



# CEO and Senior Executive Compensation in Private Companies

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## EXECUTIVE SUMMARY

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### About the Research

Chief Executive Research surveyed 1,351 companies in April 2014 about their 2013 fiscal year compensation levels and practices, as well as their expected cash compensation levels for senior executives in 2014. Data from the 1,250 private companies that responded are included in our acclaimed annual *CEO & Senior Executive Compensation Report for Private Companies*.

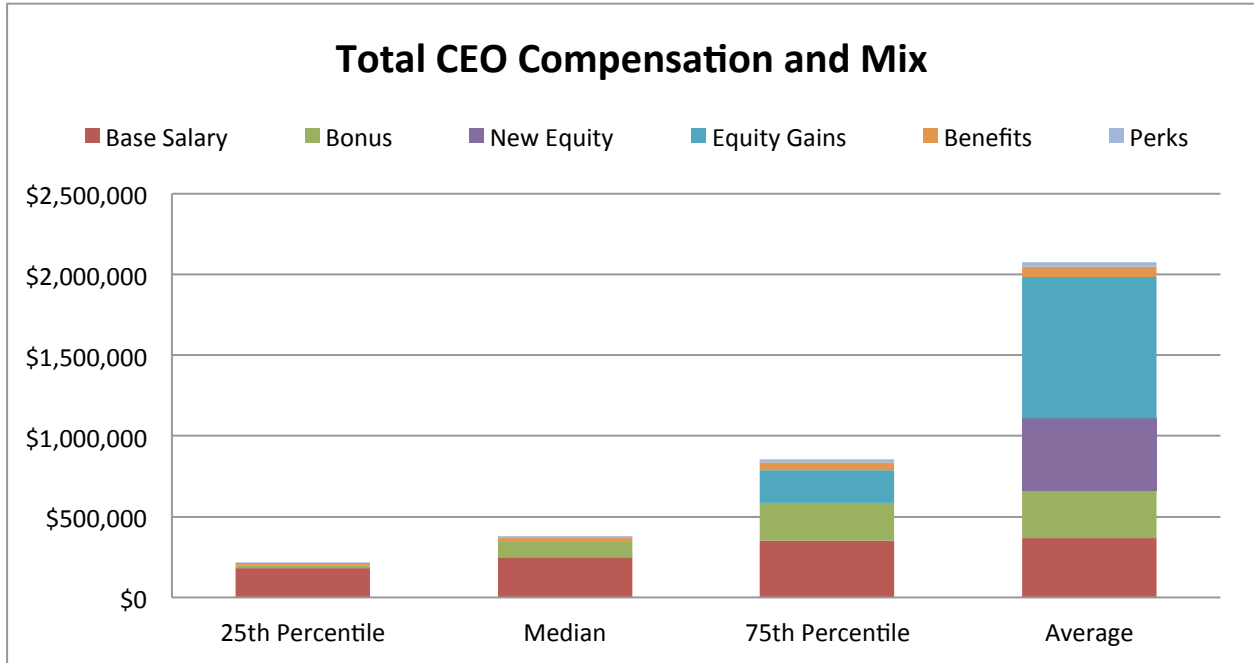
We received responses from private companies providing detailed data about compensation packages for ten senior executive positions, as well as comprehensive information about executive compensation policies and practices. The substantial response provided meaningful data for companies across revenue ranges, industries, regions, and ownership types, with diverse profitability and growth trajectories.

While most data sources on CEO compensation focus on the largest public companies, our research gives truer insight into the compensation of CEOs of the approximately 6 million private companies with employees, not the misrepresentative S&P 500.

Please see the full report for complete compensation data broken down by company demographics and performance.

### 2013 CEO Compensation

The average private company CEO total compensation package for 2013 was \$2,077,605. This figure includes base salary, bonus, equity appreciation, new equity/option grants, benefits, and perquisites. Average cash compensation (base salary and bonus) was \$662,404. The average total compensation figure is significantly higher than the median total compensation, as CEOs at the largest companies have pay packages substantially greater than those at smaller companies, pushing up the average. In addition, a small percentage of CEOs had liquidity events (their companies were sold and/or revalued), driving up average equity gains well above the median.

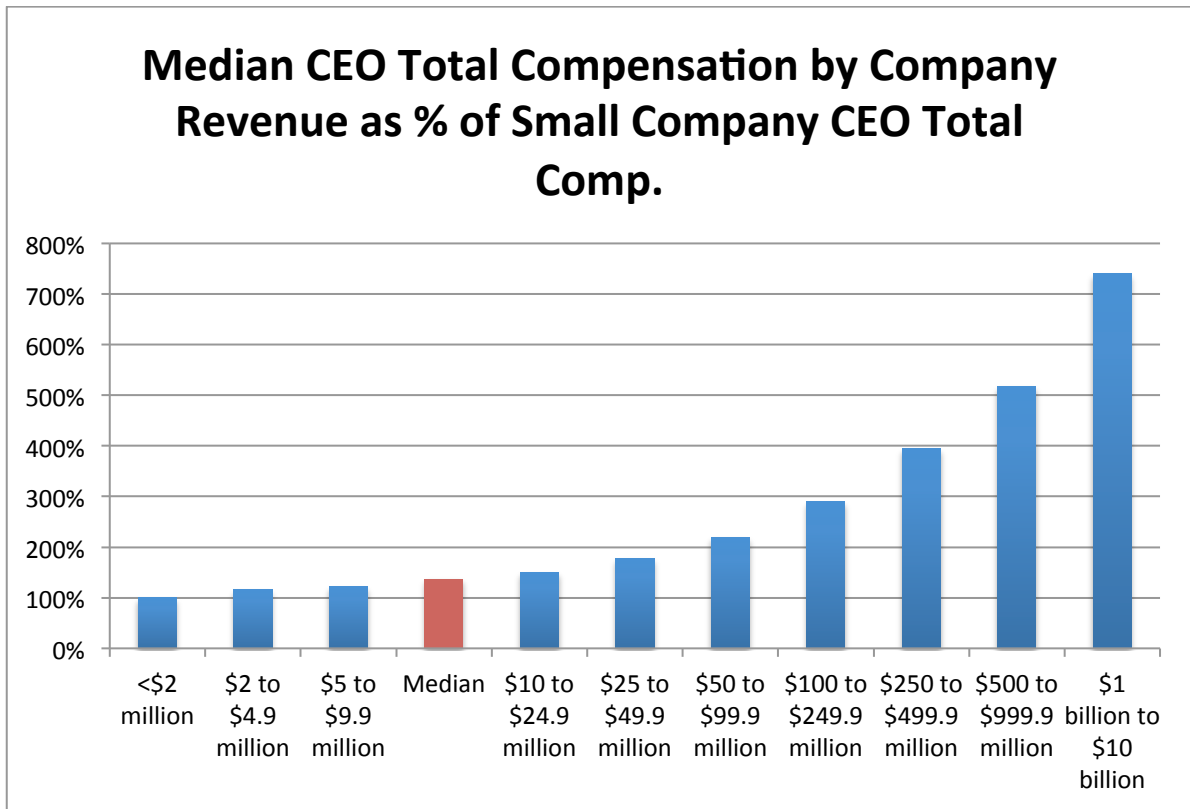
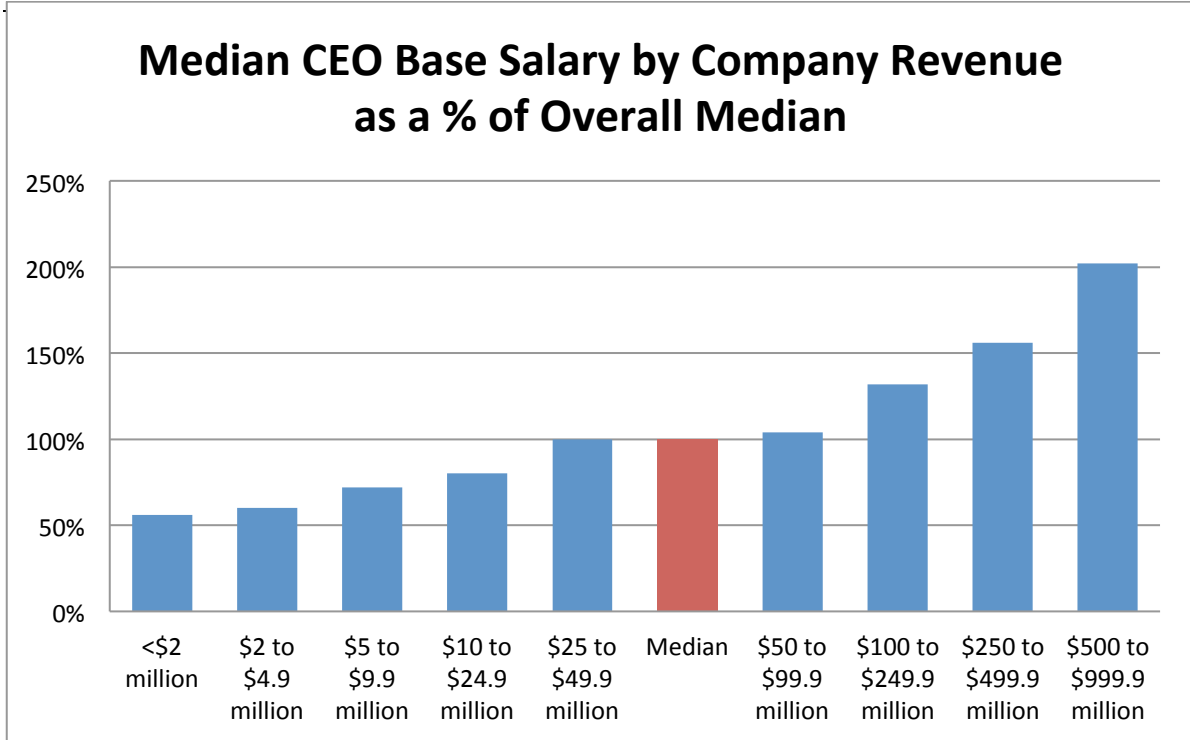


The median total compensation package for CEOs totaled \$378,000. The median cash compensation (base salary and bonus) was \$343,000—90.7% of the total compensation package. The vast majority of CEOs in the study did not record an equity appreciation over the past year, nor did they receive any new in-the-money options or equity grants.

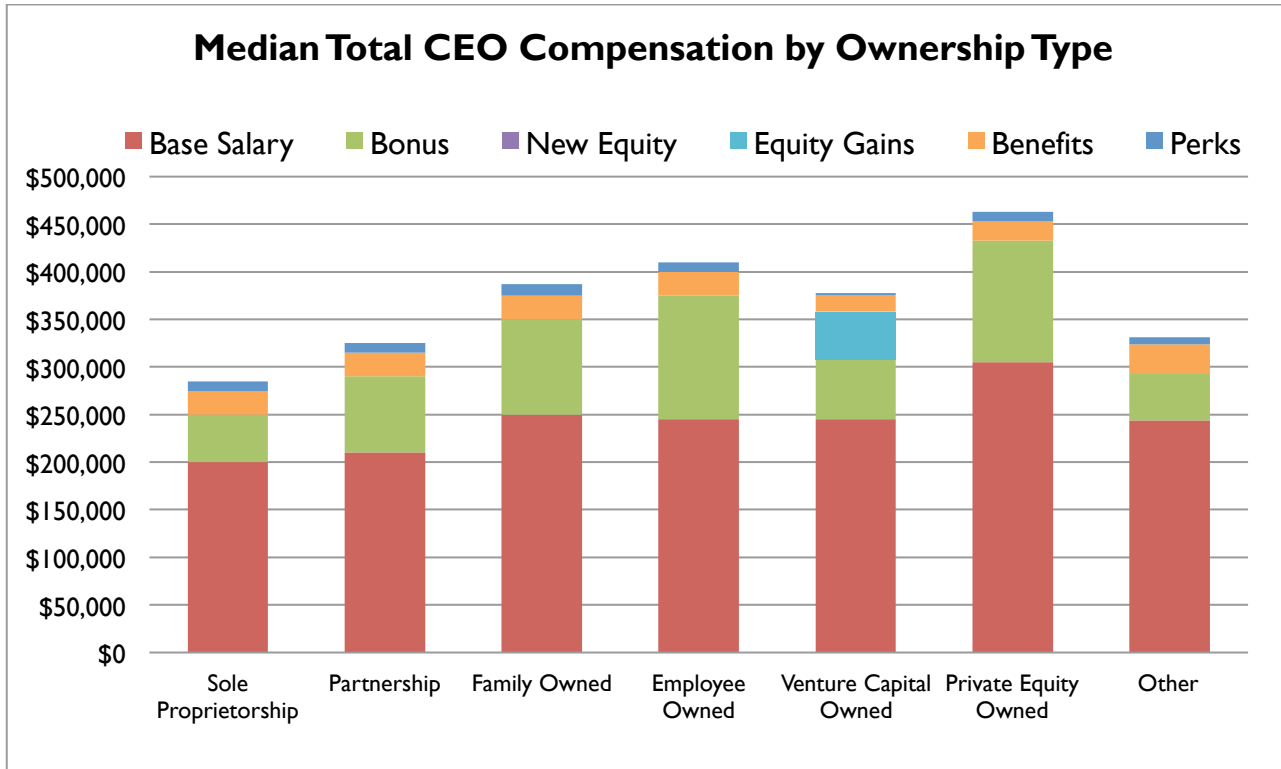
**CEO Compensation is Highly Correlated with Company Size and Success**

Private company CEO compensation is very highly correlated with the size of the company, both in terms of revenue (as the chart on the following page demonstrates) and number of employees. The larger and more complex an organization is, the more substantial the compensation package provided to the CEO. The mix between base salary and at-risk compensation (bonuses and equity incentives) also shifts dramatically by size of company (as well as by other variables such as industry and type of ownership).

The median total compensation package for CEOs of companies with over \$1 billion in revenue is more than double that of CEOs whose companies generate between \$100-\$250 million in revenue. For companies with between \$10-25 million in revenue, the median CEO earns less than a quarter of the total compensation of CEOs of the largest companies in our survey.



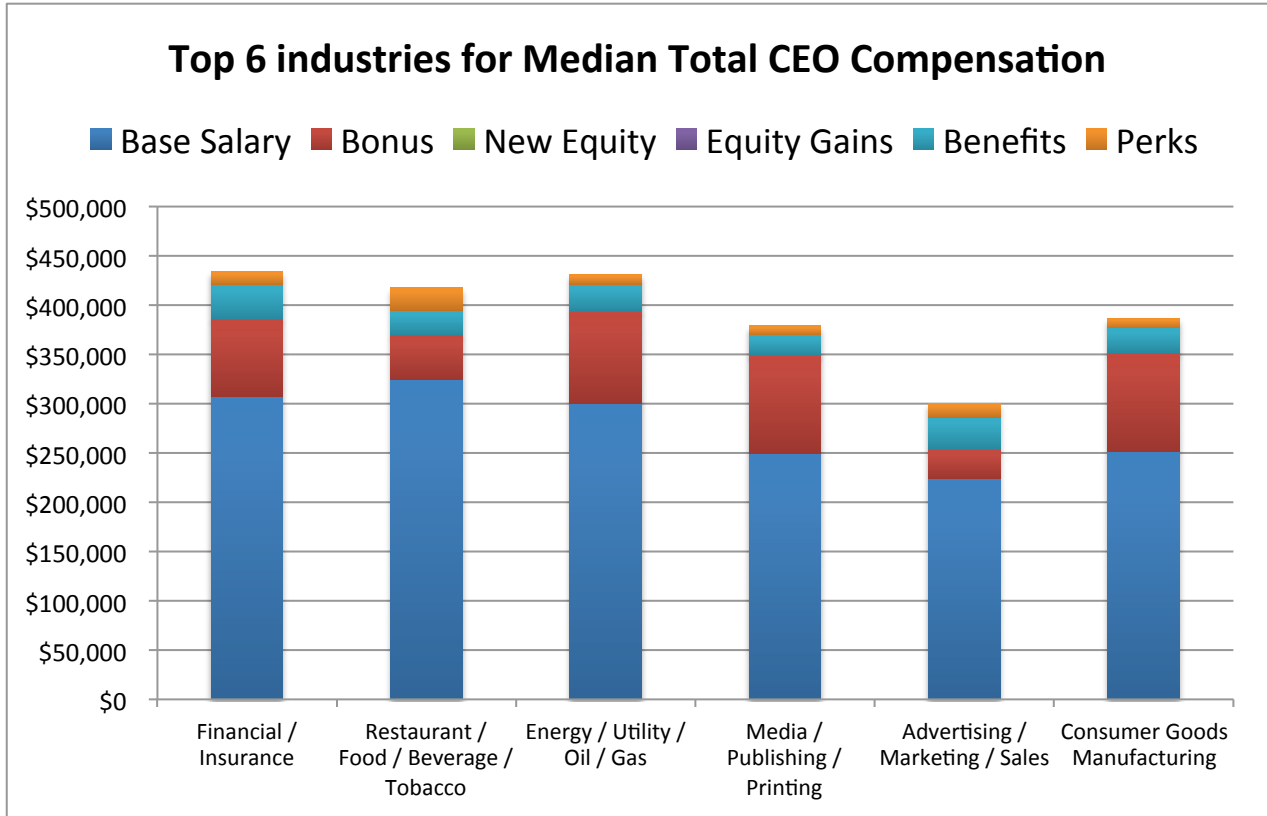
**CEO Compensation Varies by Ownership Type**



There are a variety of types of private company ownership: sole proprietorships, partnerships, family businesses, employee owned, private group of outside investors (e.g. angel investors), private equity backed, and venture capital backed. CEO compensation varied substantially based on the ownership type of the company.

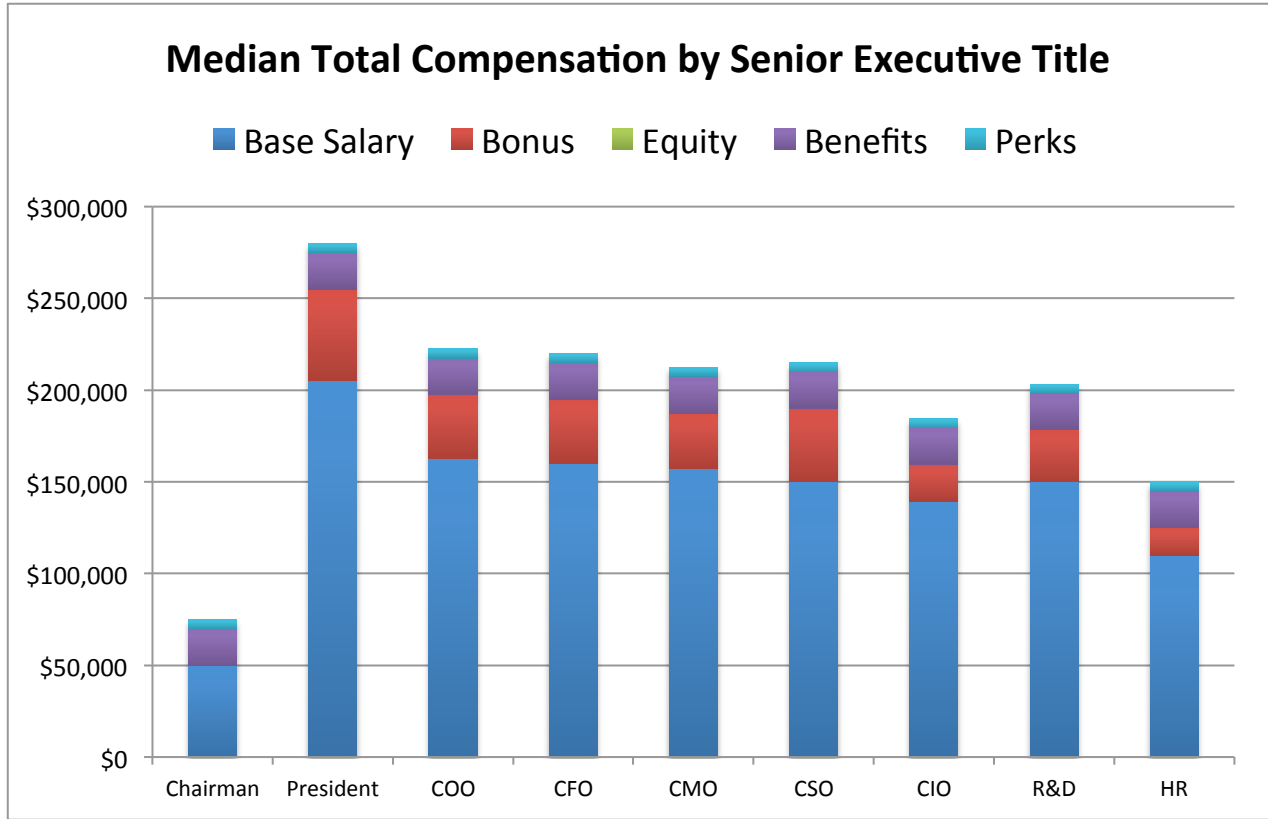
CEOs of private equity backed companies had the highest total compensation packages, while sole proprietors had the lowest. The median private equity backed CEO compensation packages was more than 60% higher than that of sole proprietor CEOs.

**CEO Compensation by Industry**



The full research report provides detailed compensation information for 17 different industries. The top 6 industries for median total CEO compensation were Financial/Insurance, Restaurant/Food/Beverage/Tobacco, Energy/Utility/Oil/Gas, Media/Publishing/Printing, Advertising/Marketing/Sales, and Consumer Goods Manufacturing.

**Senior Executive Compensation**



As expected, compensation varies by job title and responsibility. After the CEO, the most highly compensated senior executive position is President, with a median total compensation package of \$280,000, followed by the senior operations executive (COO), with a median total compensation package of \$222,500.

Consistently with prior years of research, Chairmen in our survey received relatively low compensation. In fact, the median base salary for Chairmen was just \$50,000 for 2013. Empirical evidence suggests that Chairman in private companies often have substantial equity positions, therefore many forego cash compensation unless they are actively involved in daily operations.

There were significant variations for compensation in the above titles by company size, industry, ownership type, level of growth, profitability, and other factors. Complete breakdowns of how senior executive compensation varies by these factors are available in the full report.

## **Compensation Best Practices**

Compensation is a strategic tool to align a company's most important talent with the overall business strategy. Properly crafted, an executive compensation plan will attract top-notch talent, retain best performing executives, motivate the leadership team to succeed, and help ensure the company's goals are being reached.

The best performing companies use incentive-based compensation to achieve the aforementioned goals. However, 51.2% of companies in our research do not have formal long-term incentive plans. Among companies that do have a formal long-term incentive plan, only 30.2% use performance-based vesting as opposed to time-based. Further, more than half of private companies do not have their company value appraised at regular intervals, meaning senior executives have no idea what their equity-linked incentives are truly worth.

Based on our comprehensive research, most private companies spend a significant amount of money on executive compensation, but they are not spending it optimally as a strategic tool. There is great leverage in refining one's executive compensation programs to align key executives' incentives for outstanding vs. average performance.

### **For More Information**

More detailed information (including quartiles) on base salaries, bonuses, equity grants and gains, benefits, perks, and company compensation policies and practices—and how these elements vary by company size, industry, ownership type, geographic region, and other key variables -- is available in the full report. For additional information about the 2014-2015 *CEO & Senior Executive Compensation Report for Private Companies*, please visit [ChiefExecutive.net/compreport](http://ChiefExecutive.net/compreport).