



INVESTOR ALERT

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Unless You Are Doing The Limbo, Always Raise The Bar...

There are very, very few industries or businesses where the future is absolutely predictable. For the vast majority of companies, the goals attached to long, medium and even short-term incentives should not be easily and predictably achieved. If the executives are always “in the money” from their incentive plans then the plan is either too generous or the goals are set too low or both.

Even companies with excellent strategic planning and execution cannot be expected to account for all the risks and variables associated with doing business in today's competitive environment. In today's ever-changing and complex world, it is actually good to see executives “out of the money” one or two years out of every ten. (I am sure a few executives out there just winced!) If executives are paid their incentives year after year after year it is very possible that the goals are set too low, and the thresholds are set even lower.

When the incentive goals are so easily achieved by the executives, the company and its shareholders are losing out. You can bet if the executives are always in the money, then the shareholders are not.