

The Myth and Reality of TSR as an Incentive Metric



There is a growing use of total shareholder return (TSR) as an incentive metric in long-term incentive compensation plans. While its merit as an indicator of long-term value creation is clear, Pearl Meyer sought to understand if its use as an incentive metric actually results in improved firm performance.

Empirical research was conducted in collaboration with the Cornell University ILR School's Institute of Compensation Studies (ICS). Pearl Meyer and ICS analyzed ten years' of data from S&P 500 index companies and the results and future recommendations are presented here.

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.