Say-on-pay

Finance

Say-On-Pay Introduction Say-on-pay is a scenario where the shareholders of any given company has a say or to be precise, a vote on the compensation that an executive of the company should be rewarded. Debates have been staged in the past of the relevance of such acts in a company. Therefore, questions as one presented below may come up because Say-on-pay is a frequently done phenomenon in any modern organization.

Thesis statement

Therefore, " Does this act respond to the relationship of pay for performance? Will a shareholder's vote create a stronger relationship between pay and performance? And will it reduce the situations where pay for failure takes place?"

Shareholders are the owners of any given firm or company and the interest of the operations of the firm is always at their heart. They would not wish to impact negatively on the firm's performance at any time, as this is likely to translate into losses. Furthermore, this is not a good happening for shareholders as they are interested in the returns that their investments are likely to bring. A talk on the aspect of say-on-pay is much in place since it has become a daily activity among investors to lay check on their employees. Most companies are today acting to ensure that the performance of their employees is commensurate to the returns they expect. Moreover, excellent performance results from an employee; this depends on how they are handled in terms of their welfare, remuneration and work environment. This study in its efforts to respond to the statement laid down above has to undergo a series of testing procedures of the hypothesis. This will involve a study on the thesis; the study will take varied approaches and methods. Since the practice is still new, it means there are no adequate secondary data hence observations of the few companies, which have employed the practice, would aid us in making deductions about the raised questions. Strict rules have to be laid down against executive compensation; this is because without this the executive are capable of embezzling shareholders' funds. The fact that executives normally take the advantage of the separation that exists between the ownership and the management makes this even worse.

Therefore, such a study is important for the following reasons. One, the study will give us the clear relationship that exists between pay and performance. Moreover, strategies or required changes are recommended in the process. The study will also clear the air as to whether there is any significant change when shareholders conduct a voting system to determine the pay for their executive. Ultimately, the study will make recommendations on how effective the costs of a company can be regulated taking into account the performance of the firm.

Say-on-Pay as a practice if well implemented will create definite compensation plans as has been stipulated. This will save the company any forms of unnecessary costs. On the contrary, if the practice is mishandled, it may be detrimental and due to the synergistic relationship existent between firms, a crisis like the recent financial crisis took place.

References

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