

## **CFOs suffering from pay envy**

Compensation chasm with CEOs widening

By Andrew Osterland

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The Democratic Congress may be trying to figure out ways to rein in CEO salaries, but CFOs are more interested in catching up with their bosses on the pay scale.

Since the passage of Sarbanes-Oxley, the workloads of chief financial officers have increased dramatically. And it's not just because of the Section 404 audit. Increased compliance burdens have forced CFOs to devote more time to their traditional function of financial control. At the same time, they are still expected to serve as the CEO's strategic partner. While their compensation has been rising relative to most other executives, the gap between the pay of CFOs and CEOs has remained wide and has possibly even expanded over the last several years.

Data prepared for Financialweek by Equilar Inc. show that median total compensation for CFOs at S&P 500 companies rose substantially after SarbOx was passed but declined in the last two years. Median CFO pay fell from \$2.69 million in 2004, or 36.1% of CEO pay, to \$2.61 million last year, or 32.2%.

"CFO compensation has risen dramatically because of Sarbanes-Oxley and the increased importance of the job," said Ira Kay, global director of executive compensation at Watson Wyatt. "The demand for CFOs is robust; it's just not as robust as for CEOs."

The corner suite, said Mr. Kay, is still seen as the more risky office to fill, particularly in public companies. And while the role of public-company CFOs has significantly expanded in the last decade, it's still the CEOs who are seen as the breadwinners for their corporations.

"The biggest difference between CEOs and CFOs is that the CEO is winning the deals and bringing in the business, while the CFO is counting the cash," said Bob Ivanicki, New York branch manager of executive recruiting firm Robert Half Associates.

The pay is reflecting that, and CFOs have decidedly mixed feelings about it. A recent survey of 134 CFOs by audit firm Grant Thornton found that only 29 of the respondents felt their CEOs were paid too much. Eighty considered their CEOs appropriately compensated, and 21 said the CEOs were underpaid.

They were far less happy with their own pay. When asked what they thought of the gap between their compensation and that of their bosses, 62 said it was too large, another 62 said it was about right, and five thoroughly suspicious individuals said the gap was too small.

Mr. Kay said that CFOs are now typically paid far more than the heads of business divisions at large companies. And what's more, the meteoric rise in CEO compensation has probably pulled up pay for CFOs as well. "The fact that CEOs are getting paid so well isn't holding down CFO pay," said Mr. Kay.

But the gap between the two is apparently ruffling a few feathers.

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