

Chief Executive | StrategicCIO<sup>360</sup>

# CIO Compensation in the Wake of Covid-19: What Should You Expect?



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Chief Executive Group's 2020-21 CEO and Senior Executive Compensation survey of more than 1,400 private U.S. companies finds median CIO base salary on the rise—with VC-backed CIOs leading the charge.

# StrategicCIO<sup>360</sup>

a Chief Executive Group community

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Through original research, thought-provoking and pragmatic journalism, timely e-newsletters as well as live events and a peer network for top-level technology professionals, StrategicCIO360.com aims to help you be a more influential, strategic leader within your organization at a time of deep disruption and change.

We welcome your ideas, your insights and your feedback. Being a CIO isn't easy right now. Let us know how we can help.

**Emily DeNitto, Editor**

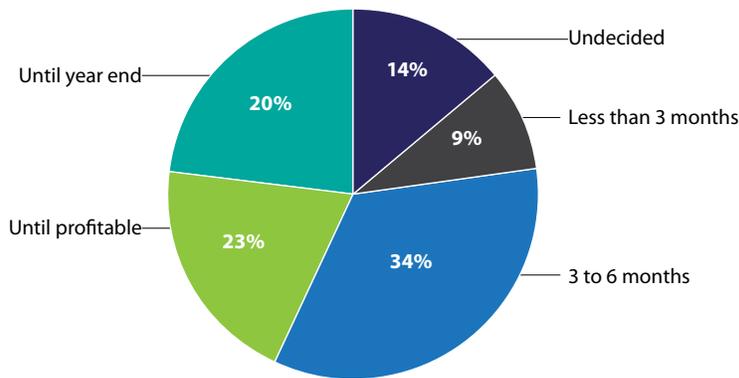
StrategicCIO360

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**As a general rule, base salaries go up, not down.** But for many C-Suite executives, salaries often stagnate year-over-year, giving way to other means of performance-based compensation such as bonus awards and equity grants. According to *Chief Executive's 2020-21 CEO and Senior Executive Compensation Report for Private Companies*, in which more than 1,400 U.S. companies were surveyed about their compensation practices, data shows CIO base salaries on the rise, despite recent cuts implemented to help navigate the Covid-19 pandemic.

Among survey participants, approximately one-third (31 percent) reported reducing their CIO's salary in 2020, in response to the Covid crisis—the majority reducing it somewhere between 10 and 20 percent, with a weighted average salary reduction of 18.5 percent. When taking into consideration that the average duration of those cuts was 7.1 months, median CIO salaries declined by 3.2 percent on an annualized basis due specifically to the effects of Covid-19.

### Duration of CIO Base Salary Reduction in Response to Covid-19



In addition to those cuts, the median CIO bonus was also expected to decline in 2020 (at the time of the survey in May-July 2020). Bonus awards were projected to be down 25 percent from their 2019 bonus, bringing CIOs' median total expected cash compensation for 2020 to \$169,880, down 6 percent from 2019 when they earned \$180,000.

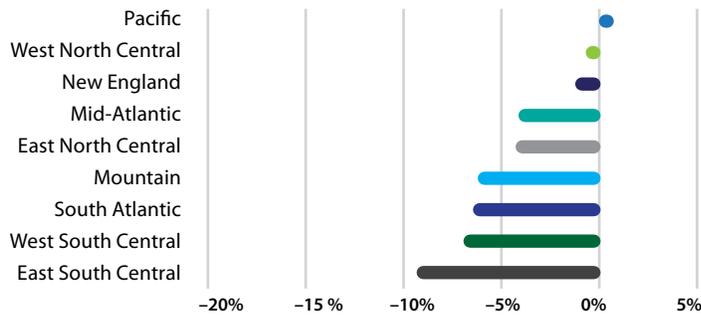
### Expected 2020 vs. Full-Year 2019 Median CIO Cash Compensation



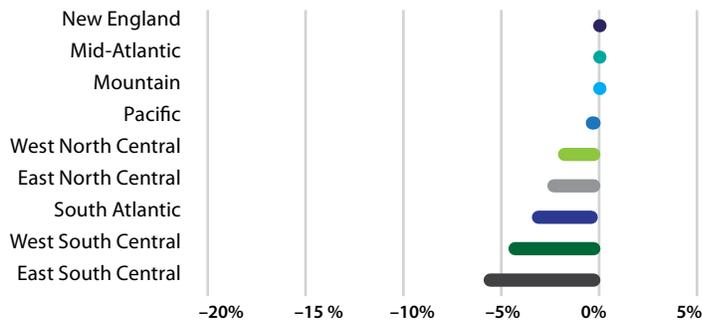
Given the varying impact of the Covid-19 crisis across states, region was a considerable factor in how the crisis affected CIO compensation. Median CIO base salary in the Pacific region, where many tech companies reside, remained fairly flat, falling less than one percent. Even their prospective median bonus in 2020 was expected to increase by 10 percent, bringing their expected cash compensation from \$201,000 in 2019 to \$201,552 in 2020.

In comparison, CIOs in other regions such as those in the East South Central, including Kentucky, Tennessee, Alabama and Mississippi, saw a decline of 6 percent in their base salary and had their bonuses cut by a third, resulting in a 9 percent decline in their total cash compensation from 2019 to \$162,080 in 2020.

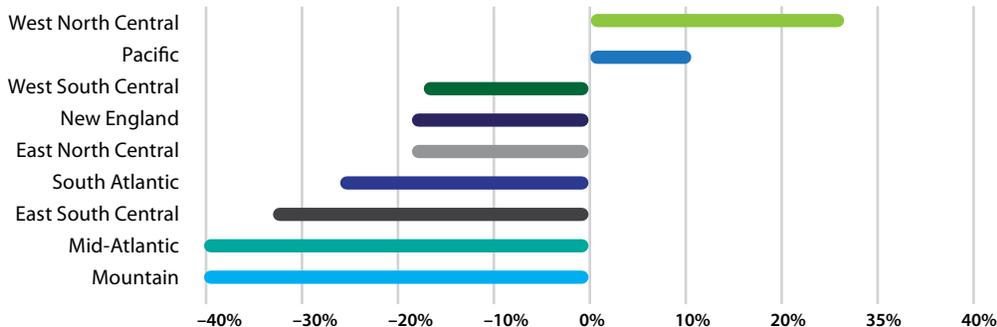
### Change in Median CIO Cash Compensation by Region (2019-2020)



### Change in Median CIO Base Salary by Region (2019-2020)



### Change in Median CIO Bonus by Region (2019-2020)



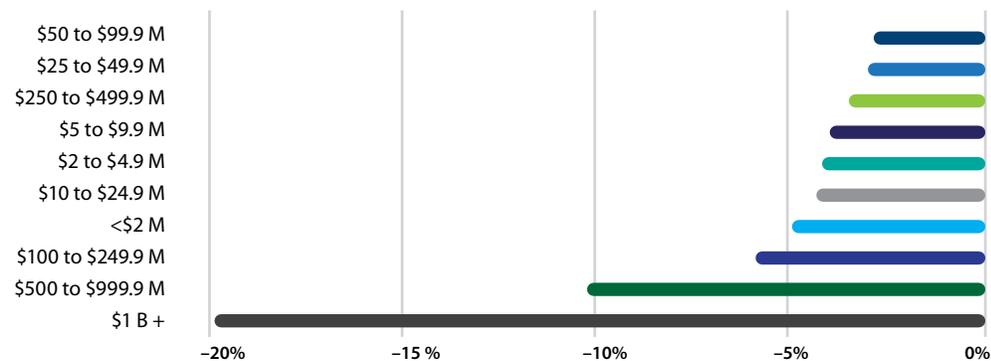
## COMPANY SIZE

Company size—as defined by annual revenues—is one of the most significant factors in determining compensation packages by peer group. Large companies tend to pay more than their smaller peers—not surprising. Because larger companies pay their executives more, they have a larger pool to pull from when making cuts.

In the wake of Covid, the largest companies, those with \$1 billion or more in annual revenue, decreased their CIO's cash compensation by the highest percentage—20 percent, from \$450,000 in 2019 to an expected \$361,055 in 2020. They are followed by those with \$500 million to \$999.9 million in revenue, who decreased CIO cash compensation by 10 percent.

Unlike total value of compensation, which is directly related to company size, changes in compensation do not follow an inverse relationship with company size—instead, the smallest companies, under \$2 million in revenue, cut CIO cash compensation by 5 percent, the 4th largest cut among surveyed peer groups.

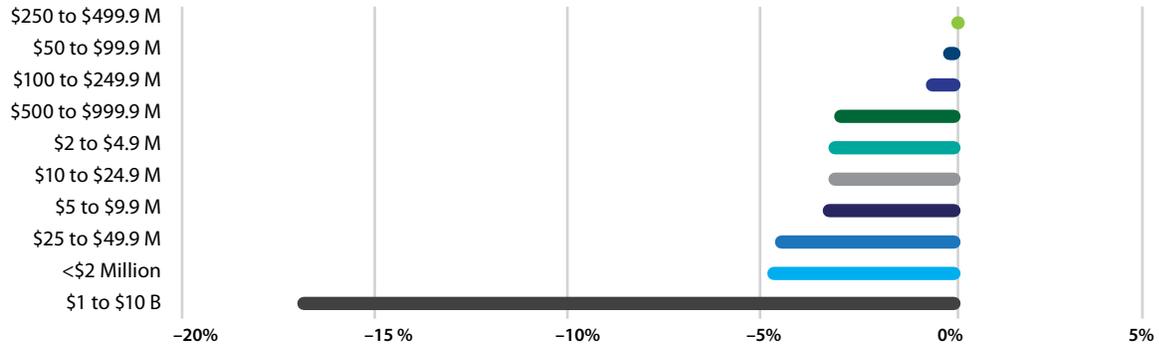
### Change in Median CIO Cash Compensation by Company Revenue (2019-2020)



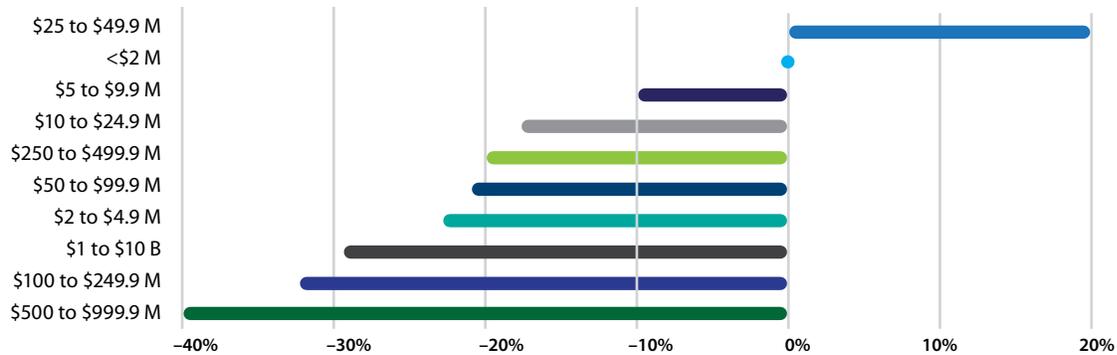
While CIOs of the largest cohort also received the largest cuts in base salary, 17 percent, they did not experience the greatest drop in bonus awards. Their bonuses were cut by 29 percent in 2020 vs. 2019, compared to a 40 percent cut in bonus for CIOs at upper mid-market companies (\$500 to \$999.9 million in annual revenues).

CIOs at the smallest companies experienced a 5 percent drop in base salary and 6 percent decrease in total cash compensation, largely due to the fact that the median CIO bonus in companies with revenues under \$2 million was nonexistent. Those working in mid-size companies (\$25 million to \$49.9 million in annual revenue) enjoyed the highest increase in bonus, raking in 20 percent more than the prior year while seeing their base salary cut by 3 percent.

### Change in Median CIO Base Salary by Company Revenue (2019-2020)



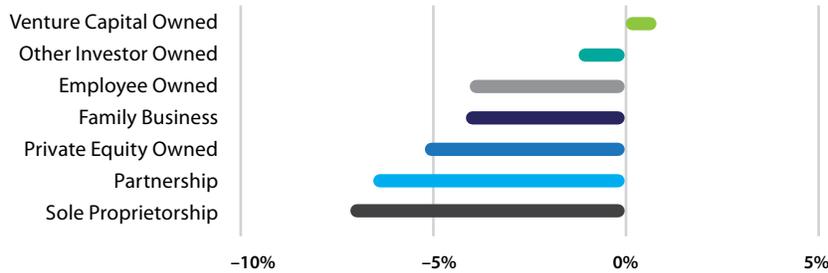
### Change in Median CIO Bonus by Company Revenue (2019-2020)



## OWNERSHIP STRUCTURE

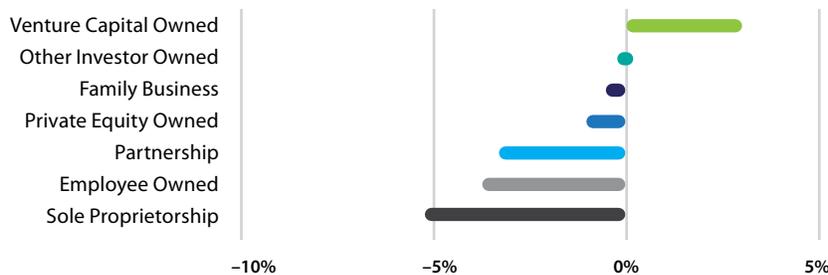
Ownership type is another important variable when assessing CIO compensation, particularly among certain groups where technology plays a critical role. VC-backed companies, for instance, were the only group expected to increase their CIO base salary in 2020, albeit slightly, from \$185,000 to \$191,475. This increase helped counterbalance the cut to their bonus, which was down 25 percent from 2019, thus resulting in an overall increase in expected cash comp, at \$206,475 in 2020 from \$205,000 in 2019.

### Change in Median CIO Cash Compensation by Ownership Type (2019-2020)

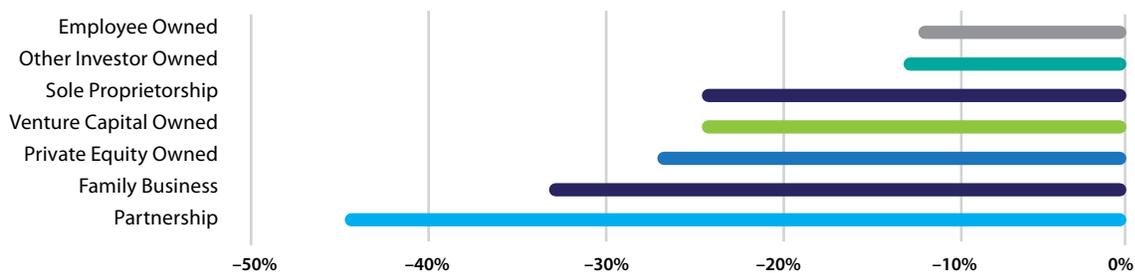


Although CIOs working at partnership firms did not receive the largest cut to their base salary, their expected bonus in 2020 was 44 percent lower than in 2019, contributing to the 6 percent decline in their overall cash compensation. In comparison, CIOs at sole proprietorships saw their base salary cut 5 percent and their expected bonus 25 percent, bringing their total 2020 cash compensation down over 7 percent, from \$157,000 in 2019 to an expected \$145,668 in 2020.

### Change in Median CIO Base Salary by Ownership Type (2019-2020)



### Change in Median CIO Bonus by Ownership Type (2019-2020)

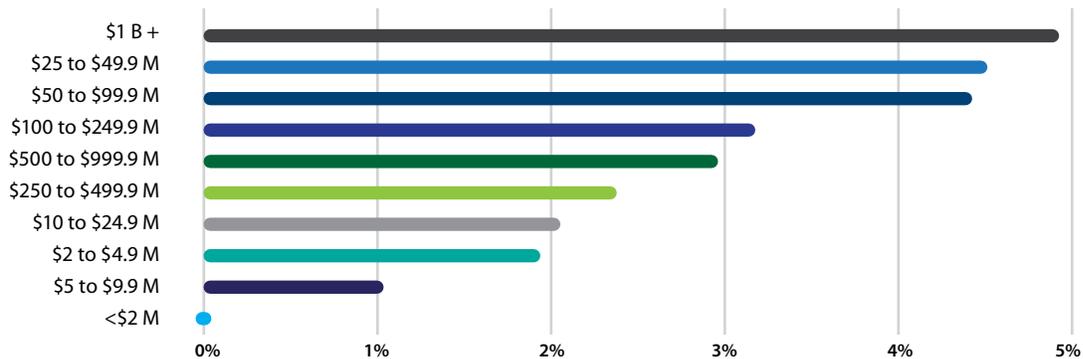


## PREVIOUS TRENDS

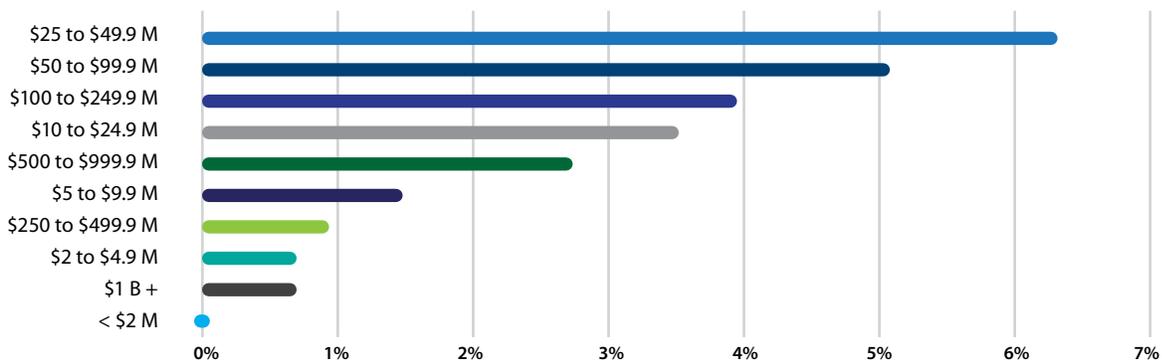
Salary cuts implemented to help weather the 2020 pandemic were intended, for the most part, to be paid back once the crisis ended, so looking at data from previous years can help us better assess trends in CIO compensation. Data shows that the overall median CIO base salary and bonus increased 3 percent and 5 percent, respectively, from 2018 to 2019, when their respective values were \$160,000 and \$20,000 for a median total cash compensation value of \$180,000 in 2019.

CIOs at companies with \$1 billion+ in annual revenues saw their base salary increase by the largest margin—4.8 percent—but the variation is not directly correlated to size. CIOs in mid-market companies—those with revenues between \$25 to \$49.9 million and \$50 to \$99.9 million—saw their base salary increase by 4.6 and 4.4 percent, respectively—42 percent higher than the increase reported at companies with revenues between \$100 and \$999.9 million.

**Average Change in Median CIO Base Salary by Company Revenue (2018-2019)**



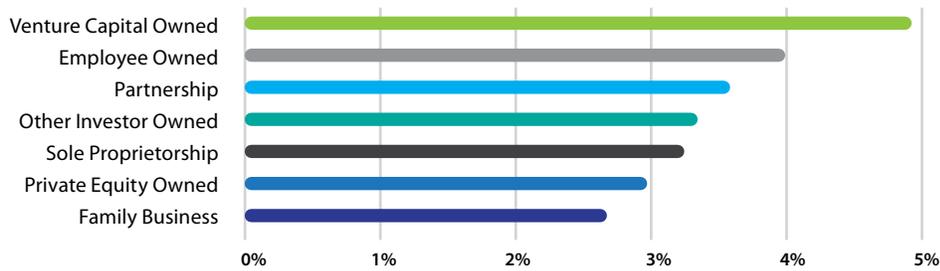
**Average Change in Median CIO Bonus by Company Revenue (2018-2019)**



Bonus awards are also mixed, according to the data, with CIOs in mid-size companies (\$25 to \$49.9 million and \$50 to \$99.9 million) receiving the highest year-over-year increase in bonus awards in 2019—6.3 and 5.1 percent, respectively. Interestingly, CIOs at companies with \$1 billion+ in revenue, saw their bonus increase by less than 1 percent over the same period. This is, however, more than made up for in their base salary increase, which still lands them with the largest positive difference in compensation from the median.

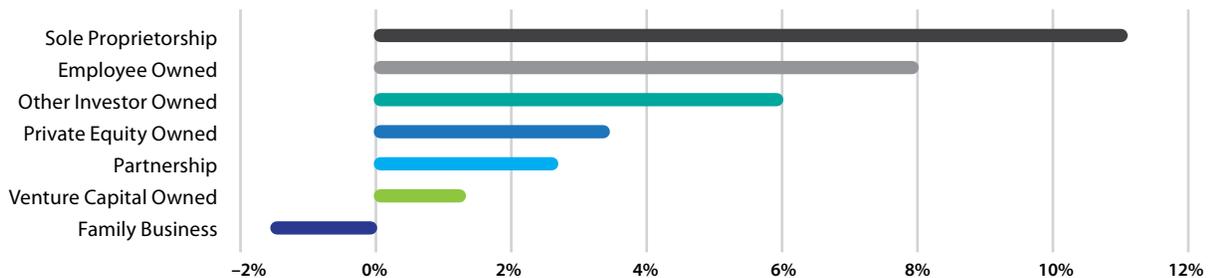
Ownership structure also plays an important role in the compensation of technology officers since many investor-backed firms are in tech industries and put a higher value on their top tech executives. The survey data shows median CIO base salary in companies where at least 50 percent of equity is owned by a venture capital firm increased the most in 2019, up 4.9 percent from 2018. This is 23 percent higher than the increase at employee-owned companies, the second highest on record.

### Average Change in Median CIO Base Salary by Ownership Type (2018-2019)



Nevertheless, although CIOs at venture capital-backed companies enjoyed the largest increase in base salary last year, their bonuses did not follow suit, increasing 1.4 percent compared to 10.8 percent for CIOs who work in sole proprietorships.

### Average Change in Median CIO Bonus by Ownership Type (2018-2019)



## CONCLUSION

This last year was a time of unprecedented events, developments and actions. Many executives in 2020 willingly gave up their bonuses and took cuts to their salaries to keep their business afloat and help to pivot operations. The trend seen from 2019 to 2020 is expected to change in 2021, where salaries and bonuses are expected to begin increasing back to pre-Covid levels.

Between 2018 and 2019, salaries for CIOs increased across the board. These increases followed a positive trend with company size, and CIOs at companies with \$1 billion+ in revenue received the largest increase in base salary and a modest increase in bonus, at 5 and 1 percent, respectively. Between 2019 and 2020, those same CIOs expected to see their salary cut by 17 percent—the highest rate compared across company sizes. CIOs in companies with less than \$2 million in revenue saw no increase in their base salary or bonus between 2018 and 2020 and expected to have their cash compensation cut by 5 percent in 2020 at the time of the survey.

CIOs at venture capital-backed companies saw the largest positive change in their base salary between 2018 and 2019. In 2020, they were the only CIOs compared to companies of all ownership types who expected an increase in their base salary, albeit under one percent, far less than their previous raise of 5 percent in 2019. Those in sole proprietorships were expected to experience the largest hit to their salary in 2020, down 5 percent, but had previously enjoyed a 3 percent increase to their base salary and an 11 percent increase in their bonus between 2018 and 2019.

Despite the events of the past year, U.S. companies have found a way to persevere. With the successful rollout of vaccines and international travel reopening to Americans, the end of the Covid-19 crisis is in sight, and with it comes expectations for compensation to return to pre-crisis levels. Attracting—and retaining—top talent has become more difficult than ever, and companies should ensure that their cash compensation plans are at least on par with the median of their peer group, and ideally skewed toward the top quartile.

Visit [CompReport.ChiefExecutive.net](https://www.compreport.com) to access the full 2020-21 report.

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