

## ***Egon Zehnder International's Performance and Tenure Based Compensation***

Egon Zehnder International (EZI), an executive search firm, pays its partners substantial monetary rewards based on a combination of overall corporate performance and tenure. For partners, compensation comes in three ways: salary, equity stake in EZI, and profit shares. . . .To begin with, each partner has an equal number of shares in the firm's equity, whether he has been a partner for 30 years or one year. The shares rise in value each year, because we put 10% to 20% of our profits back into the firm. . . .The remaining 80% to 90% of the profit is distributed among the partners in two ways. 60 percent is divided equally among all the partners, and the remaining 40% is allocated according to years of seniority. . . . So a 15-year partner gets 15 times more from this portion of the profit pool than a one-year partner. EZI's annual turnover rate among partners of 2% suggests the incentive system is working: The industry average is 30%.

Companies can learn from this example to create a "right" mix of performance and tenure based compensation.

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