



RUTGERS

Executive Compensation

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Fall 2018

[Syllabus as of July 31, 2018]

Mondays, 7:20 to 10:00 pm

Levin Building, Room 106

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Class Material <https://sakai.rutgers.edu>

In this advanced-level course we will work together to develop a strategic view on executive compensation and how to manage it within an environment of increasing business competition and increasing regulatory and stakeholder scrutiny. The course will cover the main components of executive compensation (e.g., salary, short-term incentives, long-term incentives, executive benefits, and perquisites), and will focus as well on performance measurement, regulatory trends, and accounting, taxation, and securities issues. The main objective of this course is to help you develop a set of analytical tools that will enable you to address executive compensation, incentive plan design, and total rewards issues effectively in your professional life. The course is oriented primarily toward the evaluation and design of executive compensation programs for publicly-owned companies, but we will cover privately-owned organization compensation issues as well.

SMLR Course Learning Objectives (Summary)

This course helps you to 1.) Develop the communications skills required for HR management; 2.) Develop quantitative and qualitative analytical skills related to HRM; 3.) Understand the relevant theories and how to apply them given the background context of particular work situations; and 4.) Develop the ability to apply analytical skills to be effective in your work. Further detail on these SMLR Learning Objectives can be found at the end of this syllabus.

Text

Irving Becker and William Gerek, *Understanding Executive Compensation and Governance*, World At Work Press, 3rd edition, 2016 [This book is available through the WorldatWork.org bookstore. <https://worldatwork.org/resources/bookstore/understanding-executive-compensation-governance-a-practical-guide-3rd-edition>]

Please bring a simple calculator (or the equivalent) to class.

Assignments

Analysis Project #1 – Peer Group Analysis	25%
Analysis Project #2 – Pay for Performance Linkage	30%
Final (Group) Project – Specific Company or Theme Focus	40%
Participation	5%
Total	100%

Grading Scale

A	90 – 100
B+	88 – 89
B	80 – 87
C+	78 – 79
C	70 – 77
F	60 – 69

Attendance and Participation

Your contributions to each class are really valuable. Please plan on contributing actively to each session.

Analysis Project #1 – Peer Group Analysis

Select a company that interests you. Evaluate their use of a peer group of companies [as discussed in their annual proxy statement] in their executive compensation program over the past 3 years. Does this peer group make sense strategically for the company in question? How does your company compare to selected peers on pay levels? Performance levels? This is an individual project. The final analysis and report should be about 5 pages.

Analysis Project #2 – Pay for Performance

Select a company that interests you. Evaluate their use of CEO goal-setting and performance measurement [as explained in their annual proxy statements and other publicly-filed documents], and compare that to 3 or so of their most significant peer companies. Does the company's use of goal setting and performance measurement make strategic sense for that company? Do the peer companies use different practices that should be adopted? This is an individual project. The final analysis and report should be about 5 pages.

Final Group Project – In-depth Company Analysis

Each Group should select a company or group of companies and an analytical theme that interests you. For example, a Group might select Apple Inc. and then focus on the evolution of its executive compensation practices over the past 3 years. Or a Group might select 3 companies which have experienced negative "Say on Pay" votes, and analyze these organizations' responses to that challenge. The emphasis of these projects should be to provide thoughtful business analysis and recommendations, as if you were working with the Compensation Committee of the Board of Directors. The final report

will consist of 2 components: 1.) an in-class presentation; and 2.) a 10 page paper providing your analysis and recommendations.

Your team should prepare the report for the Compensation Committee of the Board. This report will summarize your analyses and state your recommendations. Also, your team will prepare and deliver a PowerPoint presentation to the Board (comprised of instructor and class peers) explaining your recommendation and analyses. Grades will be based on the quality of the:

- I. Analysis
- II. Written Report
- III. Presentation

Schedule

Date	Session	Topic	Reading / Deliverable
9/10/2018	1	Executive Compensation Strategy – Introduced Peer Group of Competitors	Chapter 1 Chapter 2
9/17	2	Peer Group of Competitors (cont.) Disclosure of Executive Pay Executive Compensation and Risk	Chapter 2 Chapter 14 Chapter 15
9/24	3	Disclosure (continued) Base Salary	Chapter 14 Chapter 3
10/1	4	Performance Measurement for Incentive Plans Annual Incentives	Chapter 7 Chapter 4 Project #1 [Peer Groups] is due
10/8	5	Annual Incentives (continued) Public Company Long-Term Incentive Compensation	Chapter 4 Chapter 5
10/15	6	Public Company Long-Term Incentive Compensation CEO Performance Assessment	Chapter 5 Chapter 13
10/22	7	Long Term Incentives in Private Companies Performance Measurement for Incentive Plans	Chapter 6 Chapter 7
10/29	8	Stock Ownership programs Executive Benefits	Chapter 10 Chapter 8 Chapter 9 Project #2 [Performance Measurement] is due
11/5	9	Stock Ownership program Executive Benefits (continued)	Chapter 10 Chapter 8 Chapter 9
11/12	10	Compensation Committee Governance Compensation Committee Tools	Chapter 12 Chapter 13
11/19	11	International Compensation	Chapter 21
11/26	12	Mergers and Acquisitions Initial Public Offerings	Chapter 18 Chapter 19
12/3	13	Executive Employment Contracts Board Compensation	Chapter 11 Chapter 17
12/10	14	Summary look-back and special issues	Final Group Project Presentations and Papers Due
12/17	15	Wrap-Up	

Other Recommended sources (not required):

Executive compensation practice and management have been in the news every day over the past few years. There is a need to keep up with the news and also the latest thinking and developments.

One way to get a sense of how much is going on is to create an online “alert” for yourself (on Google News or some other online platform) for articles on “executive compensation,” “executive benefits,” or some other more specific set of key words.

3 authors that provide additional critical focus on executive compensation issues are:

Richard Ericson, *The New Standards: Methods for Linking Business Performance and Executive Incentive Pay*, Wiley, 2010. Ericson’s book focuses on Executive Compensation and the technical aspects of measuring company and executive performance.

Prof. Lucian Bebchuk -- <http://www.law.harvard.edu/faculty/bebchuk/> -- has written many articles and a book about executive compensation. His work focuses on effective corporate governance and adequately linking pay to performance. There are many articles available on his web page. One important one is: http://www.law.harvard.edu/faculty/bebchuk/pdfs/Bebchuk-Cremers-Peyer_CEO-Pay-Slice_Sept2010.pdf

Bruce R. Ellig, *The Complete Guide to Executive Compensation*, 3rd edition, McGraw-Hill, 2013. This new third edition, published at the beginning of 2014, addresses the important recent changes in laws and regulations affecting executive compensation and corporate governance.

SMLR Course Learning Objectives (Detail)

One goal for SMLR programs is to help you develop skills central to lifelong learning and participation in society and the workplace. Two particular areas are communications skills and analytical skills:

Written & Oral Communication – Communicate effectively at a level and in modes appropriate to an entry level professional.

- Communicate complex ideas effectively, in standard written English
- Analyze and synthesize information and ideas from multiple sources to generate new insights
- Produce quality research papers with proper convention of attribution/citation
- Produce high quality executive summaries
- Make an argument using contemporary and/or historical evidence
- Present ideas and arguments in a logical and effective way

Quantitative Skills – Apply appropriate quantitative and qualitative methods for research workplace issues.

- Formulate, evaluate, and communicate conclusions and inferences from quantitative information
- Apply quantitative methods to analyze data for HR decision making including cost-benefit analyses, ROI, etc. (HRM)
- Apply qualitative methods appropriately, alone and in combination with quantitative methods

Another goal for SMLR programs is to ensure that you learn the appropriate theoretical perspectives.

Theoretical Perspectives - Demonstrate an understanding of relevant theories and apply them given the background context of a particular work situation.

- Demonstrate an understanding of the practical perspectives, theories and concepts in their field of study
- Evaluate and apply theories from social science disciplines to workplace issues

Another goal for SMLR programs is to help you learn the key theoretical and foundation areas of study in your domains and also give you opportunities to apply that knowledge to practice situations. I.e., this program should prepare you to complete your professional work effectively:

Application – Demonstrate an understanding of how to apply knowledge necessary for effective work performance

- Apply concepts and substantive institutional knowledge, to understanding contemporary developments related to work
- Understand the legal, regulatory and ethical issues related to their field
- Develop human resource management functional capabilities used to select, motivate, and develop workers (HRM)
- Understand the internal and external alignment and measurement of human resource practices (HRM)

I look forward to working with you this semester!