

CRAIN'S DETROIT BUSINESS

CEO-CFO pay gap grows

Compensation hasn't kept pace with increase in work

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, CFO workloads have increased dramatically. Increased compliance burdens have forced CFOs to devote more time to financial control. But 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 possibly has expanded over the last several years.

"That's the way that it's always been and (the gap) is probably even getting bigger," said Jim Donahue, a compensation consultant in Novi. "CEOs are being paid well these days. They're more visible ... and they tend to command the higher rates."

Data prepared by Crain's Detroit Business' sister publication, Financial Week by Equilar Inc., an executive pay benchmarking company based in San Mateo, Calif., shows that median total compensation for CFOs at S&P 500 companies rose substantially after Sarbanes-Oxley was passed but declined in the last two years. Median CFO pay fell from \$2.69 million in 2004, or 36.1 percent of CEO pay, to \$2.61 million last year, or 32.2 percent.

"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 the Washington-based consultancy Watson Wyatt. "The demand for CFOs is robust; it's just not as robust as for CEOs."

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

The median salary for public and private company CEOs in metro Detroit is \$745,019, according to Salary.com. Add in bonuses and benefits and the median pay for area CEOs jumps to \$1.4 million. That's compared to a median salary of \$332,373 for CFOs in Southeast Michigan and \$567,378 after average bonuses and benefits are added.

But local examples show pay gaps that are significantly larger.

John Plant, CEO of Livonia-based TRW Automotive Holdings Corp., received total compensation of \$21.8 million in 2006, topping Crain's list of the best-paid CEOs (See list, Page 6). TRW CFO Peter Lake, on the other hand, had a total compensation package of \$4.8 million — a large amount, but with a base salary of \$502,833, about one-third of Plant's posted salary of \$1.5 million.

Bloomfield Hills-based Pulte Homes Inc.'s Executive Vice President and CFO Roger Cregg received a salary of \$650,010 and total compensation of about \$5 million. But that's almost \$9 million less than Pulte CEO Richard Dugas Jr.'s total compensation package of \$13.8 million. Dugas had a base salary last year of about \$950,000.

"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 mixed feelings about it. A recent survey of 134 CFOs by audit firm Grant Thornton L.L.P. 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 about 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.

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," he said.

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

CFOs "do feel, at least the ones that I've talked to, that they have not been compensated as well," Donahue said. "But then again, most people think that."

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