

Dear Lucy

Work problems answered



Should I resign over my chief executive's excessive pay rise?

I've recently joined a company board as a non-exec and have been put on the remuneration committee. In the first meeting I said nothing, but in the second spoke out against the chief executive's pay, which is going up by 20 per cent this year.

I was slapped down, blinded by science and told that the comparatives I was using didn't apply.

Even though the company is performing very well, the amounts paid to top execs seem excessive. What am I meant to do now? Resign? Think, oh well, at least I tried?
New non-exec, female, 50

Lucy's answer

To resign after your first run-in as a non-executive would be very silly. Equally, to think, "Oh well at least I tried," would also be feeble, suggesting you were giving up. Instead, you ought to think of this as a long campaign, which you have hardly started. Brace yourself: it's not going to be easy.

The point of being a non-exec is not just that you say what you think, but that you say it in a way that gets heard. You've done well on the first score – admirably so, weighing in on this most sensitive of all subjects when you are still a new girl. But on the second score, there is room for improvement.

So far, what you have achieved is a note in the minutes saying you objected to the proposed CEO pay rise. You've also proved that such direct confrontation didn't really work. You say that they "slapped you down", suggesting either that this is a board where direct disagreement is discouraged, or that the others don't like a new girl with views. Either way you must proceed more gently next time.

You also say they tried to "blind you with science". I bet they did: it's the standard strategy for

dealing with dissenters on pay. I often think these remuneration reports are made deliberately over-complicated, to make disagreement very difficult. To prevent further trips, you need to know every turn in their reasoning, or else they can easily wrong-foot you, as they did this time.

To win, though, you could try pushing a simpler benchmark: the ratio of CEO pay to that of an average worker. If that is soaring – as I'm sure it is – you should plot it on a graph and gently suggest a discussion on the ethics of that.

It's not going to be at all easy, and you are going to need some allies. Find out if there is anyone else who also feels even slightly uneasy and work on them one by one. You may well get some unexpected support from the shareholders, as 20 per cent sounds a lot.

Otherwise comfort yourself with the thought that there are a lot of other people on your side: the man in the street, the staff (presumably) and even the prime minister, whose faith in the restraining influence of female directors is being borne out by your continuing the fight.

Your advice

You must go

You are clearly unqualified for the job and jealous. Directors' advice is not about "seems excessive", it either is or it isn't.

If you can't argue your case then either the 20 per cent rise is excessive and you are incompetent, or 20 per cent is right (or even low) and you are full of unjustified negative envy.

Either way, you have to go.

Chairman, male, 47

Go back for more

Get a decent second opinion on the pay data in that sector and go back and blind them with facts. Less than half of CEOs are getting a pay increase this year, and 20 per cent by anyone's standards is just plain rude given the current economy. The RemCo's role is a governance one and a powerful one. Research your data, stand your ground, and speak up.

Aspiring non-exec, female, 51

See chairman

Non-exec's are there to keep the company on the straight and narrow. Your only weapons are integrity and the threat of resignation.

In allowing yourself to

be slapped down and blinded by science, you have used up a lot of your ammunition.

Go and see the chairman. Tell him you can't accept the recent pay recommendations without proper independent advice and that if it is not forthcoming you will have to resign.

Retired finance director, male

I applaud you

Stand your ground. Just look around – the world badly needs dissenting views such as yours on company boards. Moreover, inform all of us lowly stockholders you are taking this stand – we will applaud you.

Scientist, retired

Keep on pushing

Stay on the board and keep pushing, stick to your opinion.

If you resign the rest of the board will have won by intimidating you.

Anon

Curb your ego

You seem to think that your only options are to flounce off or sulk. Perhaps some less ego-driven reflection on the role of a non-exec would help?

Anon, male