



# STEPHEN F. O'BYRNE

MANAGING DIRECTOR

## EXPERTISE

- ✓ Executive compensation
- ✓ Incentive plan design
- ✓ Business unit valuation and target setting
- ✓ Business unit performance measurement
- ✓ Labor market analysis

## EDUCATION

**University of Chicago**  
B.A., Political Science, and J.D.

**Northwestern University**  
M.S., Mathematics

## EMPLOYMENT HISTORY

**SEDA Experts**  
Managing Director  
2024 - Current

**Shareholder Value Advisors**  
President  
1998-Current

**Stern Stewart & Co.**  
Senior Vice President  
1992-1998

**Towers Perrin**  
Principal  
1979-1992

**Stephen F. O'Byrne has over 40 years of experience in executive compensation and business unit performance measurement. He has been a leader in developing incentive plans that align employee and shareholder interests, in using economic profit to link operating performance to shareholder return, and in developing multi-factor statistical models to provide more accurate market rates for employees.**

Incentive plans that align employee and shareholder interests must take account of opportunity costs for both employees and investors, and provide fixed sharing in a well defined measure of business value added. Early in his career, Mr. O'Byrne was the head statistician of the compensation survey unit at Towers Perrin and developed multiple regression models to provide more accurate market rate estimates for employees. After leaving Towers Perrin, he was the head of the compensation consulting practice at Stern Stewart & Co., the firm that developed "Economic Value Added", or "EVA", an economic profit measure that deducts a charge for the opportunity cost of equity capital. At Stern Stewart, O'Byrne developed a business unit bonus plan that made the bonus earned equal to the sum of market pay plus a fixed and symmetric share of EVA improvement in excess of target. The bonus plan used an equation, developed by O'Byrne, to set target EVA improvements designed to give shareholders a cost of capital return on the market value of their investment. This bonus plan has been used by several hundred companies around the world.

O'Byrne started Shareholder Value Advisors after leaving Stern Stewart. He collaborated with INSEAD professor David Young to write "EVA and Value-Based Management", a book that has been translated into Chinese, Portuguese and Indonesian. He later developed a stock compensation incentive plan that provides a perfect correlation of relative pay and relative return. He showed that this plan can be expressed as the sum of cumulative market pay plus a fixed and symmetric share of the stock's relative return. He also showed that two other "perfect" pay plans – one developed by the Canada Pension Plan Investment Board for investment managers and one developed by finance professors Alex Edmans and Xavier Gabaix– have the same basic structure.

Throughout his career, O'Byrne has served as an Expert Witness and Testifying Expert in 10 cases related to executive compensation. These cases have been presented in District Court, Tax Court, and arbitration proceedings, representing both plaintiffs and defendants.