



# CEO and Senior Executive Compensation in Private Companies 2019-20

---

## EXECUTIVE SUMMARY

---

### **About the Research**

Chief Executive Research surveyed 1,668 companies in April thru June of 2019 about their 2018 fiscal year compensation levels and practices, as well as their expected compensation levels for the remainder of 2019. We've received detailed data about compensation packages for CEOs and nine other senior executive positions, as well as comprehensive information about each company's executive compensation policies and practices. The substantial response provided meaningful data for companies across revenue ranges, industries, regions, ownership types and levels of profitability.

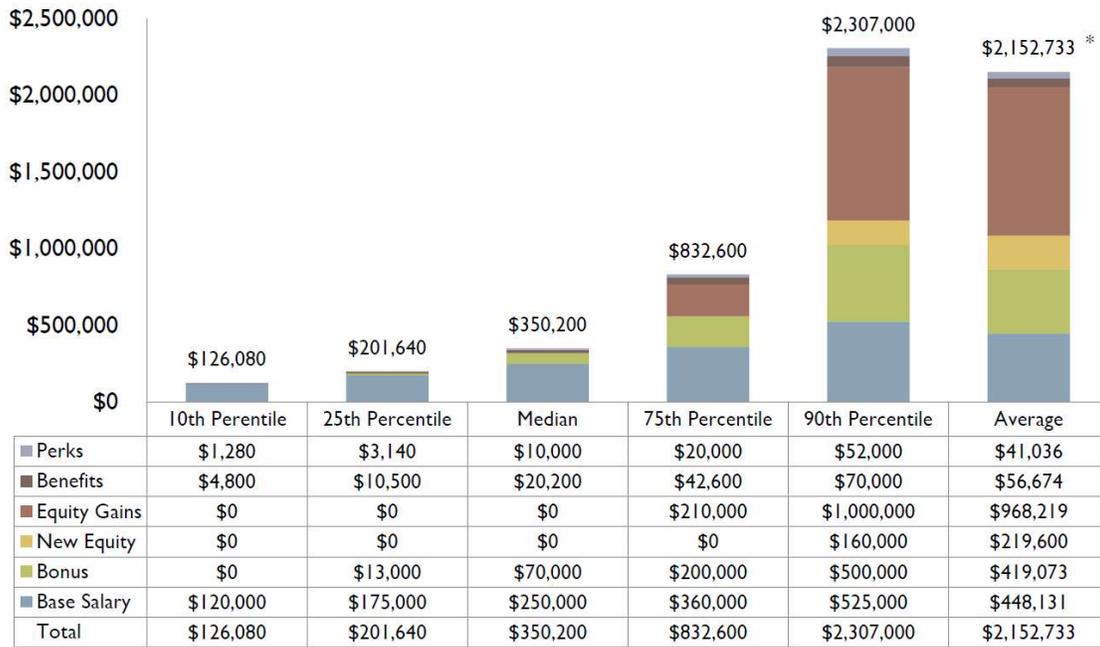
Detailed data from this survey is analyzed and presented in our acclaimed 2019-20 *CEO & Senior Executive Compensation Report for Private Companies*, for which we are happy to provide you, as a survey respondent, this executive summary. While most data sources on CEO compensation focus on large public companies, our research brings real-world insight into the compensation of CEOs of the approximately 6 million private companies in the U.S., not just the S&P 500.

We invite you to consult the full report for complete compensation data broken down by company demographics and performance.

### **2018 CEO Compensation**

The average private company CEO total compensation package for 2018 was \$2,152,733, but the median was a more modest \$350,200. These figures include base salary, bonus, equity appreciation, new equity/option grants, benefits and perquisites. The average total compensation figure is significantly higher than the median total compensation, as CEOs at the largest private companies have pay packages substantially greater than those of smaller companies. In addition, a small number of CEOs in our study had liquidity events (their companies were sold or revalued), which drove up equity gains in the top 10<sup>th</sup> percentile.

**2018 Total Compensation for CEOs in Private Companies**



The median cash compensation (base salary and bonus) was \$320,000—91.4% of the total compensation package—and the “at risk” portion (i.e., bonuses and incentives) was \$70,000, or 28.0% of their base salary. For this year’s median survey participant, this represented no increase in their base salary or bonus vs. the prior year, while top-quartile CEOs enjoyed a 2.75% increase in their base salary and another 2.75% increase in their bonus.

**Change in CEO Salaries and Bonuses in 2018 vs. Prior Year**

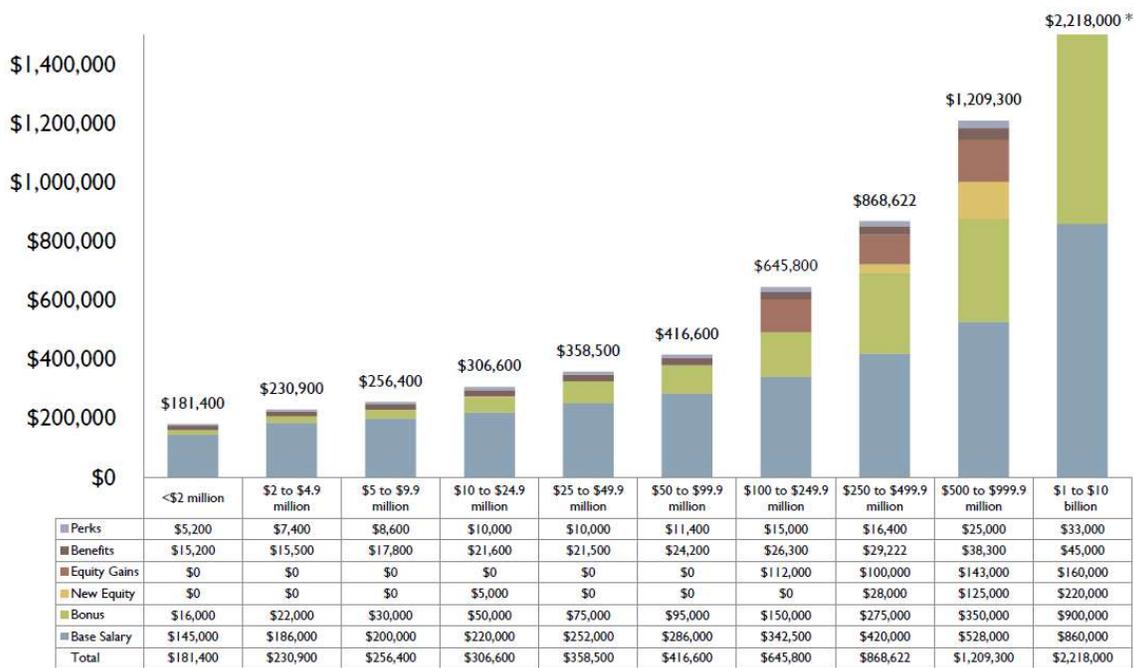


The vast majority of CEOs in the study did not record any equity appreciation over the past year, nor did they receive any new in-the-money options or equity grants. Median 2019 base salaries are up 4.0%, and median bonuses are also expected to increase, to \$75,000, for a cash compensation increase of 4.7% overall.

**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 next chart demonstrates) and number of employees. The larger and more complex an organization, the more substantial the compensation package provided to the CEO. The mix between base salary and at-risk compensation (bonuses and incentives) also shifts dramatically by size of company (as well as by other variables such as industry and type of ownership).

**Median 2018 CEO Total Compensation by Company Revenue**



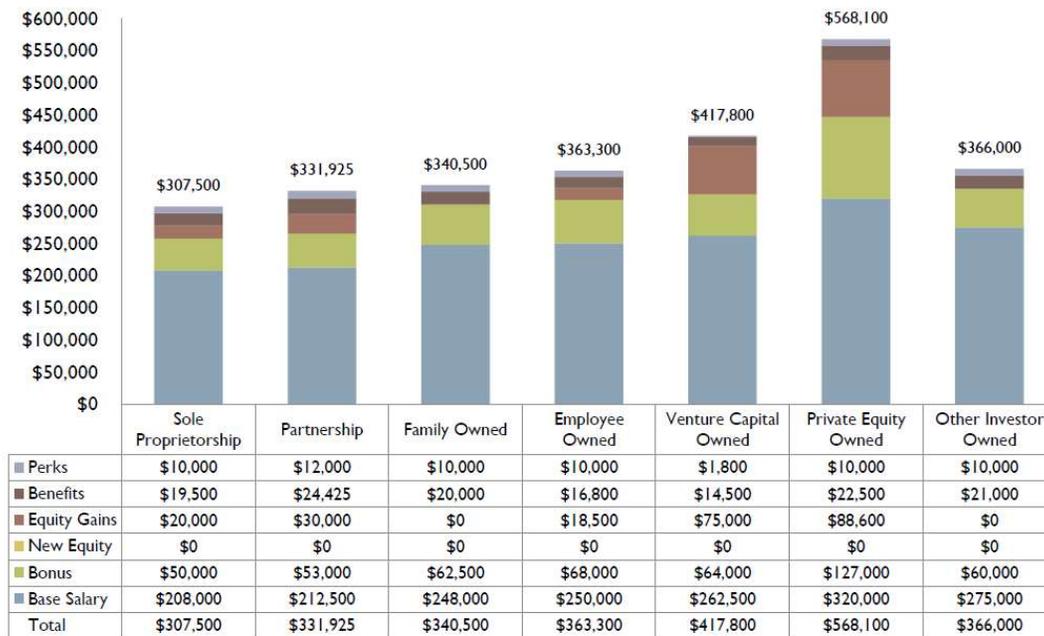
\*\$1 billion + bar not drawn to scale, but details are in the table

The median total compensation package for CEOs of companies with revenues of \$1 to \$10 billion is more than three times that of CEOs whose companies generate between \$100 and \$250 million in revenues. The median CEO running a company with between \$10 and \$25 million in revenues earned 47.5% of the total compensation of the median CEO leading a company with revenues of \$100 to \$250 million.

**CEO Compensation Also Varies by Ownership Type**

There are various private company ownership types: sole proprietorships, partnerships, family businesses, employee-owned organizations, and investor-owned companies, such as private-equity or venture-capital-backed companies or companies owned by private groups of outside investors (e.g., angel investors). CEO compensation differs substantially based on ownership type:

**2018 Total CEO Compensation by Ownership Type**



CEOs of private-equity-owned companies typically have the highest total compensation packages overall. In 2018, the median total compensation package for PE-backed CEOs was 84.7% higher than that of sole proprietorship CEOs, and the base salary alone was 53.8% higher.

While the differentials between the compensation packages at different ownership types are significant, some of this difference is also attributable to average company size by ownership type. For example, as detailed in the full report which breaks out compensation of CEOs at the various ownership types by company revenue, the base salary of CEOs that run sole proprietorships with revenues between \$100 to \$999.9 million was only 2.0% less than that of their PE-owned counterparts. This further illustrates the material significance of company size in CEO compensation.

**CEO Compensation by Industry**

As expected, there are also significant differences in CEO compensation when looking at the numbers by industry: Financial Services and Real Estate CEOs earned the highest median total compensation package in 2018. More specifically, the median Financial Services CEO—the highest paid group across all sectors for the second consecutive year—earned 26.9% more than their median Transportation peers, who had the second-highest median total compensation the year prior.

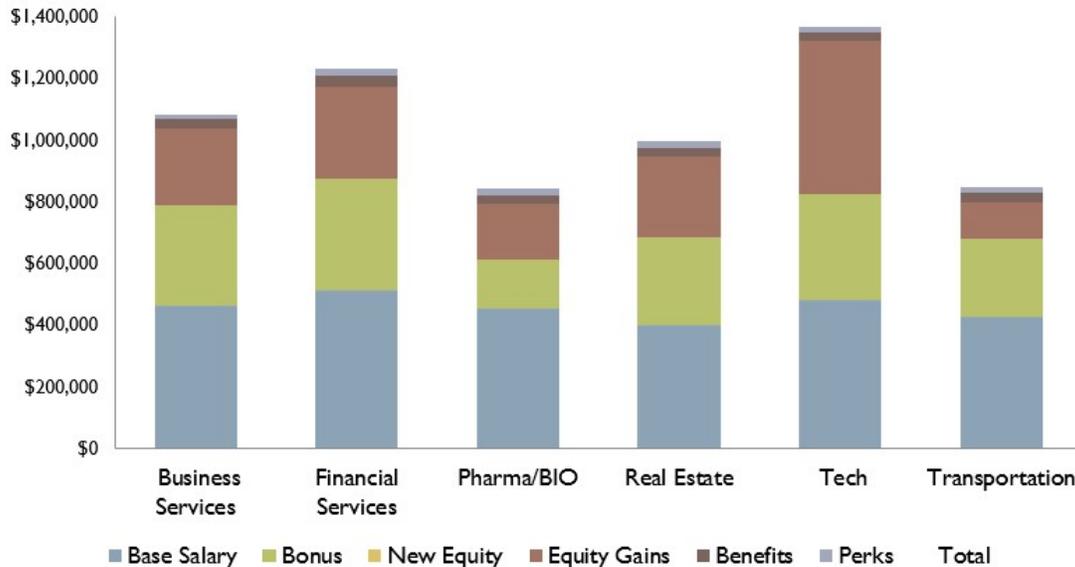
Financial Services and Real Estate median base salaries were slightly higher than most other sectors, but the strength of the stock and real estate markets in 2017 and 2018 contributed to significantly higher bonuses and equity gains for those CEOs. This “at-risk” component of the compensation explains most of the differential for those sectors in 2018. In fact, Pharma/Bio CEOs earned the highest median base salary in 2018—8.3% and 14.0% higher than their Financial Services and Real Estate counterparts, respectively.

As with ownership types, some of the variances by industry are driven by differences in median company revenue. For instance, in smaller companies (less than \$10 million in revenues), Financial Services and Tech CEOs had the highest median total compensation packages, followed closely by Pharma CEOs.

In mid-market companies with \$10 to \$99.9 million in revenues, Real Estate CEOs outperformed their Financial Services peers by a considerable margin (23.9%). In that group, Tech and Pharma CEOs ranked third and fourth, in that order.

Among larger companies with revenues between \$100 to \$999.9 million, Tech CEOs were the highest remunerated once again this year. Financial Services and Business Services CEOs came in behind them, making for the only three sectors with a total median compensation package in the seven digits, as shown in the graph on the next page.

**2018 CEO Total Compensation for Companies with \$100 to \$999.9 Million  
in Annual Revenues Across Top 6 Industries—Median**



The full report provides compensation details for CEOs in 20 industries.

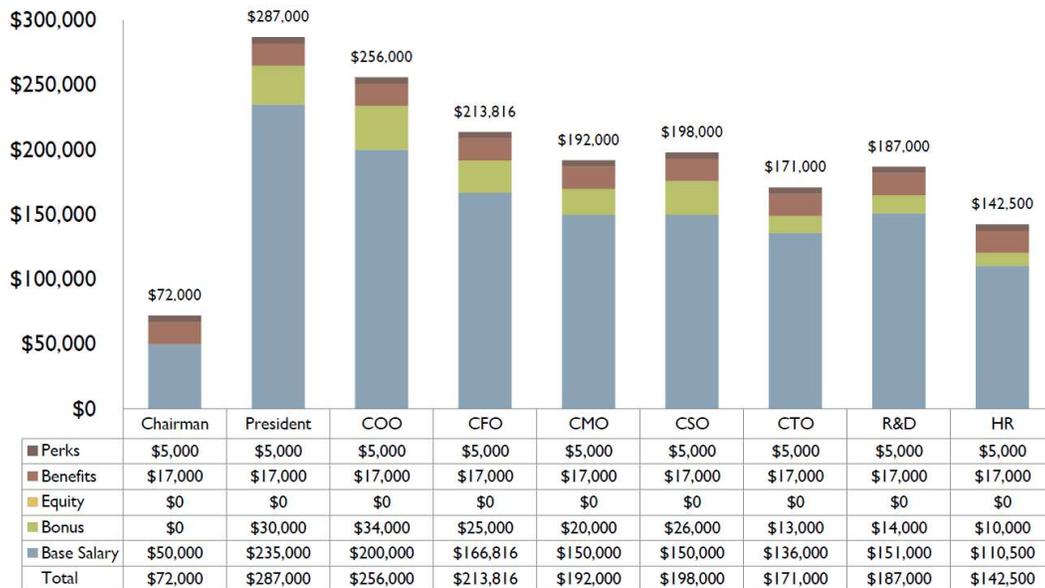
**Senior Executive Compensation**

Compensation also varies among other senior executives by job title and areas of responsibility. After the CEO, the most highly compensated senior executive position is the President, with a median total compensation package of \$287,000 in 2018, followed by the Senior Operations Executive (COO), with a median total compensation package of \$256,000.

Consistent with prior years, most Chairmen (who are not also the CEO) in our survey received relatively low compensation. In fact, their median base salary was \$50,000 in 2018. The majority of Chairmen in private companies don't work full time in their companies but own substantial equity positions; therefore, many forego cash compensation and prefer to take owner's dividends.

There are significant variations for compensation in the titles illustrated in the chart on the next page based on company size, industry, ownership type, growth, level of profitability, region and labor market. For example, CFOs in the Mid-Atlantic region tend to earn more than their peers elsewhere in the U.S.—and 37.5% more than CFOs in the West North Central region, the group with the lowest level of compensation in 2018.

**2018 Median Compensation of Other Senior Executives in Private Companies**



While not every industry has a Head of R&D, of those that do, it’s the Tech industry that provided the highest median total compensation package in 2018, which does not come as a surprise due to the accelerated pace of digital transformation. A similar theme emerged when looking at Heads of R&D from an ownership perspective, with VC-backed firms providing the highest median total compensation package in 2018.

The complete breakdown of how senior executive compensation varies by these factors is available in Volume 2 of the report.

**Compensation Best Practices**

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

The best-performing companies use incentive-based compensation to achieve their goals. However, 69.5% of companies with less than \$50 million in revenues do not have formal long-term incentive plans, and 35.5% of companies with more than \$100 million in revenues (which most would expect to be more “sophisticated”) do not either. Among companies that do have a formal long-term incentive plan, only 32.0% use performance-based vesting in their plans, as opposed to 68.0% who use only time-based vesting.

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, as well as how these elements vary by company size, industry, ownership type, geographic region and other key variables, is available in the full report at [CompReport.ChiefExecutive.net](http://CompReport.ChiefExecutive.net).

As a survey participant, you are entitled to a \$1,500 discount off the \$2,995 price (a 50% discount) of the upcoming 2020-21 report. To pre-order the report and begin receiving preliminary updates on how the COVID-19 situation is impacting senior executive compensation at peer private companies, please contact Chief Executive's Research Director, Melanie Nolen, at [mnolen@ChiefExecutiveGroup.com](mailto:mnolen@ChiefExecutiveGroup.com).