	3	5
Personal loyalty to workers	8	6	6
Good working conditions	9	4	9
Tactful disciplining	10	7	8

The 1001 Rewards & Recognition FieldBook - Bob Nelson and Dean Spitzer

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# Compensation Systems Fundamentals



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## Job Classification & the Global Job Table

- Job Classification is a consistent global framework for job related information that supports a number of key HR and non-HR processes as well as management reporting
- The Global Job Table is a key component of the Job Classification system
- Managers are responsible for ensuring that employees on their teams are in the correct job code
- Assigning an incorrect job code to an employee can cause problems for various processes downstream

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## Global Job Table

- To facilitate the global job classification process, Oracle uses a Global Job Table
  - Each job is assigned a unique combination of globally defined attributes
    - Job code: Unique identifier/reference number
    - Job Title: Commonly known as the “system job title”
    - Function: Describes the type of work the person performs. It is not specific to the employee’s LOB
    - Speciality: The specialist work within the Function
    - Career Level: Broad category that recognizes increases in responsibilities and performance expectations

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## Global Career Level

- Global career levels are a set of broad, hierarchical categories related to the level a job is performed
- Responsibilities, individual contributions and job complexity increase from one job level to the next in the hierarchy
- The global career level structure has two paths: Management and Individual Contributor. There is no correlation between M and IC level
- An employee is considered to be a manager if their primary responsibility is management (with hire/fire authority) of two or more regular full time equivalent Oracle employees. All other employees should be considered individual contributors, including team leaders

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## Choosing the Correct Job Code

- The Job code selected should be the job that most closely reflects the role in the organization
- If the job code is incorrect, there could be an impact to the employee's compensation including:
  - Salary range, bonus eligibility, overtime eligibility, and compensation program eligibility
- In some cases an incorrect job code could impact an offer letter or employment terms for M&A employees or access to manager self service and compensation program tools.

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## Scenario - Career Level

I came to Oracle through an acquisition and feel that my career level is not appropriate compared to others in my work group who are existing Oracle employees. Is it possible to change my career level?

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## Salary Ranges

- Salary ranges are a tool to assist managers in making decisions about pay
  - Broad ranges allow managers to account for differences in experience, skills, competencies and performance of candidates and incumbents
  - Ranges help managers with employees in multiple countries to pay according to the local market

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## How are Salary Ranges Developed?

- Local compensation teams participate in, and use data from, salary surveys conducted regularly by external consulting companies
- Compensation surveys should only be purchased and participated in by the Global/Regional Compensation Team

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## Creating Salary Ranges

### Preferred Competitor Companies

- Apple
- Cisco
- EMC
- Google
- HP
- IBM
- Intel
- Microsoft
- Netapp
- Qualcomm
- Salesforce
- SAP
- VMWare

Software Industry  
Local Companies  
Sales Separate List  
Geographical Differences

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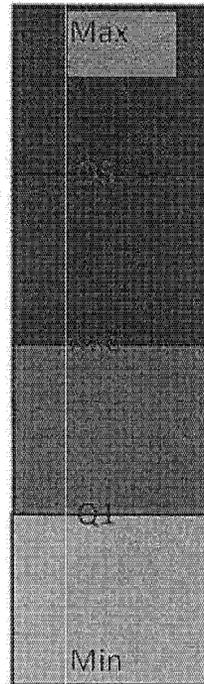
# Understanding Salary Ranges

Quartile 4 = Max

Quartile 3 =  $(Q2+Q4)/2$

Quartile 2 = Mid

Quartile 1 =  $(Min+Q2)/2$



## Managing Base Pay

3<sup>rd</sup> & 4<sup>th</sup> Quartiles are for employees whose contribution is high or ready for a promotion

Midpoint typically reflects external market rate for fully experienced, fully competent employee

1<sup>st</sup> Quartile is for employees still learning their role, or below standard contributions



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## Base Salary – Compa-Ratio

- Compa-Ratio is the ratio of the employee's salary to the midpoint of their salary range.

- Example:

Annual salary - \$30,000

Local salary range midpoint - \$28,000

Compa-ratio = Employee salary ÷ Range Midpoint x 100

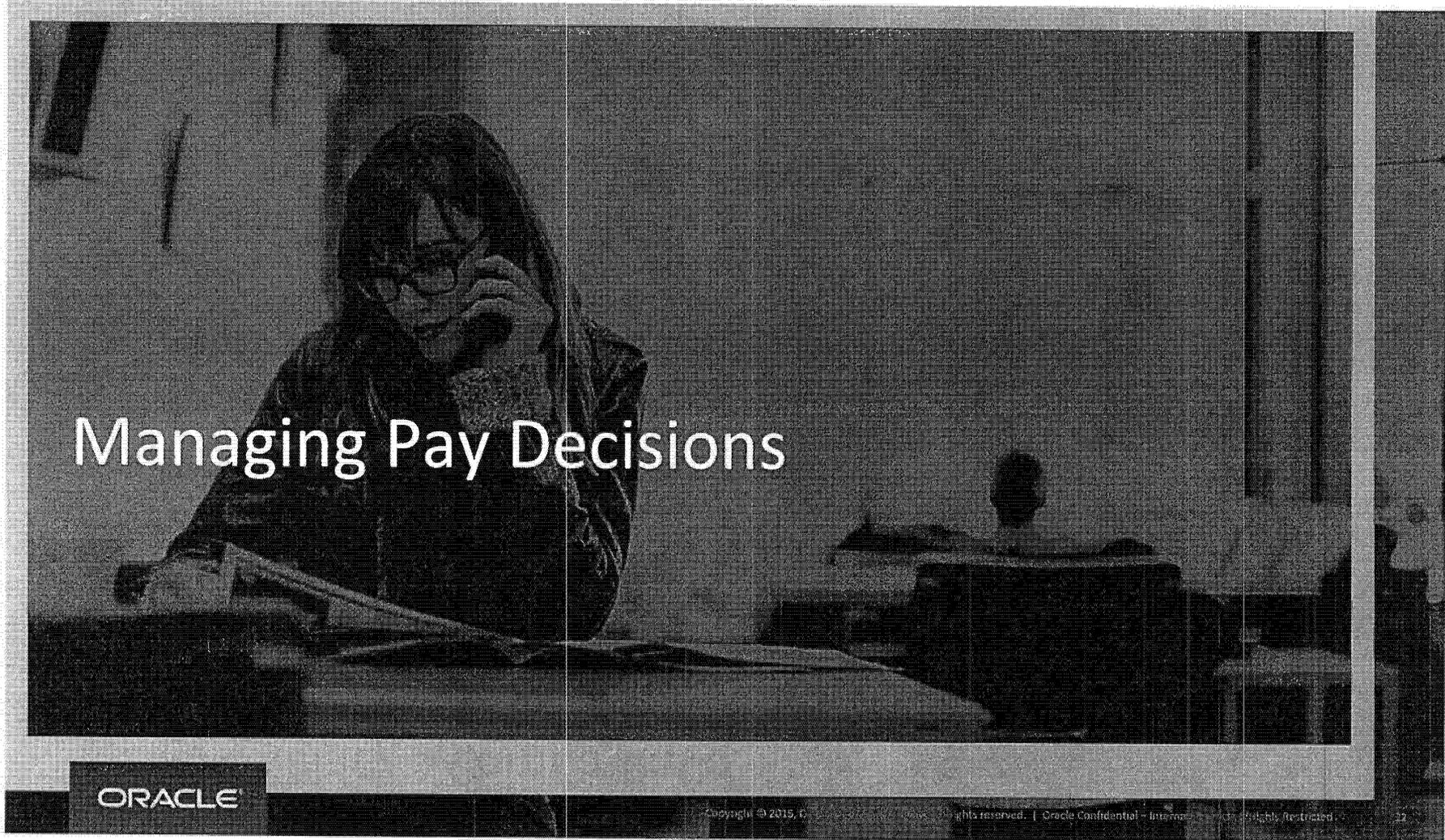
= \$30,000 ÷ \$28,000 x 100

= 107.1

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# Managing Pay Decisions

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## General Principles of Managing Pay

- Compensation and benefits must be in line with the standard for the job
- Balance external and internal equity
- Consider the relevant knowledge, skills, abilities and experience of the employee
- A promotion does not necessarily require a simultaneous salary increase
- Employees must not take a new role until the compensation has been fully approved and the appropriate terms and conditions have been accepted

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## General Principles of Managing Pay (cont.)

- Differentiate rewards by performance but manage within your budget
- Be honest and open with communications on rewards and performance
- These principles apply globally, but pay rates differ by country

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## External Hiring

- When recruiting you should consider the value of the “total reward” rather than salary alone, both tangible and intangible:
  - Value of base salary and any bonus opportunity
  - Oracle experience, training, career development, long term opportunities, location, etc.

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## External Hiring (cont.)

- Example Scenario:

- Range (from CWB or IWB) min \$49,000 – mid \$68,000 – max \$86,000
- Average salary on team: \$65,000
- Candidates doing the job are earning \$63,000 – \$75,000

- Recruitment dilemma:

- Qualified candidates are earning as much or more than existing team members
- A premium will be required to attract these candidates:
  - say 68,000 (midpoint) x ( [REDACTED] = [REDACTED] , higher than midpoint and Oracle average)
- Would increase costs and pay pressures within the group
- But could still recruit as pay requirement is still within range

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## Promotions

- A promotion is typically a move from a job in one career level to a job in a higher career level with greater responsibility and impact on the Company's business
- Promotions are not always accompanied by a salary increase

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## Is a Promotion Appropriate?

A promotion could be considered if:

- Business need for higher level role
- Employee is assuming significantly more responsibilities in current role and is ready for promotion

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## Polling Question

- Under which situation would you feel a promotion is appropriate?
  - A. An employee has been in the same grade for a while and is due a promotion
  - B. I'm concerned the employee may leave the organization
  - C. The salary of my employee is too low and by promoting him I get a chance to increase it
  - D. "My colleague next to me is doing the same job as I do but has a higher career level, so I should be promoted"
  - E. None of the above

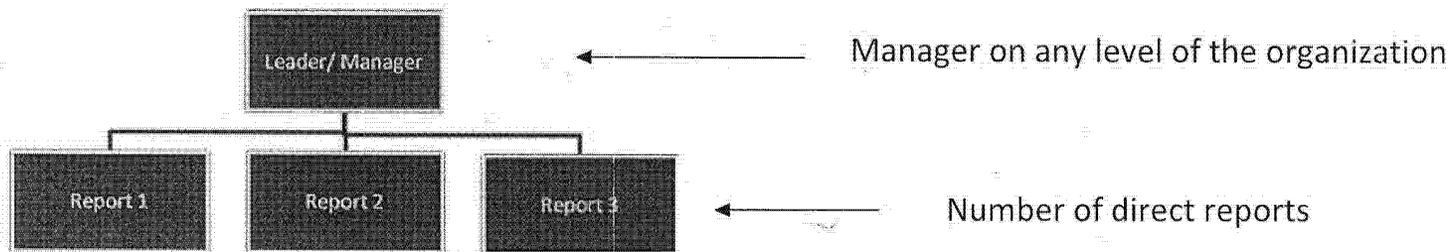
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# Management Promotions

## Span of Control (SOC)



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## Guiding Principles for Span of Control (SOC)

- Normally, increased complexity, more work variety, and a remote working environment call for smaller spans of control in order to maximize the manager's level of productivity
- The number of direct people managed often increases with each layer deeper into the organization, as job complexity decreases and management oversight is not as critical
- Technology or other organizational systems can often help managers who would normally need a smaller span of control by providing better efficiency in managing information and employees
- Smaller spans of control often results in more organizational layers

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## International Transfers

- A cross border transfer is a permanent move from one country to another. It is NOT an assignment
- You should pay appropriately in the new country. Do NOT simply transfer at the same salary converted to the new currency
- Pay levels for the same job differ markedly from country to country even where currency is the same, e.g. in Europe several countries use the Euro but have different salary ranges

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## International Transfers (cont.)

- To determine appropriate salaries for international transfers transferring to the same position in a new country use the employee's current compa-ratio and keep it constant in the salary range of the new country.
  - This methodology places the salary at the same position in range in the new country as in the old country
  - If employee's current compa-ratio is extremely high or extremely low it may be appropriate to use the new peer group to place the salary appropriately
  - Do not simply convert the current salary to the new currency
  - Generally this type of transfer is a lateral move with no change in job level
  - If transfer is into a completely different job family, then determine salary as if a new hire
- $\text{Compa-ratio} = \text{current salary} / \text{midpoint of salary range}$

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## Salary Increase Timing

- Use the annual salary increase review for:
  - Promotions
  - Promotions that were not accompanied by a salary increase
  - Rewarding performance
  - Addressing equity issues where differentials are not justified on the grounds of
    - Knowledge
    - Skills
    - Experience
    - Some other measurable factor

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## Scenario – Internal Transfer

I have an internal candidate I would like to hire. He will only transfer if I promote him. He has the exact skill set I need for my group and we desperately need the help. I'm going to tell him that I'll promote him and give him a salary bump to ensure he accepts my offer.

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## Recap

- Each situation should be reviewed on a case-by-case basis but the principles should be applied as consistently as possible
- There are no absolute right or wrong or “one size fits all” answers
- Look at the whole picture, not just the position in the salary grade
  - Internal equity
  - Average salaries
  - Skills, Knowledge, Competencies, etc.
- Reasons for the decision should be documented
- The salary and benefits should be set correctly for the new position
- The increase/change in status should not be backdated

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# Compensation Programs



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## Global Compensation Programs

- Annual Stock Program
- Global Corporate Bonus
- Sales and Non-Sales Salary Increases
- Workforce Compensation Replaces Compensation Workbench

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## What is Workforce Compensation?

- Workforce Compensation (WC) is an Oracle Self Service Application for managing compensation processes, allowing you to –
  - Model and allocate budgets
  - Publish (pass down) budgets to subordinate managers
  - Rate, Rank and Award individual employees
  - Review historical compensation information
  - View and download employee information for off-line work for further analysis
  - View submission status of subordinate managers

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## Basics for All Programs

- Budgets
  - Communicated to LOB Heads and HR
  - Each LOB may determine their own strategy/method for allocation
- Timelines
  - Corporate Deadlines
  - LOB timelines to meet Corporate Deadlines
- Eligibility
  - Review eligibility document – can change
  - M &A eligibility is dependent on agreement

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## Basics for All Programs

- WC Worksheet
  - Populated with eligible employees
  - Check for accuracy promptly
- Communication
  - Do not communicate anything until final BOD approval is obtained
  - Always check WC before you communicate to ensure that amounts haven't changed
  - Communicate bonus and salary increase amounts in local currency

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## Differences Between Programs

- Budgets

- Stock budget is a fixed amount – will not vary if employees are added or deleted
- Bonus and salary increase budgets are based on eligible salaries – changes if employees are added or deleted
- Stock budget is expressed in # of options

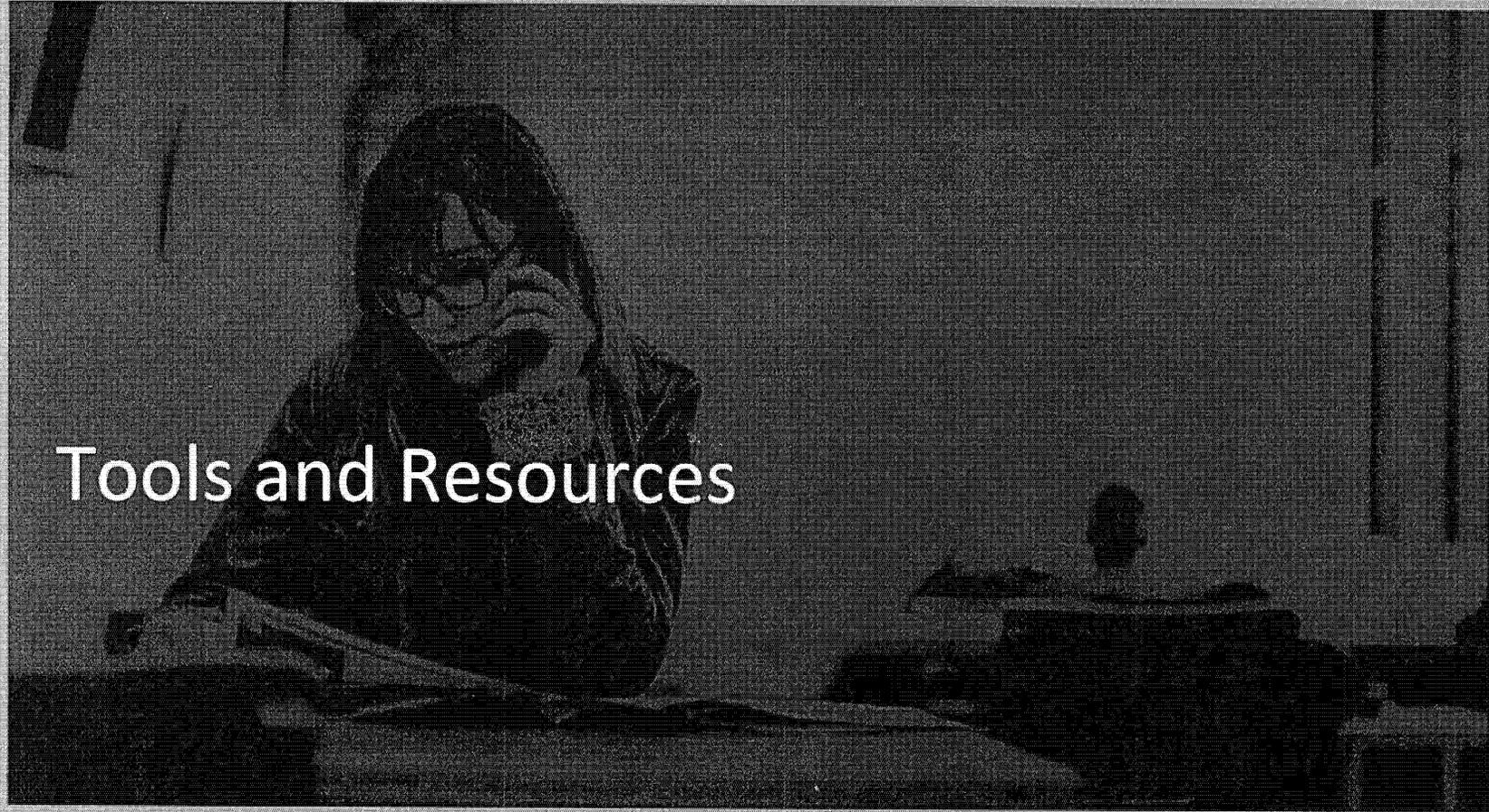
- Eligibility

- Different for all programs
  - Stock eligibility is based on # of employees in country and tax regulations

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# Tools and Resources

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## Tools and Resources

- Your manager
- Your HR manager
  - You will find your HR Manager by checking your ARIA page
- Internal Websites
  - Manager Self Service
    - Comp Training Modules, including Region-Specific content
  - Workforce Compensation – used for bonus, stock & salary increase processes
  - IWB – shows salary information and history for all employees within your organization
  - HR Global Website, global HR policies

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## Information Workbench (IWB)

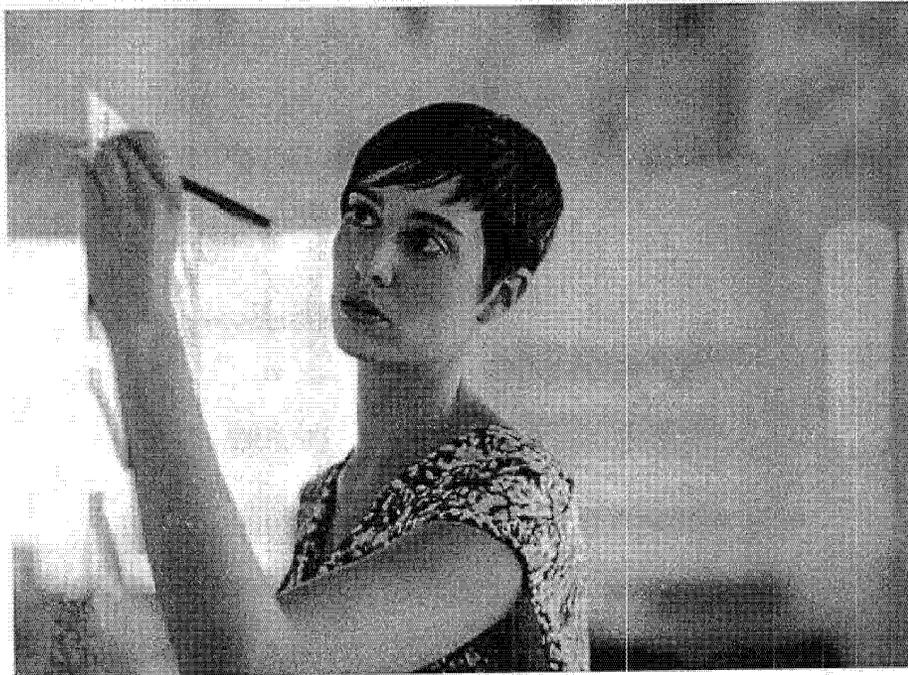
- Main View options:
  - Salary
  - Job Information
  - Sales Salary
  - Total Compensation (summarized - Rolling 12 months)
  - US hours worked - great tool to track overtime hours
- Filters:
  - All employees
  - Direct employees
  - By team
  - Per country

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# Your Human Resources Organization



## How do I know who to contact?

- HR Rep and HR Manager is identified in ARIA
- Enter your employee's name
- Look under Additional Information
  - HR Representative
  - HR Manager

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## Your Human Resources Organization (continued)

### HR Representative:

- Work with employees to resolve HR processing issues
- Respond to employee questions on routine policy and resource matters
- Work with employees and managers to ensure accurate HR data
- Complete Workers' Compensation claim forms
- Conduct exit interviews
- Facilitate effective approval process for hiring, transfers (benchmark analysis), status changes, unpaid leaves, voluntary terminations and temporary employee transactions

### HR Manager:

- Partner with division management to enhance organizational and individual development
- Facilitate resolution of employee relations issues
- Train and assure that managers/employees are current on HR policies, practices and procedures
- Support compensation programs and provide counsel on appropriate use of job codes, titles and promotional practices
- Facilitate an effective performance management process
- Available as resource for employees to discuss issues related to their employment

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## Chat Question



**Based on what you learned today, what is one thing that you will do differently?**

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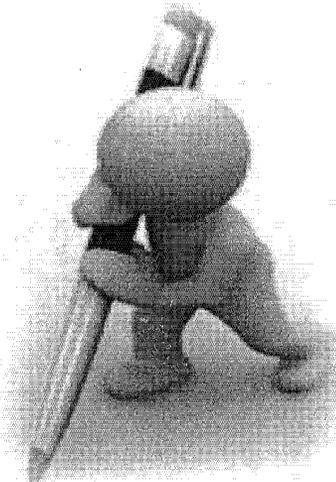
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## SURVEY

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- What worked?
- Suggestions for improving the training
- Suggested topics for future sessions

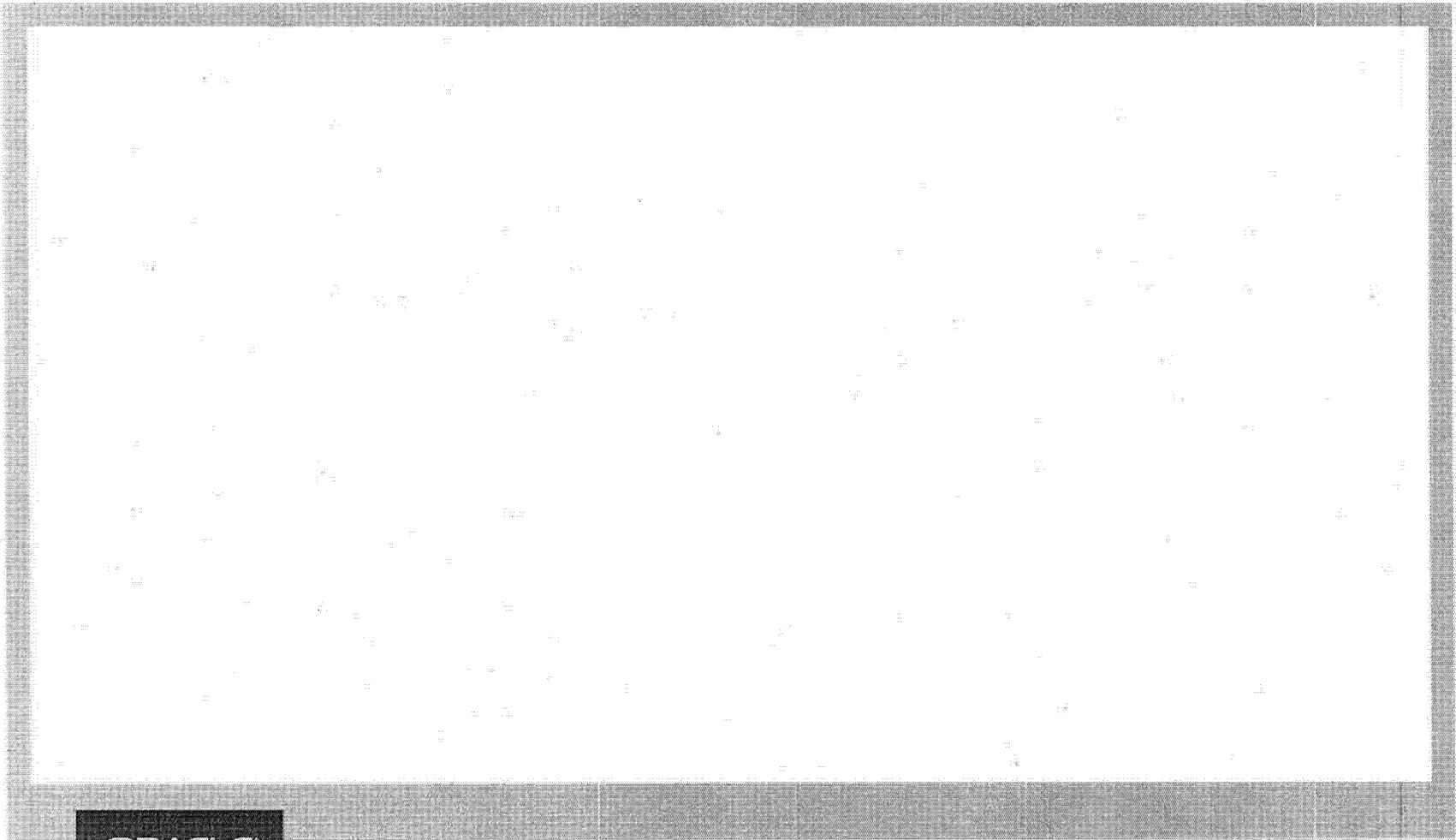


We need your feedback!

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