

JANUARY 2024



ADVANTAGES OF SHARE-BASED PAYMENTS

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CONTEXT

In the previous edition, we explored the salient features of share-based plans and the typical life-cycle of such plans. This article will highlight why share-based payments are a coveted benefit for employees and a powerful tool for companies by discussing the various ways in which such plans can positively impact both stakeholders.



BENEFITS FOR EMPLOYEES

Alignment of employees' objectives with those of shareholders

As the value of the company increases, the value of employees' shares also increases

Alignment of Interests

Reinforces long-term commitment towards achieving career goals with the company.

The prospect of accumulating significant rewards over the long-term.

Long-Term Incentives

Employees benefit from the appreciation of share price, leading to wealth accumulation.

Opportunity to take advantage of any liquidity events that take place while the employee has an unutilized option.

Wealth Accumulation

Sense of Ownership

Leads to a positive workplace culture and a sense of belonging.

Fosters a culture where employees are more engaged and better motivated.

Performance-Linked Rewards

Perceived sense of fairness since rewards are linked to a measurable metric.

Well-defined goal to work towards with a fair idea of the potential rewards.

BENEFITS FOR EMPLOYERS

Share-based payments are a highly valued employee benefit

Offering these helps attract prospective and skilled employees

Attracting Talent

Employees have a vested interest in the organization's success.

Enhances overall employee performance and leads to organizational success.

Organizational Performance

Links share-based plans to specific performance targets.

Fosters a results-oriented culture leading to growth and profitability.

Alignment with Corporate Goals

Retention & Loyalty

Incentivizes key employees to stay with the company

Better execution of business plans due to retention of key employees.

Compensation Structure

Provides flexibility in structuring compensation packages

Allows competitive compensation without liquidity and cash constraints.

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