

Disney's Executive Compensation Plan

A common measure of shareholder wealth creation is appreciation of company stock price.

Therefore, a popular form of bonus compensation is stock options. The largest single option sale of all time occurred on December 3, 1997. Disney Chief Executive Officer Michael D. Eisner exercised more than 7 million options on Disney stock that he had been given in 1989 as part of his bonus plan. Eisner sold his shares for more than \$400 million.

Companies can learn from Disney's experience to create an Intrinsic and Extrinsic rewards program to motivate managers and executives to implement strategic goals such as to create and support growth opportunities (vertical integration, horizontal integration, product development, and market development). Alternatively they can use performance based cash compensation to help achieve the operational efficiency goal.

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