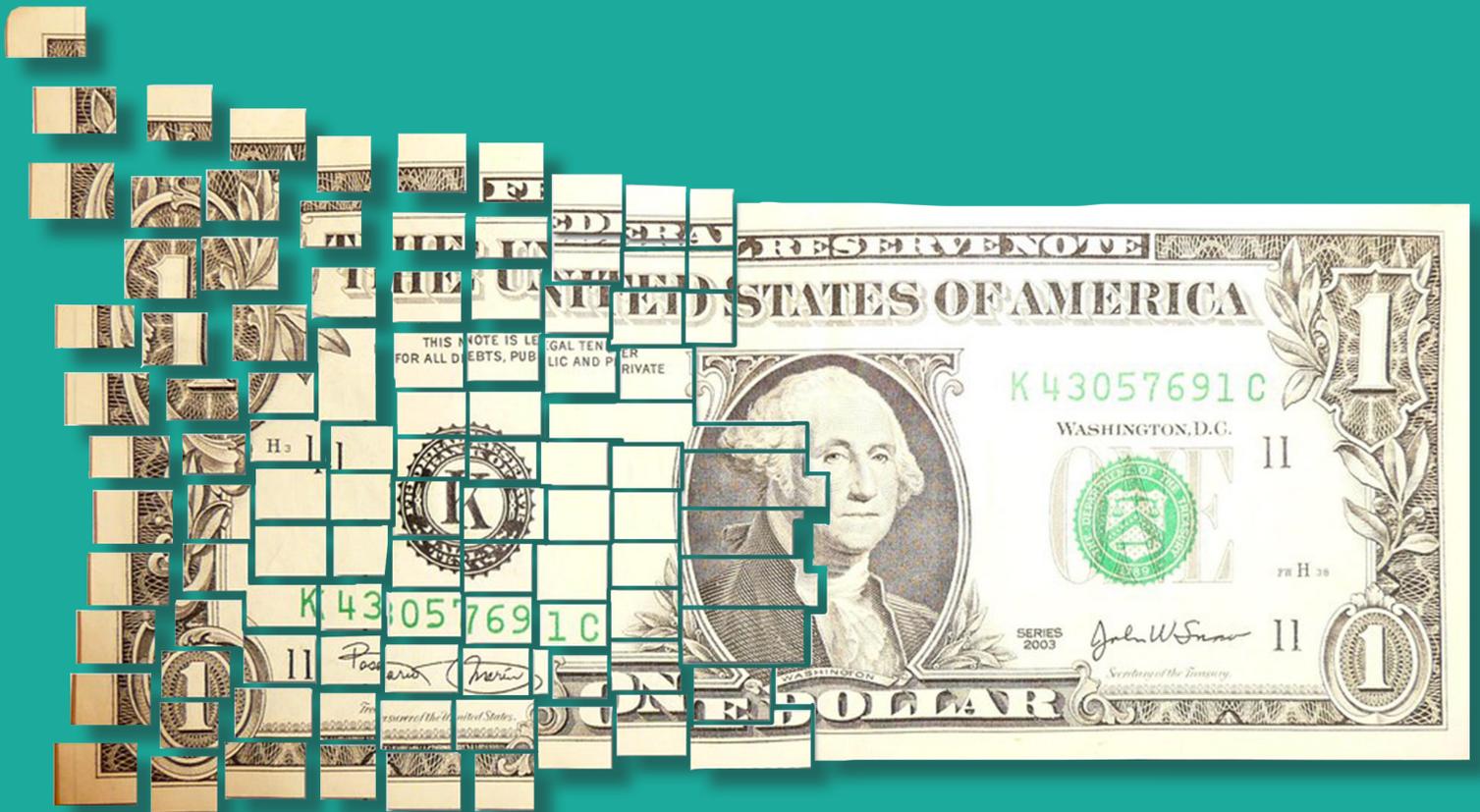


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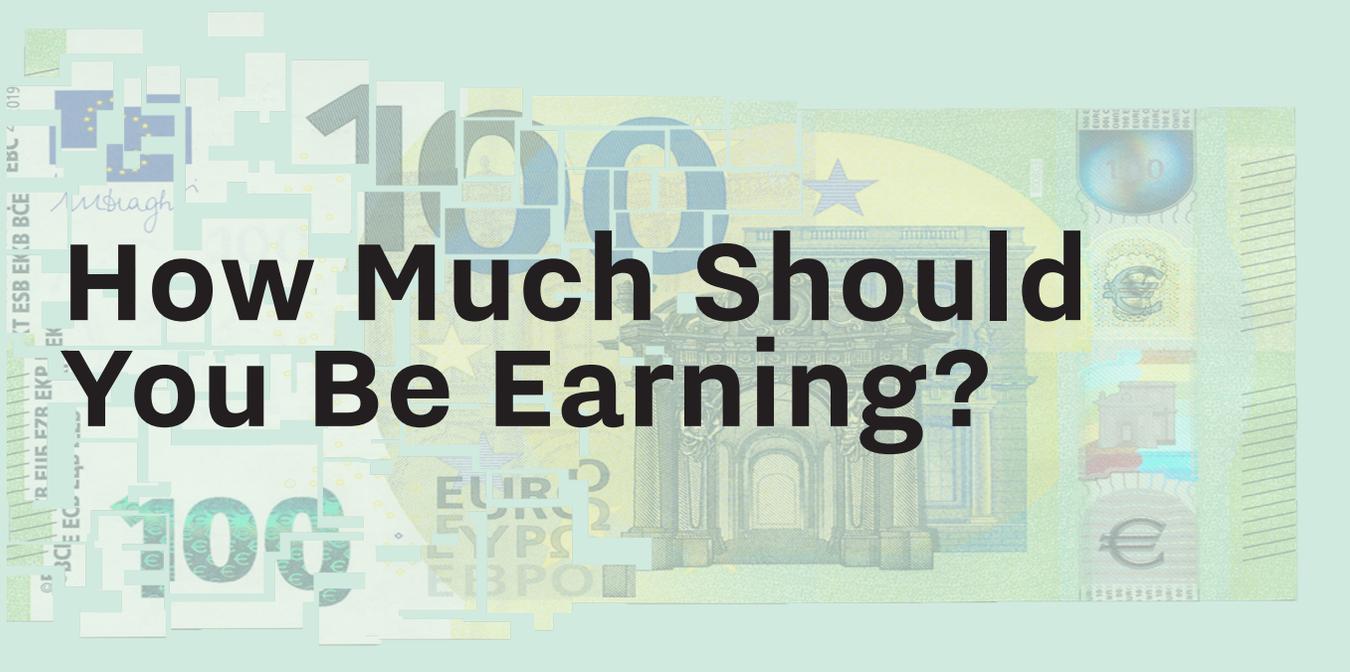


2019 Compensation Survey

How Innovation, R&D, and Strategy Executives Get Paid

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Introduction & About the Data

If you're doing innovation-related work in a large organization, how much should you be earning? And if you're adding new positions to your team, what should their compensation packages look like?

Those are the central questions of our compensation surveys. But we also dive into a number of related questions, like:

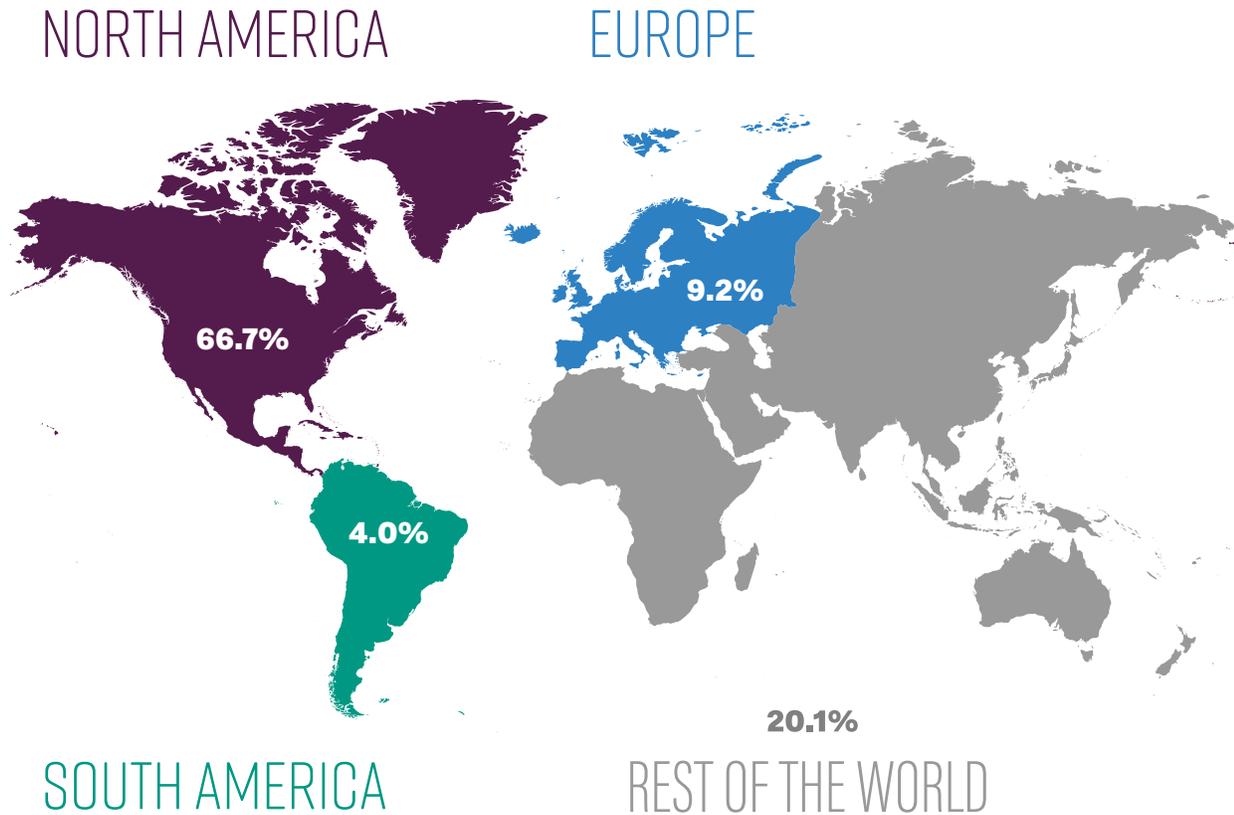
- How bonus and incentive plans are structured
- How salaries in various types of organizations (nonprofits, private companies, public companies) differ
- Who in the organization innovators are most likely to report to
- How comp packages are different in North America versus other parts of the world
- Who the top earners are.

We fielded this survey in Q3 2019, and received 175 qualified responses from professionals in innovation-related roles. The largest respondent segment (56 percent) described their function as innovation, but 10 percent described it as research and development, and 9 percent as strategy. Smaller segments of respondents came from new product development (5 percent) and product management (4 percent). Functions represented in the “other” category (11 percent of respondents) included business development, design, digital, communications/PR, and emerging technologies.

The largest segment our respondents (40 percent) describe their seniority in the organization as director-level; 24 percent were at the manager level, 11 percent VP, 8 percent C-level, and 5 percent SVP. In the “other category,” respondents included analysts, AVPs, project leads, associates, specialists, design leads, and engineers, among other titles. Most commonly, our respondents reported to a Chief Innovation Officer or head of innovation; a business unit leader; or the CEO.

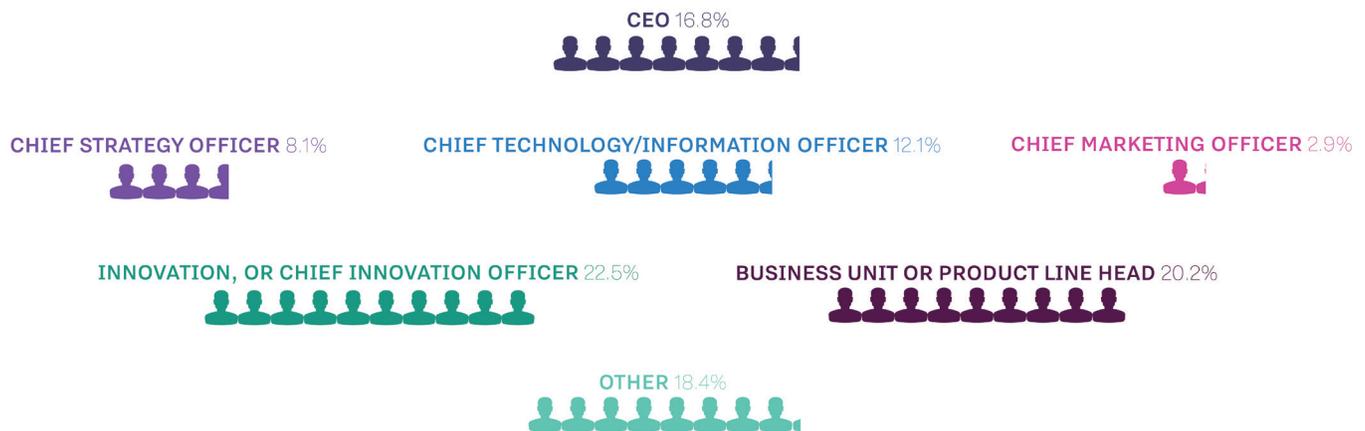
Throughout the survey, all salary and bonus amounts are represented in US currency, and have been rounded to the nearest \$100. All comments from survey respondents are verbatim as entered. Wherever we had fewer than five survey respondents in a given segment, we've indicated that with an asterisk.

Respondent Location



The lion's share of respondents in this survey (67 percent) were based in North America, though 9 percent were based in Europe.

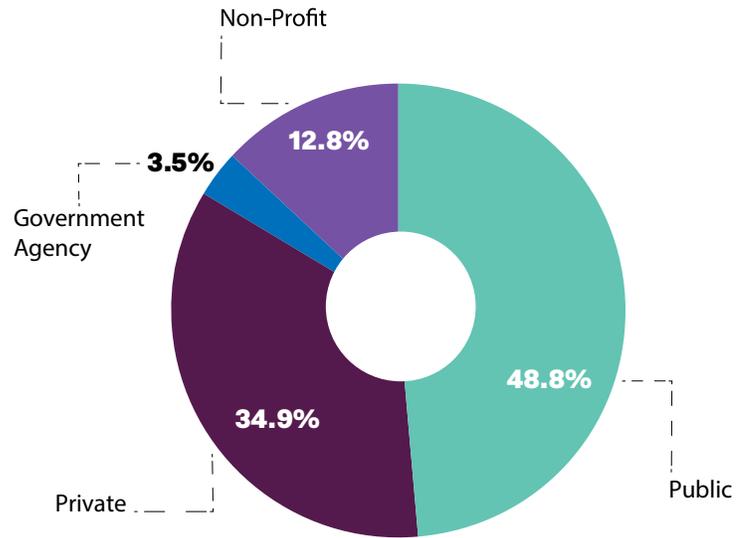
To Whom Do You Report?



Respondents who had another kind of reporting relationship said they reported to the COO, VP of Research, VP of Product Management, VP of Product, Head of Engineering, and Chief Digital Officer, among other titles.

Type of Organization

The plurality of survey respondents (49 percent) said they work at publicly-traded companies, though more than one-third (35 percent) said their employers are privately-held.



Average Salary and Target Bonus in Different Departments

The median base salary among survey respondents was \$150,000. While innovation and strategy leaders had similar average base salaries, when average bonus is factored in, the strategy leaders have the highest overall compensation of any function in our survey: \$218,400, on average. Product management professionals had the lowest overall compensation, at \$161,300. But that respondent segment was also entirely at the director level or below, while 69 percent of strategy respondents were at the VP level or above, so seniority was definitely a factor.

Average Salary & Bonus in Different Departments

	Base	Target Bonus	Total Comp
Innovation	\$163,700	\$39,700	\$203,400
Strategy	\$163,800	\$54,600	\$218,400
R&D	\$154,800	\$39,100	\$193,900
New Product Development	\$156,800	\$35,000	\$191,800
Product Management	\$132,600	\$28,700	\$161,300

Average Salaries Within the Innovation Function

	Base	Bonus	Total Comp
C-Level*	\$240,400	\$106,200	\$346,600
SVP	\$275,000	\$136,700*	\$275,000
VP	\$199,900	\$48,700	\$248,600
Director	\$166,600	\$37,500	\$204,100
Manager	\$120,200	\$32,000	\$152,200
Other Titles	\$107,400	\$16,300	\$123,700

* indicates fewer than five respondents in a particular category. "Other titles" included AVP, specialist, design lead, individual contributor, senior innovation expert, project manager, innovation architect.

Average Salary Based on Location

We found total compensation is about 15 percent higher in North America than in the rest of the world. At the SVP level, we saw a higher average compensation amount in the rest of the world compared to North America, but that was based on a small number of respondents (just three) representing the rest of the world at that seniority level.

Average Salary & Bonus, Based on Location

North America	Base	Target Bonus	Total Comp	Rest of World	Base	Target Bonus	Total Comp
C-Level	\$252,700	\$91,000	\$343,700	C-Level*	\$160,800	\$78,800	\$239,600
SVP	\$260,000	\$65,000	\$325,000	SVP*	\$286,700	\$113,000	\$399,700
VP	\$201,200	\$52,000	\$253,200	VP	\$181,500	\$34,400	\$215,900
Director	\$175,100	\$39,400	\$214,500	Director	\$143,200	\$36,700	\$179,900
Manager	\$117,000	\$20,000	\$137,000	Manager	\$89,000	\$16,100	\$105,100
Other Titles	\$122,000	\$19,100	\$141,100	Other Titles	\$78,800	\$9,100	\$87,900

* indicates fewer than five respondents in a particular category. "Other titles" included analyst, individual contributor, project leader, AVP, principal, program manager, senior innovation expert, innovation architect.

Average Salary Based on Type of Organization and Size

Public companies offer the richest comp packages across all levels of seniority, followed by private companies, then nonprofits, then government agencies. We found total comp packages to be 26 percent higher at public companies versus private companies.

Salaries also tend to be higher the larger the company is. When we examined base salaries of respondents working for public and private companies (leaving out nonprofits and government agencies), we saw base salaries rise with the size of company, from an average base salary of \$93,500 at companies with less than \$100 million in annual revenue, to an average base of \$164,900 at companies with \$50 billion or more in revenue — a jump of 76 percent. (One aberration: professionals at companies in the \$1 billion to \$9.9 billion range had a higher average salary than those in any of the other revenue bands.) That dynamic held up when we looked at specific titles, as well. A director-level professional at companies with less than \$1 billion in revenue earns \$152,300 on average. One working at companies with \$10 billion in revenue or greater earns \$174,600 on average.

Average Base Salaries at Public and Private Companies, Based on Size

Company Revenue	Base Salary
\$50B+	\$164,900
\$10B-\$49B	\$162,600
\$1B-\$9.9B	\$177,400
\$100M-\$999M	\$163,100
Less than \$99M	\$93,500

Below are tables illustrating compensation for the different types of organizations in our survey. Verbatim comments follow each table, explaining some of the details of survey respondents' comp packages. (Note: we did not receive relevant comments at every seniority level.)

Public Companies: Average Salary & Bonus

	Base	Target Bonus	Total Comp
C-Level*	\$253,000	\$92,800	\$345,800
SVP & VP	\$243,900	\$74,300	\$318,200
Director	\$179,000	\$42,600	\$221,600
Manager	\$137,000	\$22,400	\$159,400
Other Titles	\$127,100	\$21,200	\$148,300

Director Level: "I also have long-term incentive compensation approximately equal to bonus annually." "Also includes stock (options, RSUs, or 50/50 split), 401k, profit sharing, and ESPP." "Stock options and/or Restricted Stock Units are also part of the compensation package."

SVP Level: "Hard to reach the target [bonus] compensation, because it's dependent on companies' results." "[Bonus includes] additional \$120k in restricted stock/year."

VP Level: "+ 50k in long-term compensation." "Also stock options valued at about 15 percent of base compensation with a 3-year vest, company car, life insurance, umbrella coverage."

Other Levels: "Bonus is at management discretion and is not guaranteed." "Full medical and dental benefits with employer contributions."

* indicates fewer than five respondents in a particular category. "Other titles" included principal, project manager, engineer, team lead, design lead.

Private Companies: Average Salary & Bonus

	Base	Target Bonus	Total Comp
C-Level	\$184,300	\$76,700	\$261,000
SVP & VP	\$209,100	\$65,500	\$274,600
Director	\$162,300	\$38,000	\$200,300
Manager	\$92,000	\$26,900	\$118,900
Other Titles	\$78,000	\$14,900	\$92,900

Manager Level: "I have to pay only 10 percent of health insurance and a symbolic value for lunch at work." "Pretty fair 401K match, based on our company performance. Usually around 6–12 percent with excellent performance to budget." "Three weeks PTO, somewhat flexible schedule including remote [work], soda and snacks." "Ability to earn shares in the company."

Director Level: "Dividends on a private Stock Appreciation Plan are also paid out each year, and range from about \$10k to \$50k+ based on EVA increase." "Car." "Bonus and profit-sharing based on company and individual performance."

SVP Level: "Additional 9.5 percent superannuation (pension) contribution." "Base salary excludes pension. Target bonus includes short-term cash bonuses and long-term equity grants." "I have equity as part of my comp package."

VP Level: "Phantom stock *extremely* variable. Depends on: 1) If your manager deems you worthy of receiving stock, 2) Vesting schedule, 3) company performance. Last year I grossed about \$5k. This year \$90k. Next year \$60K??? Dunno..."

Nonprofits: Average Salary & Bonus

	Base	Target Bonus	Total Comp
Average at C-Level, SVP, VP	\$208,200	\$30,300	\$238,500
Average at Director, Manager, and Other Level	\$121,700	\$32,100	\$153,800

VP Level: "I'm provided with health, life, short-term disability, and long-term disability insurance. I have an HSA that my employer contributes to at every pay period. I also have 3 weeks of vacation and 2 weeks of sick days." "Includes 100 percent premium health benefits, 100 percent salary coverage life insurance, 5 percent retirement contribution match."

Director Level: "Bonus has been paid out company-wide at over 100% for the past 15 years. It is considered by employees almost as guaranteed." "Four percent 401k match and a pension plan." "Company also provides PTO (I get five weeks vacation time) and pays 80 percent of medical coverage, however the coverage is high-deductible." "Like all employees at my organization, my compensation includes excellent health, vision, and dental plans that cover an unlimited number of dependents to which I pay \$0 in premiums with minimal copays and deductibles."

Government Agencies: Average Salary & Bonus

	Base	Target Bonus	Total Comp
Average of all levels of seniority	\$135,100	\$13,400	\$148,500

VP Level: "I have a car allowance and gas card. This is a taxable benefit."

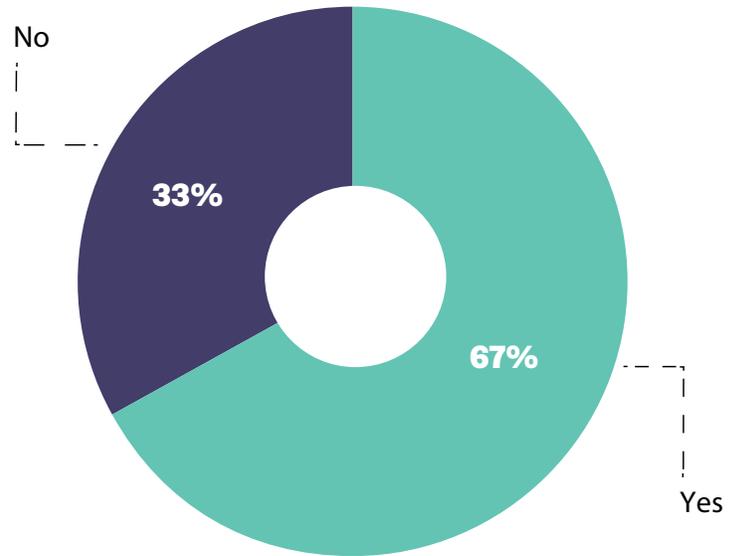
Manager: "Pension contribution and benefits included."

Is Compensation Tied to Performance?

Public companies are most likely to create performance-based bonuses and incentives: 71 percent of employees at public companies said that was the case, compared to 65 percent of employees at private companies. In the nonprofit sector, 55 percent of employees said they have performance-based components to their pay package. While the survey only had six respondents from government agencies, two-thirds of them (67 percent) said their compensation is tied in part to performance.

The most common bonus structure in both public and private companies is a blend of individual performance objectives and division-wide or company-wide goals. Typically, the split is 50/50. But many individuals report that things like patent filings, number of new ideas commercialized, and completion of key initiatives on time and on budget factor in to how large of a bonus they receive.

A handful of respondents told us that they had no incentive-related compensation or bonus structure. What characterized these respondents? Two work at nonprofits; two at small private companies (under \$100 million in revenue); and one is a contractor running a startup accelerator program for a public company.



Comments on How Bonuses & Incentives are Structured

We asked survey respondents to describe how their bonus and incentive plans work. Verbatim comments, categorized by type of organization, follow.

PUBLIC COMPANIES

My cash bonus is tied to successful completion of my personal performance goals. These change annually.

Bonus comp is tied to personal and company performance metrics.

Divisional revenue goals and company-wide targets.

Half of bonus is tied to individual performance against individual goals.

Sales and contribution to culture.

Bonus is tied to advancement of new products to market (i.e. my individual performance and team's performance.)

Theoretically it is tied to BU performance.

Manager's discretion.

Meeting defined objectives in my performance plan.

Target bonus is tied 50 percent to company performance and 50 percent to personal performance against business goals.

[Earnings per share], top line [revenue], working days.

Tied to overall innovation results.

My bonus is tied to achieving the annual target revenue of my group.

Successful completion of key initiatives on time and on budget.

Tied to the revenue freshness index.

My cash bonus is tied to performance metrics: manage ongoing innovation projects; identify potential future innovation projects; analyze external innovation opportunities (i.e. startups.)

Company performance, IP and patent filings, number of innovations [getting] to market.

My cash bonus is tied to creating new value across the supply chain.

My cash bonus is tied to number of new ideas commercialized, and [their] revenue potential.

Performance measures are renegotiated each performance year. We are in early stages of innovation maturity, and thus performance indicators change significantly each year.

Cash bonus is tied to company financial targets; merit increase to base; options and [restricted stock units] tied to individual performance.

Bonus payout is tied to three metrics: adjusted EPS, core sales growth, and adjusted operating cash flow.

My compensation is tied to performance through an annual appraisal cycle against [new product development] goals and objectives.

Bonuses are partially tied to individual performance. I.E., if you meet you yearly objectives, then you will receive 100 percent of your bonus level. You can achieve greater than 100 percent by exceeding objectives, or less than if you fail to meet objectives. Then, your personal bonus level is multiplied by a divisional and a corporate number that are based on revenue targets that determine your final compensation.

PRIVATE COMPANIES

My additional income is tied to top-line revenue generation.

50 percent of target bonus calculated on overall company performance (must meet sales growth and EVA growth targets) and other 50 percent of target bonus calculated on personal performance as determined by achieving quarterly MBO's (Management by Objectives) that are custom-created each quarter, based on strategic need.

Partly to corporate performance, partly to team/division performance (a balanced scorecard of input, process, and impact metrics.)

Compensation is performance-based, but there is one uniform program for the entire company ("all in this together" mentality). It is comprised of four critical metrics to our particular industry. So while it is based on performance, it feels quite distant from our particular efforts.

Bonus is based 100% on company performance (vs. individual or innovation team performance).

My bonus is tied to company performance related to new bookings, retention, and EBITDA goals.

I have an MBO tied to percentage growth in [company] turnover.

Twenty-five percent tied to individual performance (fuzzy metrics), 75 percent tied to overall business results.

Cash bonus (base 25 percent of salary) tied to the company hitting revenue targets and my individual performance rating. Profit-sharing (base 5 percent of salary) is tied to company performance.

My cash bonus is tied to company's triple-bottom-line objectives and personal goals. Equity grants are tied to long-term performance.

[Key performance indicators are] set annually with quarterly targets.

Tied to launching new platforms and business results.

NONPROFITS

[Compensation is tied to] products delivered.

My cash bonus is tied to how well we meet our goals for our strategic plan.

My performance cash bonus is tied to annual sales growth goals. My bonus is tied to MBOs [Management by Objectives] and company/division performance.

Bonus is tied to both company dashboard as well as individual annual objectives.

Bonus is tied to performance of hitting goals: developing new capabilities and identifying future capabilities for the organization. It is not tied to financial performance.

Bonus is 50 percent personal performance; 50 percent company. Tied to OKRs [Objectives & Key Results.]

My raises and bonus are tied to performance standards. ... Additionally, every employee at the company gets an additional 1 percent of salary bonus if we meet certain metrics, and two of my projects are on the list.

GOVERNMENT AGENCIES

[Bonuses are] paid upon delivery of products.

50 percent is team achievement of goals, and 50 percent is personal performance.

My compensation is entirely based on our Balanced Scorecard Results.

Annual performance management process.

Average Salary By Reporting Relationship

Average Base Salary, Based on Reporting Relationship

	Base
Report to CEO	\$173,600
Report to Chief Innovation Officer	\$152,400
Report to Chief Strategy Officer	\$162,700
Report to Chief Marketing Officer	\$178,800
Report to Chief Technology Officer	\$185,600
Report to Business Unit Head	\$150,500

Perhaps surprisingly, professionals in our respondent set who report to the CEO don't have the highest average salary; those who work under CTOs and CMOs earn more. On the lower end of average salaries are professionals who report in to the head of a business unit or a Chief Innovation Officer.

Top Earners

We looked at the top earners in our survey to understand where they sit in the organization, and what kind of organizations they work for. Six are at public companies, two at private companies, and two at nonprofits. We also looked at some of the best paid respondents at seniority levels that didn't show up in the top 10, including manager and director. In general, our survey found that:

- Executives who report in to CTOs, CMOs, and CEOs are better paid than those who report in to other leaders.
- Executives at public companies are better paid than those in private companies, nonprofits, or government agencies.
- Executives in North America are better paid than those in other parts of the world.
- Executives in the strategy function and innovation function are better paid than those in other functions.

	Base	Bonus	Additional Info
SVP/Innovation, reporting to Head of Supply Chain & Chief Innovation Officer, public company (\$1B-\$9.9B in revenue)	\$375,000	\$120,000	\$120,000 (in RSUs)
C-level digital exec, reporting to CEO, public company (\$10B-\$49B in revenue)	\$300,000	\$100,000	\$150,000 (stock incentive)
SVP/Innovation, reporting to CEO, private company (\$100M-\$999M in revenue)	\$300,000	\$225,000	
C-level innovation exec, reporting to CEO, public company (\$1b-\$9.9B in revenue)	\$315,000	\$150,000	
C-level innovation exec, reporting to business unit head, public company (\$50B+ revenue)	\$300,000	\$150,000	Long-term cash incentives as well
Strategy SVP, reporting to Chief Strategy Officer, Australian public company (\$10B-\$49B in revenue)	\$210,000	\$200,000	
C-level marketing exec, reporting to CEO, private company (\$100M to \$999M in revenue)	\$300,000	\$100,000	
Innovation SVP, reporting to CEO, nonprofit (\$1b to \$9.9B in revenue)	\$300,000	\$65,000	
C-level R&D exec, reporting to CEO, nonprofit (\$100M to \$999M in revenue)	\$312,000	N/A	
Innovation VP, reporting to CTO, public company (\$10B to \$49B in revenue)	\$300,000	N/A	

Note: The last two respondents didn't enter a bonus amount, as opposed to entering 0 or indicating they don't receive a bonus.

Top Earners: Other Titles

	Base	Bonus	Additional Info
Top Earning Director: Director of Strategy, reporting to Chief Strategy Officer, private company (\$1B to \$9.9B in revenue)	\$260,000	\$120,000	\$380,000
Top Earning Manager: Innovation Manager, reporting to Chief Innovation Officer, private company (\$1B to \$9.9B in revenue)	\$215,000	\$38,000	\$253,000
Top Earning "Other" Title: Innovation Associate VP, reporting to CEO, Nonprofit (\$1B to \$9.9B in revenue)	\$215,000	\$45,000	\$260,000

Determining Compensation for New Roles

When a new role is created, most survey respondents say that it typically must comply with Human Resources' guidelines for comp, based on the role's seniority level — or at least involve some input from HR. (One respondent described his innovation group as “a slave to HR” in figuring out salary levels for newly-created positions.) Many survey respondents say they rely on salary databases, websites like Glassdoor, or benchmarking against similar roles at other employers in the same region. One survey respondent admitted that fielding inbound calls from recruiters can supply some information about current salary levels in a particular market. Verbatim comments detailing how comp is tied to performance at each kind of organization follows.

PUBLIC COMPANIES

HR guidelines that take into account geographic location and similar industry salaries.

Benchmark against external roles in my region, then talk with HR to explore best pay within the position's assigned band. (Our company pays based on compensation bands; each band has a range of allowable compensation.)

We work with HR which uses traditional compensation benchmarking studies. It is very difficult to move away from the standard job categories when we are creating these roles.

[Salary is set based on] education, experience, role responsibilities, team fit. Not necessarily in that order.

Industry guides and historical information. Sometimes, discussions with peers within the industry.

Work with our compensation department, which conducts research on comparable jobs.

Internal benchmarks, which are based on exhaustive external benchmarking.

Market data, PayScale surveys, data from previous hires in similar roles/experience levels.

HR function grades every role.

Depends on geographical location, market rates, experience. I believe that innovation professionals can be industry-agnostic, so the best place to gauge salaries would be in technology and startup sectors. For Product Managers, [you] also need to take into account what entrepreneurial product manager could make if they launched their own startup.

Regionally adjusted to top 25 percent quartile pay per position/skill level.

We look at the closest role that we can find in the industry.

[We create a job description that gets] matched with five external competitors and two internal competitors, and ad-

justed for years of experience.

I triangulate between self-reported data (Glassdoor, etc), similar postings, and internal peers...but ultimately our corporate HR function is setting the salary range and bands. It's a source of tension, as I know that they struggle to see the comparables given the vast range of roles with “innovation” in the title.

PRIVATE COMPANIES

[We are a] slave to HR.

Market research for similar jobs and company positioning.

Leverage third-party survey data.

Industry studies led by our HR team.

Market-driven, with advice from recruitment partners.

Utilizing internal compensation team and market analysis, especially if we don't have that role in our organization.

Market comparables; input from graduate-level programs on hiring/comp levels for their students; using info I glean from the recruiting calls I field.

Benchmark with local market.

No new roles are created; we just evolve our day jobs and job descriptions are very out of date.

[We have] a newly-created role on the innovation team. Given there was no salary designation previously, the salary was negotiated using the prior salary survey report from *Innovation Leader*.

NONPROFITS

Working with Human Resources, and comparing against similar positions —even outside of our industry.

HR is responsible for leveling each position. That said, I do not think HR does a very good job finding comp data to use when leveling each role.

HR uses an internal grading system that takes into account the job's required competencies. Equity is also taken into account. We do not encourage individual bargaining.

We look at compensation reports created from data collected from other non-profits.

Competitive wage grid analysis.

The range is set by headquarters based on generalized responsibilities per paygrade and geographic location.

It is compared to similar roles/levels in the organization. For example, a product manager on the innovation team would be compensated similarly to a product manager with similar experience on another team. Our HR team does not use innovation compensation data to set roles.

Most of our additional resources have been contractors. There are salary brackets for each function; they vary by about 15 percent. There is not a lot of flexibility in setting compensations.

GOVERNMENT AGENCIES

In the past I have based it on market rates in the private sector for similar or equivalent positions.

We use the Hay Group for grading of new roles based on key accountabilities, decision-making, and competencies.

Established bands, plus a little comparable investigation.

We conduct a market assessment on similar roles in our region.

We use recruiters and compensation consulting services.

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