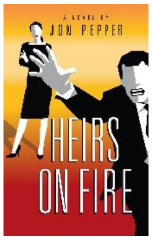

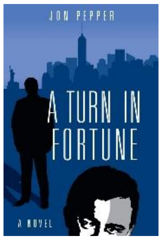

Jon Pepper Books/Discussion Guide No. 2: **Executive Compensation/U.S.**

Robbie Crowe and Walker Hope both receive compensation that is hundreds of times more than the average worker in their companies, reflecting a widening gap common in large corporations. Would you say this trend is:

Justified

- Huge compensation packages are largely driven by enhanced stock performance, suggesting the leaders are doing their jobs.
- The difference in value between a company that is poorly led and one that is managed well far exceeds the compensation of its top executives.
- Anyone can share in the proceeds of a company's improved performance under a top CEO by buying shares.
- Outlandish pay packages reflect the challenge of attracting top talent.
- Top executives in publicly-held companies could make even more in private firms where they are not subject to as much public scrutiny.

Not justified

- It defies common sense to suggest that one person is so much more valuable than everyone else on the team.
- Lavish pay packages for people at the top hurt morale who believe they work just as hard as the people at the top.
- Compensation for people at the top is too often the result of sweetheart relationships with company boards and interlocking personal interests.
- Outlandish compensation makes companies appear to be greedy, which is alienating to its customers and the public.
- It would make more sense to distribute gains more broadly across the company.

Questions:

- How far should a company go in rewarding its top executives?
- What are the most important criteria in establishing compensation?
- How should executive pay be impacted by poor performance, missed targets, and bad company behavior?