Big money, peanuts get monkeys

June 14, 2007

YOU don't always get the chief executive you pay for, an explosive new study of boardroom pay has shown. Paying top dollar for a company boss is no guarantee of happy shareholders, with some of the highest-paid chief executives responsible for the worst returns.

According to Patterson Associates, a corporate remuneration consultant, Reckitt Benckiser shareholders have paid £52.6 million ($123.5 million) over five years to chief executive Bart Becht to secure a £260 return on an initial £100 investment.

Over at Land Securities, exactly the same return has been achieved at a cost of just £5.8 million, giving the property company's shareholders 10 times more bang for their buck.

In a week in which the pay deals of some of Britain's highest-profile business leaders have come under scrutiny, the findings are certain to reignite the debate over fat-cat mahogany row salaries and raise questions over the value shareholders are getting from their boardroom.

Patterson compared the total pay of FTSE 100 chief executives over the past five years with the total return accruing to shareholders through share price movements and reinvested dividends. It found that chief executives are in a win-win pay game where any shortfalls in long-term performance-related schemes are simply replaced by higher salaries and bonuses.

Bosses are cashing in on an unprecedented sellers' market for boardroom "talent", where rewards are ratcheted ever higher by private equity companies paying big money to bring management over to their side.

Now, chief executives of the worst companies earn as much as those running the best performers.

Telegraph, London