

The Spotlight Is on High Technology Program Managers: Now, How Do You Compensate Them?

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In the high-tech industry—now most notably in the fastest-growing fields of homeland security, defense, and energy—program managers in the contracting organizations are in the position most critical to the business’s livelihood and success. Their assignment is to manage and run large programs across the business functions, from their conception through their delivery, serving as the responsible customer contact. Program managers, typically with an engineering background, are the ones in the middle of everything, and keeping it all together. For starters, they typically:

- Represent the company in its procurement and negotiation of a contract or program
- Obligate the company by committing to the delivery of products and/or services
- Maintain the link between customer and company throughout the project, overseeing mutual performance obligations and making necessary mid-course corrections
- Oversee the financial reporting and program scheduling of the contract

In companies that are traditionally, functionally organized, program managers may not have large numbers of employees directly reporting to them, while in matrixed organizations, they typically lead the group. But the worth of the people in these positions does not depend directly upon the number of staff reporting to them. Rather, program managers’ remuneration reflects the technical challenges and requirements of the program, the financial value of the program to the company’s current and future success, the degree of difficulty or sophistication of the project, the complexities of managing a program across many locations, and other, similarly well-grounded factors.

Obviously, it is not easy to quantify the value of program managers to their organizations. One way to do it, however, is with ORC Worldwide’s SIRS®—the Salary Intelligence Response System, which captures solid data on this and over 1400 other specific jobs, and shapes it to form a basis for answers to tough compensation problems like this. SIRS® has been collecting and reporting on Program Manager positions for more than 15 years. The most recent, April 2005, survey (on whose results this article is based) captured data from 126 high technology companies on 13,261 incumbents in these jobs in the U.S. But ORC went one step further—they captured specific scope information from more than 60 companies representing details on more than 3,700 individual program managers and developed solid market data based on the complexities of the programs they manage.

Exhibit 1 is the basis for defining this most complex job. It contains the SIRS® benchmark job description for program managers, and details the specific job responsibilities of people holding these jobs.

But obviously the characteristics of the program itself affect a program manager’s value to the organization. And so the SIRS® Program Manager Level Chart (see **Exhibit 2**) defines and weights five key project factors:

- Program Complexity—15%
- Customer and Subcontractor Complexity—20%
- Span of Control—15%
- Technical Requirements—20%
- Financial Impact—30%

The Program Manager Level Chart then illustrates what each of these factors means for each of five levels of importance. For example, the Span of Control of a program con-

tained at a single domestic location and involving several business functions is considered a Level 1, while one connecting several major domestic and worldwide locations and requiring coordination of their technology and/or production is considered a Level 5.

The titles of people in this job range largely by level—e.g., Program Manager, Senior Manager, Business Area Manager, Director XYZ Program, Division Vice President, Sector Vice President, Sector Vice President & General Manager, Executive Vice President, and Group President.

Finally, SIRS® survey participants reported on the actual 2005 annual salaries and the 2005 total cash compensation for program managers at all five levels. **Exhibit 3** presents these figures. And **Exhibit 4** illustrates how program managers’ compensation varies, both by

the scope of their job and by the size of the program they manage.

All this intelligence offers solid—and transferable—value in shaping your response: knowing how to compensate your program managers properly in these critical and unique jobs. And that knowledge can be among the most critical you have to offer your organization, because as the economy grows, it’s your program managers who will be making sure your organization participates in and benefits from that growth.

Tricia Richards has been in the compensation field for more than 25 years, working in and with defense aerospace companies since 1982. She has been a senior consultant for ORC Worldwide for 13 years, designing compensation programs unique to companies in the high-technology industry.

Exhibit 1

Program Manager Benchmark Description

Responsible for the cost, schedule and technical performance of company programs or subsystems of major programs. Directs all phases of programs from inception through completion. Participates in the negotiation of contract and contract changes. Coordinates the preparation of proposals, business plans, proposal work statements and specifications, operating budgets and financial terms/conditions of contract. Acts as primary customer contact for program activities, leading program review sessions with customer to discuss cost, schedule, and technical performance. Establishes design concepts, criteria and engineering efforts for product research, development, integration and test. Develops new business or expands the product line with the customer. Establishes milestones and monitors adherence to master plans and schedules, identifies program problems and obtains solutions, such as allocation of resources or changing contractual specifications. Directs the work of employees assigned to the program from technical, manufacturing and administrative areas.

Exhibit 2

SIRS® Program Manager Level Chart

Factors	Level 1	Levels 2-4	Level 5
Program Complexity - 15% weighting	Developed or mature program with well defined program plans and delivery methodologies.	<i>Levels 2-4 define compensable factors with increasing requirements.</i>	Emerging developing engineering program of a major complex total system resulting in new products, programs and business opportunities. Requires developing and managing program plans of newly developed advanced concepts, theories, and products.
Customer and Subcontractor Complexity 20% weighting	Program serves a single customer and represents a single product line requiring minor coordination of program requirements across product lines.		Program serves multiple customers and requires managing multiple subcontractors with teams crossing several companies. May include sharing responsibility as the prime contractor in a joint venture relationship.
Span of Control 15% weighting	Program is contained at a single domestic location. Several business functions (such as engineering and manufacturing) are represented by the employees assigned to the program.		Program spans several major domestic and worldwide locations requiring coordination of technology and/or production across locations. All functions are managed as a self-contained unit as a separate company, and all business functions are represented.
Technical Requirements 20% weighting	Established technologies using standard principles, theories, concepts, and techniques to provide solutions to a variety of technical problems.		Emergent technologies that regularly require exceptionally high level of ingenuity and creativity. Regularly requires application of advanced scientific principles, theories, and concepts. Problem complexity is such that information is developed that extends existing boundaries of knowledge of a given field.
Financial Impact 30% weighting	Low future development value as program is in mature state. May be cost plus fixed fee contract with inherent flexibility on cost elements. Stable growth expectation with projected incremental sales increases in the long range forecast		High future value represented in numerous distinct developing products, systems, and subsystems that include derivative technologies (exclude follow-on business). Long-range forecast is of unlimited duration. Program has significant effect on the future course of business for the company’s strategic business objectives. Contract requirements may be of significant risk if contract requirements are represented as a firm fixed price contract.

Exhibit 3

Program Manager Compensation

Program Managers			2004 Program Size (millions)	2005 Annual Salary (000's)	2005 Total Cash Compensation (000's)	% Target Incentive
Scope Level 1		Simple Average	\$27.5	\$114.7	\$118.6	13%
Number of Incumbents:	565	50th Percentile	\$10.0	\$107.3	\$109.8	
Average Program Size:	\$27.5					
Scope Level 2		Simple Average	\$36.2	\$121.2	\$130.1	17%
Number of Incumbents:	1,687	50th Percentile	\$14.0	\$118.1	\$123.0	
Average Program Size:	\$36.2					
Scope Level 3		Simple Average	\$82.9	\$139.9	\$151.9	19%
Number of Incumbents:	1,185	50th Percentile	\$25.0	\$137.3	\$144.4	
Average Program Size:	\$82.9					
Scope Level 4		Simple Average	\$131.2	\$157.6	\$187.2	27%
Number of Incumbents:	299	50th Percentile	\$70.0	\$158.9	\$181.5	
Average Program Size:	\$131.2					
Scope Level 5		Simple Average	\$315.7	\$181.9	\$257.7	42%
Number of Incumbents:	30	50th Percentile	\$194.5	\$173.7	\$249.2	
Average Program Size:	\$315.7					

Exhibit 4

Program Managers Compensation by Scope and by Program Size

