

The Spotlight on the Independence of Compensation Consultants

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Much as the demand for auditor independence followed the wave of accounting scandals several years ago, there has been increasing focus on the “independence” of the compensation consultants hired to advise on executive compensation in light of perceived excessive compensation paid to senior executives. In May 2007, Representative Henry S. Waxman, chair of the US House of Representatives Committee on Oversight and Government Reform, requested data from the major compensation consulting firms on the amount of fees and types of services performed by the consultants for the Fortune 250 companies from 2002 to 2006. The House Committee’s premise was that compensation consultants have an inherent conflict of interest if they provide both executive compensation and other services to the same company.

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