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The Five Pillars of Vantage Bank Texas' Executive Compensation Strategy



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In a recent article, "The Five Pillars of Tailored Executive Compensation," we outlined how family-controlled businesses can use a structured framework to modernize their executive pay strategies and align them with long-term goals. But how does that work in practice for a real family business? This case study explores how Vantage Bank Texas (Vantage) put those foundational pillars into practice to professionalize its executive compensation program, improve pay transparency, and strengthen board governance.

After a history of supporting community banks as minority shareholders, the family acquired Inter National Bank (INB) in 2017 and the next year purchased the remaining stake in Vantage to become sole owners. That was the start of Vantage as a 100% family-owned bank, which has organically grown threefold and today has nearly $5 billion in assets.

"We knew the best way to build a sustainable bank for the family owners was to be able to attract and retain great people," says Executive Vice Chairman Rafael Garza. "Our goals from the start were, first, to align our culture and human resource policies to represent the long-term goals of the family, and second, to modernize our executive pay strategies and governance based on competitive market information."

Vantage needed to transform the policies from the previous institutional owner of INB before anything else. Further, the bank wanted to continuously improve board education and governance and offer competitive executive pay. Eric Thompson, executive vice president and chief human resources officer, was instrumental in helping guide the bank on its transformational journey toward a more strategic and market-informed approach to executive pay.

Pillar 1: Close the Market Information Gap

The chairman and executive vice chairman had to support the expectations of the leadership team while assuring that Thompson and the board had the tools to make good decisions by providing access to consultation and market information.

Following its foundational acquisition in 2017, Vantage intentionally structured its compensation programs to attract talented executives into key leadership roles in 2018 and 2019. The addition of Thompson and other external hires brought fresh market perspectives to the organization. Because these leaders were familiar with industry compensation practices, their recruitment naturally prompted deeper discussions with the board about the competitiveness and structure of Vantage's executive pay programs. "While modernizing its executive pay strategies, the bank had to continually ask if our pay programs were serving the family shareholders," Thompson says.

To address that question, Vantage engaged external advisors to conduct market analysis and provide benchmarking education to the board. The insights from that work prompted meaningful dialogue about the bank's competitive positioning, compensation philosophy, and long-term leadership requirements. Building on those insights, the board and management took a further step and partnered with an executive compensation specialist to help design an executive pay program that thoughtfully aligned leadership incentives with the interests and priorities of family shareholders.

According to Thompson, "We learned that there are myriad technical considerations, so it is important to have the appropriate external advisors. Perhaps most importantly, the board and management came to see market awareness not as a one-time event, but as an ongoing discipline."

Thompson continues, "Compensation benchmarking is now a regular feature of the bank's executive pay review process. Market education was a turning point for us because it enabled us to have well-informed philosophical discussions."

Pillar 2: Establish Strong Executive Pay Governance

At the outset of Vantage's executive compensation evolution, the chairman of the board, a non-management family member, led the compensation oversight. The board's primary focus was aligning executive pay with family principles, while attracting and retaining high-quality leadership. Executive compensation decisions were handled by the committee, but without a formalized process for gathering and analyzing external market data. As the board and family began to define their executive pay objectives more clearly, conversations grew more sophisticated—particularly around incentive design, market competitiveness, and shareholder alignment. It became evident that deeper engagement and a more structured oversight process were necessary.

To evolve governance of the compensation committee, Vantage chose to designate co-chairs: one director from the family and an independent director. The co-chairs ran point on governance and developed subject-matter fluency, while working closely with Thompson to review market data, evaluate incentive plan design options, and facilitate committee and

full board discussions. This arrangement improved both the quality of decision-making, as well as transparency and trust between the full board and management.

Thompson notes, “Working with co-chairs who developed an understanding of the technical side of compensation has made our conversations much more productive.” As Vantage demonstrated, effective pay governance in a family-owned business is achievable when the board is committed to continual improvement, intentional organization, and disciplined processes.

Pillar 3: Design a Realistic Compensation Philosophy

Armed with data and clearer roles, the board and management began to work on updating the bank’s executive compensation philosophy to articulate how Vantage approaches pay relative to its values, the market, and long-term goals. This was not a quick exercise. Over the course of several board meetings, the team debated trade-offs, discussed cultural fit, and aligned a framework that would balance market competitiveness with the bank’s continued private ownership. Vantage wanted to attract high-caliber talent but also stay true to its roots as a family-owned institution focused on long-term relationships and sustainable growth. It was a priority for the board and management to develop a competitive pay philosophy that would incentivize and reward the continued growth, while also recognizing the family’s objective to maintain full ownership for generations, meaning no stock liquidity or potential sale premium.

That philosophy now guides all compensation decisions and provides a lens through which to evaluate new proposals. Just as importantly, it gives leadership a way to communicate the “why” behind pay decisions. As Garza explains, “Our compensation philosophy connects the family owners’ objectives and values with our long-term strategy and market alignment. Committing to and updating that philosophy gave Thompson and our co-chairs the clarity they needed to execute effectively. It also changed how we talk about pay—it gave us a common language to evaluate new ideas and make thoughtful trade-offs.”

Pillar 4: Address the Long-Term Incentive Gap

One of the most significant gaps in many family-owned companies is the absence of structured long-term incentive (LTI) plans, particularly when a sale or exit is not being contemplated. As the family became full owners, the chairman and Garza began discussing how to share value creation with management. In 2017 they outlined an equity-like value-sharing instrument; however, the concept required careful testing, implementation, and formal documentation with deep technical support led by Thompson and external advisors.

At the same time, Vantage’s legacy bonus programs remained primarily short-term in focus and were not clearly tied to multi-year performance or integrated into an overarching total compensation framework. Thompson and the board explored a range of long-term incentive options, including phantom equity, stock appreciation rights, and performance-

based cash plans. The plan design required multiple iterations to meet the needs of both the board and executive leadership. Ultimately, the bank chose a solution that aligned the financial interests of executive leadership with shareholders. The improvements from the original outline were in policy, governance, measurement, and market information, which allowed Vantage to implement long-term incentives aligned with the overall goals.

Thompson notes that designing the LTI program required technical expertise across several domains. “We learned that you need strong advisors—legal, accounting, and compensation—because these decisions touch every part of the business,” he says.

Additionally, to promote an employee ownership culture, Vantage created a companywide employee stock ownership plan (ESOP). The ESOP became a cornerstone of the bank’s value-sharing strategy for all associates. It gave employees a tangible stake in the long-term success of Vantage, while aligning closely with the values of the family owners.

Pillar 5: Communicate the Total Compensation Package Effectively

Perhaps the most underrated, yet one of the most impactful, foundational pillars is how compensation packages are communicated. Vantage has taken its communication approach seriously and with best practices in mind. As the bank implemented more customized compensation programs, the board recognized that plan design alone was not enough. For compensation to truly drive alignment and performance, executives and employees needed a clear understanding of how the programs worked, how they created value over time, and how individual and organizational performance translated into pay outcomes.

To support this clarity, Vantage now provides quarterly feedback on both bank-wide and business-unit performance, creating a consistent feedback loop throughout the year. This disciplined approach, supported by well-structured incentive scorecards, enables more focused, fact-based conversations about compensation and reinforces the link between performance, outcomes, and rewards for executives.

One best practice is the bank’s monthly town hall meetings, where financial results and business updates are shared openly. These meetings help employees see the connection between organizational success and their own incentives, whether they be short-term bonuses or long-term value through the ESOP. Clear communication has helped reinforce the broader compensation strategy, not just as a set of numbers, but as a tool to drive alignment, motivation, and retention across the bank. “When people understand how they’re being rewarded, they’re more engaged,” Thompson says. “Transparency builds trust.”

Compensation Journey

According to Garza, “Our family ownership and board remain focused on attracting and retaining exceptional leaders who reflect our values, strengthen our culture, and drive the continued development of a high?performing, sustainable, customer?centric bank. To deliver on that commitment, we rely on our chief human resources officer, as well as a continual refinement of our compensation strategy and governance practices.”

The journey Vantage Bank Texas took to modernize its approach to executive compensation has delivered thoughtful, market-competitive plan designs that align executive leadership with shareholders. Further, it has resulted in stronger governance, deeper board engagement, and a clearer path forward for leadership development. Garza notes, “We’ve made tremendous progress in recent years, and we’ll continue to sharpen and refine our approach, because executive pay is not a set-it-and-forget-it decision; it’s a continual, evolving conversation.”

Each of these executive compensation pillars reinforces the next. Market education leads to governance reform, which enables strategic planning, which makes room for better incentive design, which requires better communication. For Vantage, the result is a more cohesive, accountable, and future-ready approach to executive compensation.

About the Author

David brings 30+ years of executive compensation experience, specializing in long-term incentives, pay strategy, performance metrics, and executive retirement/global programs, including support for IPO and M&A transitions.

About Pearl Meyer

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