

Where did it all go right?

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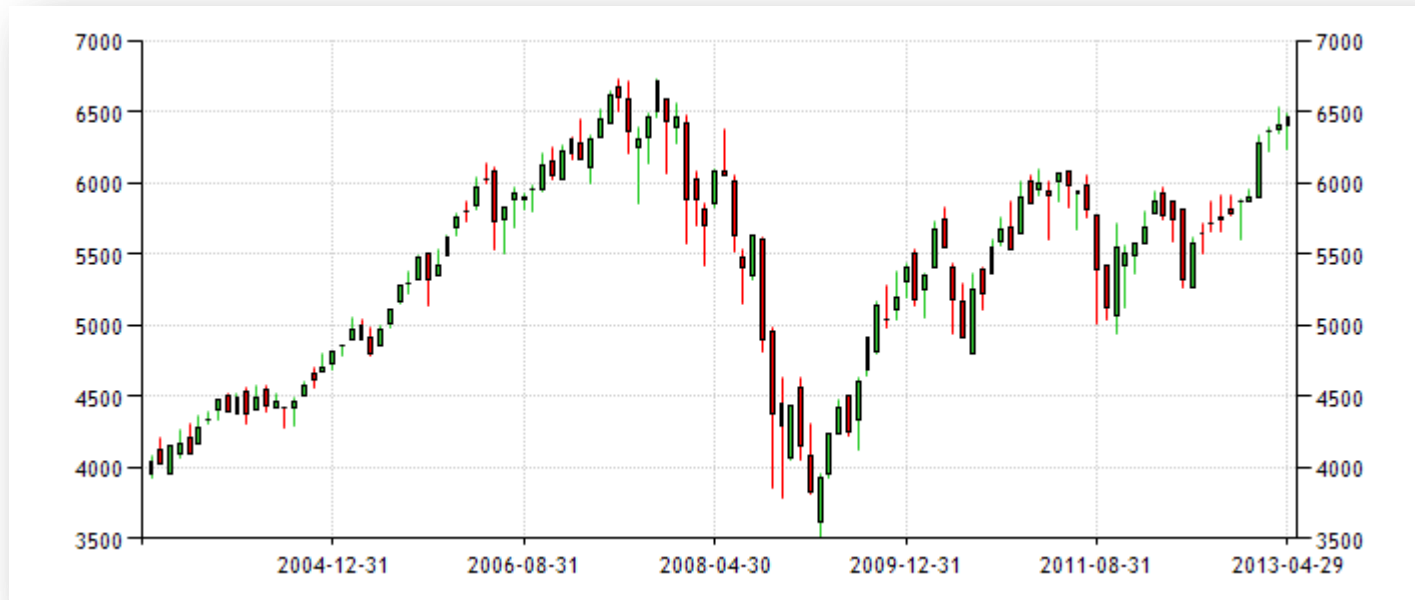
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Executive pay isn't working



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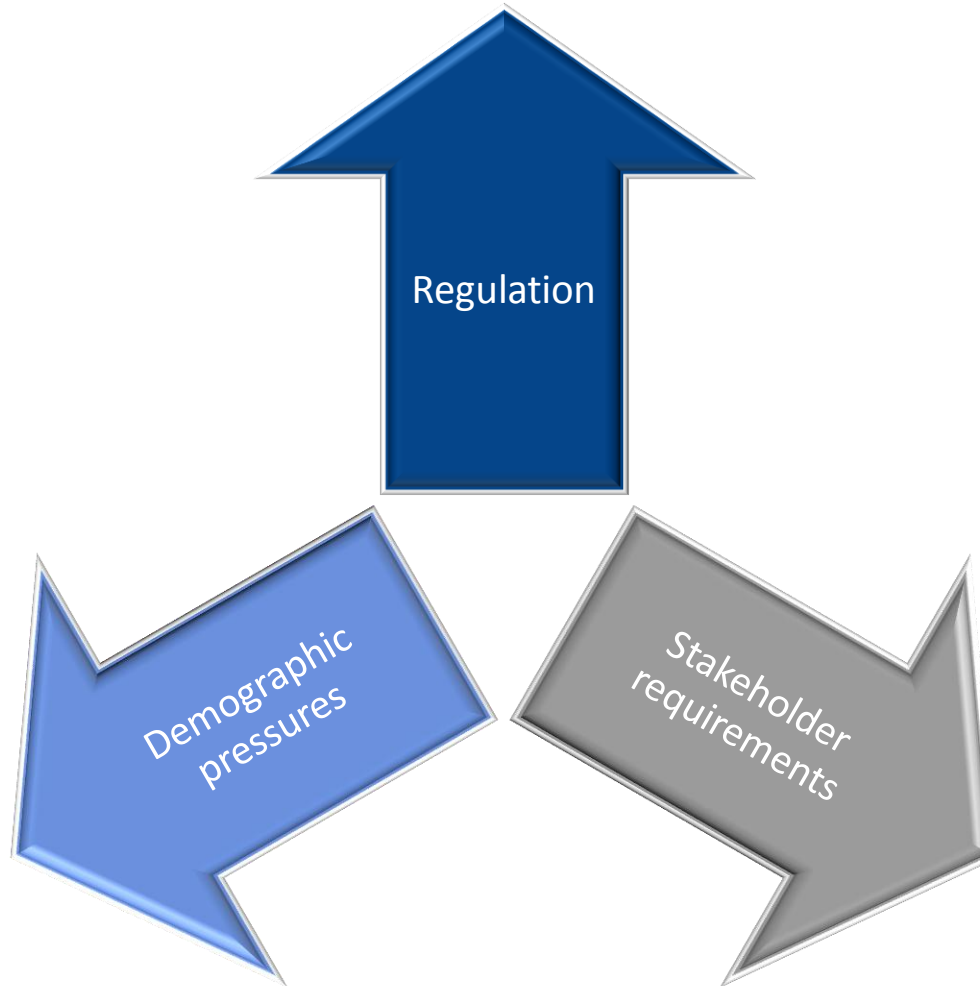
...or is it?



Underlying picture looks volatile, but actual organisations within FTSE 100 have grown, changed, merged or dropped out.



The present





Mythical beasts

Myth



“Executives are entrepreneurs and should be rewarded as such...”

- Entrepreneurs are entrepreneurs and executives are executives
- Majority of Executives are quite risk-adverse – when offered the opportunity to put their own remuneration at risk they tend not to



Mythical beasts

Myth



“LTIPs align shareholders and executives”

- The majority of LTIPs are not understood by execs, so they have limited incentive value
- Execs heavily discount the value of their LTIPs – by up to 50% over three years – they can be an expensive vehicle to deliver remuneration



Mythical beasts

Myth



“You have to pay upper quartile pay to get upper quartile performance”

- People will work for less money if they feel that the job is what they want
- Pay is relative
- Autonomy, mastery, purpose



Mythical beasts

Myth

“5.5% of Executive Board members are female in the FTSE 350”

- 3.3% of the FTSE 350 CEOs are female
- Probably easier to spot a mermaid



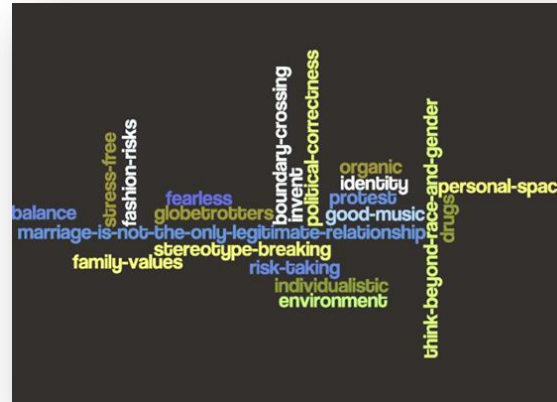


The past

What used to succeed in business?	What succeeds now?
Large size	Lean structure
Consistency	Innovation
Routine	Nimble
Hierarchy and control	Open access
Cultural homogeneity	Diversity and cultural difference
Technical skills	Joining the dots



Baby boomers aged 50 - 70



Generation X – aged 30-50

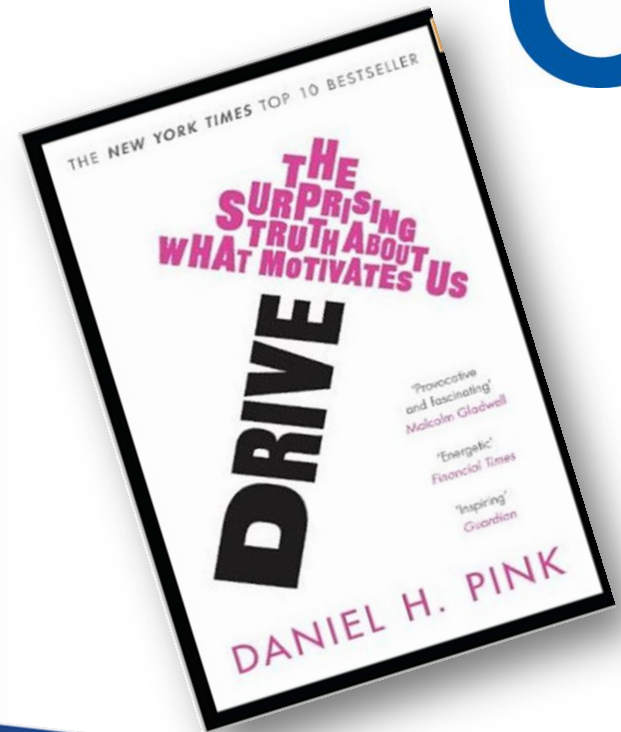
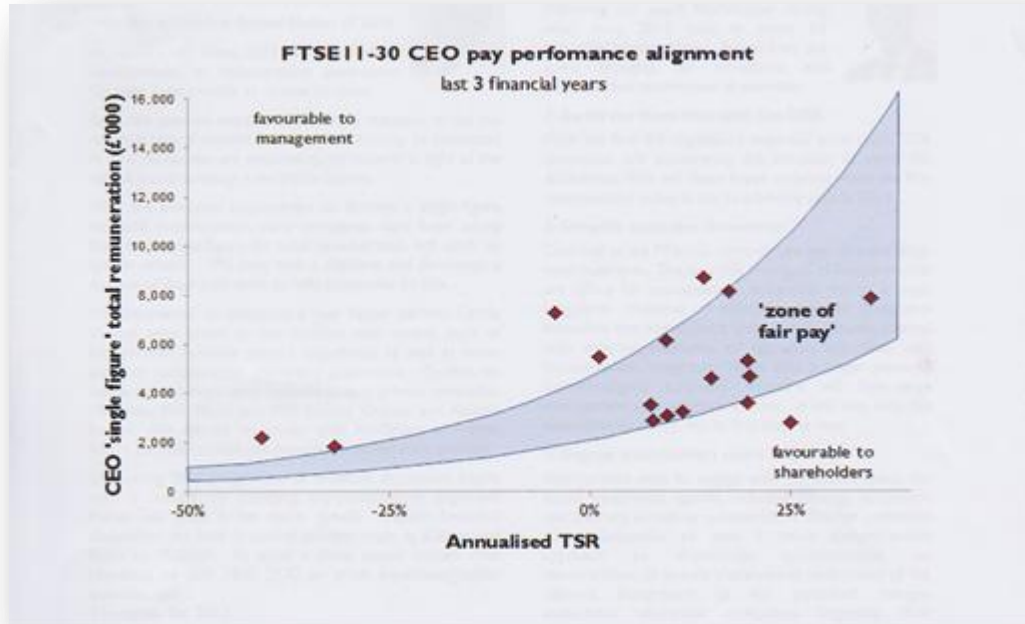


Generation Y – aged under 30



The future

“Zone of fair pay”



© Kepler Associates – Newsletter 26 February 2013

BIS | Department for Business
Innovation & Skills

DIRECTORS' PAY

Consultation on revised
remuneration reporting
regulations

JUNE 2012

Business



Case studies

Unilever

While sustainability is just another buzzword for many businesses, Polman, CEO speaks with conviction when he describes the Unilever 'Sustainable Living Plan', set out in 2010, as 'probably the most audacious plan that exists in the world'. The aim is to double the size of the business while reducing its environmental footprint. The annual report and accounts talks about aligning the remuneration of execs to the long-term sustainable living plan during 2013 but no details are available as yet.



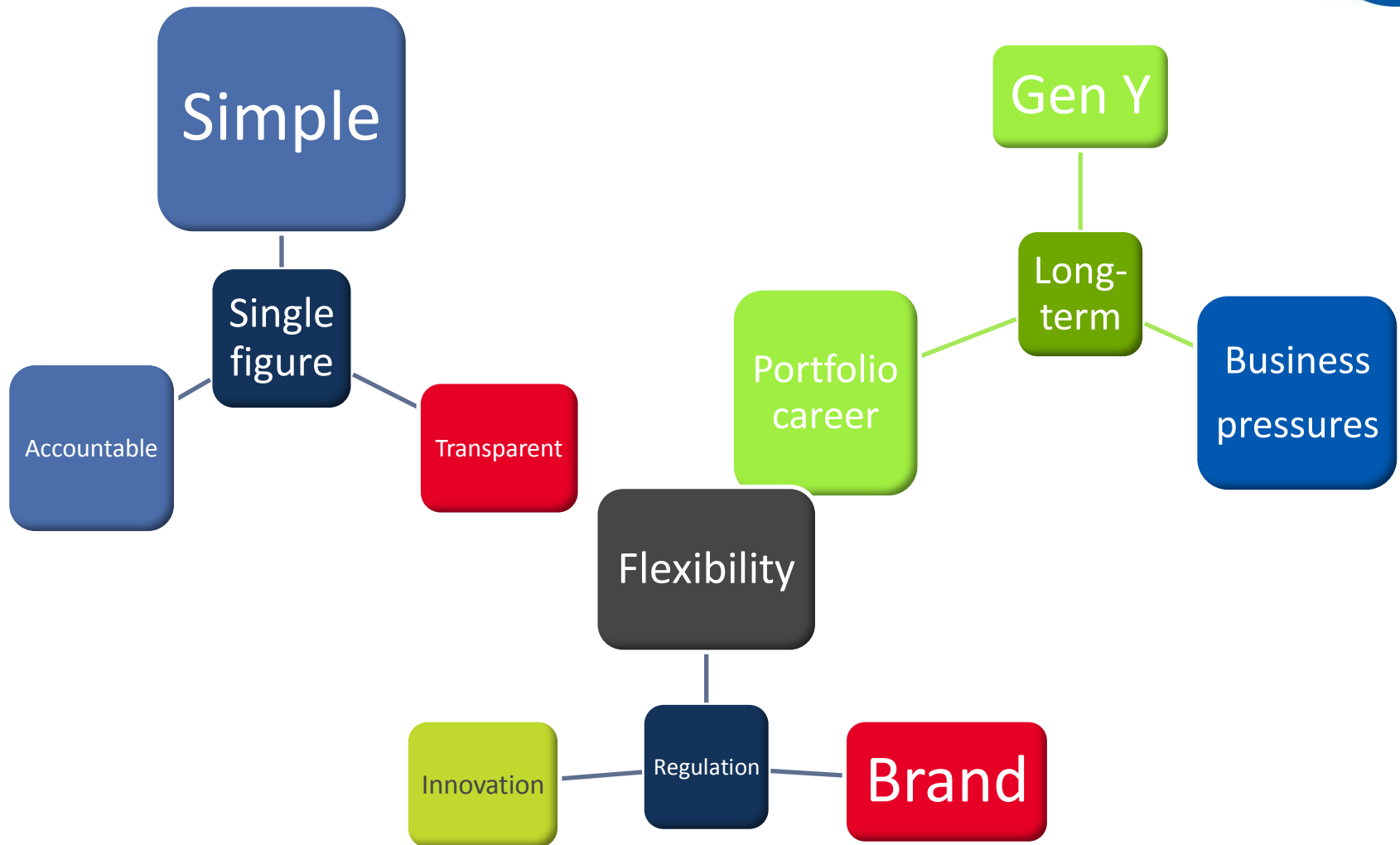
HSBC

..is adopting the idea of "career shares", where part of the awards of shares must be held until retirement. Last year the bank introduced a pay plan that requires directors to hold shares until they retire – although when it was put to the vote some 15% of shareholders failed to support. It is moving away from typical performance measures – such as total shareholder return – for the awards of shares as HSBC believes this has encouraged bankers to take risks in the past, and is now awarding shares based on past performance.

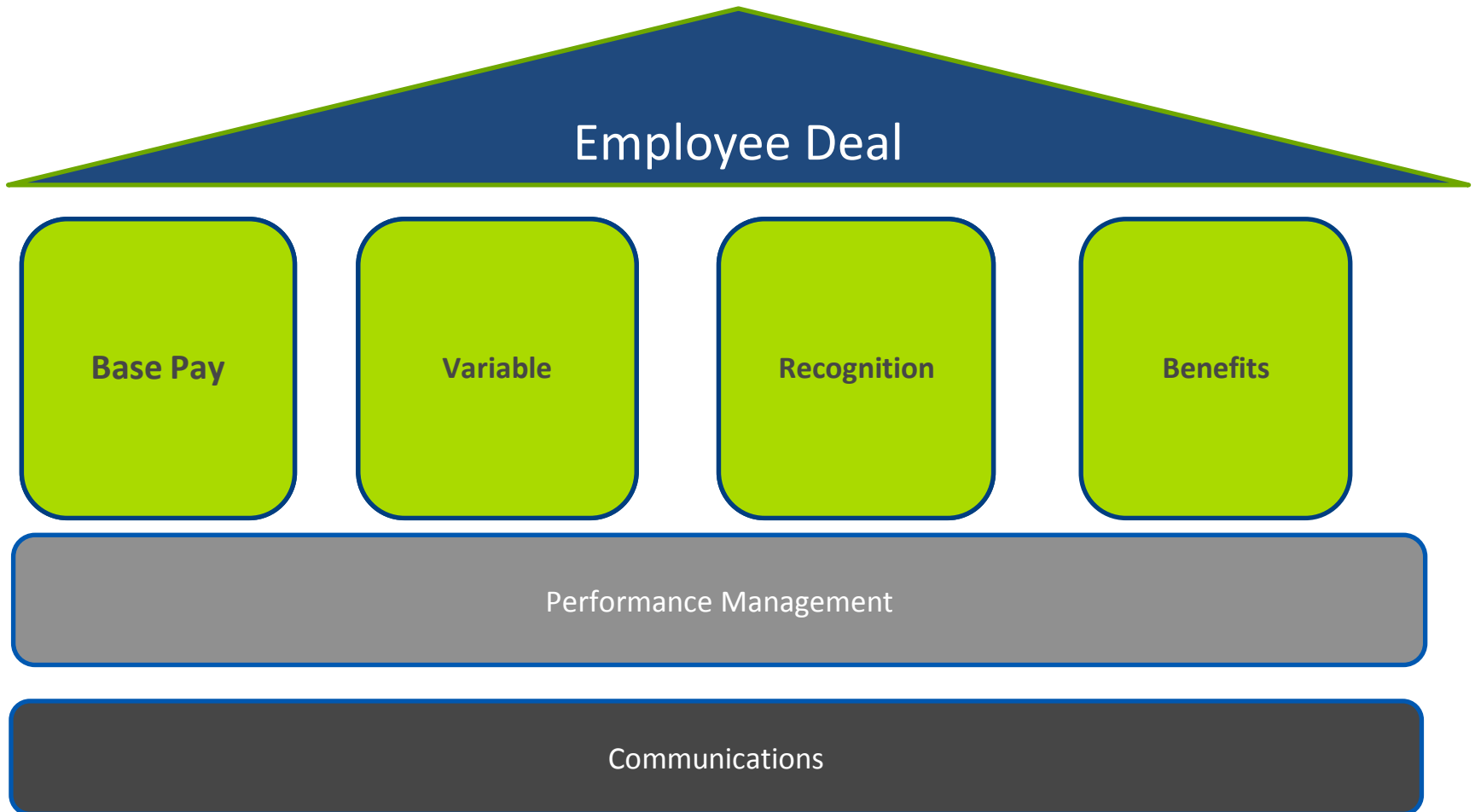




Conclusions

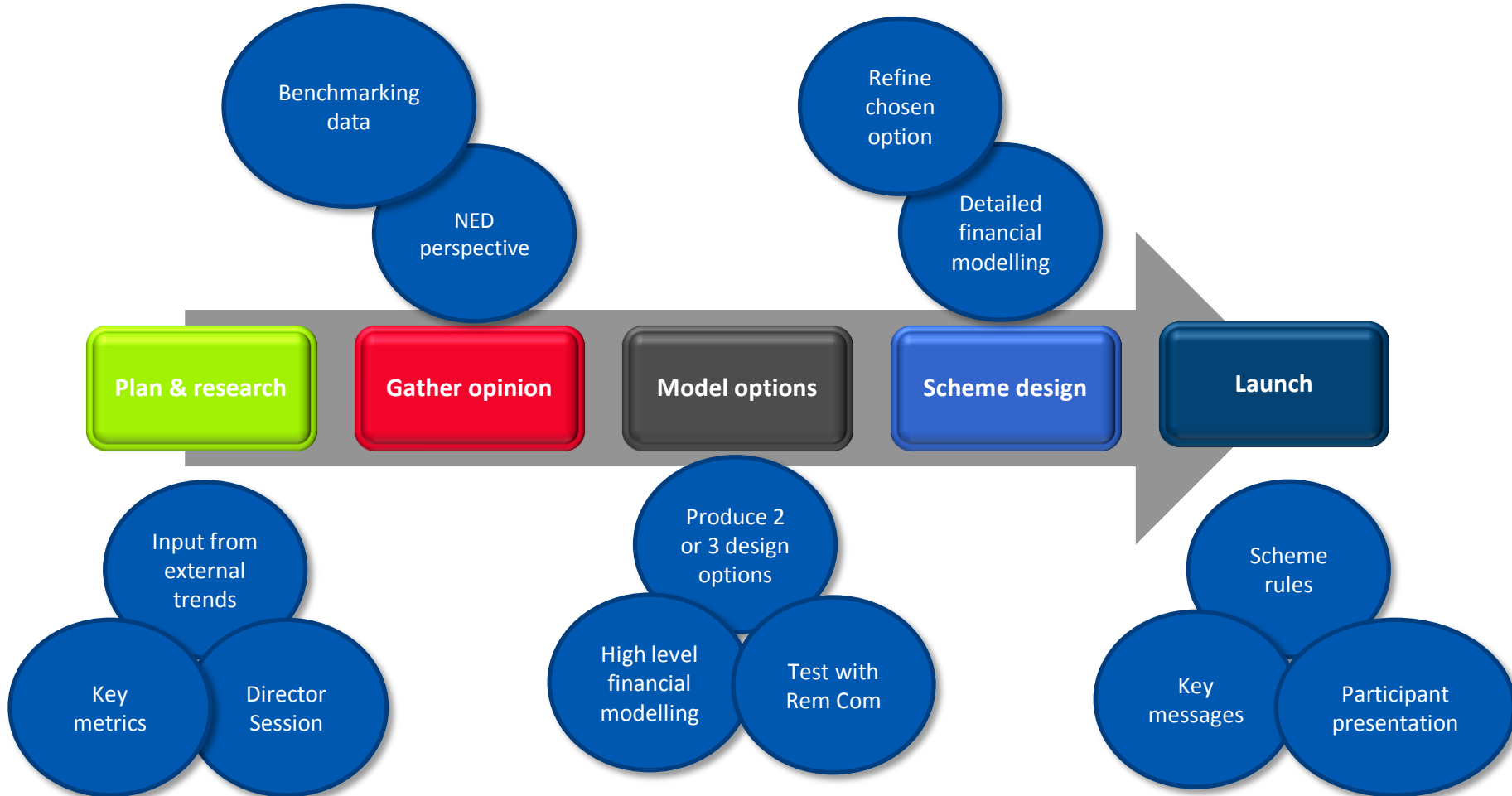


Reward pillars concept





Defining your approach





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