

Shareholder-Aligned Executive Compensation

Align Managerial Interest with the Creation of Shareholder Value

The success of a company is ultimately measured by its ability to create value, and it is this underlying truth that is at the core of successful business management. Making the best and most effective business decisions requires understanding of what creates value and motivating the decision-makers to pursue the value goal. Economic Value Added (EVA) is a powerful, yet simple, tool to practically measure value creation and gauge the true economic performance of your company. EVA also underlies some of the most innovative executive compensation systems adopted by prominent companies to align their executives with the value objective.

The approach recasts the traditional conflict-prone corporate control paradigm constructively by decentralizing decision authority while holding decision-makers accountable for results. Replacing the “stick” with the “carrot” eases the burden of control, where the alignment of managers is both a crucial and attainable governance objective.

The workshop will provide a comprehensive understanding of how Value-Based Management transforms a company. The program will prepare you to implement an owner-driven approach to evaluate growth options, measure performance, allocate capital, hold managers accountable for the use of capital, ease burden of control, decentralize decision-making, and pay for value creation.

Learn a Practical and Actionable Approach to Make Managers Behave as Owners

- ✓ Align managerial decision-making with shareholders’ interest.
- ✓ Understand value creation and why it is critical to business success.
- ✓ Leverage EVA as a powerful tool to measure value creation and incentivize executives.
- ✓ Design an incentive compensation system to drive and sustain value.
- ✓ Transition from control-driven, conflict-prone to collaborative-aligned Governance.

Agenda	
1 Value-Based Management: The Big Picture	<ul style="list-style-type: none"> ◆ Why focus on value creation is critical. ◆ How accounting fails to measure value and creates misalignment of interests. ◆ Measuring profitability that accounts for “total factor productivity”. ◆ Control versus alignment-driven management. ◆ Why conventional bonus plans fail to achieve their goals. ◆ The Big Picture of value-based management and incentive compensation.
2 Shareholder Value, Cash Flow and EVA	<ul style="list-style-type: none"> ◆ Fundamental drivers of value. ◆ Centrality of opportunity cost of capital. ◆ Why ROI metrics do not measure value. ◆ Balance sheet usage and its costs and benefits. ◆ Equivalence of cash flow and EVA as shareholder value objectives. ◆ Why EVA is superior to cash flow as a value management tool.

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**Designing
Incentive
Compensation
that Aligns
Managers with
Shareholders**

- ◆ Failure of conventional bonus plans to align managers with shareholders.
- ◆ Why effective incentive compensation requires an integrated financial-HR mindset.
- ◆ Balancing basic incentive objectives:
 - Incentive strength
 - Retention risk
 - Shareholder cost
- ◆ Key considerations in incentive design:
 - Maximization of value.
 - Conflicts of interest, subjective judgement calls and negotiations within the organization.
 - Accountability over a horizon of multiple years.
- ◆ Simulation of a shareholder-aligned incentive scheme.
- ◆ Need for and consistency between short- and long-term incentives.

Who Should Attend

- ❖ Board Members and Shareholders
- ❖ CEOs, General Managers, and Business Unit heads
- ❖ CFOs, and Senior Finance, Strategy and Corporate Planning executives
- ❖ Senior HR and Compensation executives