

Video Transcript: Good Governance: Is Your Pay Program Informed or Dictated by External Pressures?

Mike Esser: In today's say-on-pay environment, all too often compensation programs are designed to meet shareholder advisory firm tests or are tuned to market practices without considering what's appropriate for the company. We think that constitutes bad compensation governance. So how do we get to good governance for compensation? We believe that well-designed compensation programs flow from and support the business strategy and talent development needs of the organization. How do we break out of the trend towards the one-size-fits all approach? We recommend four actions.

One, take a different viewpoint of external viewpoints and market practices in general. Have them inform, but not dictate compensation program design. Second, recognize that compensation plans, incentive plans in particular, necessarily bear management's imprint. Three, exercise business judgment when it comes to compensation programs. Discretion is not a bad word. And fourth, be transparent with respect to the intent and the outcomes of the compensation program design.

