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MID-TERM INCENTIVES CHAPTER 11 ABSTRACT

MID-TERM INCENTIVES

Mid-term incentives target a period that can range from one to five years, a period of time critical to most companies' success. Most mid-term incentives are typically not recurring, and eligibility for them is on a case-by-case. By their very nature, mid-term incentives give the total rewards strategy designer a little freedom to solve important issues necessary for the success of the organization.

Since their beginning, mid-term incentives—or sometimes special incentives—have become an important component of the overall executive total reward strategy. Mid-term incentives can be used to address a variety of business challenges—challenges like bankruptcies, mergers, or other specific business missions that are generally non-recurring or that need to be addressed within a certain time frame. Used correctly, mid-term incentives are extremely motivating—and effective.

Mid-term incentives are often targeted at the gaps in the organizational competencies, which prevent a critical portion or aspect of the business strategy to be accomplished.

One of the beautiful things about mid-term incentives is that if used correctly, they can really complement a company's people strategy. When it's determined what portions of the organization are necessary to drive the organization to meet a specific goal or mission, mid-term incentives should be targeted at those particular portions of the organization.

We would go so far to say that the use of mid-term incentive plans should be limited to those executives who can truly have an impact or make a contribution over a three to five-year period of time. For executives who fall into this category, a significant portion of the reward program should be targeted at mid-term incentives.

In addition to specific departments or groups within an organization, midterm incentives can also be targeted at specific organizational processes— processes like decision making, or planning, allocating, and monitoring.

Mid-term incentives come in all shapes and sizes—something that adds to their versatility and makes them a good choice in a wide variety of situations. These plans go by various names like project-based incentives, challenge grants, milestone incentives, and success fees.