

# cliQUE™

ACCESS TO LOCAL AND GLOBAL OPPORTUNITIES

## CHAPTER BUSINESS

### BOSTON CHAIRPERSON

**Daniel Glosband**

Goodwin Procter, LLP

Attorney - Bankruptcy

Member Since: April 2003

The Boston Chapter is in good hands with Dan Glosband. When he's not leading his chapter, he's writing a new chapter for the U.S. bankruptcy code that was recently adopted into law. Read all about Dan's work with the U.S. State Department and find out what's happening in the Boston market.

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### DENVER CHAIRPERSON

**Keith Kulesa**

Merrill Lynch

Financial Services -

Investment and Wealth Management

Member Since: December 2004

As membership is on the rise for the Denver Chapter, Chairman Keith Kulesa describes some of his group's "down-hill" adventures. Read all about this booming chapter, the strong REIT presence in Denver, and the members' recent ski trip to Winter Park.

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## MEMBER NETWORKING



### David Proctor – Wind River Holdings LP

Financial Services – Mergers & Acquisitions

When selling a business, it is important to the owner to not only find a buyer, but to find the right buyer. No one understands this better than David Proctor of Wind River Holdings, a third-generation family-owned business that understands the importance of finding the right fit before making an acquisition. Read about the firm's impressive portfolio and their history of relationships spanning over a century. [More...](#)



### Sue Schroeder – Vivient Consulting LLC

Consulting – Human Relations

Fixing faulty corporate governance may sound like an overwhelming task, but according to Sue Schroeder, establishing a good pay-for-performance program is the first step in the right direction for a struggling company. Read about Vivient Consulting and the work they do to design effective executive compensation plans for their clients. [More...](#)



### Mike Issa – Ballenger Cleveland & Issa, LLC

Consulting – Corporate

With a distinguished 30-year career in the field of corporate consulting, Mike Issa thought he had seen it all. But just recently he met his biggest challenge as he attempted to finance a firearm-related deal. Read about how his perseverance earned him and his firm the "Retailing Deal of the Year" award. [More...](#)

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# Networking Opportunities

“Vivient is targeting middle-market public and private companies that need assistance on how to appropriately compensate their executives and employees. A hot area for us right now is clients that want to explore alternatives to stock options. We have developed a specialty in helping private companies create incentive plans that reward for long-term value creation.”

Here’s the scenario: a company had been hemorrhaging cash for years. Finally, a new CEO was brought in and given the job of reviving the business or digging its grave. His first move was to install a whole new team of divisional directors, but his next move was to turn his attention to how the company was being run by its directors.

That’s when he called Sue Schroeder, Partner of Vivient Consulting, which specializes in executive compensation consulting for both private and public companies with between \$50 million and \$500 million in sales.

“We really incentivized them to breakeven net income, and then to positive net income within a year’s period of time,” Schroeder said in a recent interview with *clique*. “We devised a long-term incentive plan where they could sell off the company in pieces and the owner would share a percentage of the sale with the individual directors.”

Today, the turnaround of the company is in progress.

“The directors are starting to approach different buyers for the different business segments,” said Schroeder. “It really shows how a program like ours can help create value for the owner of the company.”

But executive compensation is not just an important issue for those building businesses, it is a key factor for institutional investors as well. Schroeder said that her firm recently conducted a survey of 100 pension fund managers and other money managers to get their views on corporate governance. The survey queried them about all different kinds of areas, but the area that these investors were most concerned about was executive compensation.

“Executive compensation is a window to the governance of the rest of the company,” Schroeder said. “It’s really a symbol of whether the company

has good governance or not. So, if you have sound executive compensation policies, then that will be a flag that says okay, most likely the rest of your governance is okay. But, if your executive comp is out of whack, then probably you have other troubles as well.”

Vivient suggests that one way to fix faulty corporate governance systems is to establish a good pay-for-performance compensation program. But the trouble is that many directors, executive committees, and institutional investors aren’t exactly sure how to define a good pay-for-performance program, although they say they can easily define a bad one.

“A bad one would be where you might use performance measures that are really easy to manipulate and play accounting games, and you can play accounting tricks to make the performance measures such as earnings per share be a lot higher than it really is,” Schroeder said. “And then you give payouts from your bonus plan when they are not really deserved. And that’s what I think we’ve seen over the years with some of these accounting scandals and these companies that have failed, where they have inflated their financials and then had to go back and review them.”

Tying company performance to executive pay and focusing companies on becoming more transparent about the way in which they structure their executive compensation packages are two ways to build a good pay-for-performance program that creates greater shareholder value, Schroeder said, adding that the same approach also applies for private companies.

What’s more, she said, institutional investors should play an important role in helping to shape appropriate executive compensation packages. She said she was somewhat surprised to learn that 49% of the respondents to Vivient’s institutional money manager survey were not active in corporate governance.

**Sue Schroeder**  
**Vivient Consulting LLC**

*Professional Category:*  
Consulting - Human Relations

*Member Since:*  
February 2002



“Executive compensation is a window to the governance of the rest of the company.”

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“European companies are really struggling with how to pay appropriate long-term incentives to their executives.”

“I think that these institutional investors could take a more active approach, and need to, because where the corporate governance really stems from is the board. We need to make these board members much more accountable and make sure they’re doing their functions correctly,” Schroeder said. “These institutional investors can really play an active role, by meeting with the board members and having more influence over them, and saying, ‘There are certain things that you need to put out for an overall shareholder vote.’”

No doubt, meddling in executive compensation can be an emotional powder keg, but Schroeder said that her firm is increasingly being engaged by boards and compensation committees because companies are starting to wake up to the fact that they need to have a pay-for-performance system that helps them compensate their executives appropriately.

And, she said, appropriate compensation is not always about paying people less.

“We don’t mind people getting huge payouts if the performance is there. That’s really where our finance training really comes into play, to calibrate the payouts. So, if you hit target performance, you get a target payout level. If you hit a maximum performance, you’re going to get a maximum payout level. And I think that can be very meaningful for the executives because then they can really see, okay if we increase our net income by ‘x’ or our revenue by ‘y,’ then we can get an even bigger payout on our bonuses.”

Staying on top of new regulations has also become an important part of the executive compensation review for companies. Internal Revenue Code Section 409A, which is the deferred compensation regulation, is changing the way many U.S. companies have to do business. Schroeder pointed out that options have to be expensed now and said that companies are looking at whether other types of long-term incentives, like restricted stock or long-term cash plans, might offer a better

program. Another regulation, FAS 123R, concerns the expensing of stock options and is having an international impact, particularly in

Europe. Schroeder said European companies are really struggling with how to pay appropriate long-term incentives to their executives, which is something many U.S. firms went through over the past five to ten years.

But whatever kind of company you are, at whatever level, there is no hurrying through the process. Executive compensation reviews typically take about three to four months, Schroeder said.

“At Vivient, we do a lot of interviews with the executives and with the board. We really understand the company and the industry that they’re in, and we go about creating the pay-for-performance system. After that, we facilitate a discussion between the management and the board and get it approved, and then communicate it to the executives. You can design a great plan, but if you don’t communicate it, and people don’t understand what it is, then it’s not going to work. So, the communication is a key piece.”

Typically, the companies that employ Vivient’s services are those where there is some kind of change taking place, like a management change, or when there are certain problems; for example, when company executives and employees think their bonus is an entitlement system, or when a company is about to go bankrupt.

Whether it is a major change occurring within a company or a need for a good pay-for-performance program, it’s time to call Sue Schroeder.

*If you want to contact Sue Schroeder about Vivient Consulting LLC and their consulting services, call (310) 426-2340 or email her at [sschroeder@vivient.com](mailto:sschroeder@vivient.com).*

