



## Opposing view: 'Surgery with a hatchet'

Let private sector, not government, shape new world of corporate pay.

By Dennis Nason

Did Wall Street bonuses get out of control? Absolutely. Is this a problem for government to fix? Not so fast.

The regulatory path for reining in bonuses is likely to be surgery with a hatchet — cuts for all. But, since essentially everyone has recognized that the Wall Street bonus structure needs to be changed, the institutions involved already have no choice but to rethink the whole system, which could lead to more innovative, efficient, effective solutions.

Change in bonus structures will not be uniform. A lot of companies still strive to "treat everyone the same," resulting in fat paychecks for mediocre performers.

But that is changing. Already, there is a growing trend away from simply cutting pay and other compensation for everyone, and toward a strategy of enhanced compensation for the most valuable employees — with value defined by rigorous performance measurement. Top officers' compensation will be measured against a totality of performance, not just immediate share prices. That's a lot different than past practices.

Top companies still need to attract and reward top talent, but they will do so in a much different environment, one that is much more transparent and scrutinizing. Members of Congress may not be very interested in the intricacies of executive compensation, but they do know that bonuses have gotten out of control, and they have said loud and clear that if the private sector doesn't do something about it, they will.

The talent pool will grow accustomed to the new world of executive compensation. So will the institutions that hire them. The winners in the market will be those that understand that the world has changed and that talent should share in the risks as well as the rewards.

Considering the pendulum swung too far toward unchecked bonuses and enormous salaries, swinging back too far toward over-regulation seems like a poor response to a problem the private sector can tackle.

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