

Business Record

Monday, July 13, 2009

A Boutique Business Offers to Craft CEO Pay

BY KENT DARR

Photo by Duane Tinkey



**Gibson Bradley,
President, Strategic Compensation Solutions**

It is no surprise to Gibson Bradley to find himself the odd man out.

The Des Moines native took a three-decade hiatus from Iowa to tour the corporate world as a human resources specialist, with much of that time focused on executive compensation.

At some multinational corporations where he was recruited, he found himself standing outside the corporate fraternity built on promotions from within.

Bradley is offering advice from the outside again, working from his Urbandale home as a compensation consultant under the business name Strategic Compensation Solutions.

He is working in familiar territory, using skills he honed while working for some of the top names in corporate America.

Time well spent

When Jack Welch, then CEO of General Electric Co., decided the company needed a compensation system that more accurately reflected pay in the multiple business sectors in which it operated, Bradley helped design the compensation system at GE Capital.

The financial services arm of the multifaceted corporation was the first to implement pay for its top executives that was reflective of compensation plans elsewhere in the financial services industry, as opposed to General Electric's previous pay package, which was a one-size-fits-all-divisions approach, Bradley said.

"We were the first to break the mold," he said.

Bradley later joined Procter & Gamble Co., working with Chairman and CEO A.G. Lafley and serving as director of executive compensation. Lafley has written about the high regard he has for compensation systems that trigger change in business operations.

Problems of the past

In the wake of executive pay scandals that followed the collapse of financial markets, revelations about what many considered to be excessive compensation and the public outrage that followed, Bradley finds himself reviewing what went wrong with pay structures and how proposed federal legislation and rules will affect his industry.

Bradley said some of the problems of the past were driven by U.S.-based corporations that did not pay sufficient attention to the operations of their foreign offices.

A lack of oversight was largely responsible excessive pay at American International Group Inc.

And, he noted, it was also a shortcoming at some of the corporations he worked for, especially in regard to cultural differences.

He noted that the American practice of using stock options as part of executive compensation had the effect of overcompensating some managers at a company's offices in India, for example, because their bonuses far exceeded their base pay. Eventually, Procter & Gamble curtailed stock options at all of its foreign operations.

On the other hand, those working at offices in Europe would have an expectation that automobiles would be part of their compensation.

"You wouldn't dream of doing that in the U.S.," Bradley said.

Changes afoot

He is watching proposed changes in federal laws and rules governing the U.S. Securities and Exchange Commission that would place executive compensation under greater scrutiny.

President Barack Obama has proposed changes that would give shareholders an annual non-binding vote on executive compensation, a practice called "Say on Pay."

Such a practice, already in play in the United Kingdom and among some U.S. companies, encourages increased shareholder activism on executive pay and might lead to "self-regulation" of CEO compensation.

Bradley said it is important, also, that the consultants to compensation committees be removed from other human resources areas. If a consultant to a compensation committee is designing a pay plan for top executives, it should not be involved in designing compensation packages elsewhere in the company.

"It is important to review and give independent advice," Bradley said. "That is one of the things that there is an increasing need for."

Bradley is not too concerned that his suggestions to companies might again place him outside the corporate fold, especially if his ideas run counter to prevailing wisdom regarding executive pay.

"I pretty easily learn a new company's culture and fit in fairly quickly," he said.

Watchdogs

The Securities and Exchange Commission has proposed these changes for public companies:

- Disclosure of the relationship of compensation policies to shareholder risk;
 - Disclosure of the qualifications of directors, executive officers and nominees;
 - Disclosure of a company's leadership structure; and
 - Disclosure of potential conflicts of compensation consultants.
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