

Technology's Executive Compensation Update: 2023

COMPENSATION TRENDS FOR EXECUTIVES AT PUBLIC AND PRIVATE TECH COMPANIES

Tech companies have historically offered generous executive compensation packages. According to recent studies from BDO, this has remained true despite the economic difficulties over the last several years.

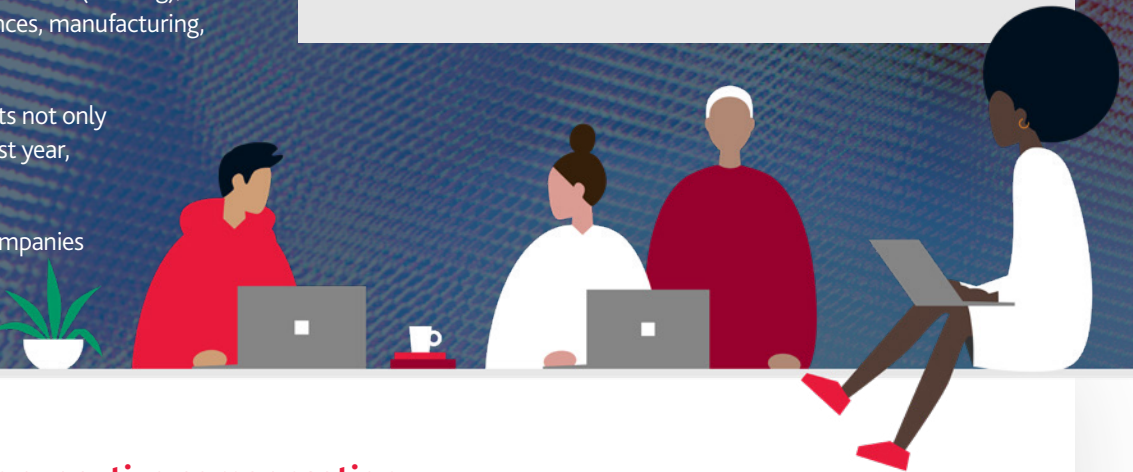
Each year, we publish [The BDO 600 Compensation Studies](#), which examine the CEO, CFO, and board member compensation plans and pay levels of 600 mid-market public companies. This year, for the first time ever, BDO has published a companion report on compensation for executives at 750 [private companies](#). These reports offer shareholders, investors, and company owners greater transparency into executive compensation trends across multiple industries, including energy, financial services (banking), financial services (nonbanking), healthcare & life sciences, manufacturing, real estate, retail, and technology.

A close analysis of the data from these studies suggests not only that tech executive compensation remained strong last year, but it could also increase this year.

In this infographic, we explore key findings for tech companies from both studies and discuss what they mean for the tech industry as economic uncertainty continues.

KEY TERMS TO KNOW

- ▶ **Total Cash Compensation (TCC):** Salary plus any annual incentives earned
- ▶ **Long-Term Incentives (LTIs):** Total long-term incentives including stock options, full-value stock awards, and other LTIs
- ▶ **Total Direct Compensation (TDC):** Sum of salary, annual incentives, stock options, full-value stock awards, and other LTIs



Public tech companies rank #1 in executive compensation.

While **public tech company CFOs** saw their pay (Total Direct Compensation) take a serious hit last year due to tight economic conditions, they **remain the most highly compensated CFOs** among all industries surveyed in the *2023 BDO 600 Compensation Studies*.

Public tech CEOs saw their overall pay increase due to long-term incentives and equity, although their total cash compensation decreased. This also makes them the most highly compensated CEO group among all other industries. Public tech directors follow this trend, having seen an **average increase in compensation of 6%** in the last year.

By contrast, private tech companies do not offer the highest compensation packages — the top spot goes to the healthcare industry. But technology is a close second, with **private tech CEOs receiving above-average executive compensation**.

Public tech bonuses decreased last year.

The **poor economic conditions** of the past 18 months have had a **serious impact on the tech industry**, as evidenced by high-profile, industry-wide layoffs and the closing of the IPO and dealmaking window. **If economic conditions stabilize**, we could see a **rebound in bonus payouts** for public tech executives this year.

Tech still favors "pay at risk" models.

"Pay at risk" or variable compensation models are a hallmark of the tech industry. They offer tech executives the opportunity to **significantly increase** their compensation **through equity or stock options** and have the added benefit of tying their compensation to performance. Equity compensation remains a huge draw for tech talent, which **gives public tech companies a serious edge** in hiring over private tech companies.

Private tech CEOs are more likely to be founders.

Fifty-two percent of private tech companies have the **founder in the CEO or president position**, compared to 29% of all other industry respondents. At the same time, the **average tenure of a private tech CFO is 9 years** while the average overall tenure for CEO positions is 12 years. Tech founders appear to remain with their companies to drive them into the next phase of growth, which will typically involve a transaction (e.g., sale, merger, or IPO).

LOOKING AHEAD

While some economic indicators like inflation have begun to stabilize, the outlook for the economy remains uncertain. Whether or not we see a positive impact on executive compensation in the tech industry will depend on whether the economy recovers in the next several months.

If the economy rebounds, then tech executives at public companies will have a greater chance of a higher bonus payout this year, although perhaps not as high as the bonuses they received prior to 2022. They may also benefit from increasing tech stock prices, which we predict will continue over the next several months. Private tech companies may be better able to attract key tech talent in the wake of public company layoffs and should consider exploring long-term incentives to make their executive compensation packages even more enticing.

If, on the other hand, the economy continues to struggle, we are unlikely to see significant improvements in tech executive compensation packages. Tech leaders should be prepared for another potentially tough year as the economic outlook remains uncertain.

Interested in learning more about executive compensation trends?

For information on the private sector, check out our [private CEO and CFO compensation report](#).

For more information on the public sector, read our [BDO 600 report](#).

