



CEO and Senior Executive Compensation in Private Companies 2023-24

EXECUTIVE SUMMARY

About the Research

Chief Executive Research surveyed 1,634 companies in April through July of 2023 about their 2022 fiscal year compensation levels and practices, their expected compensation levels for the remainder of 2023 and their best forecast on compensation across all levels of the organization.

The data was analyzed and presented across more than 600 pages in our 2023-24 *CEO & Senior Executive Compensation Report for Private Companies*, for which we're 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.

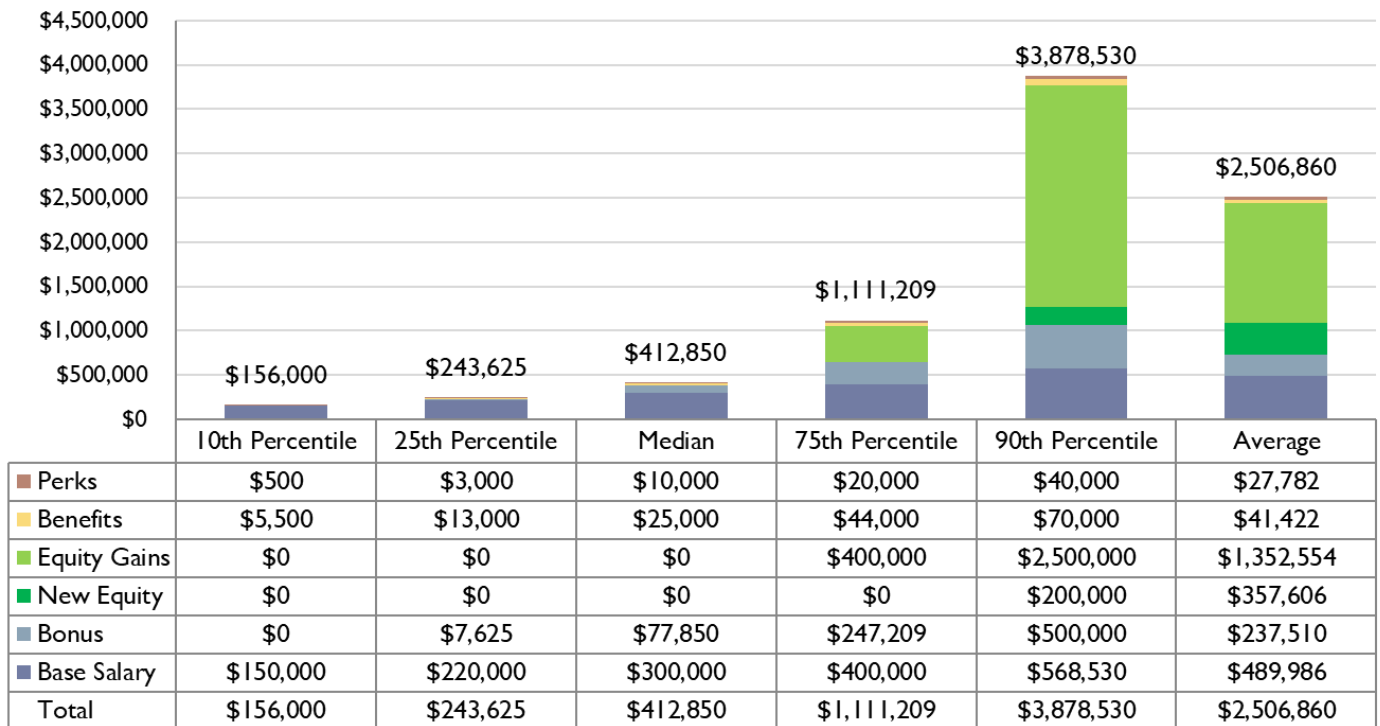
The report provides detailed data about compensation packages for CEOs and eight other senior executive positions—Presidents, COOs, CFOs, CMOs, CSOs, CIOs, Heads of R&D and CHROs—their salaries, bonuses, equity/long term incentives, benefits and perks and how they varied by company size, industry, region, ownership type and level of profitability, among other variables, as well as comprehensive information about companies' compensation policies and practices. What follows are some of the key highlights from the research.

2022 CEO Compensation

The average private company CEO total compensation package for 2021 was \$2,506,860, but the median was a more modest \$412,850. These figures include base salary, bonus, equity appreciation, new equity/option grants, benefits and perquisites.

As one would expect, 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.

2022 Total Compensation for CEOs in Private Companies



The median CEO cash compensation (base salary and bonus) was \$377,850—91.5 percent of the total compensation package—and the “at risk” portion (i.e., bonuses and incentives) was \$77,850, or 19 percent of the base salary. This represents a change of +4.9 percent to the CEO base salary and an 18 percent decrease to the bonus, on average, vs. prior year (due to strong economic headwinds faced in 2022 affecting profitability for many companies). The median change in salary was .25 of a percent and the median change in bonus remained zero.

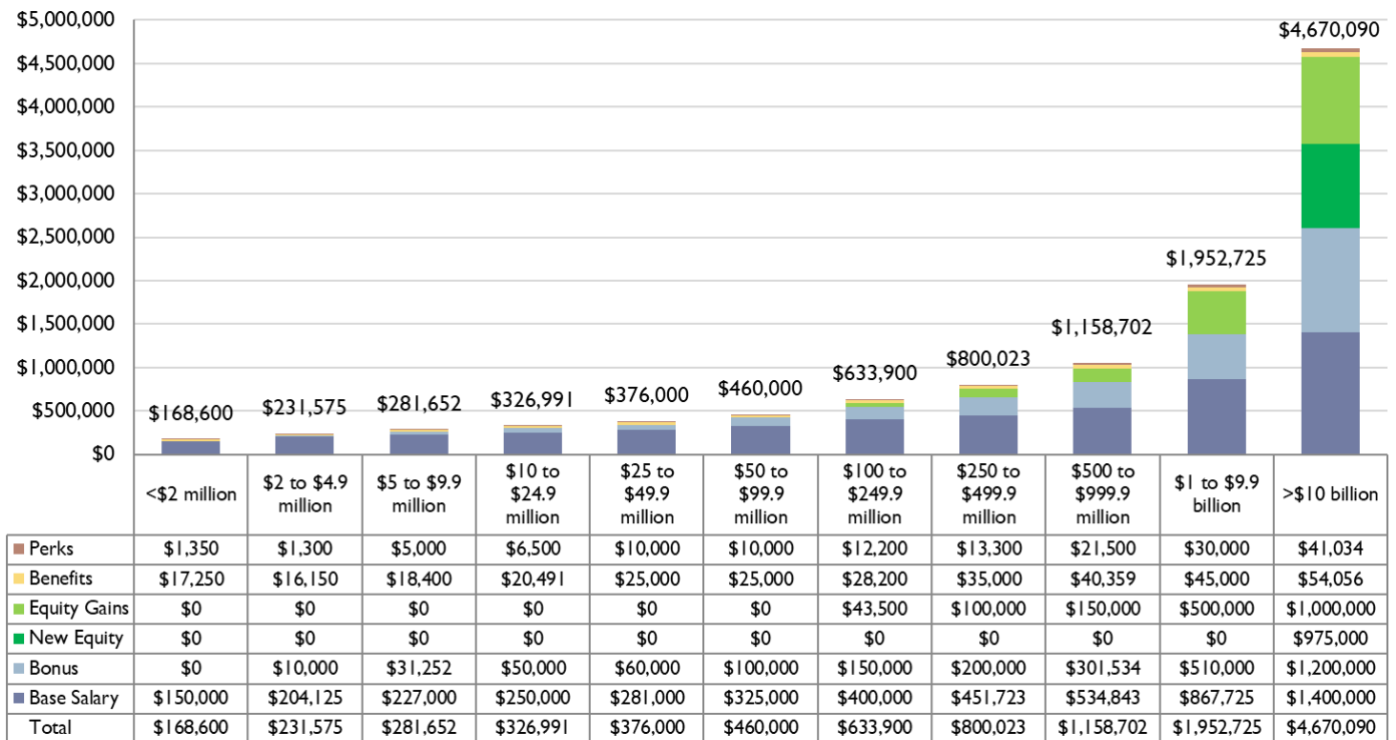
While the median CEO's equity didn't appreciate in 2022, he/she still owned 10% of the company's equity in 2022, with a value of \$1,500,000, so had a significant amount of “skin in the game” and alignment with the company's long-term success. Top-quartile CEOs enjoyed a \$400,000 increase in their equity value in 2022 and started 2023 with a \$6,400,000 equity stake.

CEO Compensation Is Highly Correlated with Company Size and Success

Private company CEO compensation is heavily 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).

2022 CEO Median Total Compensation by Company Revenue



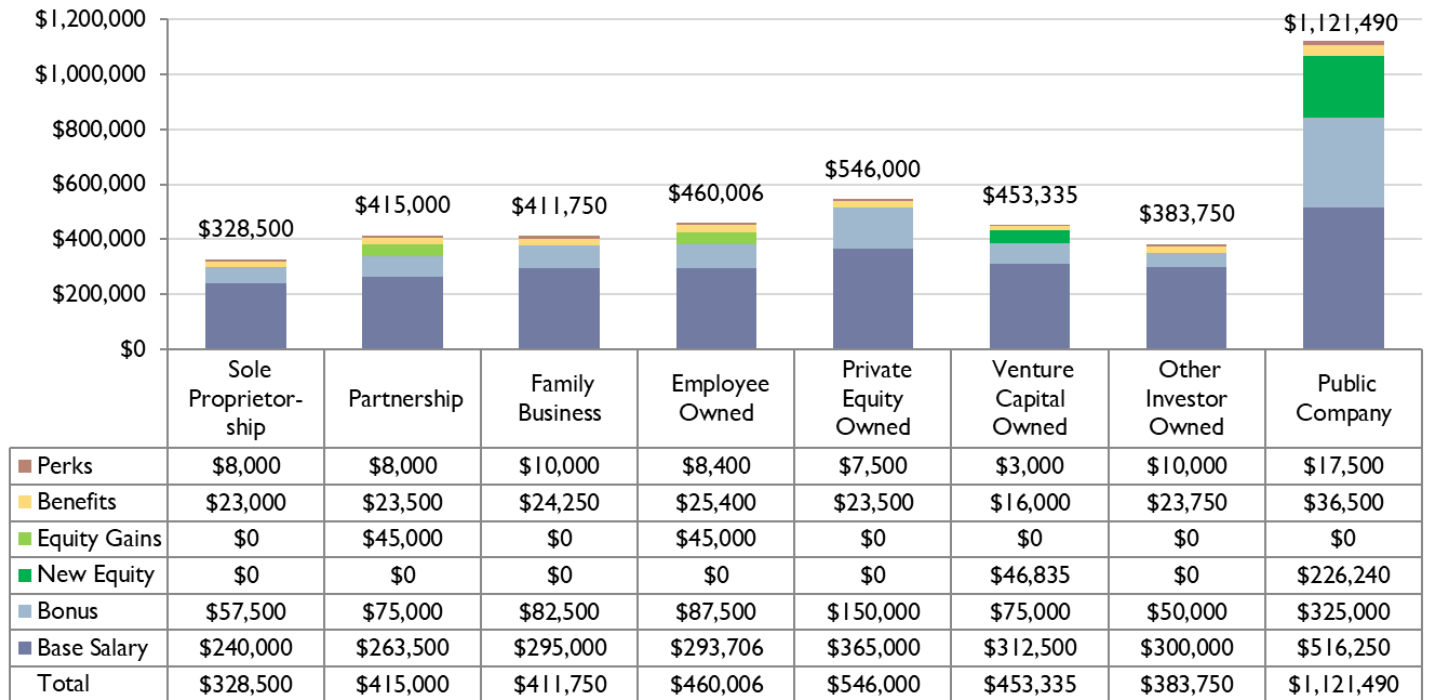
The median total compensation package for CEOs of companies with revenues of \$1 to \$9.9 billion is 3.1 times that of CEOs whose companies generate between \$100 and \$250 million in revenues. The median CEO running a company with between \$10 and \$25 million in revenues earned nearly 52 percent of 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, private-equity and venture-capital-backed companies, as well as companies owned by private groups of outside investors (e.g., angel investors). CEO compensation differs substantially based on ownership type.

Public companies are usually excluded from all calculations in our annual compensation reports, and while they are shown in the chart below, they were not included in the other data sets unless otherwise expressly noted.

2022 Total CEO Median Compensation by Ownership Type



CEOs of VC-owned companies typically have some of the highest total compensation packages overall among privately-owned companies, due largely to gains on their equity. In 2022, however, a historically challenging year for the markets, the median total compensation package for VC-backed CEOs was less than those at ESOPs, which tend to have more stable compensation plans. Meanwhile, PE-backed CEOs earned the highest compensation package due to a generous base salary and bonus.

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 and industry mix (e.g., more SaaS and biotech companies among VC-owned companies, PE-backed tend to have higher revenue). The 2023-24 report breaks out compensation of CEOs at the various ownership types by company revenue and shows, for example, that the base salary of CEOs that run sole proprietorships with revenues between \$100 to \$999.9 million was only 8 percent less than that of their PE-backed 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: Energy/utility/oil/gas CEOs earned the highest median total compensation package in 2022. More specifically, the median energy/utility/oil/gas CEO earned 22 percent more than the median wholesale/distribution CEO, who had the highest median total compensation in 2021, due to a generous median base salary of \$330,000 and large median equity gains of \$88,000 for the industry.

Other noteworthy industries included the construction and financial services industries. CEOs of construction companies enjoyed significant median bonus gift of \$115,000 and equity gains of \$50,000, while financial services CEOs received substantial benefits and perks with a median total of \$46,800—as well as healthy base salaries.

Similar to what we observe with ownership types, some of the variances by industry are driven by differences in median company revenue. For instance, in companies with \$10 to \$99.9 million in revenues, pharma/bio CEOs had the highest median total compensation packages—39 percent more than their financial services peers.

The full report provides compensation details for CEOs in 21 industries.

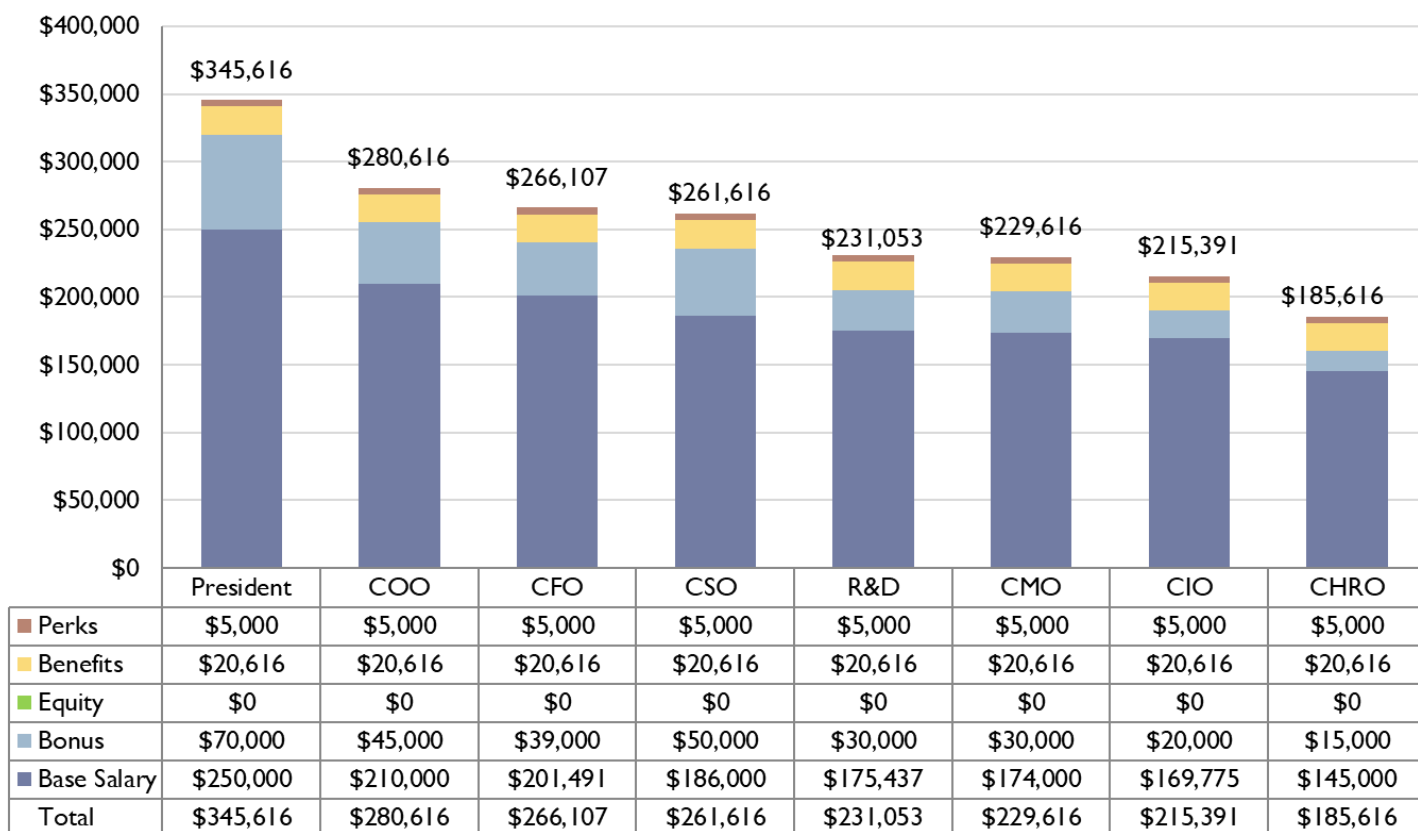
Senior Executive Compensation

C-Suite compensation varies by job title and areas of responsibility. After the CEO, the most highly compensated senior executive position in private companies is the president, with a median total compensation package of \$345,616 in 2022, followed by the senior operations executive (COO), with a median total compensation package of \$280,616.

Like the CEO, there are significant variations in senior executive compensation based on company size, industry, ownership type, growth rate, profitability, region and labor market. For example, CIOs in the Pacific region tend to earn more than their peers elsewhere in the U.S.—and 19 percent more than their senior IT executive peers in the West North Central region, the group with the lowest level of compensation again in 2022.

The complete breakdown of how senior executive compensation varies by these factors is available in Volume 2 of the report, but the chart on the following page highlights the overall compensation for each title, across the different components of the pay package.

2022 Median Compensation of Senior Executives at Private U.S. Companies

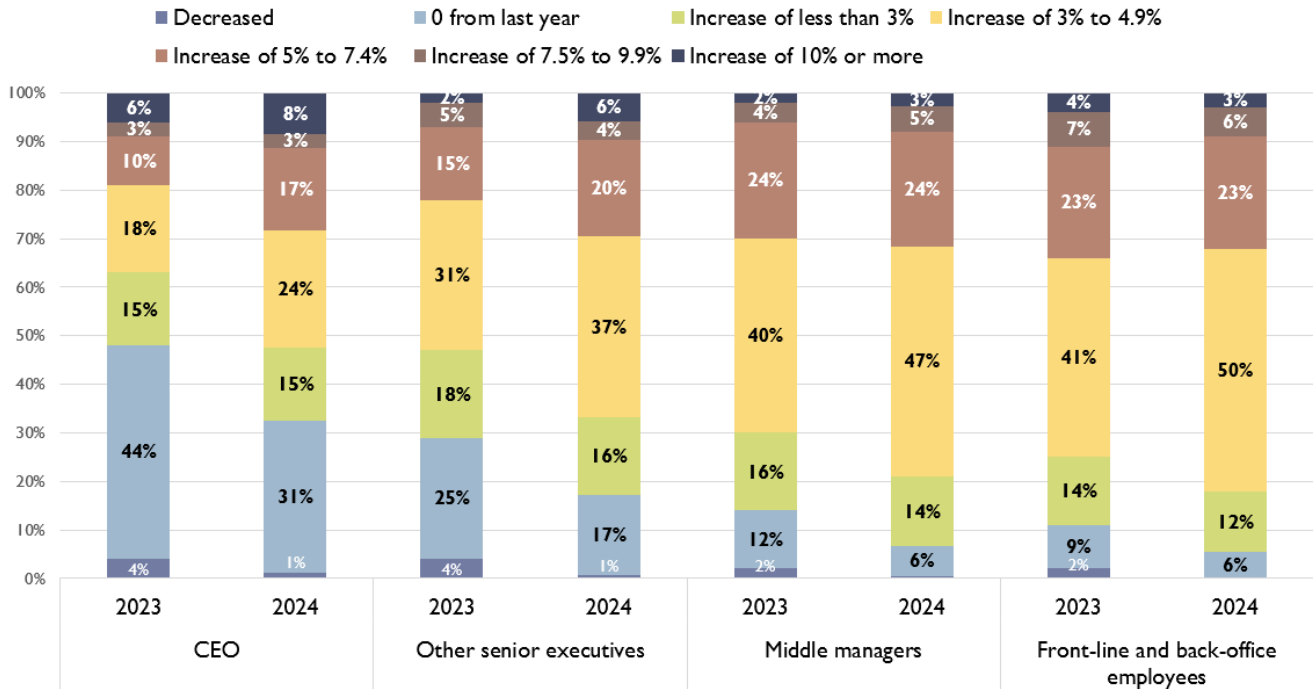


Forecasts for 2024

The 2023-24 report includes an additional report detailing how the cash compensation of CEOs, senior executives, middle managers, and front-line and back-office employees is expected to change in 2024 and how companies are responding to the economic environment.

Forecasting 2024, a large proportion of CEOs and senior executives expect a base salary increase compared to 2023, catching up after years of stagnant compensation. 67.5% of CEOs expect to see a rise in their base salary in 2024, up from 52% in 2023. 83% of senior executives other than the CEO expect to see a rise in their base salary in 2024, up from 71% in 2023.

Expected Base Salary Changes in 2024 by Job Title

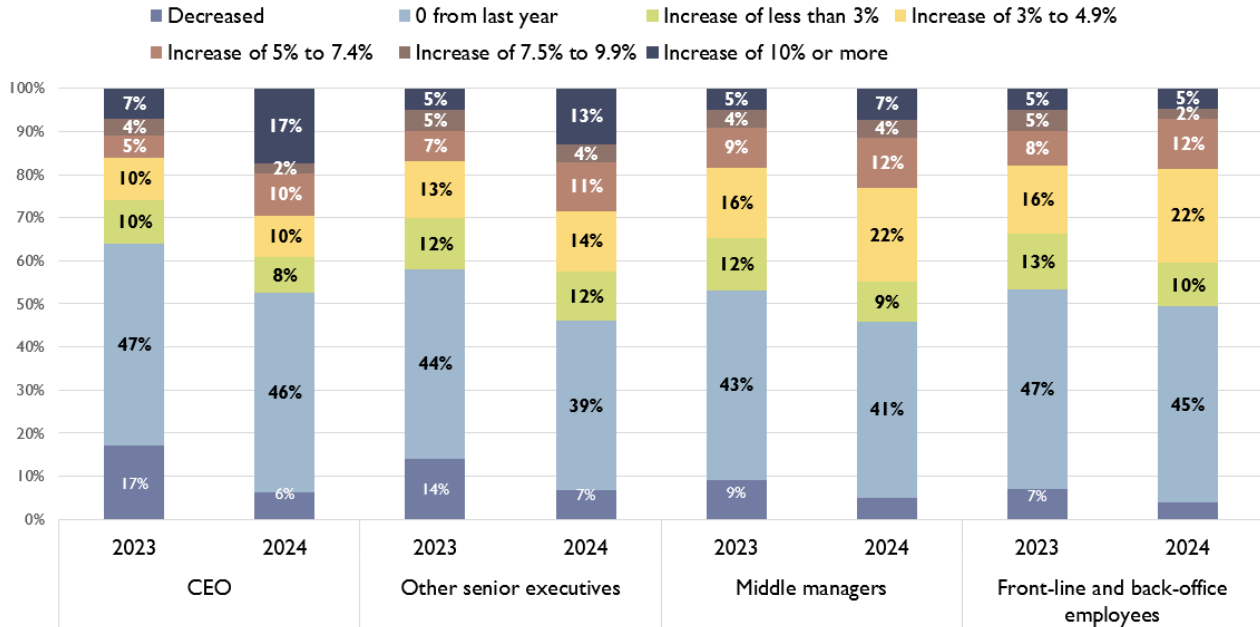


Base salaries rarely decrease year over year, except in drastic situations such as during the Covid-19 pandemic. Yet, some companies—albeit a minority—reported lower average salaries this year compared to last. We believe the reason behind this finding is that they have replaced higher-salaried workers with alternative options (e.g., replaced some tenured employees with less experienced employees or contractors) or reconfigured compensation plans—rather than implementing a base salary cut for a specific position.

Bonuses, however, tend to be much more volatile than base salaries, as they are often connected to achieving specific financial targets (which get harder to achieve with economic headwinds). In 2023, most bonus increases were below 5 percent, with a high proportion of companies reporting no change in bonus across all seniority levels. Most CEOs (53%) don't expect an increase to their bonus in 2024; however, of those who do, 37% expect it to be at least +10%. In 2023, that proportion was around 20% vs 37%.

Far fewer employees below the CEO are expected to receive such high bonus increases in 2024, with approximately 40% of each title expecting no change to their bonus in 2024.

Expected Bonus Changes in 2024 by Job Title



This additional report included with the purchase of the *2023-24 CEO & Senior Executive Compensation Report for Private Companies* also explores forecasted base salary and bonus changes in 2024 across job titles by revenue ranges, ownership type, industry, region, level of profitability, revenue growth rate and labor market.

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, still half of U.S. private companies do not have a formal long-term incentive plan. And among companies that do, only 19 percent use performance-based vesting (vs. 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 many 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.

As a survey participant, you are entitled to a \$1,500 credit towards the one-time purchase of the 2024-25 report if you order by August 1st. After August 1st, the credit falls to \$1,000. To order your copy, use coupon code **CompStudyInsider2024** at checkout on CompReport.ChiefExecutive.net or contact our research team at research@ChiefExecutiveGroup.com.