

Employee Engagement & Compensation Analysis

Annual Human Capital Review - FY2024

Prepared by: HR Analytics & Total Rewards | November 2024

Executive Summary

This report presents a comprehensive analysis of employee engagement, compensation competitiveness, and turnover dynamics at Vertex Technologies. Key findings reveal concerning trends in mid-management turnover and engagement levels that require immediate attention.

Headline Metrics:

- Overall Employee Engagement Score: 67% (down from 74% in FY2023)
- Voluntary Turnover Rate: 18.4% (industry benchmark: 13.2%)
- Mid-Management Turnover: 24.7% (critical concern)
- Regrettable Turnover Rate: 11.2% (high performers leaving)
- Average Time to Fill Open Positions: 62 days (up from 48 days)
- Total Compensation Competitiveness: 94th percentile (target: 75th)

Key Actions Required:

1. Address mid-management engagement crisis
2. Implement targeted retention programs for high performers
3. Resolve compensation compression issues in engineering
4. Accelerate hiring for AlphaCorp integration

Section 1: Employee Engagement Analysis

1.1 Overall Engagement Trends

Annual Engagement Survey Results (Conducted September 2024):

- Response Rate: 84% (7,234 of 8,612 employees)
- Overall Engagement Index: 67% (target: 75%)
- YoY Change: -7 percentage points

Engagement Dimension Scores:

- Career Development: 58% (-11% YoY) - CRITICAL
- Manager Effectiveness: 61% (-8% YoY) - CONCERN
- Compensation & Benefits: 72% (-3% YoY)
- Work-Life Balance: 69% (-5% YoY)
- Company Direction: 74% (+2% YoY)
- Team Collaboration: 78% (+1% YoY)

Demographic Analysis:

- Engagement by Tenure: Highest in 0-2 years (74%), lowest in 5-10 years (59%)
- Engagement by Level: Directors 63%, Managers 54%, Individual Contributors 71%
- Engagement by Generation: Gen Z 76%, Millennials 68%, Gen X 62%, Boomers 58%

1.2 Critical Issue: Mid-Management Crisis

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Detailed analysis reveals a severe engagement and retention crisis at the manager and senior manager levels.

Manager-Level Engagement Scores by Department:

- Sales Management (Dir. Mark Volton's org): 47% engagement, 45% turnover - CRITICAL
- Engineering Management: 58% engagement, 28% turnover - CONCERN
- Operations Management: 62% engagement, 19% turnover
- Finance Management: 71% engagement, 12% turnover
- Marketing Management: 65% engagement, 22% turnover

Root Cause Analysis (Exit Interview Themes from 127 departed managers):

1. "Insufficient decision-making authority" - 68% cited
2. "Excessive meeting load reduces productive time" - 61% cited
3. "Unclear path to director-level promotion" - 54% cited
4. "Compensation not aligned with expanded responsibilities" - 52% cited
5. "Burnout from pandemic-era workload expectations" - 49% cited

Employee Verbatim Quotes (Selected from Engagement Survey):

- "My manager Mark V. has no idea what I do day-to-day. 1:1s are always cancelled." - Sales IC
- "Been a senior manager for 4 years with no promotion path. Director roles filled externally." - Engineering
- "The reorg in July made everything worse. Nobody knows who reports to whom." - Operations

Section 2: Compensation Competitiveness Analysis

2.1 Market Positioning Summary

Compensation data benchmarked against Radford Global Technology Survey (n=2,847 companies).

Total Compensation by Level (Base + Bonus + Equity):

- Executive (VP+): \$485,000-\$1,250,000 (positioned at 85th percentile)
- Director: \$285,000-\$425,000 (positioned at 80th percentile)
- Senior Manager: \$195,000-\$275,000 (positioned at 65th percentile) - BELOW TARGET
- Manager: \$145,000-\$195,000 (positioned at 62nd percentile) - BELOW TARGET
- Senior IC: \$165,000-\$245,000 (positioned at 78th percentile)
- IC: \$95,000-\$155,000 (positioned at 72nd percentile)

Key Finding: Manager and Senior Manager levels are below our 75th percentile target, contributing to elevated turnover.

2.2 Compensation Band Details

Detailed Salary Bands by Role Family (Base Salary Only):

Engineering:

- Staff Engineer (L6): \$195,000 - \$245,000
- Senior Software Engineer (L5): \$165,000 - \$195,000
- Software Engineer (L4): \$140,000 - \$165,000
- Associate Engineer (L3): \$115,000 - \$140,000

Sales:

- Enterprise Account Executive: \$125,000 base + \$125,000 OTE commission (\$250,000 total)
- Senior Account Executive: \$95,000 base + \$95,000 OTE (\$190,000 total)
- Account Executive: \$75,000 base + \$75,000 OTE (\$150,000 total)
- Sales Development Rep: \$55,000 base + \$25,000 OTE (\$80,000 total)

Management:

- VP: \$275,000 - \$375,000 base
- Senior Director: \$225,000 - \$285,000 base
- Director: \$185,000 - \$245,000 base
- Senior Manager: \$145,000 - \$185,000 base
- Manager: \$115,000 - \$155,000 base

2.3 Equity Compensation Structure

Current Equity Grant Guidelines (Annual Refresh):

By Level:

- VP: \$200,000-\$400,000 annual grant value (4-year vest)
- Director: \$100,000-\$175,000 annual grant value
- Senior Manager: \$50,000-\$100,000 annual grant value
- Manager: \$25,000-\$60,000 annual grant value
- Senior IC (Tech): \$75,000-\$150,000 annual grant value
- IC: \$15,000-\$40,000 annual grant value

New Hire Grants:

- VP: \$500,000-\$1,000,000 (4-year cliff 25%, monthly thereafter)

- Director: \$250,000-\$500,000
- Senior Manager: \$100,000-\$200,000
- Manager: \$50,000-\$100,000

Issue Identified: Engineering IC equity is competitive, but engineering management equity is 15% below market, creating perverse incentive to remain IC.

Section 3: Turnover Analysis

3.1 Turnover by Department

Voluntary Turnover Rates (TTM as of October 2024):

Department Performance:

- Sales: 28.4% (vs. 18% benchmark) - CRITICAL
 - Under Sales Dir. Mark Volton: 45% turnover (18 of 40 FTEs departed)
 - Under Sales Dir. Jennifer Martinez: 14% turnover (acceptable)
- Engineering: 15.2% (vs. 12% benchmark) - MODERATE CONCERN
 - Platform Team: 22% turnover
 - Cloud Infrastructure: 11% turnover
 - AI/ML Team: 8% turnover (strong retention)
- Customer Success: 21.3% (vs. 15% benchmark) - CONCERN
- Operations: 12.1% (vs. 11% benchmark) - ACCEPTABLE
- Finance: 8.4% (vs. 10% benchmark) - STRONG
- Marketing: 17.8% (vs. 14% benchmark) - MODERATE CONCERN

Regrettable Turnover (High Performers Leaving):

- Overall: 11.2% of high performers left (vs. 7% target)
- Engineering High Performers: 14.1% departed - CRITICAL
- Sales High Performers: 19.2% departed - CRITICAL

3.2 Exit Interview Analysis

Exit Interview Data from 892 Voluntary Departures (FY2024):

Top Reasons for Departure:

1. Better compensation elsewhere: 34%
2. Limited career growth opportunities: 28%
3. Poor relationship with direct manager: 22%
4. Burnout/work-life balance: 19%
5. Lack of interesting work: 15%
6. Company direction concerns: 12%
7. Relocation/personal reasons: 11%
8. Better equity/upside at startup: 9%

Destination Analysis:

- Competitors (Google, Microsoft, AWS): 31%
- Venture-backed startups: 24%
- Private equity portfolio companies: 18%
- Other enterprise tech: 15%
- Career change/break: 12%

Cost of Turnover (Calculated):

- Average cost per departure: \$87,400 (recruiting, training, productivity loss)
- Total FY2024 turnover cost: \$77.9 million (892 departures)
- Regrettable turnover cost: \$45.2 million (high performers cost 2x)

Section 4: Recommended Actions

4.1 Immediate Actions (Q4 2024)

1. Management Compensation Adjustment:
 - Increase manager/senior manager base salary bands by 8%
 - Increase manager equity refresh grants by 25%
 - Investment Required: \$4.2 million annually
2. Sales Organization Intervention:
 - Performance review of Sales Dir. Mark Volton
 - Implement skip-level meetings in Sales
 - Deploy pulse surveys in Sales (bi-weekly)
 - Investment Required: \$150,000 (consulting support)
3. High Performer Retention Program:
 - Identify top 200 flight-risk employees
 - Deploy retention bonuses (\$25,000-\$100,000 range)
 - Accelerate promotion decisions
 - Investment Required: \$8.5 million (retention pool)

4.2 Strategic Initiatives (FY2025)

1. Career Framework Redesign:
 - Create dual-track (IC and Management) leveling
 - Publish transparent promotion criteria
 - Implement quarterly career conversations

- Timeline: Q1 2025 design, Q2 2025 rollout
- Investment: \$1.2 million (consulting, systems)

2. Manager Development Program:

- Mandatory leadership training for all people managers
- 360-degree feedback implementation
- Executive coaching for directors+
- Investment: \$2.8 million annually

3. AlphaCorp Integration People Strategy:

- Retain 100% of AlphaCorp key technical talent
- Integrate compensation and equity programs
- Align engineering levels and career frameworks
- Investment: \$14.5 million (retention packages - per Board approval)

Total Recommended HR Investment: \$31.35 million

Section 5: Key Personnel Concerns

Flight Risk Assessment - Critical Individuals:

HIGH RISK (Likely to depart within 6 months):

- Dr. Sarah Kim, VP of AI Research - Approached by OpenAI, Anthropic
- James Morrison, Sr. Dir. Cloud Architecture - Offered CTO role at Series B startup
- Maria Santos, Dir. Customer Success - Engagement score 42%, considering offers

MEDIUM RISK (Retention intervention recommended):

- Kevin O'Brien, Dir. Supply Chain - Key to integration success
- Dr. Chen Wei, Principal Engineer - Critical IP knowledge from AlphaCorp acquisition
- Patricia Hernandez, VP Procurement - Succession planning gap

SUCCESSION GAPS (Critical roles with no ready successor):

- CFO (Jennifer Walsh) - No internal candidate, 18-month development needed
- CTO (Position open post-reorg) - External search underway
- VP Engineering, Platform - Candidate departed Q3, search restarting