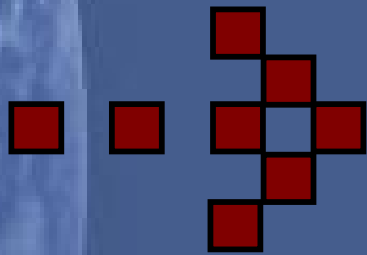


CEO Seminars

Executive Action Learning Seminars

CEO Club
Executive Courses

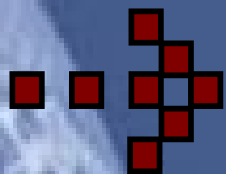


**International
Institute of
Management**

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

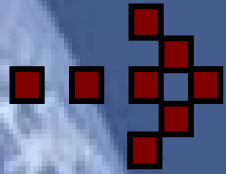
مرحباً

וּלֵה!

Salut

Obrigado

Xin chào



IIM Open Courseware (OCW)

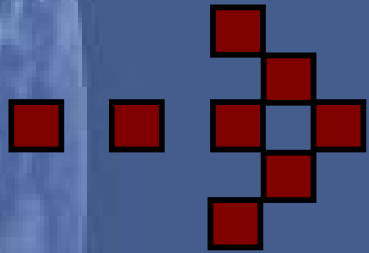
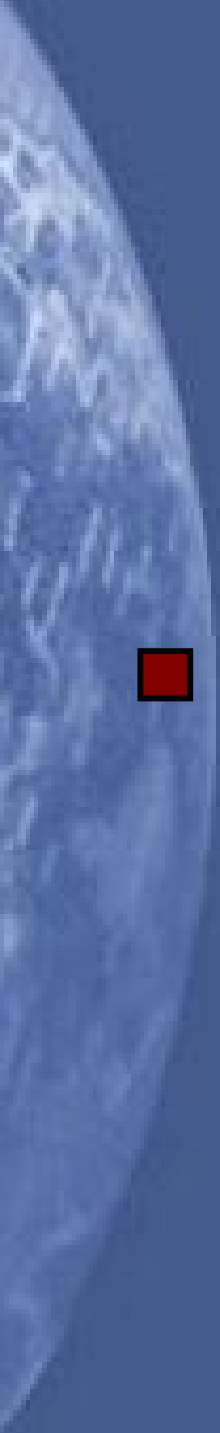
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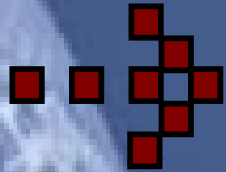
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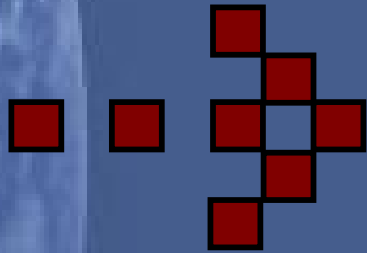
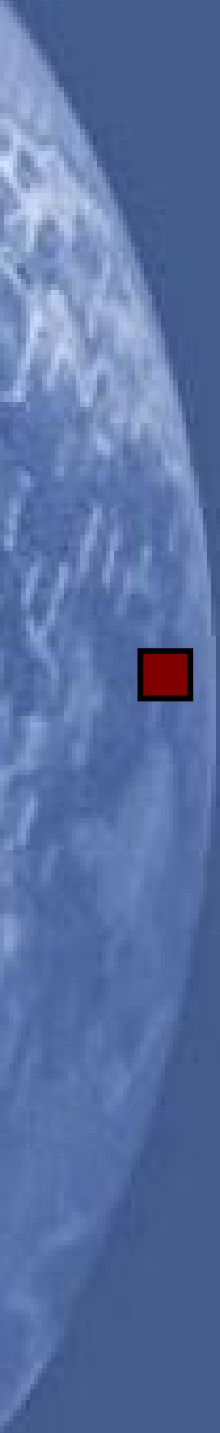
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Governance



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



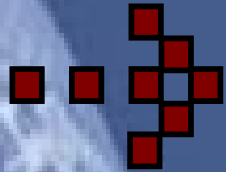
CEO / CXO Sample Performance Metrics

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.

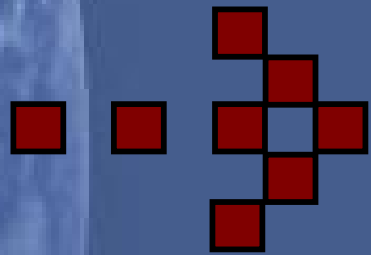
Operations: order processing time, delivery time, number of errors. product returns, SLAs.

CEO Compensation with BSC - Example

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

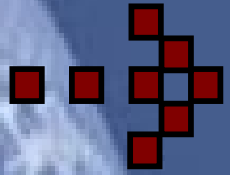
CEO paid bonus percentage is tied to percentage of meeting/exceeding performance targets

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%

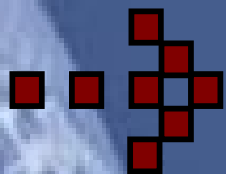


CEO Compensation Toolkit

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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شكراً

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Cảm ơn