

HR's Elite: The Class Of '06

This exclusive ranking of the 50 highest-paid HR executives found that, in all, 174 former and current HR executives were among the five most highly compensated officers in their companies.

By David Shadovitz

What the 50 highest-paid HR executives listed in the Securities and Exchange Commission's filings earned in 2006.

For the first time, retailers secured the top three spots on *Human Resource Executive*®'s ranking of the highest-paid HR leaders listed in Securities and Exchange Commission filings.

Dennis Donovan, who stepped down as executive vice president of human resources for Home Depot Inc. in February, earned the top spot on the [HR's Elite list](#) for the fifth year in a row. Donovan earned roughly \$5.8 million.

Shari Ballard, executive vice president of HR and legal at Best Buy Co., was close behind, earning \$5.7 million. She was followed by Thomas Cody, who, as vice president for legal, HR, internal audit and external affairs at Federated Department Stores, took in more than \$4.4 million last year.

Ballard, who has held the top HR post at Best Buy since 2004 and whose role was expanded to include U.S. Web sites and call centers in 2006, was new to this year's ranking. Cody, a regular on the list, was ranked 14th the previous year.

Equilar Inc. of San Mateo, Calif., produces the ranking of the 50 highest-paid HR executives exclusively for HRE. In all, 174 former and current HR executives were among the five most highly compensated officers in their companies and were, therefore, listed in the SEC filings of the Russell 3000 companies surveyed.

This year's ranking has been expanded from 40 HR executives to 50.

Surprisingly, the HR executives' median total compensation declined nearly 3.6 percent in 2006 from a year earlier, from roughly \$1,818,000 to \$1,753,000. (Total compensation is defined as the sum of base salary, annual discretionary and performance-based bonuses; the grant-date values of new stock and stock-option awards; and the target value of long-term cash awards.)

What's behind this decline? Alexander Cwirko-Godycki, research manager for Equilar, suggests a chief driver is the fact that the value of the stock awards is not rising quickly enough to make up for the decline in the value of the stock-option awards for those executives on the list. (Factors behind the decline in stock-option awards include the enactment of expensing requirements and concerns over dilution resulting from large equity grants.)

Of the 50 HR executives included in this analysis, 30 were listed in their companies' proxies during the past two years. Of those, 18 experienced increases in total compensation, while 12 experienced

decreases. Meanwhile, the median cash compensation – defined as the sum of base salary and annual discretionary and performance bonuses – of those same 30 HR executives climbed nearly 24 percent, from roughly \$691,000 in 2005 to \$856,000 in 2006. Twenty-two of them experienced increases in cash compensation, while eight experienced decreases.

Of the 50 featured in our ranking, Eugene Seashore Jr., vice president of HR for Bemis Co., enjoyed the largest increase in cash compensation – roughly 76 percent (from \$422,000 in '05 to \$744,000 in '06). Home Depot's Donovan, meanwhile, experienced the biggest decline – more than 35 percent (from \$1,471,000 in '05 to \$951,000 in '06).

In addition, the SEC filings revealed those on the list received a wide range of other benefits, including: company tickets to sporting events for David Johst, corporate executive vice president of HR at Charles River Laboratories; mortgage assistance payments totaling roughly \$50,000 for William MacGowan, chief HR officer at Sun Microsystems Inc.; and home-décor advice, for which "the company did not incur any incremental cost," for Daniel Foley, vice president of HR for Masco Corp.

Six of the companies included on the HR's Elite list disclosed in their SEC filings that their HR executives received as a perquisite the personal use of the corporate aircraft.

Compared to their CEOs, HR executives earned a median total compensation of 25.8 percent, roughly 1 percent less than the year before. Of those in the top 50, John Corness, vice president of HR for Polaris Industries Inc., had the highest percentage, pulling in double what his CEO earned.

William MacGowan of Sun Microsystems had the smallest percentage of what his CEO earned at 6.6 percent. The median HR salary was 42 percent of the CEOs', reflecting virtually no change from last year's figure.

For the top 50, the median stock-option awards were roughly \$359,000, while the median stock and performance-equity awards were nearly \$517,000.

On a per-employee basis, the median total compensation for the 50 highest paid was \$129. Marlene Perry, senior vice president of HR for Renovis Inc., received the most, at \$8,740 per employee. (Renovis has only 111 employees.) Lynn McKee, executive vice president of HR for Aramark Corp., received the least, at just over \$11 per employee. (Aramark has approximately 160,000 employees.)

August 1, 2007

Copyright 2007© LRP Publications