



## Megalith, Inc.—Hay Associates (A)

*Research Assistant John A. Seeger wrote this case, with the cooperation of Hay Associates, under the supervision of Assistant Professors John P. Kotter and Anne Harlan. This case was revised by George W. Baird, Jr., of Hay Associates. It is intended to serve as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.*

Frank, there's no question about it. We're out of line. Way out of line. The situation is real. It's hurting us, and I have two resignations here to prove it.

John C. Boyd, senior vice president of finance for Megalith, Inc., paced across his office in agitation. Near the door stood Frank C. Nicodemus, Megalith's vice president for human resources. The two men, longtime colleagues in the successful multinational firm, were continuing a debate begun much earlier, when Boyd had attempted to raise the salaries of his key managers by 25%. Boyd continued:

You told me last June that these people were too young and inexperienced to be worth the money, and I told you we'd have to pay based on their competence, not their seniority. Now it's October and two of them have given notice in the past month. You know both of them—Lonny Jackson and George Arnold are two of the best managers in the company. They're half of the team I brought in here to bring the Finance Group out of the Stone Age, and they've been absolutely vital to the development of the group. And now they're both leaving—to get salaries I wanted to pay them months ago.

Boyd turned and shook his head.

Frank, I know that what's done is done, and we're not going to get Lonny and George back. But what if my other key people take off, too? Where would that leave us? I've got to have more room in the salary schedule to take care of the exceptional people who've made this group click!

Boyd paused, and Frank Nicodemus responded.

John, you'll remember I showed you that all four of your key people were right at the top of our scale. Megalith's compensation system isn't something we've arbitrarily picked out of the air; every year we check the schedule against trade associations' published data, and we adjust it to make sure we're above average—that we're competitive with the best in the labor market. To make exceptions to a well-grounded scale would be both hasty and rash. It would raise hell around here, throwing everything out of balance.

So I held the line. But since then I've been checking to see just how sound our schedules are. We found a consulting firm that has a very good reputation in comparative compensation, and for the past month I've been working with one of their partners. His name is Ed Rogers, and the firm is Hay Associates. You know them—they're the people conducting the Climate Study right now, and reviewing all our corporate-level job descriptions. Would you like to talk to Rogers?

John Boyd waved a file folder at his friend.

Frank, I've got the comparisons I need, right here. Lonny Jackson will start with an extra \$12,000 a year in direct salary, and will make a bonanza if he does well as executive vice president of R. G. Miller, and I'm sure he'll succeed. Megalith will have to pay at least \$12,000 to find and break in a replacement vice president for information systems. What are we saving by putting our budget into search instead of salary?

And the same thing goes for George Arnold, my treasurer. He's going to take over a new leasing division for Rockwell, and his chance for profit incentive payments there puts anything we can offer to shame.

I just can't compete, Frank. You've got us locked in with a pay schedule that looks competitive on the surface, but when the chips are down, it's a loser.

John Boyd hesitated, then continued slowly.

We've never before failed to reach agreement, Frank, but I'm afraid I'll have to fight you on this one. If we haven't solved the problem by the time Allen Whitfield [Megalith's president] gets back from Europe, I intend to ask him to call the board's compensation committee in to review the whole damn system.

A silence of several seconds was finally broken by the human resources vice president.

John, what could the com-com really *do*? They'd *have* to call in professional help, and they'd probably rely on our CPAs or a firm of specialists, like the ones I've already brought in. Wouldn't it make sense to hear what Rogers has to say, before we admit defeat? Won't you talk to him?

#### Megalith, Inc.

In its 50 years of operations, Megalith, Inc., had grown to international prominence as a manufacturer of printing equipment, a publisher, a supplier of office equipment and supplies, and more recently a builder of computer-related printers, plotters, and data recorders. From its beginnings, the firm had led the field in development of lithography and photo-offset printing techniques; basic patents in both printing and plate-making equipment had allowed Megalith to penetrate international markets early in its history. Megalith trademarks were found in virtually every job shop printing house in the world.

Shortly after World War II the company diversified into publishing; by 1975 it operated large-scale printing plants in seven countries. In the late 1950s Megalith attacked the office equipment industry; primarily through acquisitions it had achieved significant shares of markets in copying equipment, dictating systems, and typewriters—although it had failed to threaten the dominance of Xerox or IBM in these fields. Megalith's newest diversification strategy recognized that computers had come of age as sources of the written word; the firm began acquiring technology-based companies making high-speed line printers, plotters, microfilm output printers, and data recorders. By 1978, Megalith was a leading producer of computer peripheral equipment under its own name, as well as a leading supplier to the computer industry itself. Worldwide sales volume reached \$3.0 billion in 1982, and profitability remained at traditionally high levels, in spite of generally poor economic conditions. (*Exhibit 1* shows Megalith's corporate-level organization chart, with annual sales by product group since 1964.)

Megalith executives credited the company's success to well-chosen strategy (dominance in printed communication), to technological leadership, and to strength in financial control. They were quick to admit that the company's only failure to reach market dominance—in the office equipment field—was due to the relative

unimportance there of financial controls and engineering leadership; marketing genius was required to displace the leaders there. Still, the Megalith office products group contributed significantly to profits and was considered a good investment.

Behind the desk of Megalith President Allen G. Whitfield hung a large, ornately framed poster, loudly proclaiming: WE PRINT MONEY. The poster had been commissioned when the company had closed the order to equip the United States Mint; it had become an informal slogan of the firm, and smaller reproductions of the poster were common in executive offices and factory washrooms. Megalith people were proud of their blue-chip reputation.

#### Hay Associates

In its own, much different market, Hay Associates was also proud of its leadership position. Founded in Philadelphia in 1943, with a psychological assessment and job content measurement focus, the firm now provided the process, skills, and data to help management link business needs with effective human resources management. Hay's integrated business included recognized competence in all aspects of strategic compensation, corporate culture, performance planning and measurement, search and outplacement. As a multinational, approximately half of Hay's 1982 revenues of over \$100 million came from its 40 offices outside of the United States. Its 10-year growth from 1970 to 1980 averaged 30% per year.

Hay Associates brought an approach to compensation problems that began with an understanding of business issues and the corporate culture and developed a design that supported needed objectives. Typically, they audited a firm's base salary, short-term and long-term incentives, and benefits to determine the effectiveness of its system.

Interviews with jobholders were used to develop descriptions acceptable to both the organization and the incumbent. These descriptions were used by a top management team led by a Hay consultant as a basis of measuring relative job content.

A comprehensive data base, collected annually from hundreds of client firms, permitted the client to compare its base salary practice and total remuneration, including benefits, with those of a broad industrial or financial base. Since many companies had many businesses

and varied competitive needs, compensation comparisons could be made by appropriate market, geographic, and specific job segments. All contributors to the data base used the same measurement process; therefore, comparisons were always made on the basis of uniform content values for any position.

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John Boyd sat comfortably in a leather-upholstered chair beside the window of his Manhattan office. Across a low coffee table, Edmund Law Rogers, partner in the firm of Hay Associates, leaned forward intently, listening.

**John:** So there's my situation, Ed. With this team of four really outstanding managers, we've built the Finance Group from a skeleton crew of budget-assemblers into one of the finest, most professional teams in industry. Now I'm losing the people responsible for breathing life into this outfit, because our bureaucratic salary system doesn't recognize the difference between talent and mediocrity. Can *your* system tell the difference?

**Ed:** John, that's a judgment no formal system can make. Only the responsible executive—the man in your own shoes—can tell how *well* his people are performing, or how high they can go. But a formal system *can* say something about the jobs themselves. We can compare the jobs in the Finance Group to each other, based on their contents, to give you a measure of internal equity—of how fairly you're paying your people relative to each other. Then we can compare your salaries to those paid for similar-content jobs by a broad spectrum of industry. We can help define what end results each position is accountable for, and those definitions can sharpen your measurements of performance. That can help you decide what "outstanding" means, and how much you're willing to pay for it.

I'd like to know more about these key positions. Do you have a group organization chart handy?

#### The Megalith Finance Group

In early 1976 Allen Whitfield had asked John Boyd to move from the group vice presidency for office products to the new position as senior vice president for finance. The corporation, with advice from a major American consulting firm, had decided to increase the size of its central financial staff, to bring together in the

New York headquarters the analytic and control talents that were then scattered rather unevenly between the operating companies. Whitfield wanted a proven leader to build a coherent Finance Group, and Boyd was his first choice.

The Finance Group, Whitfield and Boyd decided, should be responsible for end results in the areas of strategy, planning, policy, and control. *Exhibit 2* details the specifics of the Finance Group mandate.

Under Boyd's direction, the Finance Group had grown from 350 to 630 employees. (The 1982 organization chart for the department is included as *Exhibit 3*.) The expansion had required new personnel, and Boyd had consciously decided to seek out energetic, competent young people who could respond to the challenge, and to bring his new recruits up through the ranks of the group as fast as possible. This fast-track policy had helped attract the four key people who, Boyd said, had made the concept work. All four of the "young stars" had performed beyond all expectations, impressing the entire senior management group with their imagination, forcefulness, and effectiveness. All four had received every possible commendation, promotion, salary increase, and incentive bonus. (*Exhibit 4* shows salaries and personal data on the key group members.) Growth had leveled and no increases in staff were projected.

John Boyd stated to Ed Rogers:

It was in June's performance planning meetings with people that I began to feel uneasy. There had been more and more complaints coming from people about money. Most of them could be handled all right, but with my key people we were up against the ceilings in both direct salaries and management incentive opportunity. I couldn't offer them enough, and I couldn't get Frank Nicodemus to relax the constraints. You know those personnel people—they always seem to stand in your way. [See *Exhibit 5* for a summary of the Megalith compensation system.] It's clear now: I should have fought harder. Lonny and George both gave notice in September. Now I'm waiting for the other shoe to drop; if John Auer and Manuella should also leave, it would be like starting over from scratch, to build a new team.

Ed: Was there any connection between the two resignations?

John: No, Ed. Neither man knew the other was going to quit, and they both feel badly

that the group here will suffer. But the money was too much for them to resist.

Ed: Are you sure it's money that made them go?

John: That's what they both said, and I'm sure they're leveling with me. If we'd been competitive, neither of them would have given the time of day to the recruiters who contacted them. Besides, it all fits in with other comments I've heard—that the pay is inadequate.

I've got two issues. First, I know that all your comparisons are based on how the job gets measured, and I'm not sure I fully understand how that is done. Second, I believe we should be more imaginative. For example, I've been reading about junior stock plans and believe these would be the type of reward we need around here for my top risk takers.

But let me get back to the question: would *your* compensation system allow for the exceptional managers? Can we get Frank to give in on those damn ceilings? I need a fast answer, because I'm starting to recruit replacements, and I have to tell them what they can look forward to.

Ed: John, I can appreciate your concern. We don't like to lose good people either. You asked several questions and I'll try to respond to both. First, as you know, a compensation system is made up of many integrated pieces. The measurement of internal relationship of jobs is a basic fundamental, but only one piece. It is not a system. The system includes determination of market posture base, short- and long-term incentives, benefits and perquisites, administration, performance measurements, and so forth [see *Exhibit 5*]. Second, junior stock as anything else has to be considered in light of the total reward system.

Boyd and Rogers spent the next half hour discussing the Hay evaluation system, which provided a systematic approach to relative job content measurement. Rogers briefly described the evaluation process. Responding to Boyd's questions, he detailed how a specific job might be evaluated.

Know-how, in the Hay system, is scored according to three different aspects of the job's requirements—technical or practical knowledge, however acquired; managerial knowledge, in terms of degree of integration and coordination with other functions or ac-

tivities required by the position; and human relations skills needed to perform the job, classified as basic, important, or critical. [A sample section of the guide chart, used by Rogers to demonstrate the rating of three typical jobs, is included in *Exhibit 6*.]

A similar, but more comprehensive guide chart has been developed for Megalith's own job evaluations. Problem-solving requirements of a job are rated according to two dimensions—the thinking environment, ranging from strictly routine to abstractly defined; and the thinking challenge of the job, ranging from repetitive choice-making to creative concept-formation.

Accountability, the last major area for rating, is measured on three dimensions—the position's freedom to act, ranging from totally prescribed to unconstrained-except-for-broad-policy; its impact on end results, ranging from indirect-remote to direct-primary; and the dollar magnitude of the area most clearly affected by the job.

Given a large number of jobs, consistently described and rated, we can compare the salaries and incentives paid for job contents, rather than job titles. You can't compare on the basis of title, because incumbents, organizations' needs, and/or organizations' styles make the jobs different.

Here in Megalith, we've finished with the updating of job descriptions [see *Exhibit 7* for a sample description and *Exhibit 8* for a compensation comparison], and I expect to submit our final report to Frank Nicodemus in two weeks. He's said you'll be the first one he sends a copy to.

John Boyd thought for a moment as he lit a cigarette and said, "O.K., you'll tell us how our

pay scale stacks up in terms of the jobs we pay for. But you're not going to evaluate the individuals involved, or the problem of identifying exceptional talent and holding it. Is that right?"

Ed: John, that's got to be your job. We can help, by giving you information, and an analysis of your own system's strengths and weaknesses, and our suggestions for changing the system.

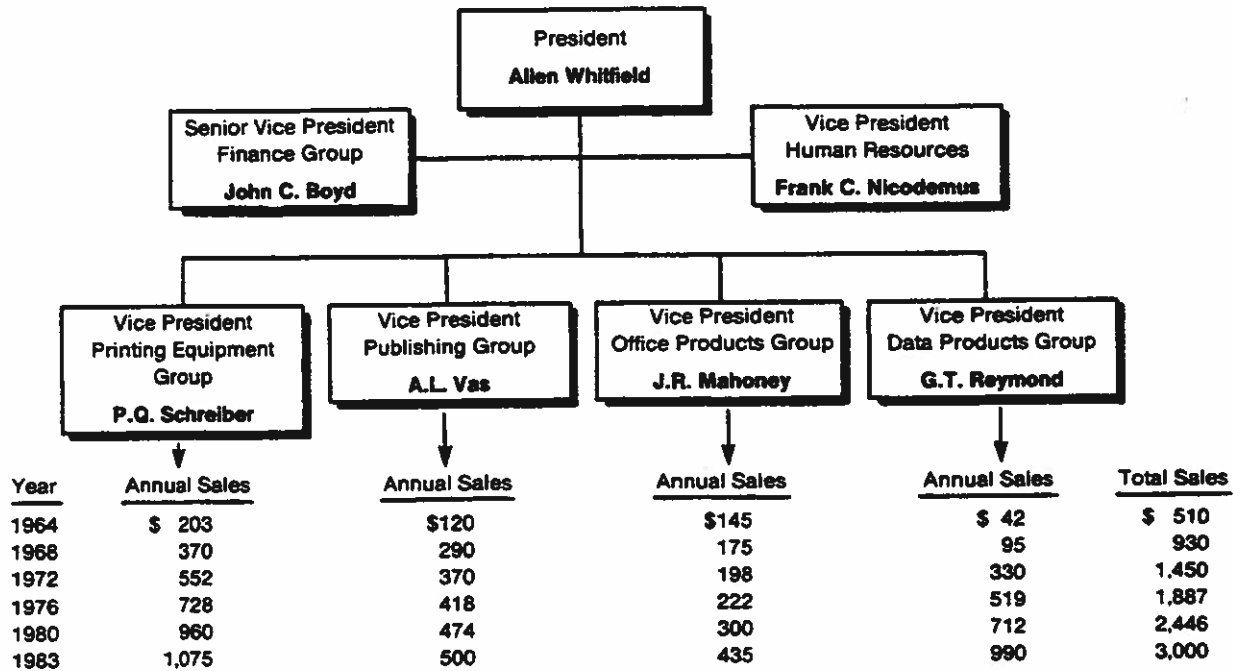
Our numbers data *will* show Megalith's current salary practice, compared with the practice of a broad industrial spectrum. We *will* include an analysis showing what your current salaries would be, if they were fully consistent with the measured content of the jobs. But Frank Nicodemus hasn't asked us to go beyond that in this report.

In addition to the numbers, you'll see the results of the Climate Study we've just finished here. About 50 of your finance people have filled out our survey forms, and we'll digest that information for you, relating it to the answers given by several thousand other respondents.

John: I'll look forward to seeing that report. And I assume we'll meet again to talk about what it means—probably with Frank. [Smiles] I've tried a couple of times to pin you down on an answer to this, but you've dodged me. Before you go, I'd like to ask you directly . . . do you have any opinion yet on raising these ceilings of ours?

Ed: [Smiling] No way, John, but I'll look forward to seeing you again after the report is finished.

**Exhibit 1**  
**Corporate Organization Chart, 1982 (\$ in millions)**

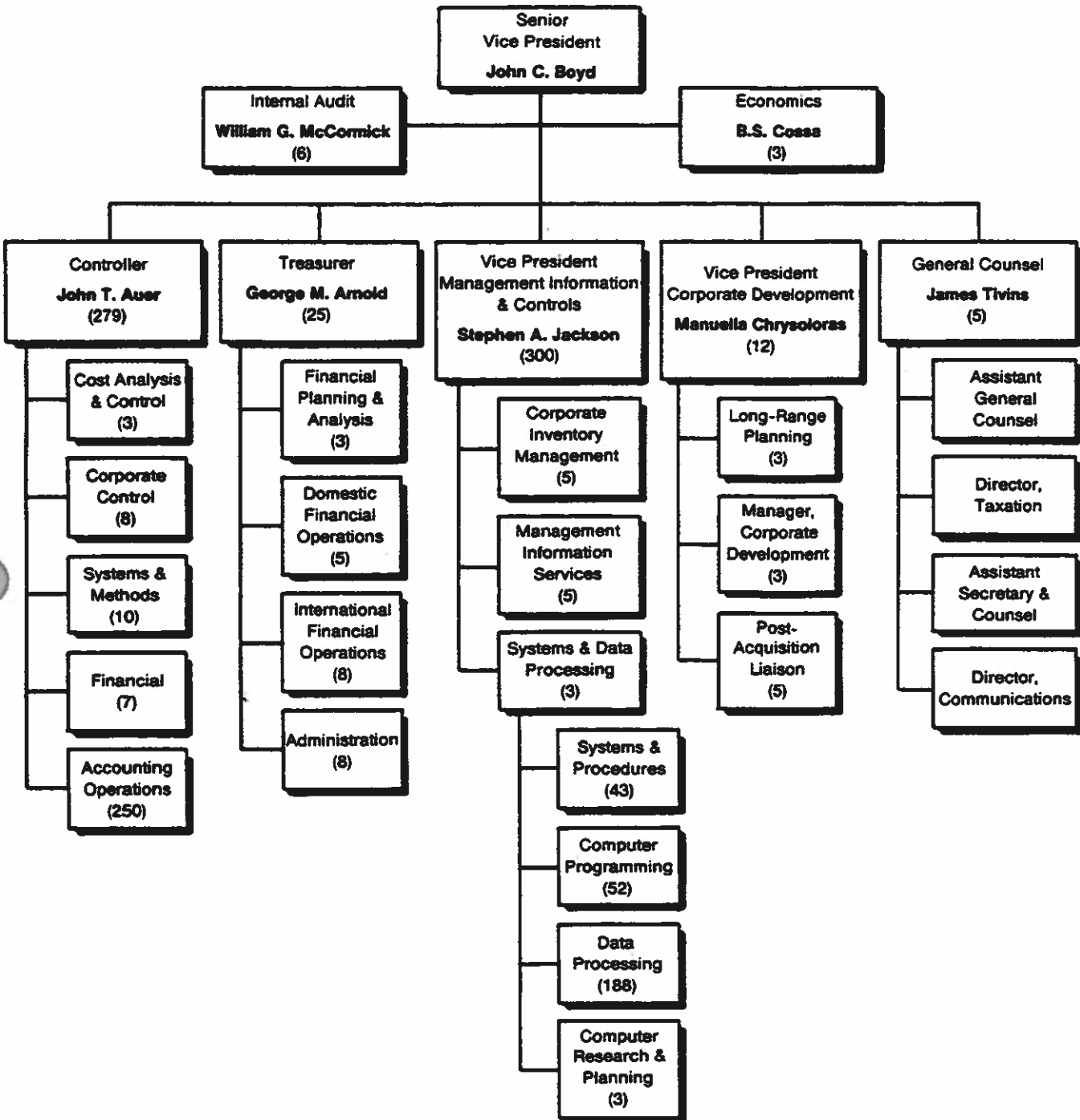


**Exhibit 2**  
**Expected Outcomes for the Finance Group's Activities**

1. Financial strategy that significantly contributes to corporate profit and growth objectives.
2. Financial policies, processes, and controls to provide timely and accurate information, comply with accepted practices and regulatory authorities, and protect assets.
3. Corporate planning and measurement process that provides an effective means to integrate group operations, evaluate achievement, and assure top management awareness of problems and opportunities.
4. Continuity of a corporate financial management team organized and competent to achieve functional objectives and a significant contribution to group financial management continuity and competence.
5. Effective asset and liability management that contributes to corporate short-term profit objective and long-term growth and stability.
6. Significant contribution to acquisition strategy and effective implementation through development of objectives, evaluations, and analysis.
7. Systems and control capability to provide effective management information services.
8. An informed top management and board of directors aware of financial results and projections.

Source: Megalith, Inc.

**Exhibit 3**  
**Organization Chart, Finance Group, July 1, 1982**



Source: Megalith, Inc.

**Exhibit 4**  
**Excerpts from Personnel Resources Reference, July 1, 1983**

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**Senior Vice President, Finance:** John Covert Boyd, age 54. MBA, Harvard, 1955. Founded Duplicopy, Inc., and served as its president until its acquisition by Megalith in 1963. Became group vice president, office products, in 1967, and SVP in 1976.  
1983 salary: \$230,000 plus \$35,500 incentive<sup>a</sup>

**Controller:** John T. Auer, age 39. MBA, Wharton, 1971. Financial analyst, then assistant controller of Itek International until 1974, when he joined a small consulting firm as an associate. Recruited by Boyd in 1976 to head the controller's systems and methods group. Promoted to director of accounting operations in 1980, and to controller in 1982.  
1983 salary: \$125,000 plus \$25,000 incentive

**Treasurer:** George Miles Arnold, age 43. M.S., London School of Economics, 1969. Lecturer in finance, University of Bologna, then joined a major international oil company as coordinator of financial planning for Europe and the Middle East. Joined Barclay International in 1974 to form a new consulting services group in international money management. Recruited in 1977 by Boyd to head Megalith international financial operations department; set up the domestic financial operations office in 1979, and reorganized the accounting operations department in 1980. Promoted to treasurer in 1982.  
1983 salary: \$135,000 plus \$33,750 incentive (plus car)

**Vice President, Management Information Systems:** Stephen Alonzo Jackson, age 35. B.S., MIT, 1970. Partner in a small, Boston-based software consulting firm for three years, then head of systems analysis for McGraw-Hill West Coast operations. MBA, Stanford, 1977. Joined Megalith as director of systems and procedures; became director of management information services in early 1979; director of systems and data processing in 1980; and VP for MIS in 1983.  
1983 salary: \$110,000 plus \$22,000 (plus car)

**Vice President, Corporate Development:** Manuella Chrysoloras, age 41. MBA, Darden, 1969. Joined an investment banking firm, and three years later set up her own brokerage in mergers and acquisitions. Retained by Megalith to assist in acquisition of four small computer peripheral manufacturers, and became executive vice president of the largest one. Drafted into finance group by Allen Whitfield in early 1978.  
1983 salary: \$130,000 plus \$25,000 incentive

**General Counsel:** James Tivins, age 61. LLB, University of Virginia, 1956. Joined legal staff of one of Megalith's printing equipment companies in 1963. Extensive work in antitrust, finance, and tax law. Appointed corporate secretary in 1966 and general counsel in 1975.  
1983 salary: \$165,000 plus \$25,000 incentive

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Source: Megalith, Inc.

a. Incentive plan payments were based on results for fiscal year ended June 30, 1983; they were approved by the compensation committee of the board of directors on September 1 and paid the following week.



**Exhibit 5**

**Summary: Compensation Policy, Revised July 1, 1977**

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**Compensation Objective:** To attract and motivate professional management people, enhancing their positive identification with corporate strategy and goals. Total compensation practice shall be competitive with an appropriate market mix of similar high-growth companies.

**Compensation Components:** Cash compensation shall consist of a base salary (determined by comparison with appropriate markets), and management incentive opportunity (determined by formula and approved in each case by the compensation committee of the board).

Noncash compensation includes pension plan; deferred savings plan; group life insurance; medical plan; short-term disability and long-term disability plans. These combined benefits approximate 35% of base salary expenditures for the company; details of all plans are available from the vice president, human resources.

**Compensation Procedures:** All positions shall be described in writing whenever changed or filled following a vacancy; all descriptions shall be audited annually by the human resources staff. Changed or added descriptions shall be evaluated by the appropriate HR review committee to maintain internal consistency and equity.

**Management Incentive Opportunity Plan:** MIO payments apply to all positions specifically determined by the compensation committee of the board to have both a direct impact on corporate earnings and a distinct requirement for individual discretion in their performance.

*Corporate Threshold:* Before any MIO awards are paid, Megalith must earn a targeted earnings per share as set by the executive committee. The EPS goal must equal or exceed the average EPS of the latest three years' operations. The executive committee may make an exception to the threshold for a division or group that achieves exceptional results.

*Performance Planning:* Each MIO participant shall agree with his or her supervisor, before the beginning of each year, on his or her own performance goals and implementation plans. Group and functional heads are responsible for coordination of these goals within the framework of corporate strategy, and shall inform each participant of his or her own potential MIO earnings for the forthcoming year, at different levels of performance.

**Performance Growth Plan:** Participants will be eligible for annual awards, determined by the compensation committee and calculated as a percentage of the MIO payments received during the immediately preceding four years.

Participants may accept awards wholly in Megalith stock (with a 20% inducement premium for doing so), or half in stock and half in cash. PGP awards may be deferred until after retirement, and taken over a period not to exceed 10 years, at the participant's option. Cash deferred awards will accrue interest at the prime rate; stock deferred options shall reinvest dividends in additional stock.

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Source: Megalith, Inc.

# Sample Evaluation

## KNOW-HOW

SCIENTIFIC DISCIPLINES SPECIALIZED TECHNIQUES PRACTICAL PROCEDURES	MANAGERIAL KNOW-HOW											
	I. LIMITED Performance or supervision within a single function with operational regard for relevant activities.			II. RELATED Primarily within a single function with some internal or external integration with related fields.			III. DIVERSE Integration and coordination of diversified activities in an operating unit, or in a corporate-wide function.			IV. COMPREHENSIVE Comprehensive integration and coordination in a major management complex, or of a corporate-wide activity.		
	1.	2.	3.	1.	2.	3.	1.	2.	3.	1.	2.	3.
<b>A. PRIMARY:</b> Elementary plus some secondary (or equivalent) education; plus work indoctrination.	50	57	66	66	76	87	76	87	100	52	75	100
<b>B. ELEMENTARY VOCATIONAL:</b> Uninvented, standardized work routines and/or use of simple equipment and machines.	64	76	87	87	100	115	100	115	132	100	115	132
<b>C. VOCATIONAL:</b> Procedural or systematic proficiency, which may involve the use of specialized equipment.	100	115	132	115	132	152	115	132	152	104	1216	1400
<b>D. ADVANCED VOCATIONAL:</b> Some specialized (generally non-technical) skills, however acquired, giving additional depth to a generally single function.	115	132	152	152	175	200	175	200	230	390	460	520
<b>E. BASIC TECHNICAL-SPECIALIZED:</b> Proficiency in a technique requiring a grasp of other related practices and precedents; or of scientific theory and principles; or both.	175	200	230	200	230	264	200	230	264	460	520	608
<b>F. SEASONED TECHNICAL-SPECIALIZED:</b> Proficiency, gained through wide experiences in a specialized or technical field.	200	230	264	264	304	350	264	304	350	608	700	800
<b>G. TECHNICAL-SPECIALIZED MASTERY:</b> Determinative mastery of techniques, practices and theories gained through wide scoping and/or special development.	264	304	350	350	400	460	350	400	460	800	920	1056
<b>H. PROFESSIONAL MASTERY:</b> Exceptional competence and unique mastery in scientific or other learned discipline.	350	400	460	460	520	608	460	520	608	1056	1216	1400
<b>TOTAL</b>	<b>152</b>	<b>304</b>	<b>700</b>	<b>304</b>	<b>608</b>	<b>1056</b>	<b>304</b>	<b>608</b>	<b>1056</b>	<b>700</b>	<b>1056</b>	<b>1400</b>
<b>SUPERVISOR KEY PUNCH</b>												
<b>ACTUARIAL SPECIALIST RESEARCH ASSOCIATE</b>												
<b>AREA MANAGER</b>												

Human Relations Skills  
required by the position:  
1 = basic (courtesy)  
2 = intermediate (get along well)  
3 = critical (motivate people)

Source: Hay Associates

**Exhibit 7**  
**Position Description, November 1, 1982**

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Position: Treasurer  
 Incumbent: George M. Arnold  
 Organization Unit: Financial  
 Location: New York

**Accountability Objective:** This position is accountable for planning of debt/equity financing and the direction and coordination of cash mobilization, short-term investment, insurance and benefit plan services.

**Dimensions:**

Department Operating Expenses:	\$1.0 million
Short-Term Investment Earnings:	\$2-5 million
Department Employees:	24

**Nature and Scope:** Megalith, Inc., is a major, multinational corporation with financing requirements and cash management operations throughout the world. Major outlays of cash are anticipated to continue an upward trend during the next 8-10 years. Possible changes in accounting for and reporting of off-book financing, the need to generate increased amounts of capital overseas for use in overseas operations, and the uncertainties created by new international monetary arrangements pose formidable challenges to the corporation's financial capability and plans for growth. The treasurer's function has been recently reorganized to concentrate on these problems.

Reporting to the treasurer are four directors. Their areas of concentration are:

*Financial Planning and Analysis (3 employees)*—This unit conducts overall analysis of debt/equity financing and performs similar analyses in developed plans for financing foreign operations from foreign financing sources; develops plans for the management of foreign exchange; makes buy/lease analyses of property from the financial point of view; and generates regularly total forecasts of cash requirements worldwide for short- and mid-term periods of time, and updates forecasts periodically during the year.

*Domestic Financial Operations (5 employees)*—This unit makes short-term investments in the money market including treasury notes, CDs and banker's acceptances; gathers and deposits cash through the operation and collection of 500 bank accounts throughout the United States, and monitors compensating balances in relation to lines of credit.

*International Financial Operations (8 employees)*—This unit coordinates overseas project financing; manages more than 40 bank accounts in approximately 12 different foreign countries, including the transfer of funds between accounts; deals with a variety of currencies; borrows money from other than offshore finance companies; and provides advice and counsel to management on the implications of the cash management and financing support for their operations.

*Administration (8 employees)*—This unit develops working company policies, including those having to do with credit and collection, for the guidance of all operating groups; buys insurance (premiums amounting to \$2-3 million per year)

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**Exhibit 7 (continued)**

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for the corporation in the form of blanket policies covering worldwide risks (a \$3 million deductible provision is a feature of all covered risks). In addition, this unit performs cost/benefit analyses of group benefit plans and participates in negotiating and placing benefits with carriers.

**Principal End Results:**

1. Financial plans and forecasts that reliably project the financing needs of the company.
2. Optimum cash availability for current needs through effective use of cash mobilization systems and policies, and efficient financial operations.
3. Maximum return on short-term investments consistent with the company needs for liquidity.
4. A worldwide system of banking relationships that facilitates the management of funds, the availability of cash, short-term investments, and assures required borrowings.
5. Risk and benefits plan placement that effectively meets company objectives.
6. Knowledgeable advice and counsel to management concerning proposed capital expenditures and investments for domestic expansions, acquisitions, mergers, and other business ventures.
7. Continuity and development of a professionally competent staff of financial managers and specialists.

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Source: Megalith, Inc.

**Exhibit 8**  
**Results of the Hay Executive Compensation Survey 1983 for the Megalith Group**  
**(\$ in thousands)**

<i>Position</i>	<i>Measured Content Value</i>	<i>Comparable Survey Positions Base Median-75th Percentile</i>	<i>Megalith Base Compensation</i>	<i>Survey Position Total Median- 75th Percentile</i>	<i>Megalith Total Compensation</i>
Senior V.P. finance	1,346	\$153-165	\$230	\$190-237	\$265
V.P. information management	928	102-122	110	128-150	150
General counsel	928	119-135	165	151-184	190
Controller	895	95-105	125	105-133	150
Treasurer	856	93-115	135	114-143	168.5
V.P. corporate development	807	103-115	130	127-147	155

Note: All survey participants are clients whose positions have been measured using the same Hay Guide Chart Process. Jobs are reported by title and measured job content.

