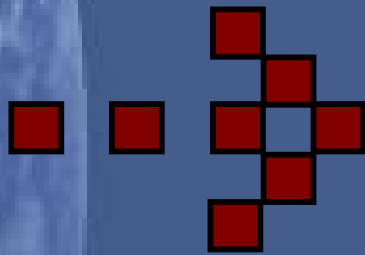


**CEO Seminars**

Executive Action Learning Seminars

CEO Club  
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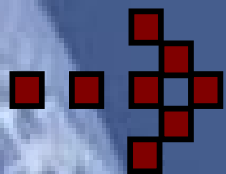
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Management**



Executive Education Courses

**CEO Compensation Best Practices  
A Guide to the Board of Directors**

Med Jones



Здравствуйते

こんにちは

سلام

*Howdy*

你好

नमस्ते

Ciao

*Hola*

您好



여보세요

*Hallo*

*Guten Tag*

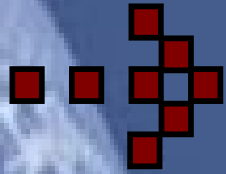
مرحباً

וּלְהָ!

*Salut*

Obrigado

Xin chào



# IIM Open Courseware (OCW)

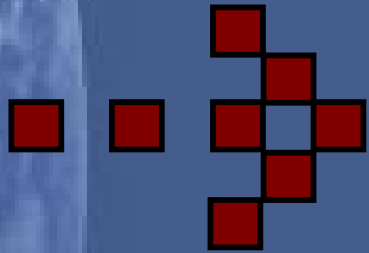
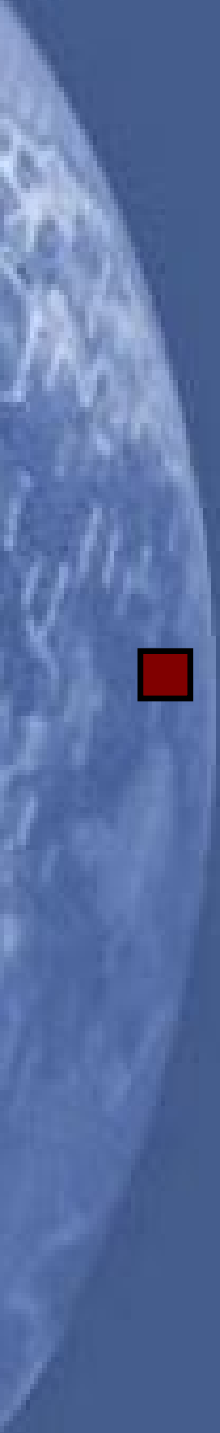
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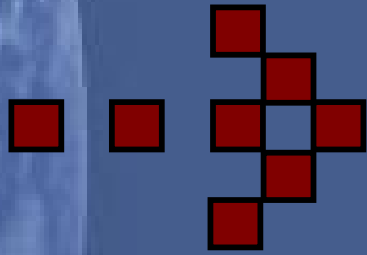
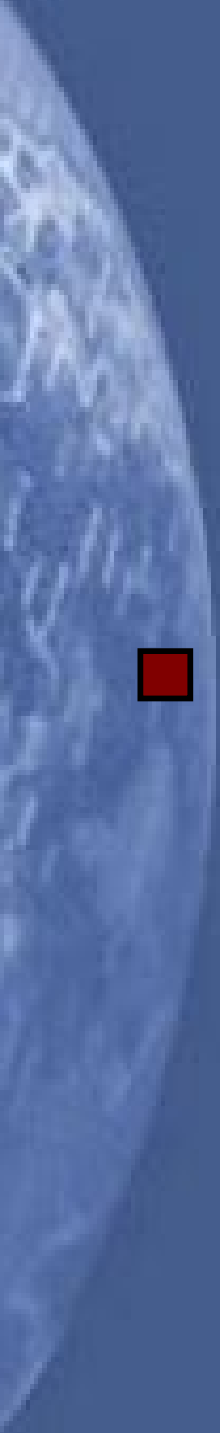
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# *Governance*



# Board of Directors (BOD) & the Chief Executive Officer (CEO)



# *CEO Compensation* *BOD Best Practices*



# CEO Compensation - IIM Best Practices

- The goal of any compensation system is to attract, motivate and retain the best talent while at the same time being fair to all stakeholders
- No pay cap on the CEO/CXO compensation, the more the company makes money the more the leadership team should make money
- Majority of CEO/CXO remuneration should be performance-based.
- Tied to a comprehensive set of business performance metrics rather than a limited set of metrics such as stock price or profit



# CEO Compensation - IIM Best Practices

- Benchmarked based on weighted criteria relative to company development stage (resources vs. results), competitive position and past/current performance delta
- Balanced between short-term and long-term goals/gains
- Fair to the CEO and the company
  - No over-pay or under-pay due to factors beyond CEO's control





# CEO Compensation - IIM Best Practices

- CEO Compensation Issues
  - Golden parachutes
  - Golden handshakes
  - “Say On Pay” and shareholders’ activism
  - Stock Options
  - Perks
- No absolute rules, decisions are made on case by case basis



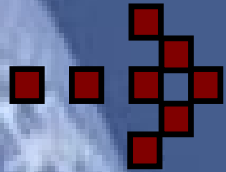
# CEO / CXO Sample Performance Metrics

1. Financial performance metrics
  - Financial performance targets
    - Profitability. Growth. P/E ratio...
2. Operational (Non-financial) metrics
  - Competitive position (market share change)
  - Employees & Customers loyalty Indices (CLI, ELI...)
  - Growth Engines
    - Innovations (e.g. new Products/Services)
    - New Markets
  - Efficiency
    - Productivity (e.g. Revenues per employees)
  - Risk Management
    - E.g. BC/DR



# Harvard Balanced Scorecard (BSC)

- A method of implementing a business strategy by translating it into a set of performance measures derived from strategic goals that allocate rewards to executives and managers based on their success at meeting or exceeding the performance measures. -(Source: Kaplan & Norton, 1996)
- BSC Dimensions
  1. Financial: How do we look to our shareholders?
  2. Customer: How do our customers see us?
  3. Internal Business Process: What should we do that is excellent?
  4. Employee Innovation and Learning: Can we continue to improve and add value?



# Harvard Balanced Scorecard

## Customer

Market share, new customer acquisition, customer satisfaction index, customer profitability, customer retention...

## Financial

Revenue, growth%, gross margins, operating income, net margin, EPS, cash flow, ROI,

## Learning & Growth

Employee: training, retention, employee satisfaction index, IS knowledgebase utility, IS collaborative activity

## Sample Metrics

### Internal Business Process

Innovation: % of sales from new products.

Operations: order processing time, delivery time, number of errors. product returns, SLAs.

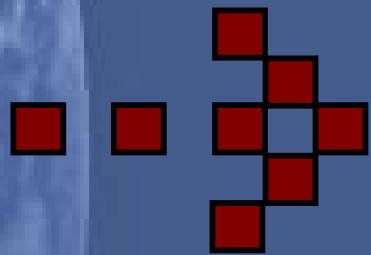


# CEO Compensation with BSC - Example

CEO performance bonus is designed as a percentage of base salary.

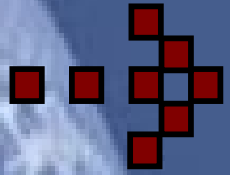
CEO paid bonus percentage is tied to percentage of meeting/exceeding performance targets

Category	Measure	Weighting
Financial (60%)	EVA	25%
	Unit Profit	20%
	Market Growth	15%
Customer (20%)	Customer satisfaction survey	10%
	Dealer satisfaction survey	10%
Internal (10%) Process	Above average rank on industry quality survey.....	5%
	Decrease in dealer delivery cycle time.....	5%
Innovation (10%) and Learning	Suggestions/employee	5%
	Emp. satisfaction survey	5%



## *CEO Compensation Toolkit*

Business Case. Strategy. Action Plans. Assessment Forms.  
Feedback Templates. Communication Scripts. Checklists.  
Recommendations. Executive Presentations. Contracts. Insights.  
Best Practices. Pitfalls. Tables. Scorecards.



Questions?



Спасибо

*Gracias*

Grazie

متشكراً

ありがとう  
ございます

धन्यवाद

*Merci*

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*Danke*

谢谢

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*Howdy*

*Thank you*

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אנא בדוק האם המלה

Cảm ơn