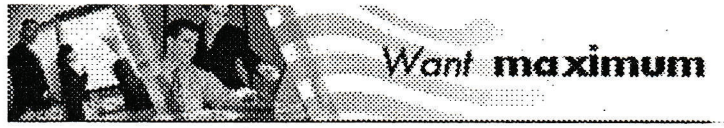
Business News from Dayton

NEW! Print subscribers

DAYTON BUSINESS JOURNAL



Exclusive Reports

From the June 23, 2000 print edition

Chief executive pay scales soar

NCR's Nyberg makes largest jump in pay

Joe Deinlein and Heather Martin News Staff Reporter and News Editor

The chief executive officer of Dayton-based NCR Corp. got a 54 percent raise in 1998.

Not bad.

But it was nothing compared with the 327 percent raise last year that put Lars Nyberg at $7.4 million (about $6 million of which was a one-time bonus, making him the highest-paid public company executive in the Miami Valley.

This was the biggest jump among top-tier local chief executives in the last four years. But Nyberg wasn't the only one whose compensation -- which includes salary, bonuses and incentive pay -- increased substantially in 1999. DPL's Allen Hill saw his pay go up 91 percent to $1.53 million, and AK Steel's Richard Wardrop made $5.04 million total last year, up 124 percent from 1998.

And as a group, the top 10 public chiefs in the Miami Valley earned $22 million in 1999, a whopping 80 percent more than the top 10 made in 1998.

Congress blocks banks from real estate

Outlook
Nonprofits struggle with economy

Spotlight
Ga. flag return may keep big events away

In Depth
Real Estate

BUSINESS JOURNAL SERVICES

WEATHER WATCH

Justifying the numbers So why the huge paychecks?

It's pretty simple, say executive compensation experts. Most of the companies these local chief executives lead made more money last year than they did the year before and they're rewarding their top dogs with big bonuses and stock options.

While NCR's revenue last year was down slightly from $6.5 billion to $6.2 billion, its profit was up more than $200 million. Likewise, Mead Corp.'s profit was up almost $70 million.

"CEOs and companies set certain targets," said Barry James, executive vice president of James Investment Research in Beavercreek. "If they hit those targets, they're going to get more money."

And in today's competitive market, companies that aren't pleasing Wall Street are dumping their chiefs and scouting for new ones.

So for those big guns who do perform consistently, companies across the country are willing to pay whatever's necessary to keep them from leaving for a better offer, said Anna Tapling, vice president for the Hay Group, an executive compensation consulting firm headquartered in Philadelphia.

"In this economic environment, if the CEO stumbles [in shareholder return], he's gone," said Arvind Sachdeva, director of research and vice president of Dayton-based Dean Investment Associates. "It's a high-risk job. One strike and he's out."

And the cost of going without a leader "is a lot more expensive than what it costs to keep one," Tapling said. "It's a long and painful process to go searching outside."

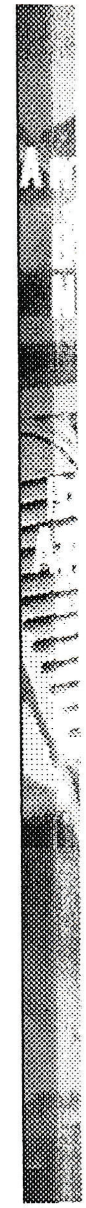
Added James: "It's a free market. It's the same as baseball and football players. If they're willing to pay Ken Griffey Jr. $8 million to play baseball, then they should be paying millions to the guys who are bringing in billions for top companies."

Closing the gap

But some critics say that when a chief executive's pay starts outpacing the growth of his or her company, red flags should go up.

For example, AK Steel's revenue in 1999 was up 79 percent of 1998 but its profit was actually down by 42 percent. Yet Wardrop's compensation increased by more than 100 percent.

DPL Inc., with 79 percent revenue growth, was the only company among those led by Dayton's wealthiest executives whose growth came the closest to being comparable with that of its leader. DPL's chief,



MONE

- Loca
- Intera
- Perso
- You

SALES

- Book
- Sales
- Refu
- Sales
- Shoe
- Top

BUSIN

- Small

Handb...
- Cons...
- Advic...
- Busi...
- Ente...

Allen Hill, saw his compensation go up 91 percent last year to $1.53 million.

Dayton's top-tier executives made huge leaps -- and so did the collective compensation of the 22 highest-paid public chiefs, who made $25.7 million last year, up from about $19 million in 1998.

But increases for executives further down on the list were more in line with those of previous years. John Shuey of Amcast Industrial Corp. -- at No. 8 -- who saw a much more modest pay increase of 2.8 percent. Peter Redding of Standard Register and Don Graber of Huffy Corp., even though they rank No. 6 and No. 10, respectively, actually saw their pay packages go down an average of 21 percent.

Tapling said that the disparity between executive compensation and company growth is not as wide as it used to be. "The shareholding body is paying attention and requiring information on how companies and chief executives are performing," she said.

With this increased scrutiny, most boards of directors and chief executives are working to keep their practices squeaky clean and concentrating their efforts on investor return.

Sachdeva agreed: "A strong CEO is one of the most important parts of the formula that makes a company successful. So, while a CEO might be making $300 million in compensation and stock options, the company is producing a $300 billion return to its investors; it's well worth it."

Web reprint information

Subscribe | Book of Lists | Search | Sales Prospecting | Office Depot

Home ☐ Latest News ☐ Print Edition ☐ Marketplace ☐ Sales Prospecting ☐ Money Center ☐ Business Resources ☐ Services

Dayton Business Journal email: dayton@bizjournals.com ☐ bizjournals.com ☐ Help?