

## Bonuses Bountiful at Tech Firms By Joanna Glasner

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When it comes to executive salaries and bonuses, what goes down never stays there very long.

Executives of technology firms, many of whom swallowed pay cuts during the industry downturn of 2001 and 2002, generally received higher cash compensation in 2003, according to preliminary data.

An analysis of pay packages for chief executives of 90 technology firms, compiled by compensation research firm [Equilar](#), found that cash bonuses rose 36 percent over the prior year to a median level of \$198,000. The analysis covers public companies that ended their 2003 fiscal year by November and have filed annual compensation data with securities regulators.

"The explanation for the bonuses is just that companies are performing better," said Tim Ranzetta, Equilar's president and chief operating officer. "We've seen the economy firm and improve in the latter part of 2003 and the fortunes of tech companies improve as well."

Taken together, salaries and bonuses for CEOs in the sample rose 11 percent to a median of \$673,000, according to Equilar. The median salary was \$455,000, up 2.1 percent from a year earlier.

But while cash pay was up, Equilar found that equity pay, in the form of stock options and restricted stock awards, fell.

The chiefs of the 90 technology firms studied saw stock compensation dip about 25 percent, from \$3.2 million in 2002 to \$2.4 million in 2003. Ranzetta attributed most of the decline to companies giving out fewer stock options.

The dip in new stock-option grants, however, didn't prevent executives from cashing in their old options. A broad recovery in technology stocks in 2003

enabled option holders to cash in shares at a level not seen since before the tech meltdown.

As technology firms prepare budgets for the current year, compensation experts say it's likely the rising tide will carry into 2004.

"We're starting to see budgets for salary increases come back up," said Matt Ward, technology practice director at [Aon Consulting](#). "While we don't see what the *actual* increases are going to be, if they budget more, they're going to be spending more."

If earnings continue to recover, executives also can expect to see bigger bonuses. In best-case scenarios, bonuses may exceed base salaries, as they did at some firms in 2003.

One case in point: wireless technology provider Qualcomm (QCOM). Irwin Jacobs, Qualcomm's CEO and chairman, received a bonus of \$1.5 million for the year, up from \$800,000 in 2002 and well above his \$978,000 base salary. On average, bonuses paid to the top five Qualcomm executives were up more than 80 percent in fiscal 2003 compared to 2002.

At other firms, bonuses lagged salaries, but still rose sharply. At Keynote Systems (KEYN), which provides tools to measure Internet performance, four out of five top executives saw an increase in bonuses in 2003. Many had received no bonuses in 2001.

And at Agilent Technologies (A), a diversified firm in communications, electronics, life sciences and chemical analysis, salaries and bonuses were up in 2003 for five out of six top executives listed.

Ted Buyniski, a principle with Mellon Financial's Human Resources & Investor Solutions, expects that by spring -- when most companies will have filed executive compensation figures -- many more companies will reveal rising pay throughout the tech industry.

"From a performance perspective, 2002 for most companies was the bottom and 2003, while not a great year for most companies, was a better year," he said.

But Buyniski noted that the recovery hasn't touched all technology sectors. In addition, many firms that have seen some upturn in earnings continue to keep a tight reign on salaries as they wait for conditions to improve further.

One notable exception to the rising pay trend was Hewlett-Packard. There, chairwoman and CEO Carly Fiorina took a cut in bonus from \$2.9 million in

2002 to \$2.1 million in 2003. Other top-five executives had reduced bonuses on a similar scale, although all received increases in base salaries of between \$55,000 and \$242,000.

Ranzetta found that executives at three large technology firms took in no cash in fiscal 2003: Steven Appleton of Micron Technology (MU), Larry Ellison of Oracle (ORCL) and John Chambers of Cisco Systems (CSCO), who received a salary of \$1.

Of course, those executives all have substantial stock holdings in their respective companies, not to mention bank accounts still fat from the last technology bull market.



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