

Can Equity Compensation Influence Corporate Culture?



Compensation and organizational culture are deeply intertwined. We look at why it's important to design a compensation strategy that includes share ownership to mirror and reinforce the culture you want to cultivate.

Great company culture sets the foundations for real, tangible business growth. It makes an organization unique and can impact important business drivers from productivity and morale to reputation, employee engagement and retention.

But can you design a workplace culture or is it something that develops organically over time? Leaders grapple with this question as they try to define their company's personality and express its core values, ethics, behaviors, and beliefs.

Read on to discover different ways in which GEO Award-winning companies have used equity compensation as a tool to shape, or reinforce, the important intangibles of a strong organizational culture that elevates companies.

"Every company has a culture, either by default or by design, but our award winners have demonstrated how equity compensation can be used to nurture the 'right' corporate culture – to support business objectives, drive employee retention, attract new talent and play a role in marketing the company to customers and to society at large."

1. A CULTURE OF TRUST

Trust is an essential component of any successful organization - and how better to build trust than to give employees permission to make and act upon strategic decisions?

To foster engagement and action, **Danone** gifts the power to co-own the company's agenda through the grant of one free share to each of its employees. Rather than focusing on reward, its 'One person, one share' program gives each employee a vote at each annual shareholders' meeting, encouraging a sense of equal ownership regardless of location or seniority.

Conversely, when **Aviva** used employee feedback to shape its share plan design, structure and communications, the message to its employees was clear – we respect your input, and you can trust us to design a plan that meets your needs.

2. A PURPOSEFUL CULTURE

Purpose is characterized by idealism and altruism and can unite people and teams by focusing on shared ideals or contributing to a greater cause.

Generali aligned their employees' personal purpose with work by establishing a charitable vehicle to help the world's disadvantaged. Funded by participation in its share plan with corporate donations linked to participation, as well as voluntary donations from employees, the plan placed purpose at the center of the enterprise.

Similarly, **Shell**, an organization with a razor sharp focus on achieving carbon net zero throughout its entire supply chain,, unleashed higher performance and engagement when it included environmental performance criteria in its executive share plans.

3. A CULTURE THAT SUPPORTS DIVERSITY, EQUITY, AND INCLUSION

With a global spotlight on improving and embedding diversity, equity and inclusion into everyday work life, the idea of 'equitable equity' versus reserving share ownership for rewarding high-skilled or senior employees is trending.

Saudi **Aramco's** ambition to use equity to make their employees feel valued, regardless of background or position, was their equity plan's key driver and the first of its kind in Saudi Arabia.

Equity compensation can also be used to build an equality-driven culture from the top down. One example is **IHS Markit's** plan which introduced performance indicators including leadership support and mentoring, team engagement, inclusion and diversity and volunteering to retain key staff during a merger.

4. A COHESIVE CULTURE

It is common to experience multiple embedded cultures within an organization, especially during times of change.

When two of Indonesia's largest non-listed entities merged, **GoTo Group** looked to its share incentive plans to unify the employees from both organizations and to gain cultural alignment pre-IPO. Its all-employee share option award was named 'Pancasila' after the official, foundational philosophical theory of Indonesia rooted in inclusivity and unity.

It can also be difficult to uphold a cohesive culture that includes remote employees. When the Covid-19 pandemic hit, **Atlassian** launched 'Team Anywhere', an initiative which enabled its employees to work permanently from (almost) anywhere and port their share plan to their new home country. Reinforcing its relaxed culture, participants received plan communications via informal blog posts and emails on their internal wiki space, 'hello'.

5. A REWARDING CULTURE

Commission-based industries, such as real estate or insurance, are challenged with avoiding toxic sales cultures. **eXp World Holdings** broke the mould by offering equity rather than cash-based incentives to its real estate employees. Participants can exchange commission for shares at a discounted price and earn more equity for notable achievements such as closing their first transaction each year, meeting certain metrics, committing to corporate culture requirements, and attending events.

Their ground-breaking approach positioned the company as the fastest growing real estate company in the world by headcount.

About Excellence in Global Share Plans

Sponsored by Fidelity, Excellence in Global Share Plans is a thought leadership series that spotlights recent award winners and their plans, so others may learn from and be inspired by their strategies, challenges, and successes.