

Stephen F. O'Byrne

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Expertise

Stephen O'Byrne is an expert in economic profit measurement, target setting analysis, stock option valuation, competitive compensation analysis, bonus and phantom stock plan design and the development of total compensation strategies. He is also the President and co-founder of Shareholder Value Advisors Inc., a consulting firm that helps companies increase shareholder value through better performance measurement, incentive compensation and valuation analysis.

Stephen has done extensive research on the strength and cost-efficiency of top management incentives. His publications (all with Professor David Young of INSEAD) include "Why Executive Pay Is Failing" in the *Harvard Business Review* (June 2006), "Top Management Incentives and Company Performance" in the *Journal of Applied Corporate Finance* (Winter 2005) and *EVA and Value-Based Management* (McGraw-Hill 2001).

Examples of Stephen's typical consulting assignments include:

- Developing corporate and business unit incentive plans based on economic profit improvement. Economic profit is net income minus a charge for the opportunity cost of equity capital. Incentive plans that give the management team at each business unit a fixed percentage interest in the unit's economic profit improvement create strong, sustainable and cost-efficient incentives. The fixed percentage interest simulates the powerful incentives of ownership while the capital charge ensures that management is not rewarded for profit growth that just reflects a normal return on new investor capital.
- Measuring management's contribution to operating performance and market value to guide compensation decisions. Many companies have pay policies that lead them to increase equity grant shares to offset a decline in the stock price, e.g., targeting compensation at the 50th percentile regardless of performance. This is bad incentive policy unless the decline in the stock price is due to market and industry factors beyond management's control. O'Byrne's analyses quantify the impact of market and industry factors on individual company performance and provide a factual basis for assessing management's contribution to value.

Industries Covered

Mr. O'Byrne has consulting experience in a wide range of industries including retailing, media, real estate, industrial products, financial services and hospitality.

Professional Background

Prior to founding Shareholder Value Advisors in 1998, Stephen was the head of the compensation consulting practice at Stern Stewart & Co. and a Principal at Towers Perrin. He has a B.A. in political science from the University of Chicago, an M.S. in mathematics from Northwestern University and a J.D. from the University of Chicago. He is a CPA and a member of Illinois bar.

Professional Affiliations and Presentations

Stephen is a member of the corporate governance committee of the New York Society of Security Analysts, the National Association of Corporate Directors and WorldatWork, the professional association of compensation & benefits professionals.