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Business Environmental Impacts Chapter 1 Abstract

BUSINESS ENVIRONMENTAL IMPACT THE BUSINESS POWER COALITION

The external business environment - the public, government and government agencies, competitors, and employee associations and unions - has an enormous influence over organizations in general, and specifically in the development of executive reward strategies.

These groups have one thing in common, when it comes to executive total reward strategies: they effectively define the playing field by determining what is out of bounds. When companies exceed these bounds they can find themselves maligned in the media. The fear of harsh and public criticism can lead companies to make one or more of these errors:

#1: positioning everyone at a percentage of the competitive market

#2: positioning the mix of reward components to reflect the mix most often found in the marketplace

#3: using other companies programs to justify decisions is not leadership

So what can companies do to do it right?

It's good to stay out of the headlines. But you don't want to get so hung up on avoiding bad publicity that you shortchange your reward strategy. Listen to what the public says, but don't go overboard. Don't let the headlines cajole you into placing limitations on your strategy.

Government regulations have contributed to the complexity associated with executive compensation today. But that is no excuse for failing to fully understand and comply with the requirements. Be transparent and know the reasons for the strategies that you employ

Employee unions are becoming increasingly active in trying to influence not only Board governance, but also executive reward program design by working to influence Board of Director elections. Examine your governance protocols and make sure the Board is working for the benefit of shareholders.

Examine your employee and executive retention strategies because competitors work to poach all the good ones. But don't do something just because the other guys are doing it.

And remember that the best reward strategies are those in which you stay within bounds, but play your whole field.