

Putting Order into an Unruly Subject

By James Kristie

In a turbulent market, you need to be especially skillful in linking contribution and reward.



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Is there a hotter subject right now executive compensation? Or one that’s more emotionally laden?

Everybody’s got their hand in the till, so to speak. The SEC is ratcheting up its reporting requirements on compensation this year. Shareholders want a say on pay this upcoming proxy season. There is no place to hide from an inquisitive media, especially now with the blogosphere and other digital denizens expanding discovery and discussion. An army of governance experts readily renders judgment on the pay-for-performance link, or, in headline cases, pay-for-failure. Pay consultants have a new pipeline of business right into the boardroom. Top-gun lawyers are representing their top-gun CEO clients in wage negotiations. And compensation committees are scrambling to craft pay packages of growing complexity.

And that’s all good. That’s the way it should be—in a robust market for talent.

Let’s face it. Who among us—from the CEO to the proverbial mailroom clerk—feels we are justly paid? I don’t see many hands raised.

We’re always looking up and looking out for comparison markers. More importantly, we’re looking at the value we’re creating for our organizations—which is often not appropriately recognized by the marketplace—and the expectations that are being placed on us. For public company CEOs, performance expectations are excruciating. Just look at how many CEO changes were made in the first month of 2008.

There is so much emotion—conscious and subconscious—invested in compensation decision making and receiving. It’s so much a matter of self worth and dignity. I often wonder if what drives the fierceness of the scrutiny on compensation is this sense that “By golly, if we’re being underpaid we better be darn sure that Mr. Big isn’t being overpaid.” (I especially imagine pay-challenged members of Congress and regulatory agencies being susceptible to this mental agitation.)

It seems that the whole world is ready to pounce on perceived piggishness at the pay trough.

Let’s turn to this *Boardroom Briefing* on Executive & Director Compensation to simmer down

some of that emotional heat that skews pay debates.

This is our second volley at providing a set of briefings on being fair and rational in your compensation decision making. We previously published a briefing book in Winter 2005 that put some order into this unruly subject.

With the aforementioned SEC getting hot up on who’s making what—and why they are making what—and Congress spewing venom yet again on executive paychecks, it is time anew to assemble a team of pay pros to guide us on the skillful rewarding of CEO and senior team performance.

This report also includes board compensation. I know that if I asked an audience of directors if they felt they were underpaid, I’d see a sea of hands.

So sit back, breathe deeply, let go of your emotions, and absorb some of the latest thinking on doing the right thing to recognize talent and contribution.

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