



The Elite Circle of \$1 CEOs

Apple's Steve Jobs and Google's Eric Schmidt are just two of the CEOs who work for a buck. Why do top executives give up their salaries?

by [Maira Herbst](#)
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[Richard Kinder](#), chief executive of Houston energy transportation and storage company Kinder Morgan is not a poor man. But since he founded the company with Bill Morgan in 1997, he has drawn a salary of \$1 and left his cabinet clear of any bonuses, stock awards, or option grants. He doesn't use a corporate jet or chauffeured cars. He even cuts a personal check for his contribution to the health insurance plan.

To be sure, he lives more than comfortably off the dividends from his approximately 24 million shares in Kinder Morgan ([KMI](#)); annual payouts from his shares top \$60 million. The value of the shares has also risen steadily in the last decade, closing on May 9 at \$106.95. "I'm not saying I'll need to get on the welfare line," says Kinder. "But all my pay comes from the performance of the company. I'm opposed to guaranteed salary, stock, options, and the rest of it. The philosophy is that senior management does well when the company does well."

An Exclusive Club

In an era of skyrocketing CEO pay and growing shareholder angst about it, a handful of chief executives are opting to draw a \$1 paycheck or none at all. Seven CEOs in the Standard & Poor's 500-stock index were paid \$1 or less in 2006, along with eight smaller companies, according to executive compensation research firm Equilar. Among the most well-known are [Steve Jobs](#) of Apple and [Eric Schmidt](#) of Google, who will both face shareholders at their respective annual meetings on May 10. ([Click here](#) for a Web cast of Google's meeting. Apple's gathering will not be Web cast.)

The others are [James Rogers](#) of Duke Energy ([DUK](#)), [Richard Fairbank](#) of Capital One Financial, and Jerrold Perenchio of [Univision Communications](#). The latest CEO to agree to a token base salary is [John Mackey](#) at Whole Foods Market, which announced the decision in January. [William Ford Jr.](#) of Ford Motor ([F](#)) also received no salary from 2001 until he stepped down from the CEO post to become chairman in September, 2006.

The common characteristics among this varied cast of characters? A strong belief in personal responsibility, a passion for the business, a penchant for risk-taking—and a healthy dose of ego. "With this gesture the executive is calling him or herself an 'employee-in-chief,' and saying he or she will fall with the fate of the company," says Dr. Kerry Sulkowicz, founder of the Boswell Group, a consulting firm that advises senior executives on psychological issues. "Of course, it can be a double-edged sword, since in doing so they're inevitably pointing to their own wealthy status—that effectively as far as pay is concerned they can take it or leave it."

Taking One for the Team

The current crop of low-salaried CEOs isn't the first. Lee Iacocca set the precedent in 1978, when he was chairman of Chrysler. Realizing the automaker was in dire financial straits, Iacocca fired executives and pushed the United Auto Workers to accept salary and benefit cuts. In an effort to

lead by example, Iacocca lowered his own salary to \$1 a year. Five years later, with a helping hand from the government, the company was restored to financial health.

Today, Ford's William Ford Jr. has taken up where Iacocca left off. From 2001 to 2006, Ford didn't take a paycheck, in an effort to peg his performance to the fate of the troubled company. Unlike Kinder, however, Ford did get stock grants, options, and other compensation worth a total of \$10.5 million in 2006. He also held more than 6.3 million shares of common stock and 3.4 million shares of Class B stock, according to the most recent proxy.

The Ultimate Pay-for-Performance?

But these days drawing a \$1-or-less salary is more common at radically successful companies than at hobbling ones. Jobs at Apple ([AAPL](#)) and Schmidt at Google ([GOOG](#)) are the highest-profile examples. In this new context, the message of the \$1 salary has changed. When Iacocca sliced his salary, he was telling Chrysler's line workers that they were all in the battle for survival together. Now CEOs like Jobs are sending the message to investors that they'll make money only if other shareholders do, too. Brothers in arms have become partners in profit. "The climate in the country for CEOs was different then," says Sulkowicz. "Now there's so much emphasis on CEO accountability and performance, and getting rid of your salary makes a strong statement."

The new message placates some groups, but not others. This year the [AFL-CIO](#), an umbrella group of 54 labor unions, is taking issue with Jobs' compensation, despite his \$1 salary. The unions' investment arm filed a proposal at Apple, as well as at several other companies, to request a nonbinding vote each year on the CEO's pay. Such initiatives are known as "say on pay" proposals.

The labor federation takes issue with the number of options Jobs has received, especially because the timing of those grants has been questioned. "The gesture looks all warm and fuzzy, but it's a facade," says Daniel Pedrotty, director of the AFL-CIO's office of investment. "It obscures the real number of what an executive gets and in that sense is an insult to investors' intelligence. In the case of Apple it's even more serious amid allegations of options fraud."

Apple's board opposes the proposal. "The Board does not believe the advisory vote will enhance governance practices," reads the company's proxy statement. "Instead, it may very well constrain the Compensation Committee's effort to recruit and retain exceptional senior executives."

Varying Degrees of Success

Executive compensation expert and consultant Graef Crystal says CEOs have different motivations for taking \$1 or less, but that for some the gesture means little. "I don't feel sorry for the Richard Fairbanks of the world," he says, referring to Capital One's ([COF](#)) chief executive. "I wouldn't book a benefit concert for this guy." Shareholders brought a "say on pay" proposal to Capital One's shareholder meeting on Apr. 26, garnering 37% support.

The most recent entrant to the \$1-or-less club is John Mackey of Whole Foods ([WFMI](#)). He announced in November that he's not doing it to tie pay to performance, but because he feels he's earned enough money. "I continue to work for Whole Foods not because of the money I can make but because of the pleasure I get from leading such a great company, and the ongoing passion I have to help make the world a better place, which Whole Foods is continuing to do," said Mackey. "I am now 53 years old, and I have reached a place in my life where I no longer want to work for money, but simply for the joy of the work itself and to better answer the call to service that I feel so clearly in my own heart."

Whatever the motivation, taking a salary of \$1 or nothing at all makes a statement. How it's received depends in part on how well the executive carries himself. "It's not the fact of taking \$1 or not—it's how you behave and convey that to the organization that makes the difference," says

Sulkowicz. "For some it can draw unfavorable attention to their narcissism. But if it's conveyed with genuineness, and he or she is really doing an excellent job, it can be received well."

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