Pearl Meyer

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Revisiting Business Strategy and Compensation Alignment in Light of COVID-19



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COVID-19 and the ensuing pandemic produced the largest global economic shock and business transformation period of our lifetimes. And while there were some companies that benefitted from the situation, for many others, the virus painfully exposed material weaknesses in their business.

We've experienced wholesale changes in how work gets done. For workers who could, there was a pivot to working from home. (In fact, a recent survey found that the work from home model may become more permanent for many companies. Respondents indicated they expect a third of their total US-based workforces will continue to work remotely.) An interesting lesson here is just how quickly—and seamlessly for many—this pivot was executed; it happened in a fraction of the time most of us would have thought possible.

As we optimistically put the pandemic in our rearview mirror, company management and their boards continue to meet more frequently than ever to discuss and formulate near-term and long-range business plans. However, with all that we've learned over the past year-plus about agility and flexibility, we can't lose sight of some of the fundamental principles that help businesses achieve ongoing performance. More than ever it is incumbent on compensation committees, leadership teams, and HR professionals to ensure that the links between business strategy, talent management, and compensation strategy and design are meaningful.

The forced re-evaluation of both vulnerabilities and new opportunities may have been overdue for some companies and an unexpected benefit for others. But in light of those changes, it's important to take the next step and examine some core compensation questions.

- Do we have the right executive compensation metrics to drive current, newly evolved business goals and priorities?
- Are the right leaders in place to support our changing business model or strategies?
- Given our changing business, how do we create line of sight for all employees?
- What have we learned from the pandemic about what our employees value?
- Has the virtual workforce opened up new opportunities for talent acquisition?

Just as business as usual was not acceptable in 2020, compensation as usual should not be acceptable going forward. Customer needs have changed, workforce needs have changed, and people and compensation must be realigned to match those new preferences.

Many companies have re-evaluated the metrics in their incentive programs to ensure alignment with new business goals and strategies. There have been changes to the long-term incentive mix to not only mute the lingering effect of COVID-19, but to also highlight shifting attitudes about the primary objectives and attributes of long-term incentives. And these shifting attitudes aren't confined to the executive ranks. With growing concern about the availability and needs of the broader talent pool, some high-profile companies have made public announcements regarding permanent work from home models and associated HR and compensation policy changes.

Bottom line: if your business strategy has changed or is evolving, so should your pay program. Reevaluate your compensation design to ensure it reflects the changes to your business model and business strategies. Every company is inherently different, and compensation and people strategies should reflect that. View these ongoing discussions and deliberations between the board and management through a lens that makes clear the right differences in your pay programs, relative to your competitors, can create a tremendous competitive advantage.

About the Author

Terry leads the Life Sciences practice and advises companies from venture-backed to multinational on executive compensation strategy, incentive design, governance/disclosure, and transaction-related arrangements.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.