



Energy Insights



MAKING THE MOST OF LIGHTER SUMMER AGENDAS

Summer is an opportune time to think about the company's preparedness in the event of significant change.

Posted by Jonathan Szabo on August 25, 2014

Summer tends to be a less busy time in the executive compensation cycle where Committees meet less frequently, agendas are lighter and any "pet projects" are addressed. It offers an opportune time to think about the company's preparedness in the event of significant change.

Over the past few years, we have observed abundant M&A and divestiture activity in all corners of the energy industry. Just a few recent examples include:

- Whiting's acquisition of Kodiak
- Forest Oil's merger with Sabine Oil & Gas
- Enlink's creation from a Crosstex/Devon merger
- Noble Corp's spinoff of Paragon Offshore

The industry is ripe for increased activity.

While the transactions are thoughtful and planned, the impact on compensation programs and human capital can feel chaotic. It highlights the importance of preparation even if there is no M&A activity on the horizon. Lighter summer agendas provide an opportunity for Compensation Committees to evaluate their readiness in the event of M&A, such as:

- Are current CIC arrangements competitive so as to keep the management team aligned with the business should the company enter into transaction talks?
- Is there sufficient retention in place to keep critical talent during periods of uncertainty, and thorough succession plans in the event talent or leaders depart?
- Has the Committee set precedent on how the determination of incentive plan goal achievement will be impacted by shedding or acquiring a significant business?
- Has the peer group been impacted by any recent M&A activity and are any adjustments warranted?
- Has the set of companies used for relative TSR measurement been impacted by transactions and how might it impact relative TSR ranking?

Addressing these items now will help ease any transitions that may arise during the fall/winter months where agendas are already full with annual cycle activities, market analyses and pay decisions.



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