The Prickly Topic of Executive Compensation

Perspectives: June 1st, 2025

The modern army of ESG analysts and market commentators have resolutely pursued a narrative that executive compensation must be compared to measurable things such as listed peer groups and the multiple of the lowest paid employees.

I call total BS. Not only are these narratives of no common-sense use, but it is also a waste of everyone's time and energy and at its worst it can cause tremendous and permanent damage to a listed company.

Reed Hastings, the co-founder of **Netflix**, is nobody's fool. We have studied and long admired his and their clearly differentiated views on business culture, people, and compensation. They believe that exceptional people are worth 10,000+ times the average ones. I strongly agree.

I recall the financial media in South Africa some 15 years ago making a big song&dance about the alleged excessive compensation of the brilliant **Shoprite** CEO, Whitey Basson. However, the most insightful commentary came from a large Shoprite shareholder – Christo Wiese - who shut out the argument by asking '*How much should you pay someone who makes you many billions?*'

These two questions might help frame one's mind:

1. Was it fair that Koos Bekker made billions of Rands himself for leading Naspers to invest in Tencent that created over a trillion Rands in business and shareholder value?
2. Was it fair that Bob van Dijk also made billions of Rands himself just for being the CEO of Naspers and executing a cluster of advised corporate deals assessed as having created no real business or shareholder value?

Both answers should be no-brainers.

Globally the non-government private business sector, both listed and unlisted, is a fiercely competitive world, where dog eats dog and where companies are either busy winning or busy dying. That is the harsh but accurate reality.

To survive and thrive in this environment requires *exceptional* leadership capabilities. It is clear that companies with mediocre to poor leadership are essentially destined for extinction.

In the free economic markets of global sport, and regardless of which sport, it is easy to find evidence that the bulk of the financial and non-financial rewards accrue to an extremely narrow group of top players. Rory McIlroy writes his own paycheques because he is one of just 6 players in the entire history of the game to have achieved the Grand Slam of golf – to have won all four Majors.

I am concluding by expressing my opinion at its hyperbolic extremes to help underline my key point.

One: There should be no upper limits placed on the compensation of a truly exceptional leader who has demonstrably delivered exceptional value on merit.

Two: Mediocre leaders should be sacked and replaced.

Three: Poor leaders should be sacked and sent an invoice for damages.

Our work continues…

Daniel Malan, CFA
Founder, Managing Director & Chief Investment Officer
daniel@perspectiveim.co.za

Perspective Investment Management

www.perspectiveim.co.za

Perspective

Investment Management