

THE SUBMISSION INSTRUCTIONS ARE TO BE FOLLOWED COMPLETELY AND EXACTLY

Due 15 March 2020 before 11:30 PM

Submission Instructions:

1. APA Style format is to be fully used for **all** aspects of the assignment.
2. **Wikipedia, encyclopaedias, and dictionaries (of any type) are not acceptable references.**
3. Three references other than the textbook are required.
4. Word count: Minimum 1000, maximum 1500. This is exclusive of cover page, references, or any appendices, graphics, or tables considered necessary. An abstract or executive summary is not necessary or wanted and will not be considered part of the word count if included. The assignment questions can be used as heading (or subheadings).
5. Send finished **MSWORD document ONLY** via e-mail.
No embedded links, objects, or similar – **Do not use automatic formatting tools.**
MSWORD (North American only) documents are to be unblocked, full permissions granted. **Software language set to Canadian English (only).**
6. Use Times New Roman or Arial, 12 point font, margins 2.5 **centimetres**.
Line space = 1.5 min. and max.
7. Proofread, edit, spell check and grammar check before submission.
8. Cover page is to conform to Instruction #1 - plain, no graphics.

Mechanics: Failure to follow submission instructions, proofread, spell and grammar check or make a best effort at APA Style Format: Deduction = up to Two (2) Marks

Ethics Dilemma: CEO Compensation

Critics of executive pay practices in Canada and the United States argue that CEOs choose Board of Director members whom they can count on to support ever-increasing pay for top management. If board members fail to provide this benefit, they risk losing their positions, their fees, and the prestige and power inherent in board membership.

In addition, it is not clear that executive compensation is tied to firm performance. For instance, KPMG found in one survey that for 40 percent of the respondents, there was no correlation between the size of the bonus and how poorly or well the company performed. Consider the data in the below exhibit, which illustrates the disconnect that can sometimes happen between CEO compensation and firm performance. *National Post Business* writers use an executive compensation formula that can be used to determine which CEOs were overpaid (or underpaid), based on their company's performance between 2006 and 2009.

Deliverables:

Note: Simply stating some issue is unethical is meaningless. An ethical principle has to be stated and how it was violated.

1. How can such large pay packages for CEOs be explained (i.e., justified)? Marks = 2
2. Is high compensation of CEOs a problem and what ethical/business management problem might high compensation create? Marks = 2
3. If so, does the blame for the problem lie with CEOs, the shareholders and/or the Board of Directors that knowingly allow the practice? How could the issue of excessively high compensation be corrected. Marks = 3
4. Are these CEOs acting unethically? Should the CEOs pay reflect more closely some multiple of their employees' wages? Marks = 3

Mechanics: Failure to follow submission instructions, proofread, spell and grammar check or make a best effort at APA Style Format: Deduction = up to 2 Marks

Exhibit

CEO(s)	Was Paid (3-Year Avg.)	Should Have Been Paid	Amount Overpaid
1. James Balsillie and Michael Lazaridis, Research In Motion, Waterloo, Ontario	\$141,594,333	\$16,991,320	\$124,603,013
2. William Doyle, Potash Corp. of Saskatchewan Inc., Saskatoon, Saskatchewan	\$65,391,333	\$4,577,393	\$60,813,940
3. Marcel Coutu, Canadian Oil Sands Trust, Calgary, Alberta	\$22,853,333	\$4,570,667	\$18,282,666
4. Edward Sampson, Niko Resources Ltd., Calgary, Alberta	\$17,218,667	\$860,933	\$16,357,734
5. A Regent, Peter Munk, and G. Wilkins, Barrick Gold Corp., Toronto, Ontario	\$19,823,333	\$4,955,833	\$14,867,500

"Nettionet Post Business" calculated a "Bang for the Buck" formula to derive the amount overpaid, taking into account CEO performance variables.

Source: Based on information in "CEO Scorecard," <http://www.financialpost.com/executive/ceo/scorecard/index.html>; and "Guide to Using the CEO Scorecard," *Financial Post Magazine*, November 2, 2009.

Note: Research in Motion is now BlackBerry Ltd.