

Don't Panic

AUTHOR



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After doing everything possible to ensure the safety of employees and customers and taking measures to address all the various ways that COVID-19 is disrupting business, thoughts will eventually turn to compensation. For many companies, the current outlook is bleak. 2020 threshold performance levels now look like a stretch. Many equity grants have already been made at prices far above current levels. 2020 is setting up to be a lost year.

But this time next year, from a business perspective the current problems could well be remembered as a short-term blip. In no way do we want to underestimate the current crisis. It is a matter of life and death. As compensation consultants, we understand that there has never really been a “compensation emergency.” But that doesn’t stop people, in a minute of calm, from thinking about their pay programs and it’s not pretty. So, what should we be doing?

- Don't panic—it's going to get worse before it gets better. But it will get better and then we will have time to think about non-emergency issues.
- People will be evaluated on how they handle the challenge.
 - By the time we are reviewing 2020 performance, this will hopefully all be over, and we will be discussing 2021 targets.
 - This will be the year to exercise discretion.
 - Shareholders will be sympathetic to those businesses that navigated this crisis well. We don't know what that looks like, but leadership and transparency matters.
 - We may find that performance levels are so low that even discretion isn't appropriate.
 - There will be a next year.
- Now is not the time to modify outstanding equity grants. Yes, the price is well below the very recent grant date, but don't do it.
 - We don't know how low stock prices will go.
 - The underlying economy was strong. While some industries were facing headwinds, perhaps even a recessionary environment for some, when this is over, things should bounce back.
 - Stockholders are not sympathetic to repricing awards at a market bottom.
 - There will be plenty of time to evaluate long-term performance when things are more stable.

We will have time to think about the impact of the current crisis on compensation when it's over. Don't rush to make changes or adjustments when those changes may have to be further adjusted. Crises like this often bring teams together. Leadership matters.

About the Author

Mark Rosen is a managing director in the firm's Charlotte office. He has consulted on executive and board compensation issues for more than 20 years for a broad range of public companies, as well as tax-exempt organizations and academic institutions. Mr. Rosen has extensive experience with benchmarking, retirement plan design, governance issues, and tax and accounting considerations.

About Pearl Meyer

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