



2011-2012 Strategy Compensation Study
January 31, 2012



Charles Aris, Inc. Strategy Practice

Charles Aris, Inc. is a boutique executive search firm that was founded in 1969. The Strategy & Business Development division at Charles Aris is led by Chad Oakley, a former Bain & Company consultant and Wharton MBA. Since its inception in 2003 the Strategy & Business Development division has placed over one hundred and forty Candidates, at multiple levels, including Vice President, Director, Manager and Analyst.

The division's client base falls into three categories: the Corporate Strategy teams of industry leading Fortune 500 companies, the investment and portfolio management teams of leading Private Equity firms, and professional services firms, including consultancies and the like. The Candidates that we place typically work for top tier strategy consulting firms and possess Undergraduate and Masters degrees from the world's leading educational institutions.

For more information about the Charles Aris Strategy & Business Development practice please visit <http://www.charlesaris.com/strategy> or contact any of our team members below:

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Compensation Data Key Facts

Charles Aris, Inc. is pleased to present the 2011 Strategy Compensation Study. Key facts about the data compiled for the study are as follows:

- ◆ During the course of 2011 Charles Aris recruiters spoke with over 3,500 strategy candidates. Over 99% of these individuals were actively employed with industry leading consulting firms, corporations and private equity firms. As you might imagine detailed discussions around compensation happen only on an as needed basis (once a candidate expresses interest in an opportunity and moves forward in the qualifying process). For the purposes of this study we have distilled only those compensation data points from candidates that were actively employed by consulting firms. **The total number of data points for this study equals 223.**
- ◆ 2011 was another banner year for consulting. Many top firms experienced (once again) their best year ever in terms of total revenues. As such, retaining talent continued to be a top priority for consulting firms, and thus consultant compensation annual increases were very strong:
 - ◆ For MBA years 2005-2008, the average increase in consultant compensation (base salary plus target annual bonus) was **17.96%**.
 - ◆ For undergraduate years 2007-2009, the average increase in consultant compensation (base salary plus target annual bonus) was **20.18%**.
- ◆ All compensation data points for this study were collected between January 1, 2011 and December 31, 2011. It's important to note that most firms raise the base salary of their consultants in the December-January timeframe, meaning that 2012 raises will NOT be reflected in this study.
- ◆ Most firms pay year-end bonuses in the December-January timeframe as well. The target bonus percentages indicated at the top of each bar in slide six reflect what consultants *expected* to receive at year end and are not verified after the fact.
- ◆ Compensation data points are self-reported by consultants and are NOT verified through any other means. While this implies that consultants have the opportunity to be less than honest about their compensation, we feel extremely confident that the data is accurate given the consistency in responses we received across consultants and firms.



Compensation Trends in 2011

During the course of 2011 Charles Aris, Inc. noticed a distinct trend in the marketplace: consultants are expecting more compensation from Corporate America than in previous years. Our analysis suggests the following:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Consultant compensation expectations when joining Corporate America:	10-20% LESS than Consulting	Breakeven with Consulting	10-20% MORE than Consulting

Multiple factors are behind this trend:

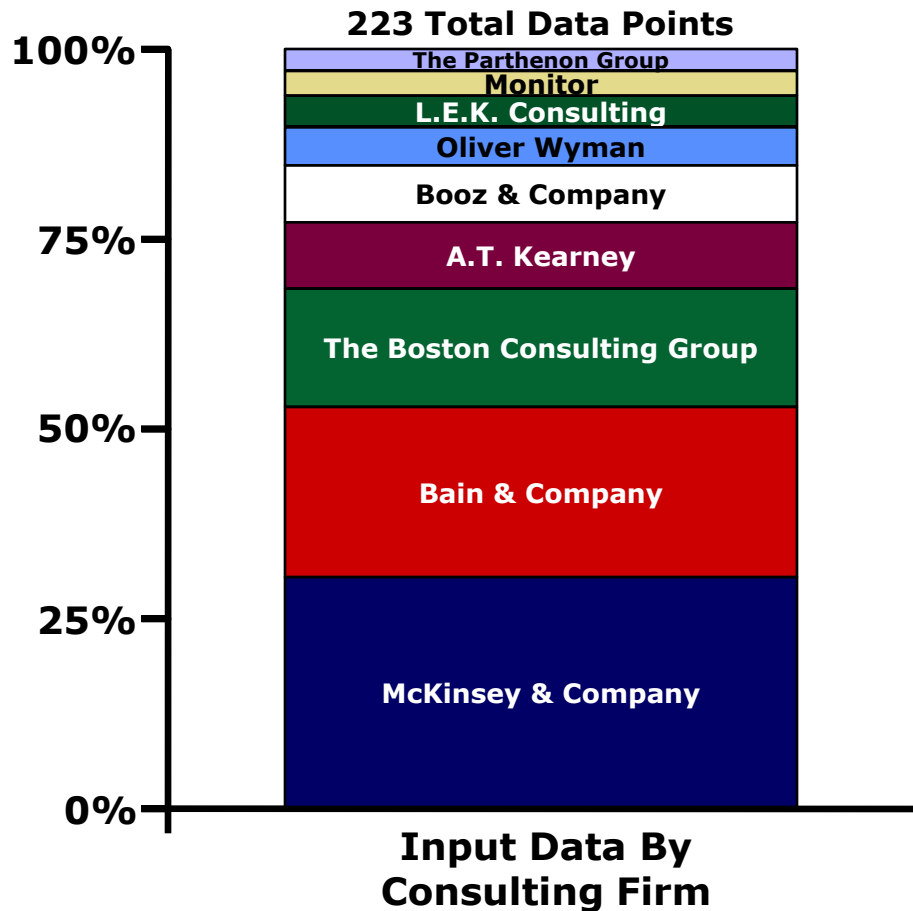
- ◆ Consulting firms are effectively “at capacity” and therefore are paying great salaries and bonuses to retain talent.
- ◆ Knowing that they are stepping off the steep compensation curve that consulting provides, consultants strive to “get out ahead of the curve” so as not to lose their strong compensation position after only one year of service in Corporate America.
- ◆ With so many Corporate America opportunities competing for their services, consultants know that they have the luxury of saying “no” to any one opportunity with the expectation that another, higher paying opportunity is right around the corner.

Potential solutions for Corporate America include the following:

- ◆ When recruiting consultants who have formally made the decision to leave consulting, recognize that your competition for these individuals is NOT the consulting firms themselves, but is in fact other Corporations (i.e. “work/life balance” is a benefit that all corporations provide).
- ◆ Lower your expectations for how much consulting experience you can attract given your budget constraints.
- ◆ Get creative with offers. Perhaps augment your offer with a multi-year sign-on bonus or a strong equity program to make up the difference in base salary and annual bonus.



Input Data by Consulting Firm



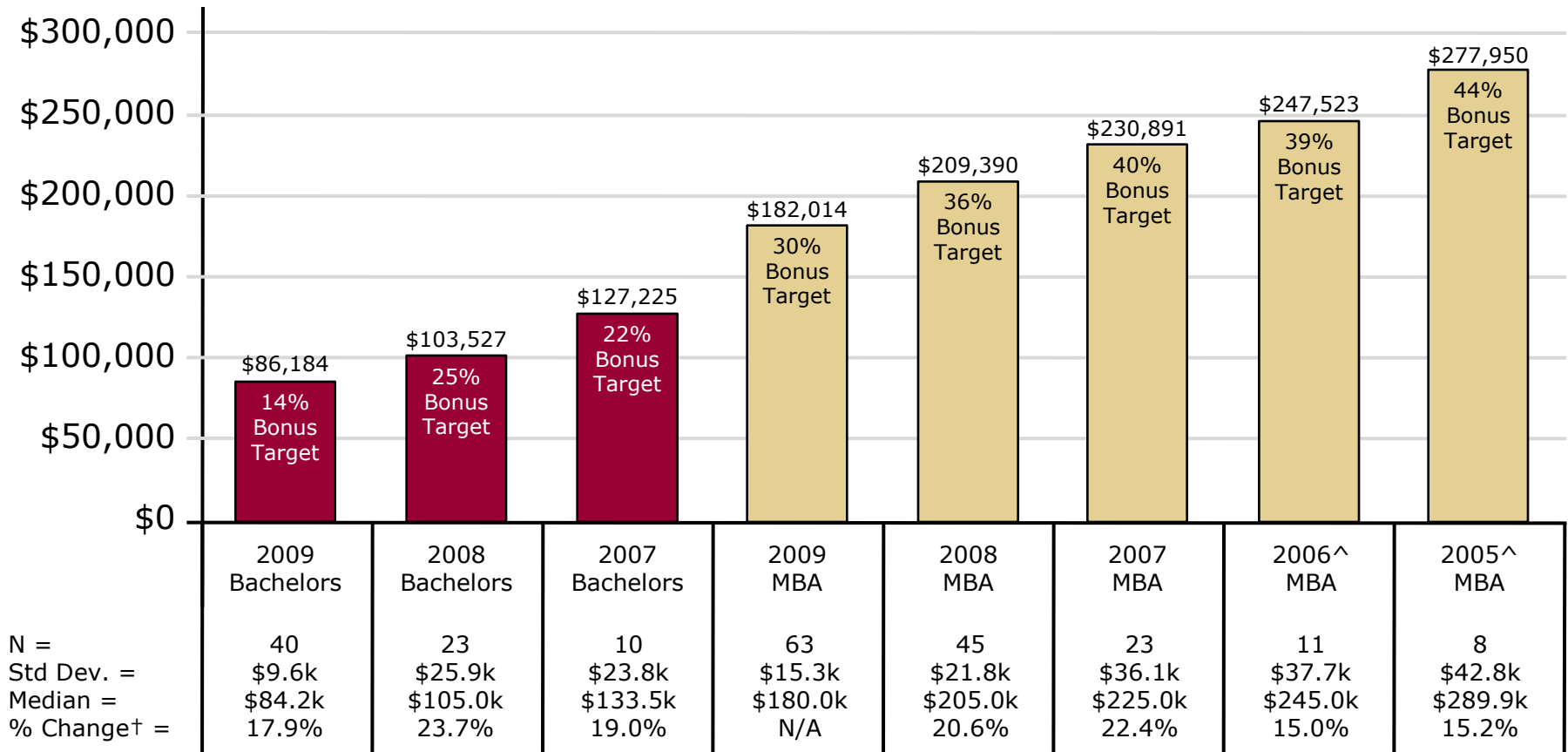
- ◆ Our 2011-2012 Strategy Consulting Compensation Study is driven by 223 data points from consultants across nine firms.
- ◆ 68% of the data points come from “The Big Three” firms: McKinsey & Company, Bain & Company and The Boston Consulting Group.
- ◆ Of the 223 total data points, 150 come from post-MBA consultants and 73 come from pre-MBA/Undergraduate consultants.
- ◆ We eliminated a small percentage of outlier data points that would have adversely skewed the data.
- ◆ We also excluded Partner compensation data points from this study. During the course of 2011 we spoke with many Partners with MBA graduation dates in the range of our study, but their higher compensation dramatically skewed the data to a point where it would no longer be useful for our clients.



Average Compensation by Graduation Year

Average Total Compensation* for Strategy Consultants by Graduation Year

- The number at the top of each column = total annual compensation*
- The % listed within each column = the portion of total compensation represented by annual bonus



*Base salary plus target annual bonus only. Does not include retirement contribution, sign-on, car allowance or other such cash equivalents.

[^]Pre-Partner data points only, i.e. we excluded compensation data points from anyone at Partner level or equivalent as it skewed the data significantly.

†% Change equals the percentage change in total annual compensation (base salary plus target annual bonus only), from 2010 to 2011, for that graduation year.



2011 Sample Industry Offers

Below you will find a subset of 2011 accepted corporate and private equity** offers for Charles Aris, Inc. candidates from Tier 1 Strategy Firms.

Consulting Firm	Consulting Title †	Education	Consulting \$\$ (Base + Bonus%)	Industry Offer* (Base + Bonus%)	Industry Title
Top 10	Analyst	B.S. 2009	\$85,000 + 12%	\$85,000 + 18%	Analyst
Big 3	Analyst	B.S. 2009	\$76,300 + 14%	\$110,000 + 75%	Associate (PE**)
Top 10	Analyst	B.A. 2008	\$75,000 + 13%	\$83,000 + 15%	Sr. Analyst
Big 3	Analyst	B.A. 2008	\$90,000 + 22%	\$90,000 + 17%	Sr. Analyst
Top 10	Analyst	B.A. 2009	\$93,000 + 22%	\$100,000 + 100%	Associate (PE**)
Pre MBA					
Big 3	Sr. Associate	MBA 2009	\$135,000 + 33%	\$124,000 + 23%	Manager
Big 3	Manager	MBA 2007	\$140,000 + 36%	\$145,000 + 25%	Director
Big 3	Manager	MBA 2008	\$155,000 + 25%	\$145,000 + 15%	Manager
Big 3	Sr. Manager	MBA 2006	\$160,000 + 25%	\$185,000 + 25%	Manager
Top 10	Sr. Associate	MBA 2009	\$125,000 + 12%	\$135,000 + 10%	Manager
Big 3	Sr. Associate	MBA 2009	\$140,000 + 37%	\$155,000 + 35%	Director
Big 3	Sr. Associate	MBA 2009	\$135,000 + 20%	\$140,000 + 20%	Sr. Manager
Top 10	Manager	MBA 2008	\$150,000 + 35%	\$145,000 + 20%	Sr. Manager
Big 3	Manager	MBA 2008	\$165,000 + 45%	\$176,000 + 30%	Director
Big 3	Manager	MBA 2008	\$145,000 + 35%	\$135,000 + 22%	Manager
Post MBA					

*Base salary plus target annual bonus only. Does not include equity, retirement contribution, sign-on, car allowance or other such cash equivalents.

NOTE: While not included in this summary, many of our clients included significant sign-on bonuses and equity grants in their offers, especially in those situations when a candidate was accepting a lower base salary and/or bonus.

†See titling structure on slide 8



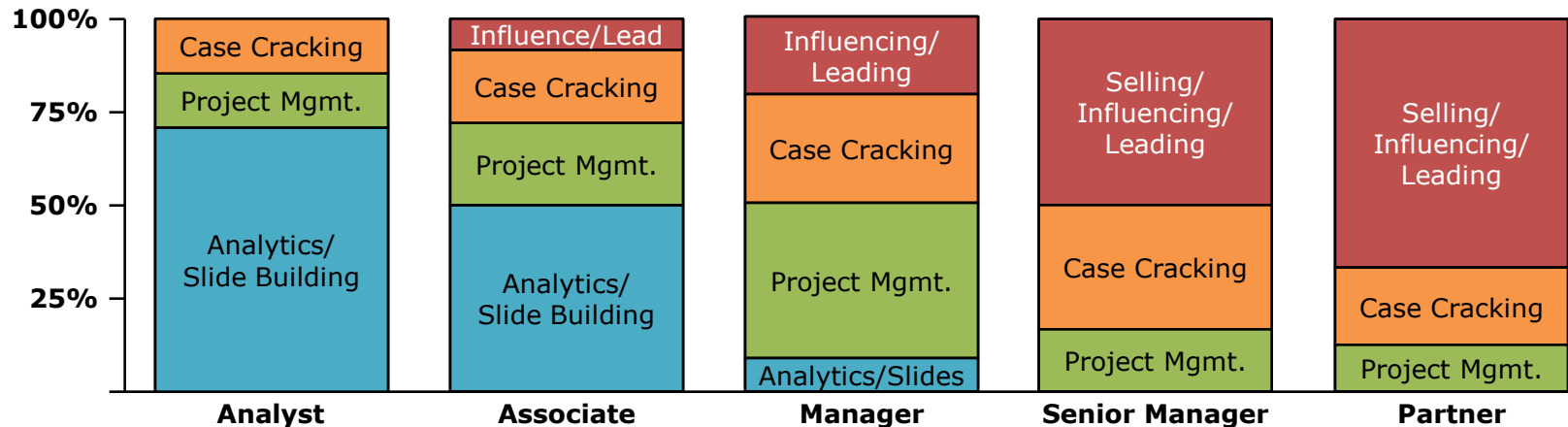
Consultant Competencies

The matrix below defines the expected competencies for consultants at each level for the **2012** recruiting year

Title at Consulting Firm*	Analyst	Associate	Manager	Senior Manager	Partner
Years of Experience	1-3 yrs Pre-MBA	1-2 yrs Post-MBA	3-4 yrs Post-MBA	5-7 yrs Post-MBA	8+ yrs Post-MBA
Current Education	2008-2011 undergraduate degree	2010-2011 MBA	2008-2009 MBA	2005-2007 MBA	2004 and earlier MBA
Current Base Salary Range	\$70k - \$135k Base Salary	\$125 - \$145k Base Salary	\$145 - \$175k Base Salary	\$175 - \$225k Base Salary	\$250k+ Base Salary

Consultant Competencies Breakdown by Position

(The competencies, by percentage, that you should expect at each level – see definitions on next slide)



*Note that titles differ significantly by firm. These are meant to serve as generic titles that work across all firms.



Consultant Competency Definitions

