Chapter 1

A New Day

The Call for a Demonstrable Link between Pay and Performance

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Executive Remuneration Governance

The corporate governance paradigm has shifted dramatically when it comes to a company's executive remuneration. In the past, investors had little voice in what or how executives were paid. In reality, if shareholders were unhappy with executive pay, they had little recourse other than to sell their shares in the company.

Boards of directors did not have much influence either. The stability of boards (the average length of service for directors was well over a decade) often led to a strong sense of trust and comfort with the company's management team and the compensation programs

used to reward their contributions. Pay recommendations put forth annually by management would be reviewed for reasonableness and approved by the compensation committee of the board with little independent review of such matters as the peer companies used to evaluate the competitiveness of pay or the inputs used to calibrate performance targets, to the extent targets were even used.

Management tended to take the lead in recommending pay increases, negotiating new employee contracts, and designing new incentive programs. Human resources would collect and analyze benchmark data from published surveys or the proxy statements of peers to assess the competitiveness of the current pay program and develop recommendations for the upcoming year. Finance would be responsible for identifying the performance measures that would fund incentive programs and for calibrating awards with various performance levels based on the internal budget. The bulk of the work was performed in advance of the compensation committee meeting with little direct involvement from directors—the board's blessing often viewed as a necessary informality.

The picture today is strikingly different. Investors around the globe wield significant influence and clamor for more say over executive pay matters. Boards face increased scrutiny from shareholders, the media, and legislators and regulators as they struggle to balance the interests of investors and management. Management is being asked to take a back seat in a process they previously led, and are gradually redefining their role as one of collaboration and consultation.

Investor Role

Governance developments vary by region, but we are experiencing a definite increase in shareholder influence on executive remuneration issues from Europe to North America to Asia Pacific and beyond. There is little doubt this trend will continue as shareholders react to the widespread share price declines that have resulted from the economic downturn.

Shareholders in Europe have been leading the charge. Beginning in 2003, public companies in the United Kingdom were required to give shareholders an advisory up-or-down vote on executive remuneration

packages. While this "say-on-pay" vote is nonbinding in the United Kingdom, proponents argue that it has increased the dialogue between companies and large investors and has brought about changes in compensation practices that have improved the alignment between pay and performance. For example, share option plans—criticized for rewarding short-term share price volatility over long-term value creation—have been largely replaced with performance-contingent stock grants among U.K. companies.

Several countries in continental Europe have also adopted legislation that gives shareholders a voice on executive remuneration matters—and, in some cases, the votes are binding. Investors in the Netherlands, Sweden, and Norway cast a binding vote on executive pay and some firms in Spain and Switzerland have voluntarily introduced advisory votes. Across Europe, companies are making efforts to improve the disclosure of their executive remuneration programs.

European governments are trying to exert more direct influence over executive pay arrangements as well. A new measure in France requires that severance payments be conditional on performance—a practice essentially unheard of until now. Meanwhile, legislators in the Netherlands want to limit nonperformance-based compensation by imposing an additional tax on salary and severance payments that exceed €500,000. In the wake of the financial crisis and global economic downturn, these types of caps may well become more commonplace.

Following the U.K. lead, Australia instituted a nonbinding, advisory vote on executive remuneration for public companies beginning in 2005. While the large majority of companies receive a positive vote, there have been a few notable exceptions. Where "no" votes occurred, the protests sent a clear message to the board and management, prompting some companies to change their remuneration programs. Others looked to pacify shareholders by improving transparency around the compensation decision-making process and providing more meaningful exchanges with major investors.

North American countries have been notably behind the curve on governance reforms, but there has been more activity in this area in recent years. Both the United States and Canada have adopted new disclosure rules that provide additional information to shareholders on executive remuneration programs and practices and improve comparability

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across companies. Initial compliance with the new rules was spotty, but the situation appears to be improving as the regulatory bodies in each country work to clarify their expectations.

Institutional shareholders in the United States and Canada have also been submitting an increasing number of proposals on compensation matters as part of the annual shareholder vote. While most of these proposals have so far failed to get a majority vote, say-on-pay resolutions have been garnering increased support and passed at a handful of U.S. companies in 2008. These proposals are likely to be prevalent again in the 2009 proxy season and may receive much stronger support sparked by the economic downturn. Fueling the development is the rise in influence of proxy advisory groups, which are (not surprisingly) advocating of more direct shareholder involvement in executive remuneration matters.

U.S. legislators have also been looking for ways to curb executive compensation abuses, including proposing say-on-pay requirements and limiting the use of certain types of compensation. They passed legislation that restricts the use of nonqualified deferred compensation, and the deteriorating economic situation (including the international bailout of the financial sector and associated restrictions on executive compensation payouts) is bringing further impetus to the call for widespread reform.

While companies in emerging markets have largely escaped these pressures, many are taking a proactive stance and developing responsible disclosure practices in line with those in more mature markets. Companies in China, India, and other growing economies are also looking for ways to strengthen the link between pay and performance by introducing performance-based incentives.

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Board Role

Stemming from a more activist shareholder base and heightened media attention, the board role is in the midst of transition. We are seeing a shift in the board's accountability from high-level oversight of the business—including executive remuneration matters—to independent review and verification of corporate strategy and more direct involvement in day-to-day decision making.

This increase in responsibility means a greater time commitment for compensation committee members. Committees are upping the number of times they meet each year and asking directors to spend larger amounts of time preparing for meetings, reviewing materials, or participating in preliminary discussions. Because the regulatory environment has become more complex over the years, directors have had to invest additional time in training on executive remuneration matters—both up-front (upon appointment to the committee) and ongoing, in order to keep up with the constantly changing rules and regulations. The role of the committee chair has also expanded to fill the need for greater collaboration with outside advisors, as well as with management.

Greater scrutiny of the board role (along with a few visible shareholder lawsuits following major corporate scandals) has increased the perceived liability associated with the director position. This has pushed many boards to adopt a risk-management mentality in managing their fiduciary responsibilities. Directors must constantly weigh how their decisions impact the business *and* how they appear to shareholders. It is no longer simply a matter of showing that compensation levels are reasonable; boards today must be able to rationalize why the compensation package looks the way it does. They must defend why one equity vehicle was selected over another, explain how performance metrics support shareholder value creation, point out the specific inputs that went into the annual target setting process, and prove why selected peers are valid comparators for compensation benchmarking.

Boards have to balance the pressure on pay from shareholders with the need to attract and retain top executive talent. This has become harder than ever. Merger and acquisition activity has resulted in larger and larger organizations, and few individuals have the skills and experience to run businesses of this size and scope. The move toward privatization has also compounded the talent shortage, with many top executives lured away from the public sector market by highly leveraged pay packages offered by private equity investors.

Globalization is also having a profound affect on the ability of companies to attract and retain executive talent. Executives are increasingly willing to move across borders to greener pastures, so companies must often compete not only within their home country, but also against foreign competitors for talent. Meanwhile, firms expanding into

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new markets sometimes find it difficult to recruit executives in the local market because what is status quo to shareholders in the home country might not be competitive or attractive in other regions. For example, companies in the United Kingdom that exclusively use performance-based equity can find it difficult to recruit talent from the United States, where equity has traditionally vested based on service.

While some boards have welcomed the growing power of shareholders over compensation matters as a counterpoint to management influence, there is no doubt that it has made the process more complex and sensitive. Given the range of interests that must be attended to, many boards are struggling to balance what shareholders want to see with the practical needs of the business.

Management Role

Mirroring the growing influence of shareholders, management control over executive remuneration programs has declined. This is not to say that senior leaders no longer have input into compensation decisions, but long gone are the days where executives called the shots. As boards respond to shareholder concerns by becoming more actively involved in both executive remuneration strategy and implementation, philosophical questions abound as to whether executive remuneration falls under the realm of management or is primarily a governance concern.

Where the pendulum will settle is difficult to predict, but what is clear is that executives feel the heat. Many chief executive officers (CEOs) find themselves playing "defense" when it comes to executive remuneration matters and are being forced to invest greater amounts of time and resources into building the business case behind pay decisions. This development can be troubling to senior leadership because it is their responsibility to achieve positive business results, and they know more than anyone that the right executive talent can make or break a company's best efforts.

While executive talent can be one of the most important investments a company can make, the line between competitive and excessive remuneration can be a difficult one to walk—especially if remuneration decisions can be criticized as self-serving. In this regard, the additional pressure on management to demonstrate that compensation programs are reasonable and defensible should bring more accountability to the process.

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However, executives must retain the flexibility to make timely decisions that are responsive to both internal and external developments impacting the company's talent strategy. Executives need the ability to respond quickly and decisively to retention concerns. Directors, who are not involved in day-to-day business operations, are usually not in the best position to spot emerging retention issues, and obviously this is information that shareholders would not be privy to until it was too late.

Another potential danger is the tendency to fall back on the status quo when designing incentive plans. Shareholders like simple, conventional approaches to incentive compensation because it allows them to more easily compare outcomes across companies. Widely accepted program designs often seem like a safer bet to directors as well, since they pose fewer challenges when it comes to shareholder communication than a customized plan that has been designed to reflect a company's unique business context. In fact, we have already seen this move to standardize programs take place in the United Kingdom and Australia, where institutional investors have pushed companies to link the vesting of long-term equity awards to performance as measured by just a few generic metrics—namely earnings per share or relative total shareholder return measured against peers.

As you will learn from this book, incentive compensation can be an invaluable tool for aligning executive efforts with the strategic priorities of the business. While an easily understood plan that allows for more direct comparisons against peers might be welcomed by shareholders, it can problematic for the CEO who wants to rally his or her team behind a new revenue or return goal in support of the company's business strategy. Just as a manufacturing company that seeks to lower costs by commoditizing its products must consider the impact on customer demand, gains from streamlining the measurement and reward processes across companies must be balanced against the ability of companies to tailor measurement and reward processes to their specific needs.

Achieving the Right Balance of Interests

While the balance of power in the realm of executive remuneration matters used to lie squarely in the hands of the executive team, it has undergone a historic shift away from management and toward

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shareholders. The full consequences of this transition have yet to be revealed. Some correction of the power imbalance was clearly necessary and should lead to positive reforms, but, as with all transformations—organizational, political, social, or economic—we must be wary of unintended consequences.

Let us start with the positive. Across mature markets, we already see more dialogue with key investors (particularly the institutional shareholder base) as companies seek to incorporate their views and objectives into their governance and compensation policies and practices. We can also expect more collaborative executive remuneration programs, which reflect innovative practices drawing on investor input and experience and a greater focus on calibrated pay-for-performance plans and arrangements. Other likely developments include more transparent disclosure, the curbing of excessive nonperformance-based executive benefits programs and large severance guarantees, and more meaningful performance conditions being attached to incentive compensation.

On the flip side, greater involvement on the part of shareholders could become a bureaucratic nightmare if not kept in check. Lengthy proxy battles over director nominees or executive remuneration matters can be prohibitively expensive, especially for smaller companies, and may actually be counterproductive to the objective of shareholder value creation. Greater dissent in the boardroom will also increase the cost of governance and may hamper a company's ability to respond to developments quickly and nimbly. Under the worst-case scenario, governance headaches may usher in a new age of privatization, as companies look for ways to free up resources and streamline decision-making processes, as we have already seen to some extent with Sarbanes-Oxley in the United States.

To maintain the right balance in control over executive remuneration matters, shareholders, directors, and management must have clearly delineated objectives, roles, and responsibilities. Shareholders must find the right balance between holding the board accountable and trying to seize control. They need to be vocal in demanding alignment between shareholder value and executive pay, but should avoid unnecessarily hamstringing the organization. For example, in the United Kingdom and Australia, shareholder activism has severely limited the flexibility companies

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have to design customized rewards programs and has led to an overreliance on cookie-cutter incentive plans that provide little connection to company-specific business strategy.

Meanwhile, the board must carefully balance shareholder concerns with the strategic and operating needs of the business. Directors must consistently demonstrate proper due diligence and exercise thoughtful and defensible decision-making. They must make a real commitment to clear and transparent disclosure and promote open lines of communication with both executives and shareholders.

Boards also need to find the right balance between oversight and micromanagement when dealing with the executive team. They should independently verify incentive plan payouts, ask tough questions about plan design, and provide objective input and guidance on compensation matters based on their knowledge and experience. Yet, the board may not always be in the best position to spearhead design work or facilitate plan administration, and must be willing to turn over the reins to the executive team when it makes the most sense to do so.

For their part, management must find the right balance between ownership and collaboration. Executives have on-the-ground knowledge and should be actively involved in driving remuneration decisions, but they must also be open to independent review and critique. They should be prepared to explain and defend their point of view and be flexible enough to shift their approach when necessary. They must also exhibit a strong focus on shareholder interests by aligning executive remuneration programs with value creation and rewarding sustainable, long-term results instead of short-term spikes in performance.

Greater shareholder involvement will no doubt be a powerful force in shaping executive remuneration, but it is not a panacea. Remuneration continues to rise in countries where say-on-pay policies have been adopted because the fact remains that an effective management team is critical to business success and there are far too few talented executives to go around. Executive pay is an art, not a science, and it is impossible to agree upon a perfect definition. The best companies can do is to make reasonable decisions based on thorough analysis and meaningful collaboration among stakeholders. Performance measurement is the key to making this a reality.

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Performance Measurement as the Key to Good Governance

There are many factors that influence how smoothly the system of governance functions in an organization. You must have clarity of roles and effective division of labor. There must be an appropriate investment of time and resources and a well-rounded and flexible process for decision making. Directors and executives must exhibit leadership, while at the same time be able to work as team members when collaboration is called for. They must also possess deep knowledge of the business and have a thorough understanding of the factors influencing the market in which they operate.

When it comes to executive remuneration governance, all of these things are important, but a solid performance measurement system is, perhaps, the single strongest determinant of whether or not stakeholder interests will be met. Performance measurement serves as the basis on which decisions are made and judged and provides a common language for communicating the goals of the organization so as to align everyone behind shared objectives. This helps position the company for long-term, sustainable value creation; not surprisingly, high-performing companies tend to have fewer problems in the governance arena.

Performance measurement is important to shareholders, directors, and executives alike. Each of these stakeholders has different priorities when it comes to monitoring and rewarding results, and the most effective measurement systems will be responsive to a wide range of interests (Exhibit 1.1).

The goal of this book is to help compensation committees, senior leaders, and human resources professionals develop a balanced and defensible approach to performance measurement—one that fairly and accurately captures results so that companies can more confidently reward executive contributions.

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Change Is in the Air

Besides the shifting governance paradigm, there have been many other developments that have shaped the executive remuneration environment over the past decade. While these vary from region to region, they

What Investors Want	What the Board Wants	What Management Wants
• Clear and transparent disclosure of performance standards and compensation decisions.	• Simplicity and ease of communication.	• Strong line of sight to individual behavior.
• Direct linkage to shareholder value creation.	• Reasonable, defensible pay and performance outcomes.	• Alignment with the business strategy and other organizational processes (no cookie-cutter metrics).
• Meaningful performance contingencies and fair calibration between results and payouts (no free rides).	• Flexibility to address both retention and measurement challenges as they arise.	• Motivational goals that contain the right amount of "stretch."

Exhibit 1.1 Stakeholder Objectives of Performance Measurement
Source: Mercer.

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encompass such things as converging accounting practices, enhanced disclosure, and heightened attention on executive perquisites, benefits, and severance arrangements.

The impact of these changes has been widespread. While trends have played out differently in different regions, some common themes have emerged:

- Increased focus on variable remuneration.
- Shift from stock options to full value shares.
- Greater use of performance-based equity.
- Elimination of egregious perquisites and benefits, including tax gross-ups.
- Imposed limits on nonperformance-based pay, including severance and change-in-control benefits, supplemental executive retirement, and deffered compensation.
- Greater diversity in remuneration packages.

These developments are moving executive remuneration practices in the right direction. Around the globe companies are taking a more comprehensive approach to executive remuneration design and making strides to improve the link between pay and performance. From increasing the use of variable pay to attaching performance conditions to long-term incentives, executive remuneration programs are becoming more balanced and more responsible.

Pay for Performance Today

To get a better sense for how these trends are playing out in the marketplace, let us review current practices in mature and developing markets. (For a more targeted look at executive remuneration hot topics internationally, see Exhibit 1.2 "Snapshot of Executive Remuneration around the Globe.")

Pay Mix

In mature markets, executive remuneration is delivered primarily through variable pay. This means a significant portion of the remuneration opportunity is at risk and is contingent upon achieving positive performance results. Both short-term incentives (typically an annual cash bonus plan) and long-term incentives (generally some form of equity) are prevalent in the market place, with a greater emphasis on long-term remuneration at most organizations (particularly in the United States where companies continue to rely heavily on equity-based remuneration).

Companies in developing countries, such as those in Latin America and Asia, tend to rely more heavily on fixed remuneration, such as base salary and executive benefits, although the use of both cash and equity incentives is growing.

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Short-Term Incentive Remuneration

Short-term incentives are highly leveraged in mature markets. In the United States, annual executive bonus opportunities typically range from 50 to 200 percent of salary, sometimes reaching upward of 300 percent of base salary at maximum. In the United Kingdom and other mature markets, maximum annual bonus levels have traditionally been lower but are now trending upward.

Short-term bonuses are also relatively common in emerging markets. However, such opportunities typically represent a smaller portion of the total pay package. Economic uncertainty in these regions can make it difficult to set goals even one year out, so shorter performance periods (quarterly, semiannual) are sometimes used.

	Canada	Australia	Latin America
What characterizes executive remuneration in the region today?	• Use of multiple long-term incentive vehicles to achieve complementary objectives, each with differing time periods, performance measures and emphasis on performance vs. retention. • Increased rigor in the selection of performance measures, and the calibration and "stress-testing" of targets.	• A high proportion of incentives linked to performance goals and a balanced approach to incentives that avoids excessive risk taking. • Nonbinding vote on executive pay has increased transparency and allows shareholders to express their views, while leaving final decision making in the hands of the board. • Dual performance hurdles for long-term incentives are becoming more common (e.g., relative TSR coupled with strategic goals in areas like customer service and risk management).	• Weak link between compensation and performance due to heavy reliance on base pay. • Scarce use of equity or other long-term incentives focuses management resources on short-term, rather than long-term results. • Budding interest in the use of performance share plans.
What are the key challenges facing companies as they seek to improve the link between pay and performance?	• Finding sufficient, suitable Canadian comparators for pay and performance benchmarking can be difficult and is leading to the consideration of non-Canadian comparators where the Canadian market is too thin. • Balancing paying for performance with need to attract and retain top-flight talent continues to be a challenge in light of increased scrutiny. • The "boom or bust" nature of commodity-based industries makes it difficult for some Canadian companies to set meaningful performance goals.	• Growing shareholder influence stemming from say-on-pay requirement indirectly limits flexibility in plan design and has prompted many companies to adopt a wait-and-see approach when it comes to performance measurement. • Uncertain economic outlook has resulted in increased pressure from executives for boards to revisit STI and LTI hurdles. Boards need to exercise caution and carefully consider how economic conditions versus management performance impact performance prospects.	• A turbulent economic environment—high inflation, economic uncertainty, etc.—makes it difficult to plan beyond the short term, which tends to limit plan design. • Stock price appreciation is an unreliable executive performance measure because Latin American stocks are heavily influenced by exogenous factors. Careful assessment of market risk is needed to calibrate the delicate balance between risk and reward in equity-based incentive plans.
What developments should companies watch for going forward?	• New executive compensation disclosure rules will continue to put the spotlight on pay and performance alignment, equity and pension values, and termination and change-of-control benefits. • Modest but continued say-on-pay activism may impact board decision-making processes and compensation program design. • Impact of economic and governance developments in the U.S. likely to flow over into Canada.	• Further disclosure and regulation of executive pay are being discussed but would result in additional complexities and constraints on boards' ability to set remuneration policy in line with company structure and business strategy. • Greater focus on succession planning and leadership development is likely, as it is becoming imperative to develop executive talent from within.	• Upward pressure on executive pay, the desire to contain fixed compensation, and demands for improved performance are causing the variable or "at risk" component of executive pay packages to increase as a proportion of total compensation. • Gravitation toward U.S.-style approach (particularly the greater use of equity) is expected, despite cultural and economic differences. • Companies are expected to pay more attention to reward delivery and the connection between senior management's short- and long-term impact on business performance and shareholder value.

Exhibit 1.2 Snapshot of Executive Remuneration around the Globe

Source: Mercer.

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There is significant variety in short-term performance measurement practices from company to company, but some common themes emerge:

- Profitability metrics are the most common measures of short-term performance around the globe.
- Most companies use more than one metric to measure performance in their annual incentive plans.
- Strategic objectives are often used in combination with financial metrics.
- Measuring results against absolute goals is more common than relative performance measurement.

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Long-Term Incentive Remuneration

The use of multiple equity vehicles to deliver long-term incentive remuneration has become commonplace in mature markets, although the long-term incentive mix varies by region. For example, time-vested stock options continue to be prevalent in the United States (Exhibit 1.3.) and Canada, but have declined in use in the United Kingdom and Australia. A portfolio-style approach is beneficial to both executives and shareholders because it adds balance to the overall remuneration program design and increases the likelihood that remuneration outcomes will be fair and reasonable in light of performance.

Long-term performance measurement practices also tend to fall along regional lines. Companies in North America have significant flexibility in designing long-term incentive programs, and metrics include everything from revenue to economic profit to share price goals (Exhibit 1.4). In the United Kingdom and Australia, there is more consistency in practice as a result of institutional shareholder guidance. Companies in these regions tend to vest performance shares or options based on the achievement of earnings per share goals or relative total shareholder return measured against industry peers (Exhibit 1.5).

The use of long-term incentives has been much less prevalent in emerging markets. In some regions, such as China, regulatory restrictions make it difficult to implement equity programs. In other regions, market volatility has hindered the motivational value of equity, while unstable economic conditions have historically made

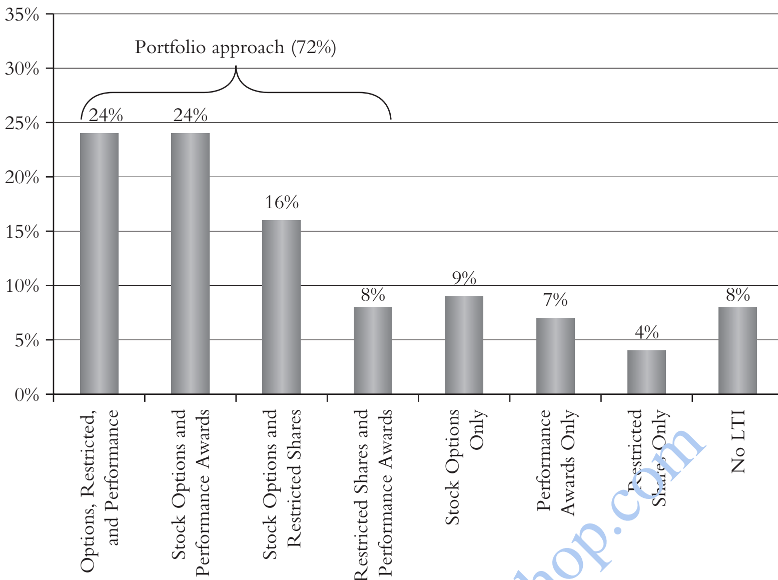

Exhibit 1.3 CEO Equity Delivery among 350 Large and Midsize U.S. Companies

Source: Mercer.

Note: Market data reflects information pulled from the most recent proxy statements of 350 large and midsize public companies in the United States across a range of industries.

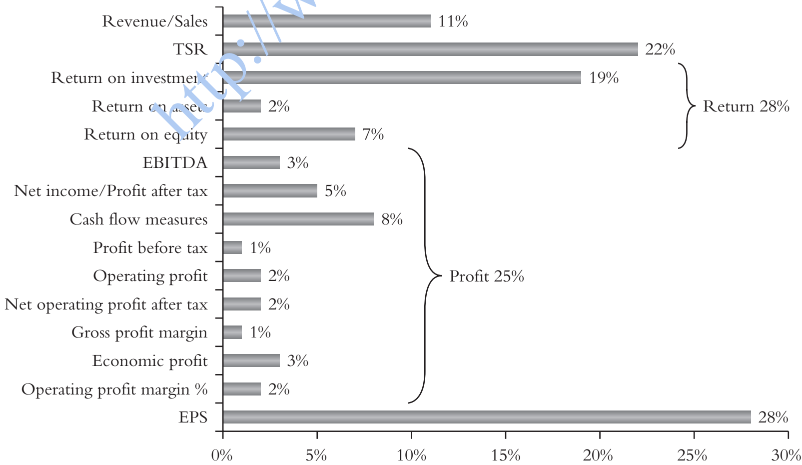

Exhibit 1.4 Metrics Used in Performance-Based Long-Term Incentive Plans (U.S.)

Source: Mercer.

Note: Market data reflects information pulled from the most recent proxy statements of 350 large and midsize public companies in the United States across a range of industries.

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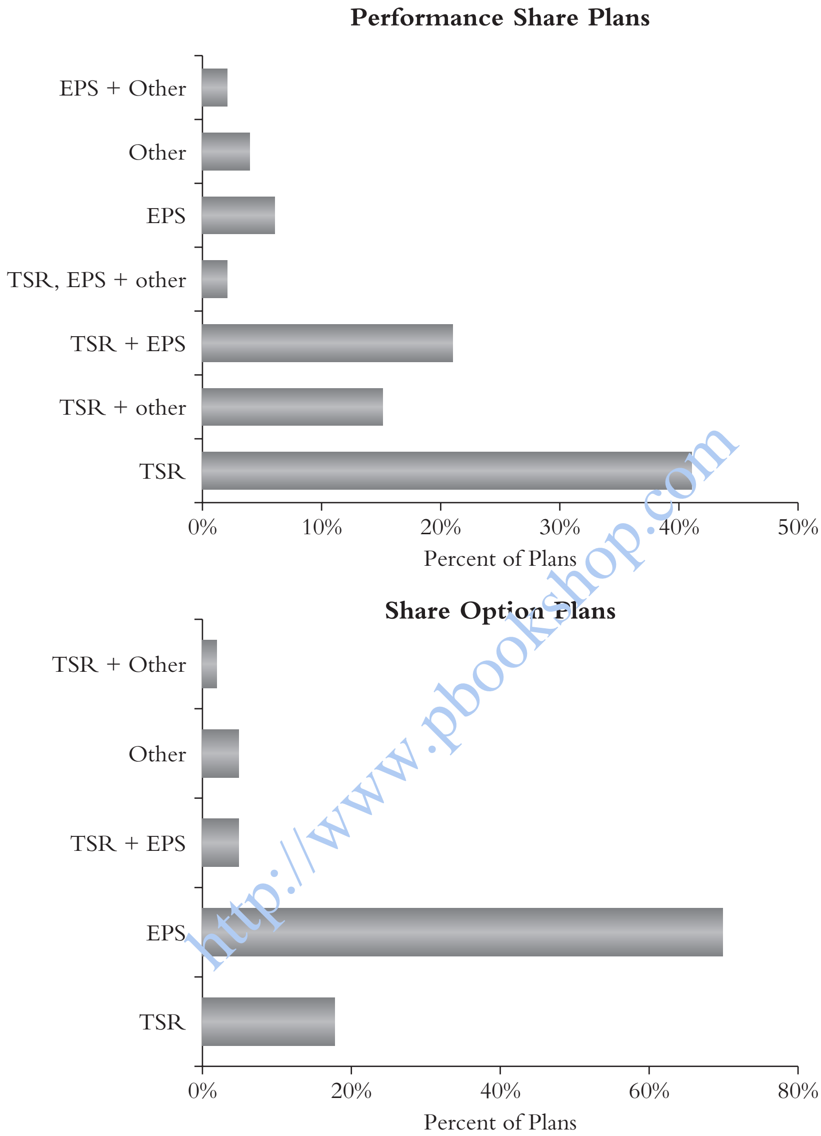

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Exhibit 1.5 Metrics Used in Performance-Based Long-Term Incentive Plans (U.K.)

Source: Mercer

Note: Market data reflects information pulled from the public filings of the FTSE 100 companies.

long-term goal setting a challenge. The tides are turning, however, and a growing number of companies in these regions are looking to add a long-term component to the total executive remuneration package.

The Verdict

How successful have the design changes outlined here been in improving the link between pay and results? Research on the relationship between pay and performance among large and midsize companies in the United States suggests that there continues to be room for improvement. Overall, year-over-year changes in total direct remuneration (base salary plus actual bonus payouts plus expected long-term incentive values) appear to be reasonably well aligned with performance (Exhibit 1.6). However, remuneration levels were up for more than half of the "bottom" performers, suggesting that companies could better balance upside opportunity with more meaningful downside risk.

The bottom line is that companies are on the right track, but in order for programmatic changes—like adopting performance-based equity—to really enhance the pay for performance relationship, companies need to get performance measurement right.

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Bringing Defensibility to Executive Remuneration

Without a sound performance measurement system, it is impossible to assess the reasonableness of executive remuneration programs and payouts. You must know whether or not the company is creating shareholder value and the degree to which that value creation (or destruction) can be attributed to executive performance.

This book is intended to bring your measurement practices and, by extension, your executive remuneration programs to a new level. It aims to give boards, management teams, and human resources professions the tools they need to:

- Abandon the guesswork and start making informed decisions based on hard research, in-depth quantitative analysis, and intelligent discussion.

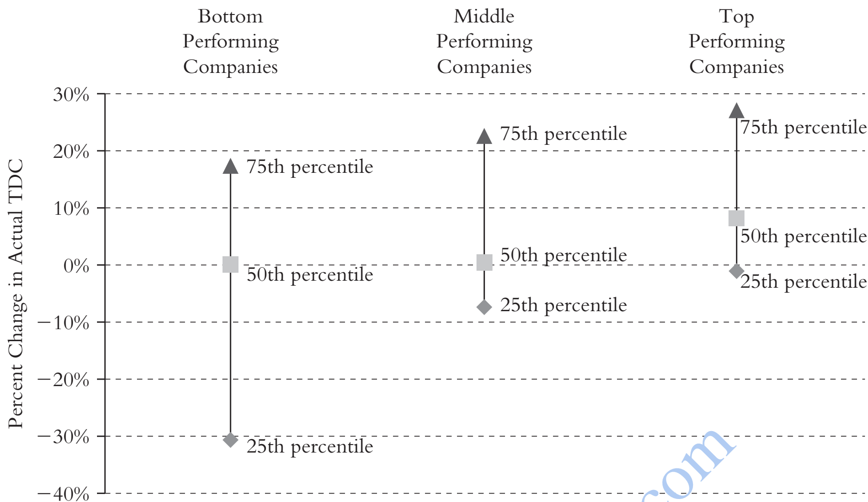

Exhibit 1.6. Actual Total Direct Remuneration by Performance Group (U.S.)
SOURCE: Mercer.
NOTE: Market data reflects information pulled from the most recent proxy statements of 350 large and midsize public companies in the United States across a range of industries. Companies were divided into three performance groups based on comparative financial results as measured by five key metrics (revenue growth, net income growth, EBITDA margin, ROI, and TSR).

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- Stop working backward by agreeing on a definition of value for your organization up front—and then identifying those factors that have the greatest impact on its creation.
- Use the business strategy as the basis for selecting performance metrics, rather than relying heavily on what competitors or analysts tell you to measure.
- Use both internal planning and external trends and economic data to set performance targets that will motivate your executive team to shine—and let your shareholders sleep at night.
- Test the relationship between award and performance levels thoroughly to make sure that pay outcomes will be reasonable under all performance scenarios—both strong and weak.
- Make your measurement system a high-impact one by anticipating problems before they happen and investing the necessary time and resources in implementation.

Change is in the air, and companies must meet the challenge of performance measurement head on to ensure that their remuneration programs are reasonable and defensible to all stakeholders. When times are good, it is less critical to have a perfect measurement system, but during more difficult times, the stakes are bigger and companies simply cannot afford to be wrong. Directors and management need to partner together to make pay for performance a reality before shareholders take matters into their own hands.

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