

How Coronavirus is Affecting Director Compensation



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MANAGING DIRECTOR

This survey was open from 4/14/2020 to 4/16/2020 and reflects responses from 315 participants, including 230 publicly traded companies, 71 private firms, and 14 not-for-profit organizations.

Due to the COVID-19 pandemic, we are observing trends in director pay that haven't been seen since the 2008-2009 economic crisis. Up to this point, the majority of director pay cuts have been focused in those industries most impacted such as energy, transportation, hospitality, etc. As the economic uncertainty and fallout continues, additional business sectors will likely consider similar actions to manage cash, contain costs, and acknowledge the economic hardship being felt by their key stakeholders.

While the impact of COVID-19 on director pay is just beginning to emerge, it appears that most companies are poised to stay the course (~55% of respondents). Approximately 20% of respondents have already acted to temporarily reduce director pay, while the remainder are still evaluating the best path forward. For companies still evaluating their options, we expect to gain more clarity over the next couple of months as companies, whose fiscal years correspond with the calendar year, conduct their annual shareholder meetings.

About the Author

Ryan Hourihan is a managing director with Pearl Meyer. He has over ten years of experience advising boards and senior management on incentive compensation design, corporate governance, and performance measurement with the objective of supporting business strategy, value creation, and shareholder interests. Ryan is particularly experienced in compensation challenges unique to privately held firms seeking to compete with publicly traded firms. His clients have included Fortune 500 organizations, privately held companies, and pre-IPO ventures across an array of industries.

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.
