Key Takeaways from BDO's 2024 Private Company Executive Compensation Survey

Understanding the nuances of executive compensation is important for private companies aiming to attract and retain top talent.

BDO's 2024 Private Company Executive Compensation Survey analyzes pay — including salaries, bonuses, and long-term incentives — for CEOs, CFOs, Heads of Operations (COOs), and top sales/marketing executives. The high-level takeaways discussed below highlight key drivers of executive pay such as industry, location, and ownership type, offering valuable insights for companies navigating the complexities of compensation strategy.

KEY TERMS TO KNOW

- **Total Cash Compensation (TCC):** Salary plus any annual incentives earned
- **Long-Term Incentives (LTIs):** Includes stock options, full-value stock awards, and other LTIs
- **Total Direct Compensation (TDC):** The sum of salary, annual incentives, stock options, full-value stock awards, and other LTIs

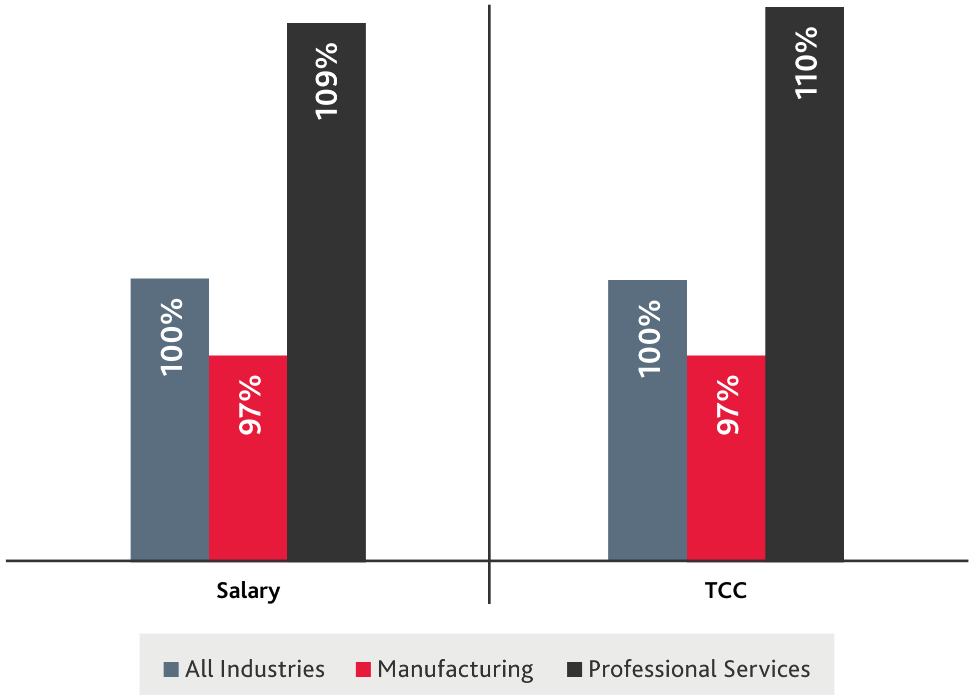
PARTICIPANT OVERVIEW

Survey responses from 563 participating companies were collected between April and June 2024. Over a third of the companies surveyed have more than $100 million in revenues and over a third are family-owned. Participants represent a wide variety of industries, with the highest level of participation from the manufacturing, professional services, construction, wholesale/distribution, life sciences/pharma/healthcare, and technology sectors.

PAY VARIES WIDELY BY INDUSTRY

Industry is a key driver of compensation. Pay differentials for salary and TCC in the manufacturing and professional services industries are highlighted in figure 1. On a salary basis, professional services CEOs earn 109% (a 9% premium) compared to all industry CEOs, while manufacturing CEOs earn 97% (a 3% discount) compared to all industry peers. The trend is similar for TCC, with professional services CEOs receiving 110% compared to all industry CEOs (a 10% premium), and manufacturing CEOs, earning 97% (a 3% discount). We have controlled for size by focusing on companies with revenues between $100 million and $500 million.

FIGURE 1: Differential of Median CEO Pay by Industry Compared to Overall Private Company CEO Pay



CEOS IN LARGE METRO LOCATIONS TEND TO BE PAID MORE

CEOs in large metro locations generally earn more than their counterparts outside of large metro locations. The premium for large metro area CEOs is most pronounced in the $100 million to $500 million revenue range; those CEOs earn 21% more than their counterparts in smaller metro areas.

FIGURE 2: Differential of Median CEO Pay in Large Metro Locations Compared to Other Locations

REVENUE RANGE	SALARY	ACTUAL TCC	TDC
Under $25M	109%	109%	104%
$100M - $500M	95%	114%	121%

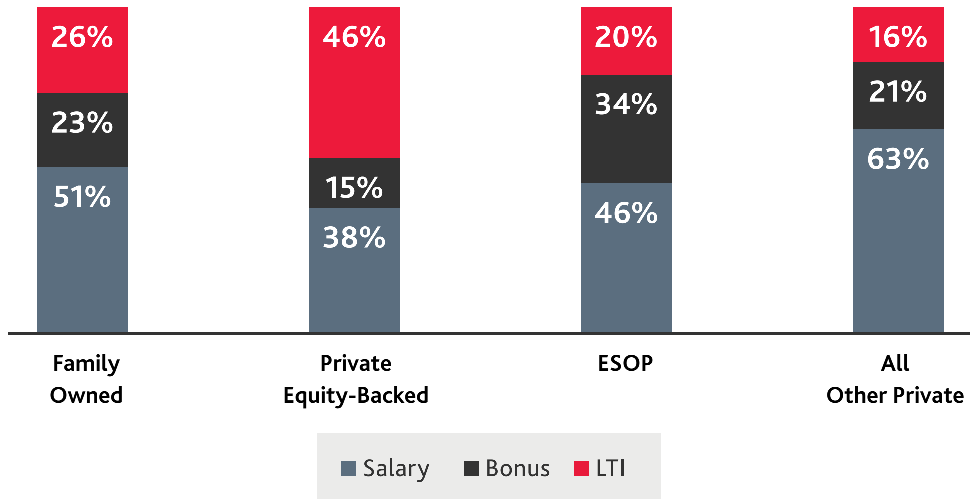
Based on the top 11 metropolitan statistical areas reported in the survey.[1]

1 New York-Newark-Jersey City, NY-NJ-PA
Washington-Arlington-Alexandria, DC-VA-MD-WV
Chicago-Naperville-Elgin, IL-IN-WI
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD
Milwaukee-Waukesha, WI
Grand Rapids-Kentwood, MI
Los Angeles-Long Beach-Anaheim, CA
Madison, WI
Miami-Fort Lauderdale-Pompano Beach, FL
Boston-Cambridge-Newton, MA-NH
Dallas-Fort Worth-Arlington, TX

FAMILY-OWNED COMPANIES FAVOR SALARY, WHILE PRIVATE-EQUITY-BACKED COMPANIES FAVOR LTI

Among companies with $100 million to $500 million in revenue, pay mix for CEOs varies depending on the company ownership type. For example, private-equity-backed companies weigh pay towards LTIs more heavily than any other ownership structure, aligning with their investment ethos. Family-owned companies weigh salary most heavily.

FIGURE 3: CEO Pay Mix by Ownership Type



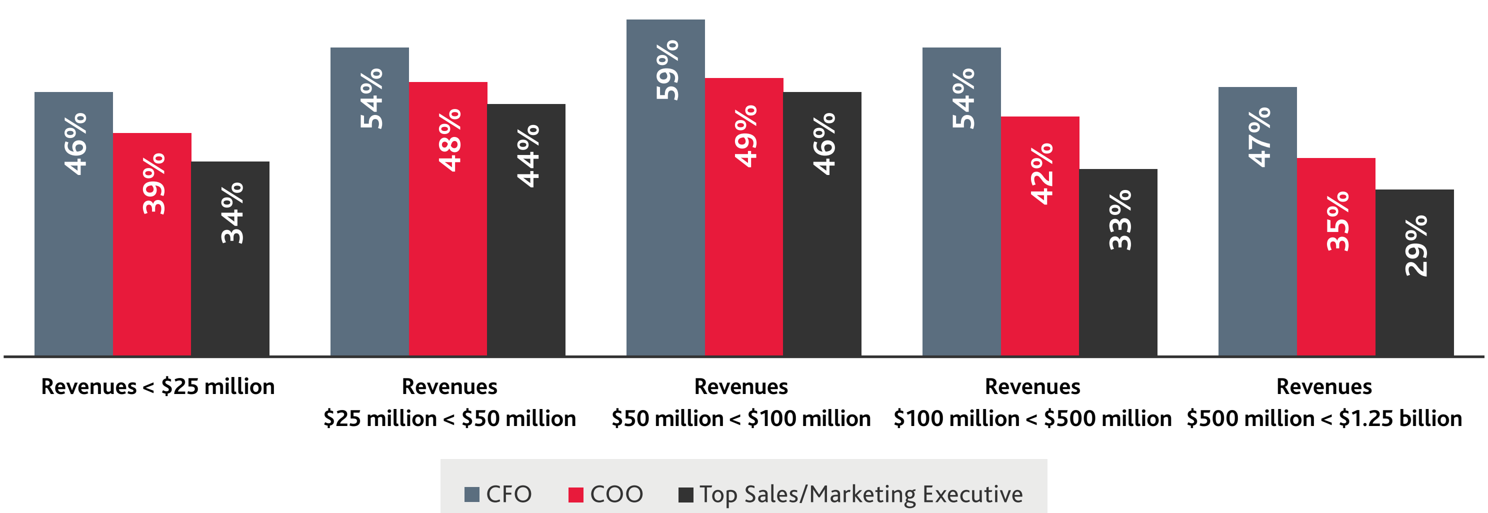
TOP EXECUTIVE PAY AS A PERCENTAGE OF CEO PAY PEAKS AT MIDSIZED COMPANIES

Total cash compensation for non-CEO executives as a proportion of CEO TCC generally peaks at midsized companies ($50 million to $100 million in revenue), then recedes as company revenues scale. This is likely reflective of the growth of the CEO's role into more of a strategic than a tactical role, and the presence of a more competitive market for senior leaders with the specific skills and experiences necessary to continue to scale organizations.

- For CFOs, TCC is 46%-59% of CEO TCC; compensation for CFOs is at its highest proportion of CEOs' TCC at companies with revenues of $50 million to $100 million.
- For COOs, TCC is 35%-49% of CEO TCC; compensation for COOs is at its highest proportion of CEOs' TCC at companies with revenues of $50 million to $100 million.
- For top sales/marketing executives, TCC is 29%-46% of CEO TCC; compensation is at its highest proportion of CEOs' TCC at companies with revenues of $50 million to $100 million.

These roles present the most variation in compensation compared to CEOs, likely due to differences in the scope of the role across companies.

FIGURE 4: Executive TCC as Percentage of CEO TCC



FOR FAMILY-OWNED COMPANIES, PAY MIX VARIES BASED ON THE NUMBER OF GENERATIONS

Among family-owned companies, pay mix for CEOs varies depending on the number of generations of ownership. CEO variable compensation increased with each successive generation of ownership. Median CEO company ownership also decreased with each successive generation of ownership.

FIGURE 5: CEO Pay Mix by Ownership Generation

OWNERSHIP GENERATION	PAY ELEMENT AS PERCENTAGE OF TOTAL: SALARY	PAY ELEMENT AS PERCENTAGE OF TOTAL: VARIABLE COMPENSATION	MEDIAN CEO OWNERSHIP
1st Generation	87%	13%	60%
2nd Generation	77%	23%	11%
3rd Generation	67%	33%	0%

USING SURVEY DATA TO INFORM COMPENSATION DECISIONS

The key drivers of CEO compensation levels and mix are company size, industry, location, and ownership type. Considering these characteristics provides guidance for determining the competitive range of CEO compensation. Other factors not captured in the survey that should be considered include company performance and strategy.

When setting executive compensation, it is advisable to consider all these factors and consult with a qualified advisor to help companies establish a well-rounded and competitive compensation strategy.

BDO helps companies design compensation strategies to meet business goals while providing advice to evaluate the tax implications of the programs. For more information on how BDO can help, visit our **Global Employer Service page**.

For public company compensation data, read *The BDO 600 2024 Study of Executive Compensation Within Mid-Market Public Companies*.

HAVE QUESTIONS OR WANT TO LEARN MORE? CONTACT US!