

CEO Compensation

The Incredible Shrinking Bonus

Mark Lewis, 10.22.02, 1:13 PM ET

The brouhaha over big-ticket pay packages apparently is having a measurable impact on chief executives' personal bottom lines. A new survey shows that while base salaries are still rising slightly, bonuses have been slashed and fewer options are being granted.

"The median bonus has declined more than 43%, and over a third of the CEOs didn't receive a bonus at all," says David Chun, chief executive of Equilar, a San Mateo, Calif.-based research firm that tracks compensation trends.

Equilar today announced the results of its examination of the annual proxies of Russell 3000 firms whose fiscal years have already ended. Among 401 companies that had the same CEO in fiscal 2001 and 2002, median total direct compensation, which includes the value of stock options granted during the year, fell 5% to \$1.9 million.

That number might have fallen more, Chun says, except that the market's recent volatility has the effect of boosting the estimated value of unexercised stock options. The actual number of options granted to the median CEO during fiscal 2002 fell 12.2%.

Total cash compensation also fell 12.2%. That tracked the declining profitability of these firms, which saw their median net income fall 40% to \$14.6 million in fiscal 2002. It also reflected boards' new sensitivity to post-Enron criticism about bloated compensation packages. "Boards are being much more conscious about this," Chun says.

Compensation Package/Company Financials	Most Recent Period	Prior Period	% Change
CEO Base Salary	\$464,989	\$440,000	5.7
Bonus	\$135,830	\$239,656	(43.3)
Total Cash	\$642,500	\$732,110	(12.2)
Total Direct Compensation	\$1,858,275	\$1,956,360	(5.0)
Number of Options Granted	87,813	100,000	(12.2)
Company Revenue	\$638,721,000	\$620,183,000	3.0
Company Net Income	\$14,583,000	\$24,253,694	(39.9)

Among these 401 firms, the percentage of CEOs who received no bonus in fiscal 2002 increased to 35.7% from 26.4% in 2001.

The survey was weighted toward small caps and mid-caps, but Equilar says some big firms such as **Microsoft** (nyse: [MSFT](#) - news - people), **Wal-Mart Stores** (nyse: [WMT](#) - news - people) and **Procter & Gamble** (nyse: [PG](#) - news - people) also were included.

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