

Bill Snyder

Some Software CEOs Felt the Pain; Some Just the Gain

By **Bill Snyder**

Staff Reporter

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Some CEOs of software companies share your pain. Others don't.

With 2002 proxies coming in, investors can get a look at how software's ugly year on Wall Street affected compensation in the corner office. It may be a confusing picture, since the connection between share performance and compensation seems uneven at best. (Our informal survey did not include salaries at some software companies, such as **Microsoft** (MSFT:Nasdaq - news - commentary) and **Oracle** (ORCL:Nasdaq - news - commentary) , which will not file current proxies until later in the year.)

Sybase (SY:NYSE - news - commentary) CEO John Chen, for example, suffered even more than his shareholders. While Sybase stock sank 15.2% in calendar 2002, Chen's cash compensation package plunged by 75% and his options award was cut in half. The biggest difference in Chen's package: a restricted stock award valued at \$4.36 million in 2001 that was not repeated in 2002.

And Thomas Siebel, founder and CEO of **Siebel Systems** (SEBL:Nasdaq - news - commentary) , was a \$1-a-year man for the second year in a row. Additionally, the compensation committee canceled 26 million in options already held by the CEO at his own request.

Then there was **PeopleSoft** (PSFT:Nasdaq - news - commentary) CEO Craig Conway. While stock in his company dropped 53% in 2002, his compensation soared, largely on the strength of a \$14.6 million restricted stock award. Conway's salary stayed flat at \$1 million, his bonus dropped from \$2.32 million to \$1.92 million and he was granted 4.1 million options, compared to 1 million options the year before.

In a **Securities and Exchange Commission** filing, PeopleSoft's compensation committee praised Conway's "outstanding" performance as a leader, cited the company's overall performance and said it considered equity grants made to CEOs of other similarly sized companies. Asked about Conway's compensation, the company said it had nothing to add to the information contained in the filing.

The news may not offer much consolation to investors smarting from last year's stock declines, but CEOs across technology sectors suffered a sizeable drop-off in pay in 2002. According to benefits research firm Equilar, the median pay package, excluding options, for tech chiefs shrank 15% last year.

Still, CEO paychecks have held their value far better than many technology stocks. The tech-heavy **Nasdaq Composite** index lost nearly 32% of its value in the same period.

Factoring in salary hikes, overall pay packages for tech CEOs fell last year because executives' stock options lost so much value. Options account for the bulk of CEO compensation, contributing about 60% of overall pay in 2001. And last year the value of options dropped 28%.

Some companies made up the difference in the value of the options by granting more to their CEOs.

Bernard Liautaud, CEO of **Business Objects** (BOBJ:Nasdaq - news - commentary) , was granted 250,000 options in 2002, compared to 175,000 the year before. His combined salary and bonus was down less than 1% at \$745,103. BOBJ's proxy filing also revealed some of the perks enjoyed by the CEO of a major company. Over the last three years, the company has picked up tabs for family travel, life insurance premiums and tax preparation fees valued at \$37,489. Meanwhile, stock in Business Objects dropped 56% last year.

Similarly, **Mercury Interactive** (MERQ:Nasdaq - news - commentary) picked up the tab for taxes on vehicles it had purchased for CEO Ammon Landan over the years. The accumulated bill came to \$124,000. Landan's 2002 option grant was flat at 700,000 shares, while his cash compensation increased by 22% to \$1,181,250. During the same period of time, Mercury was off 13.6%.

Adobe (ADBE:Nasdaq - news - commentary) CEO Bruce Chizen, whose company lost about 22% of its value in 2002, took a hit to his cash compensation package -- it dropped 9% to \$1,108,112, while his options were flat at 850,000.

Looking beyond the Nasdaq, Equilar found that median total cash compensation of **S&P 500** execs increased to \$1.8 million, which represents a 9.8% increase over the 2001 levels of \$1.64 million. But long-term incentives, which remain the largest component of executive pay, fell to \$5.23 million in 2002, a 12.1% decline from 2001 levels of \$5.95 million. Long-term incentives consist of stock option grants, restricted stock awards and long-term incentive plan payouts.
