Course Title: Advanced Compensation Design: Incentives, Sales, and Executive Rewards

Duration: 5 Days (approximately 35-40 instructional hours)

Course Goal: To provide senior compensation and HR professionals with the advanced technical knowledge and strategic insight to design, implement, and govern complex variable pay programs and executive compensation packages that drive specific business outcomes and align with shareholder interests.

Core Focus: This is a high-level design and governance course. It assumes a strong foundation in compensation fundamentals and focuses on the intricate, nuanced, and often political aspects of advanced compensation. The curriculum emphasizes a rigorous, analytical approach to incentive design, combined with an understanding of the governance, legal, and stakeholder communication challenges involved.

Learning Objectives:

Upon successful completion of this masterclass, participants will be able to:

- Design and model sophisticated short-term incentive (STI) plans with multiple performance metrics and funding mechanisms.
- Understand the key principles and common pitfalls of effective sales compensation design.
- Analyze and structure the four core components of an executive compensation package: base salary, STI, long-term incentives (LTI), and perquisites.
- Differentiate between various types of long-term incentive vehicles (e.g., stock options, RSUs, performance shares) and their accounting and motivational implications.
- Navigate the process of working with the Compensation Committee of the Board of Directors.
- Understand the role of proxy advisors and the key considerations for shareholder approval ("Say on Pay").
- Conduct a basic pay equity analysis to identify and mitigate compensation-related risks.
- Structure compensation plans for international and expatriate employees.

Target Audience:

- **Senior Compensation Managers and Directors.**
- **Heads of Total Rewards and VPs of Human Resources.**
- **HR Business Partners** who work directly with senior leadership.
- **Compensation Consultants.**
- **Professionals** aspiring to the highest levels of the compensation field.

Prerequisites:

- **Significant, demonstrable experience in compensation is mandatory.** Participants must be experts in job evaluation, market pricing, and salary structure design.
- **Strong financial acumen and advanced proficiency with Microsoft Excel are essential.**
- Familiarity with corporate finance and accounting principles is highly beneficial.
- **This is not a fundamentals course.**

Teaching Methodology:

This is an interactive, case-based seminar for senior professionals.

- **Case Study Method:** The course is built around complex, real-world case studies that require participants to design and defend advanced compensation plans.
- **Financial Modeling Labs:** A key feature where participants will use Excel to model the financial outcomes of different incentive plan designs under various performance scenarios.
- **"Mock Compensation Committee" Sessions:** Participants will work in groups to prepare and present a proposal (e.g., a new LTI plan for executives) to a "Compensation Committee" (played by the instructor and peers), who will challenge their assumptions and rationale.
- **Peer-to-Peer Learning:** Facilitated roundtable discussions allow experienced professionals to share their own complex challenges and solutions.
- **Focus on Governance:** Every module is viewed through the lens of governance, shareholder perspective, and regulatory compliance.

Materials Provided:

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- **The Advanced Compensation Strategist's Briefing Book:** A high-level reference guide with:
  - Templates for incentive plan modeling.
  - A comparison guide of LTI vehicles.
  - Checklists for preparing Compensation Committee materials.
- All case study materials and complex Excel modeling files.
- A curated reading list of recent white papers from consulting firms and academic research on executive pay.
- Certificate of Completion.

Detailed Day-by-Day Curriculum

Day 1: Advanced Short-Term Incentive (STI) Design

- **Module 1: Beyond the Annual Bonus (Approx. 2 hours)**
  - Welcome, introductions, and a review of foundational concepts.
  - The strategic purpose of STIs: aligning annual efforts with key business objectives.
  - Moving from discretionary bonuses to structured, formulaic plans.
- **Module 2: Mastering STI Mechanics (Approx. 2.5 hours)**
  - Key design choices:
    - Performance Metrics: Financial (EBITDA, Revenue), Operational, and Strategic.
    - Performance Measurement: Thresholds, Targets, and Maximums.
    - Payout Curves: Understanding leverage and acceleration.
    - Funding Mechanisms: Plan funding vs. individual performance.
- **Module 3: STI Modeling Workshop (Approx. 3 hours)**
  - **Intensive Excel Lab:** Participants will be given a set of business goals and will model a multi-metric STI plan. They will test the plan's cost and payouts under different performance scenarios (e.g., what happens if the company hits its revenue target but misses its profit target?).

Day 2: The World of Sales Compensation

- **Module 4: Principles of Sales Compensation (Approx. 2.5 hours)**
  - How sales comp is fundamentally different from other incentive plans.
  - The importance of aligning the plan with the sales process and strategy.
  - Common plan types: commission, quota-based bonuses, management by objectives (MBOs).
- **Module 5: Designing Effective Sales Plans (Approx. 4.5 hours)**
  - Setting fair and motivating quotas.
  - The role of accelerators and decelerators.
  - Compensating for different roles (e.g., hunters vs. farmers, sales support).
  - Common pitfalls: capping earnings, complex plans, changing the plan mid-year.
  - **Workshop:** Critique several real-world sales compensation plans and identify their strengths and weaknesses.

Day 3: Executive Compensation - The Big Picture

- **Module 6: The Philosophy and Governance of Executive Pay (Approx. 3 hours)**
  - The four pillars of executive rewards: Base, STI, LTI, and Perquisites.
  - The Role of the Compensation Committee and the independent consultant.
  - Developing a peer group for benchmarking.
- **Module 7: Deep Dive into Long-Term Incentives (LTIs) (Part 1) (Approx. 4 hours)**
  - The primary tool for aligning executives with long-term shareholder interests.
  - **Appreciation Awards:**
    - Stock Options (and their variants)
  - **Full-Value Awards:**
    - Restricted Stock Units (RSUs)
  - Understanding vesting schedules, accounting implications (fair value), and motivational impact.

Day 4: Advanced LTI and Working with the Board

- **Module 8: Deep Dive into Long-Term Incentives (LTIs) (Part 2) (Approx. 3.5 hours)**
  - **Performance-Based Awards:**
    - Performance Share Units (PSUs)
  - The challenge of selecting multi-year performance metrics (e.g., Total Shareholder Return - TSR, ROIC).
  - **LTI Design Workshop:** For a case study company, teams will debate and select the most appropriate LTI vehicle(s) and justify their choice.
- **Module 9: The Compensation Committee & Shareholder Engagement (Approx. 3.5 hours)**
  - Preparing for and presenting to the Compensation Committee.

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- Understanding the role of proxy advisors (ISS, Glass Lewis).
- The Compensation Discussion & Analysis (CD&A) section of the proxy statement.
- "Say on Pay" votes and engaging with institutional investors.
- **Mock Committee Session:** Teams will present their LTI plan design from the previous workshop to a "Comp Committee" and must defend their rationale against tough questions.

Day 5: Special Topics and a Capstone Challenge

- **Module 10: Introduction to Pay Equity Analysis (Approx. 2.5 hours)**
  - The legal and reputational importance of pay equity.
  - A conceptual overview of how a statistical pay equity analysis is conducted (using regression analysis).
  - Strategies for remediation.
- **Module 11: International & Expatriate Compensation (Approx. 2 hours)**
  - Key challenges in global compensation: data availability, currency fluctuations, different legal and social norms.
  - The basics of an expatriate compensation package (the balance sheet approach).
- **Module 12: Capstone Case Study: The Private Company IPO (Approx. 3 hours)**
  - **Final Project:** A complex, integrated case study.
  - **Scenario:** "A successful, founder-led private company is preparing to go public (IPO). As the new Head of Compensation, you must design a full executive compensation program that will be appropriate for a public company and will be disclosed in the S-1 filing."
  - Teams must design and make recommendations for all four components of executive pay, with a special focus on creating a new, public-company-ready LTI plan.
- **Course Wrap-up & Final Q&A (Approx. 0.5 hours)**

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