



THE CFO ALLIANCE®

2016/2017
MID-MARKET EXECUTIVE
COMPENSATION SURVEY:
EXECUTIVE SUMMARY

Published November 2016

OVERVIEW



THE CFO ALLIANCE®

ABOUT THE SURVEY

The Annual CFO Alliance Mid-Market Executive Compensation Survey was distributed among private and public middle market organizations to over 6,000 CFO Alliance members, and other senior financial leaders around the country, and covered “Top Executive” positions. As a result, one-hundred eighty-eight (188) organizations participated and provided detailed information relative to the designs of their short- term and long-term incentive plans and detailed compensation data for six (6) key leadership positions.

This survey is unique in that it not only benchmarks salaries, but also allows organizations to benchmark the design and types of compensation programs offered, including with the components and total compensation of Finance, CEOs, Controllers, Accounting, Managers, Marketing and Sales Leaders. In addition, the survey identifies and quantifies trends in short-term and long-term incentive compensation programs, including the use of non-financial metrics in the design of incentive compensation programs.

The CFO Alliance is a global community of senior financial leaders and decision makers who come together to share their experience, knowledge and wisdom. Through in-person events, virtual interaction and a rich knowledge base. The CFO Alliance helps financial leaders network, share knowledge and receive guidance to act effectively and decisively, driving their continued success as a financial leader. Relationships that executives develop through the CFO Alliance make them more effective today and throughout their careers.

To discuss participation/results, customized survey analysis, or obtain more information about the CFO Alliance and discuss the benefits of membership, please contact:

Greg Wood COO/Co-Founder
The CFO Alliance
484.437.2750
greg.wood@thecfoalliance.org



2016/2017 Compensation Survey

EXECUTIVE SUMMARY

The outlook of CFOs going into 2016 was quite optimistic. According to the 2016 CFO Alliance CFO Sentiment Study, 72% of respondents categorized the current state of the industries in which they operate as strong, 69% expected to see higher top line revenue in 2016, and 58% expected to see higher company earnings in 2016. In order to meet optimistic expectations in 2016, CFOs (70% according to the 2016 CFO Alliance CFO Sentiment Study) realized that hiring and retaining the right human capital would be critical in delivering results in 2016.

The following key results from the 2016/2017 CFO Alliance Mid-Market Executive Compensation Survey reflect these concerns, and indicate that companies are beginning to realize that incentive compensation plans need to be adjusted to align with key drivers of company value which are more and more being driven by a company's relative effectiveness in optimizing non-financial assets (customer satisfaction, customer relationship, company brand reputation and human capital).

Forty-Six Percent of Survey Respondents Added or Revised Short-Term Incentive (STI) Compensation in 2016 or Plan to do so in 2017.

Of companies that have or will make changes in 2017, plan revisions are being driven by changes relative to the following performance metrics:

- Net income/earnings - 21%
- Individual goals or individual performance rating - 20%
- Revenue - 20%
- Cash Flow - 14%
- Customer Satisfaction - 9%
- Employee satisfaction or engagement - 6%
- Customer retention (customer churn) - 6%
- Return on equity, assets, or investment - 4%

The top 3 driving forces behind the changes and/or pending changes:

- Better alignment with key drivers of business performance - 39%
- Company growth - 34%
- Changes in company strategy - 20%



EXECUTIVE SUMMARY

The change and pending changes in Long-Term Incentive (LTI) compensation programs are being driven by changes relative to the following types of compensation:

- Performance units - 38%
- Performance shares - 25%
- Stock appreciation rights (SARs) - 18%

The Top 5 driving forces behind the changes and/or pending changes:

- Adding one or more performance measures - 30%
- Raising performance goals - 30%
- Adding participants to a plan or plans - 30%
- Improving incentive consistency across the organization - 30%
- Increasing discretion in incentive payouts - 25%

Going 2017, it is evident that CFOs need to be even more focused on how to acquire and retain the best talent, i.e., winning the war for Finance talent:

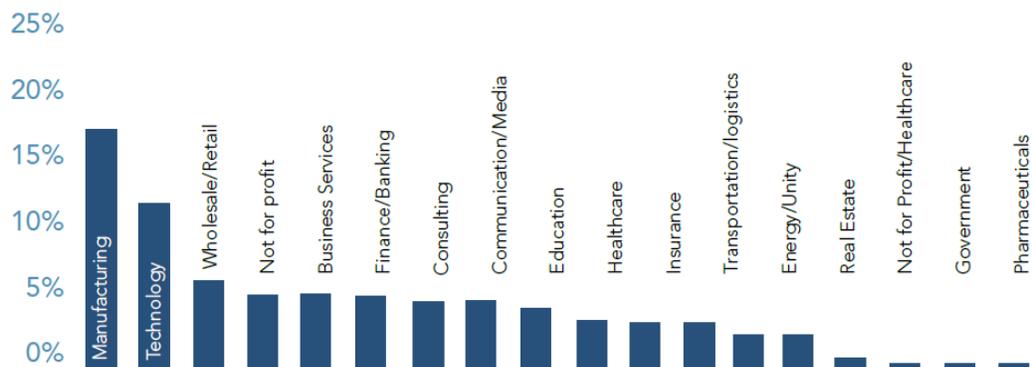
- Only 51% of companies believe they have the proper incentives in place to optimize customer satisfaction yet few companies (less than 3%) reported changes or pending changes in short-term incentive compensation relative to customer focused metrics, and only 10% of companies report any changes to LTI in 2016 or pending changes in 2017.
- Only 40% of companies believe their companies have the proper incentives in place to optimize the quality of businesses processes.
- Only 53% of companies believe their companies have the proper incentives in place to attract and retain the best talent.
- Only 44% of companies believe their companies have the proper incentives in place to protect and enhance their company's brand.



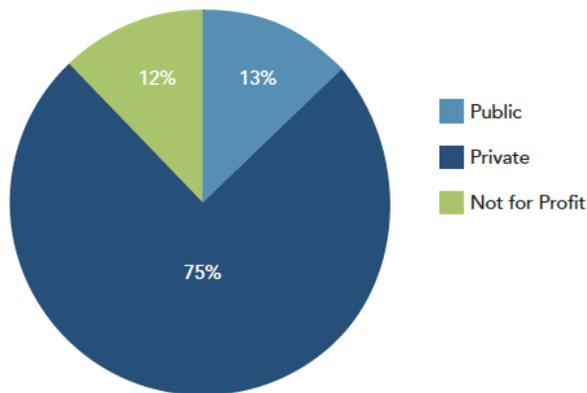
DEMOGRAPHICS

CFO Alliance Members from a broad spectrum of company sizes and industries were invited to participate in this study. The chart below illustrates the various industries represented within the survey:

INDUSTRIES REPRESENTED

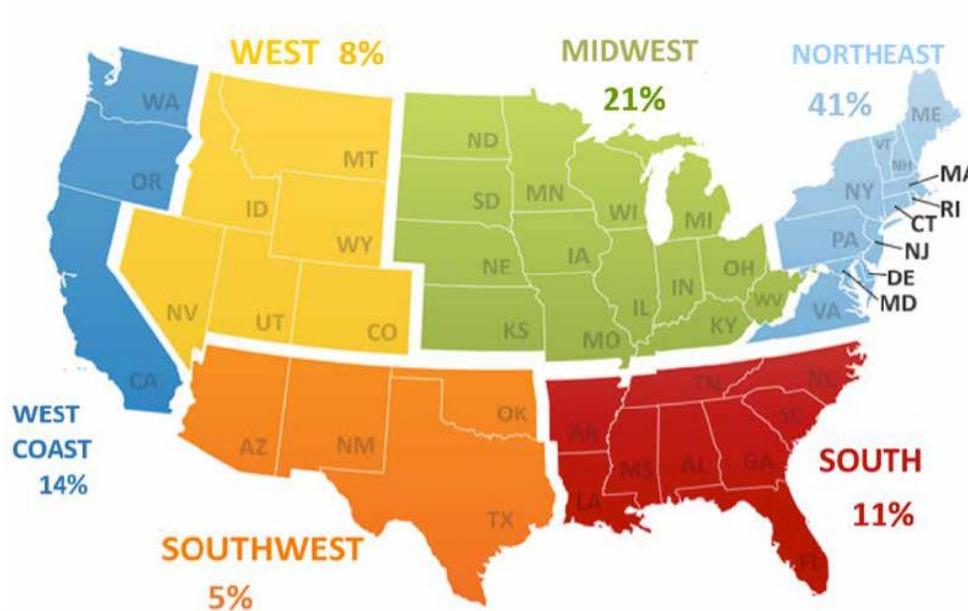


ORGANIZATION TYPE

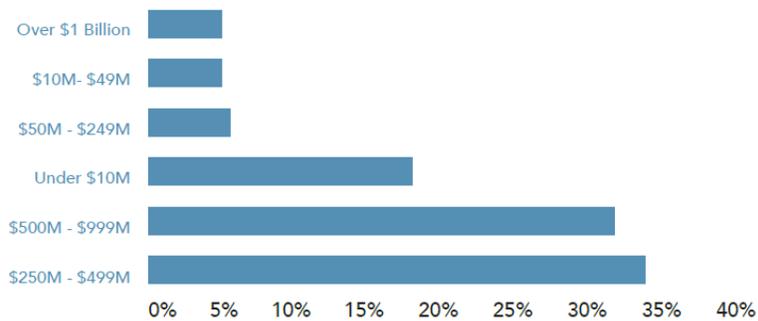


DEMOGRAPHICS

Geographic Distribution of Survey Responses



Annual Revenue



2016/2017 Compensation Survey

ABOUT THE SURVEY SPONSOR

ABOUT THE SURVEY SPONSOR

The CFO Alliance is a leading network of over 6,000 CFOs and other executives in middle market organizations, both private and public. The CFO Alliance is both a collaborative online community platform, and the host of frequent learning and networking events in more than 10 cities across North America. In addition, The CFO Alliance sponsors several important studies each year including the 2017 CFO Sentiment Study, frequent "Pulse" surveys on timely topics, and this Annual Mid-Market Executive Compensation Survey. For membership or sponsorship information, visit www.TheCFOAlliance.org, or call 484-437-2750.

