

# Bitcoin's meteoric rise

## A context for comparison with the high-stakes balancing act of executive pay



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CEO of 21st Century

**B**itcoin, since its inception in 2009, has been a standout story of spectacular financial gain, especially for those who invested early. From mere cents at its origin, to its peak of almost \$69 000 in November 2021, Bitcoin's return on investment has dwarfed traditional financial instruments. This sort of growth is appealing and, on the surface, seems like a good analogy for rewarding top corporate executives who drive exponential growth in their companies.

In a world where executive remuneration frequently hits the headlines, the debate on whether it should be tethered by independent oversight, even in the face of exceptional shareholder returns, remains fiery. This discussion, often as dynamic and unpredictable as the market performance of Bitcoin since 2012, brings into sharp relief the core question: should there be a cap on how much CEOs can earn, regardless of their performance?

Consider the case of Elon Musk and his \$83 billion pay package, which was a significant multiplier over standard CEO earnings, even within his industry. This massive payout was tied not to a flat salary, but to reaching staggeringly high market

cap, revenue, and earnings targets. To many, this might seem justified – after all, under Musk's leadership, Tesla's market value skyrocketed, akin to the early investors in Bitcoin witnessing their stakes multiply by over tenfold.

However, the Delaware Court ruled this package unfair, primarily due to concerns about the independence of the board that approved it.

This incident opens a Pandora's box on corporate

governance and raises questions akin to those faced by Bitcoin investors: Just because something is immensely profitable, does it also mean it's structured in a way that's sustainable or equitable?

### Bitcoin's meteoric rise: A context for comparison

Consider this: If an individual had invested \$1 000 in Bitcoin when it was priced at \$1 (around February 2011), and held onto it until its peak in 2021, their investment would have grown to approximately \$69 million. The percentage increase here is almost unfathomable in traditional investment terms and serves as a compelling narrative for those advocating for unlimited executive pay based on performance results.

However, there are critical distinctions to be made when comparing the likes of Bitcoin to that of traditional companies like Tesla.



Below: Sulayman360, <https://pixabay.com/>. Above: <https://economictimes.indiatimes.com/>





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**Market dynamics and volatility:** Bitcoin operates in a decentralised, highly speculative market that is less influenced by traditional economic indicators such as company performance, governance, or macroeconomic policies. Traditional companies, however, operate in more regulated markets and are subject to economic forces, consumer demand, and competitive pressures that make their stock prices less volatile and speculative compared to cryptocurrencies.

**Sustainability and longevity:** Bitcoin's value is largely driven by investor sentiment and market speculation, not by sustainable business practices or long-term strategic planning. In contrast, companies like Tesla are built on tangible products, services, and market strategies. Rewarding a CEO solely based on stock price performance could encourage short-term tactics, such as aggressive accounting, cost-cutting, or other strategies that might boost short-term returns at the expense of long-term sustainability.

**Governance and accountability:** The governance structure in traditional companies involves a board of directors, shareholders, and regulatory bodies that oversee company management and strategy. This structure is designed to balance the interests of various stakeholders, including employees, customers, and shareholders. High executive pay that mirrors the high-risk, high-reward model of Bitcoin investment can undermine this balance, focusing on shareholder returns without regard to other stakeholders.



Ingram Pinn, <https://www.ft.com/>

**Broad economic impact:** Traditional companies have a broader economic impact through employment, innovation, and contribution to GDP.

Tesla, for instance, not only boosts investor portfolios but also affects global automotive and energy markets, employment, and technological innovation. The societal impact of corporate leadership decisions is far more extensive than that of cryptocurrency fluctuations.

### **The case for limits: Governance over greed**

The argument for capping executive pay, even in high-return scenarios, leans heavily on the principle of balanced corporate governance. Critics argue that without independent oversight, pay packages can become disconnected from wider company health or employee remuneration. Imagine a scenario where a CEO is paid a bounty akin to a Bitcoin boom, while the company's foundations – its employees – see little change in their com-

ensation. This disparity can breed resentment and decrease overall morale and productivity.

Further, unchecked executive pay can spiral into excess, with leaders potentially prioritising short-term gains to hit targets linked to their compensation, over long-term company stability. It's akin to a Bitcoin trader

encouraging risky investments without regard to future market conditions, aiming for immediate high returns that may jeopardise future stability.

### **The case against caps: Rewarding the visionaries**

On the flip side, why shouldn't a CEO reap exceptional rewards for delivering exceptional returns? If a leader like Musk can steer a company to valuations that dwarf giants like Microsoft, as noted in the court documents, isn't that worth a princely sum? After all, Bitcoin's astronomical rise wasn't capped – those who saw its potential early on and invested are now sitting on fortunes.

Supporters of high remuneration argue that it attracts top talent who can make bold, transformative decisions – much like investors in emerging technologies like Bitcoin. They contend that capping pay, especially for high performers, could stifle innovation and deter top-tier executives from aiming for truly ambitious goals.

## A middle ground? Finding a balanced approach

Perhaps the real solution lies not in whether we cap or not, but how these packages are structured. Take the Bitcoin analogy: while it offers high returns, it's also volatile and not tied to traditional asset values. Similarly, if executive pay were more dynamically linked to both short-term achievements and long-term company health (including employee welfare and sustainability practices), it could offer a more balanced approach.

Given these differences, the rationale for sky-high, uncapped executive compensation - akin to Bitcoin's returns - becomes problematic. While high rewards for extraordinary performance can be justified, they must be balanced with considerations for sustainable growth, ethical governance, and equitable stakeholder impact.

A more balanced compensation structure might include ...

- Performance metrics that align with long-term strategic goals, not just stock price
- Claw-back provisions that allow companies to reclaim bonuses in the event of later financial restatements or scandals
- Independent oversight could ensure that compensation packages are designed not only to reward sky-high market caps but also to encourage leaders to foster robust corporate cultures, prioritise cybersecurity, and manage other modern risks as highlighted in corporate governance guidelines



- Caps or thresholds that prevent runaway compensation packages based on transient stock market gains.

## Conclusion: Lessons from Bitcoin for corporate governance

In essence, this debate is less about the absolute numbers and more about the principles guiding those numbers. Just as Bitcoin operates within an ecosystem of market forces and technological advancements, executive pay is nestled within a complex system of corporate governance, ethical considerations, and business strategy.

The question of whether to cap executive compensation is a bit like asking if we should limit Bitcoin's price: it's not about the cap, but how we ensure the system is fair, sustainable, and prepared for future challenges. Independent oversight doesn't just put a ceiling on compensation;

it ensures that this compensation is a true reflection of value added to the company in a holistic sense.

Bitcoin's journey offers valuable lessons in market dynamics, investor psychology, and risk management. While the potential for astronomical returns can make a compelling case for similarly structured executive compensation, traditional companies must consider the broader implications of such policies.

Ensuring that compensation packages are crafted with a view toward long-term stability, ethical governance, and equitable stakeholder consideration will help align executive incentives with the overall health and future of the company.

By drawing these distinctions and lessons, we can appreciate the allure of Bitcoin-like returns while recognising the unique responsibilities that corporate leaders hold to their companies and societies.

So, should we cap executive pay, even for high performers? Perhaps the better question is how we make sure these rewards truly align with the long-term health of the companies they lead and the wider ecosystem they influence – ensuring that today's soaring market cap doesn't become tomorrow's cautionary tale. **SR**

This article is based on research conducted by 21st Century, one of the largest remuneration consultancies in Africa. Contact: info@21century.co.za for any further information.





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## Effective solutions to reduce the cost of in-store refrigeration

### Polyurethane Injected Panels

- Standard panels: Outer and inner skin of frost white Chromodek, also available in black finish.
- Polyurethane injected panels for superior insulation and adhesion.
- High-impact PVC interlock profiles on all edges provides totally sealed insulation and a perfect vapour barrier.
- Tongue and Groove panel options available.
- Easily erected.
- Optional skin finish in Stainless Steel – Grades AISI 304 AIS 403.

## Cold & Freezer Rooms



### Floors – Fabricated and Concrete

#### Fabricated Floors

- The inside floor finish is 1.5mm Aluminium tread plate glued and screwed to a marine ply base.
- Galvanised plate options available in lieu of the Aluminium Chequer Plate finish.

#### Concrete Floor

- Concrete floors are used for flush or step-up entry and in permanent structures. Usually a recess of 150–170mm is used to accommodate the foam slab insulation and the concrete screed.



### Meat Rails

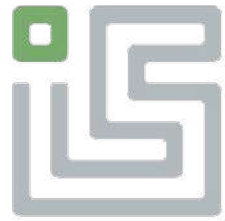
- Hot Dipped Galvanised system.
- Support structure integrated into insulated panels.
- Optional free-standing continuous galvanised system with bends and switch gear.

### Aluminium Chequer Plate

- Installed as an option to protect panels from scratches and light impact damage.
- 1.5mm and 2.0mm thick options.
- Standard height 1 250mm AFFL.







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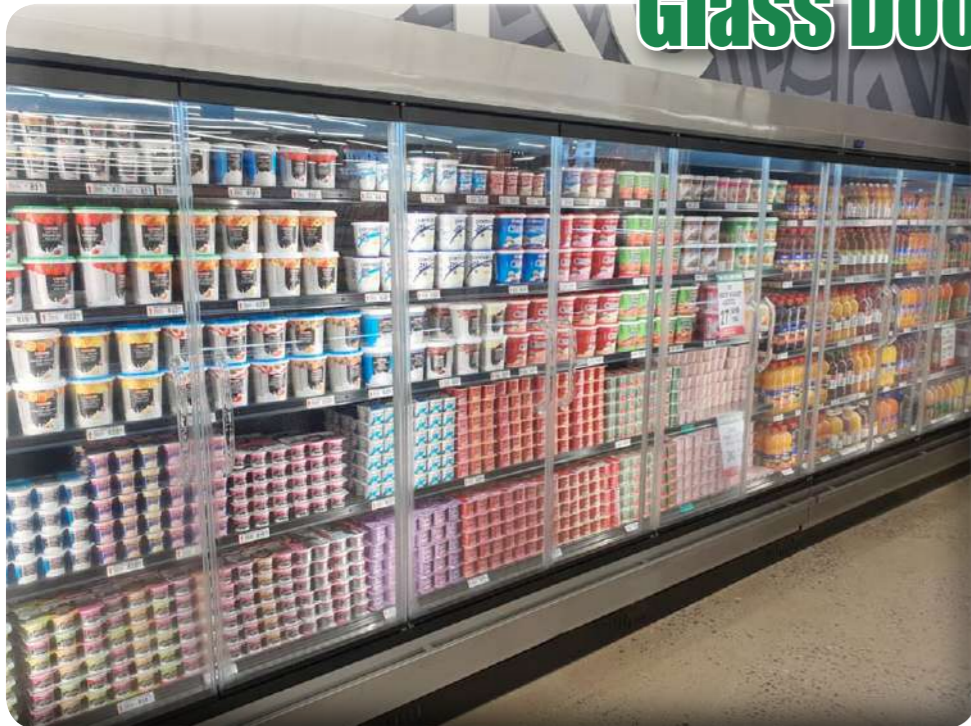


Environment  
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## Benefits of Airshield Glass Doors

- Reduce Energy consumption.
- Extend Product shelf life.
- Double Glazed Argon filled void for better insulation.
- Optimal Product temperature.
- Glass doors have an option of Mullion lights. Quoted separate.
- Handles included.
- Up to 40% energy saving.
- Solution for new cabinets or retrofitted on existing cabinets.
- Doors are spring loaded.
- Less cold air spillage – warmer aisles.

## Airshield Glass Doors



## Ways to save

With energy cost rising and food retailers looking to improve the shopping experience environment for customers, Insulated Structures has developed an effective solution to reduce the cost of in-store refrigeration while enhancing the customer experience.

Insulated Structures doors are easy to retrofit on in-store cabinets to reduce the energy required to keep chilled foods at the correct temperature.

Meanwhile, customers are able to clearly see and access the products on offer. Reduced energy requirements means smaller refrigeration plant selection for new stores. These savings will off-set the initial cost of the doors. Up to 40% reduction in refrigeration requirement has been achieved.



Standard Airshield Glass Doors with a Black Frame.  
Heated Hybrid also available in this design.  
Heated Hybrid Glass Doors are fitted with a heater to reduce condensation on the doors in Coastal areas.  
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