



DESIGNING LTIPS IN PRACTICE: THREE CASE STUDIES FROM THE PRIVATE SECTOR

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In our previous article, we introduced a three-question framework to help private companies navigate the complexities of long-term incentive plan (LTIP) design. From choosing between cash and equity-based plans to selecting the right instruments, we outlined the foundational decisions that shape effective incentive strategies.

In this second instalment, we shift from theory to practice. Through three real-world case studies, we explore how private organizations across different industries and sizes have tackled unique challenges in LTIP design. Whether preparing for succession, driving performance in a turnaround, or scaling a business amid market volatility, each case highlights the importance of strategic alignment, stakeholder engagement, and tailored solutions.

1) REAL EQUITY

Industry: Professional Services

Size: Small (<\$50M revenues, <100 employees)

Type: Private Company

Objectives:

- Managing incentives and shareholder interests by aligning distribution with individual contributions

Our Approach:

- Performed an audit of short-term incentives and the ownership structure
- Incorporated succession planning and retirement considerations
- Developed tax-efficient options and potential trade-offs
- Assessed and communicated possible obstacles and challenges that may arise as the organization develops

Objectives	Solution
Preparing for the departure of Founding Partners within the next five to ten years	<ul style="list-style-type: none"> ▪ Updated the shareholder agreement for increased flexibility ▪ Adjusted pay structure by partner level, with safeguards for employee transitions
Fostering engagement with the emerging generation	<ul style="list-style-type: none"> ▪ Provided multiple share classes for equity grants, and purchase: fixed, variable, and non-distributive grants convertible on promotion



	<ul style="list-style-type: none"> Offered capital distribution on real equity to boost net cashflow for new partner buy-in
Managing incentives and shareholder interests by aligning distribution with individual contributions	<ul style="list-style-type: none"> Lowered dividend distributions but raised incentives to maintain cashflow potential

Key decision to support a Real Equity Plan: Desire to increase partner ownership

2) PHANTOM EQUITY PLAN

Industry: Financial Institution

Size: Medium (\$100M - \$250M revenues, 100-500 employees)

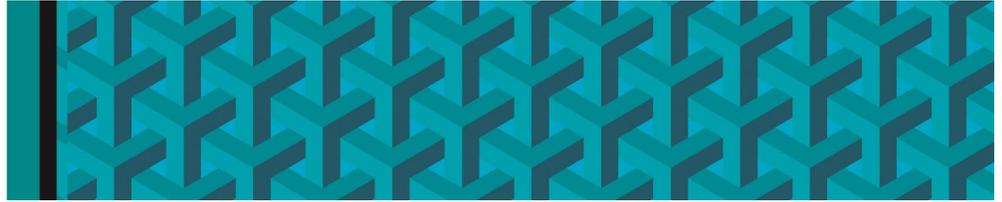
Type: Private Company

Our Approach:

- Conducted a full audit of total compensation offering and incentive plan design
- Reviewed the range of market practice with direct and adjacent talent markets
- Identified the best long-term performance predictors and tested metrics' volatility based on interest rates, and FX rates
- Modelled and tested stretch performance goals and pay outcomes

Objectives	Solution
Aligning with new leadership culture and desire to foster a stronger pay for performance	<ul style="list-style-type: none"> Selected and developed a phantom equity plan Developed a new definition of performance (i.e. minimum acceptable, good and outstanding) over 3 years
Embracing a new phase of growth, supporting the turnaround strategy to encourage long-term growth	<ul style="list-style-type: none"> Identified the single best indicator of the organization long-term value creation (to assess underlying "unit value" for RSU-like and PSU-like programs) Identified other key measures of strategic growth for the PSU program
Remaining competitive with more aggressive talent market (i.e. large public financial institutions), while remaining true to their medium-size employee value proposition	<ul style="list-style-type: none"> Increased incentive leverage – moving from a low-volatility to market-aligned volatility

Key decision to support a Phantom Equity Plan: Legal structure doesn't allow to grant ownership.



3) CASH PLAN

Industry: Energy Services Firm

Size: Medium (<\$100M revenues, 50-150 employees)

Type: Private Company

Our Approach:

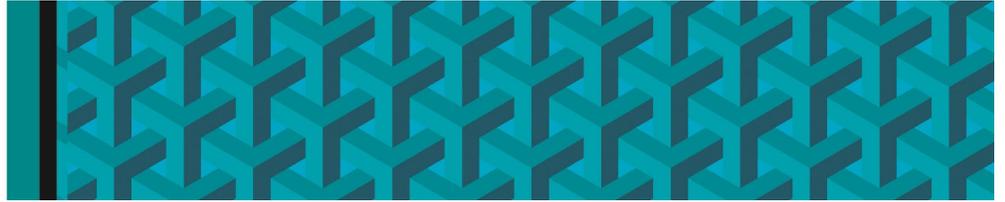
- Conducted a full audit of their current pay and incentive plans
- Conducted workshop with key executives to present and explore alternative approaches based on their business strategy
- Modelled and tested alternative approaches based on future five-year forecasts, in contrast with the current incentive plans

Objectives	Solution
Aspiring to scale the business materially over the medium term	<ul style="list-style-type: none"> ▪ Focused value creation using expected earnings as a baseline and sharing the incremental earnings to participants ▪ Defined plan terms and provision, including funding (self-funding) to ensure the plan remains affordable, and doesn't pay in a scenario where no incremental value is generated
Differentiating the short- and long-term performance frameworks to increase focus on company valuation	<ul style="list-style-type: none"> ▪ Selected a cash pool-based incentive program based on future performance mimicking aligning with shareholder experience
Navigating the uncertainty as it relates to long-term forecasting and target setting given expected volatility in earnings	<ul style="list-style-type: none"> ▪ Sunsetting the current long-term cash deferral plan that was not performance based and at the same time, provide differentiation to the company's real equity plan that was limited to select participants

Key decision to support a Cash Plan: Executives were already shareholders, and there was too much unknown/ volatility in the medium term.

CONCLUSION

These three case studies underscore a critical truth: there is no one-size-fits-all approach to LTIP design. Each organization faced distinct challenges—succession planning, cultural transformation, and growth strategy—and required a customized solution that balanced incentive mechanics with business realities.



Key lessons across the cases include:

- Real equity plans can be powerful tools for succession and long-term engagement, especially when paired with flexible ownership structures and thoughtful tax planning.
- Phantom equity plans offer a compelling alternative for mid-sized firms seeking performance alignment without the complexities of real equity.
- Cash-based plans remain highly effective for organizations navigating uncertainty or preferring simplicity, especially when designed to mimic equity-like outcomes.

Ultimately, the success of any LTIP lies in its strategic alignment with business goals, its adaptability to organizational context, and its ability to engage and retain key talent.

If your organization is considering a new incentive strategy—or refining an existing one—our team is here to help. We bring deep expertise in incentive design, tax optimization, and stakeholder communication to ensure your plan delivers lasting impact. Reach out today to explore how we can support your journey.

ABOUT US

Southlea Group is a national independent compensation consulting firm that provides global perspectives as a GECN Group company working with over 150 compensation professionals in fifteen countries. We are headquartered in Toronto with offices in Montreal and Vancouver and clients across Canada, representing all industries and organization structures. Our team of advisors is multi-disciplined with diverse backgrounds and experiences. We are proud to be a certified Women's Business Enterprise by WBE Canada and to be Rainbow Registered as an LGBT+ friendly organization.

We would be pleased to address any questions and/or explore how we can support your challenging compensation needs. Please email us at hello@southlea.com and we will follow up to set-up a time to discuss further.