

MI Project Brief: 'Value & CEO Remuneration in a Mature Organization'

Context

MI is a multi-disciplinary professional body setting global standards for mature organizational management. It acknowledges the widely-recognised view that there is a serious issue with CEO remuneration, especially in large corporations, in both principle and practice. The present convention of CEO peer group comparisons, based on 'market value', are erroneous and have produced a glaring and inexorable ratchet effect that has led to CEO remuneration being disconnected from real value contribution. Despite a growing clamour for action, from a variety of stakeholders, the 'problem' has so far proved to be resistant to treatment. MI is taking up the challenge of resolving this matter of huge societal value once and for all.

Project parameters

- The project will be founded on the Maturity Institute's evidence-based, whole system approach and will indicate how CEO remuneration connects with and impacts all other aspects of strategic, organizational management.
- The project report will acknowledge any relevant legal, regulatory and compliance frameworks.

Project objectives

1. To critically re-appraise conventional policy and practice on executive job evaluation, grading and remuneration with a view to identifying inherent weaknesses and irrelevance to 21st Century capitalism. Design a job evaluation system to place fair value on executive positions in a mature organisation. Facilitate the realisation of internal equity at executive level by developing ratios to underscore the value attributed to the CEO position relative to those in the executive team and other C suite positions.
2. To develop a global standard for CEO remuneration policy; based on CEO capability, maturity and value; that can be adopted by all relevant parties including remuneration committees, regulators, investment analysts, asset managers/owners, shareholders and those responsible for integrated reporting (including IIRC and King IV frameworks and codes).

Project owner

Paul Kearns, Chair, MI

Project Leader

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Brief

1. Determine and define the true nature of the perceived problem/s of CEO remuneration and the likelihood of the situation improving or deteriorating.
2. Construct a performance hypothesis for CEO remuneration.
3. Gather evidence of the effects, scale and size (positive and negative), of existing CEO remuneration policies together with any significant risk factors.
4. Delineate their probable effects and causes and determine whether organizational immaturity is a significant factor.
5. Develop a job evaluation system for assessing the value of executive positions in a mature organisation.
6. Apply MI's analytical framework of organizational purpose, human governance, value and human capital management to construct a foundation for fairer and more responsible CEO remuneration.
7. Use OMINDEX data to ascertain any existing examples of apparent good practice based on item 4 above.

Project Output

Produce a summary report detailing specific standards, systems and processes with recommendations for remuneration committees and policy-makers.

Project Sponsors

MI welcomes offers of sponsorship for this major, ground-breaking project from any parties seeking active involvement or access to the full research report, analysis and findings. For further details please contact Paul.Kearns@maturityinstute.com