At Davos, where wealth is a given, a debate how much CEOs should be paid

MATT MOORE

25 Januar 2007

DAVOS, Switzerland (AP) - There's no shortage of seven- and eight-figure salaries among the executives gathered at the World Economic Forum.

But the sentiment that CEOs are worth every pretty penny, no matter how many that may be, is finding detractors at this year's meeting.

Criticism of ousted executives like Home Depot Inc.'s Robert Nardelli, who left the company this year with a US$210 million (€161.81 million) compensation package, has inflamed critics of fat severance deals often referred to as golden parachutes.

They are called so because they often lavish executives with millions of dollars in cash, pension benefits and perks -- from access to corporate jets to dry cleaning services to company cars -- upon their departure.

At an open session Thursday, the distaste was evident among many participating in a discussion that focused on the merits -- and drawbacks -- of sky-high pay for CEOs and whether their salaries should be tied to the performance of the company.

"They've asked us for our money. They haven't risked their own. They are not entrepreneurs," said Hilda Ochoa-Brillembourg, president and CEO of Strategic Investment Group, an Arlington, Virginia-based investment advisory group.

Unlike the majority of the discussions at the World Economic Forum, the session was open to everyone, not just those who have paid the US$25,000 (€19,263) fee to attend the main gathering. The session was co-sponsored by WEF and the Swiss Federation of Churches.

Earlier this week, the federation held several closed-door discussions with business leaders to discuss the issue.

While Nardelli's compensation raised eyebrows, it's not uncommon for outbound executives to pick up large sums on their way out the door. Paul Pressler, the former CEO of U.S. clothing retailer Gap Inc., is set to receive about US$14 million (€10.79 million) as part of his severance package, despite the company's decline in revenue and profit during his four years as chief executive.

However, if he finds a new job within two years, he won't be eligible for the salary or bonus.

The current levels of some pay are not just excessive but sickening, said Thomas Minder, CEO of Swiss cosmetics firm Trybol Ltd., and an activist famed in Switzerland for his push "against rip-off salaries."

"It's actually theft. Managers are employees, too, of the company," he said at the session. "They are not entrepreneurs."

But advocates for high CEO salaries said that for companies to attract talented leaders, they must be willing to pay -- citing a small pool of qualified candidates and that the laws of supply and demand drive salary rates.

Bjoern Johansson, chairman of a headhunting firm that bears his name, said at the session that with a growing trend of hiring international CEOs to run multinational management teams, employers were having to put up more money to snag better candidates.

Though the high-CEO pay trend is generally more prevalent in the United States, it isn't limited to American companies.

Deutsche Bank Chief Executive Josef Ackermann was tried twice on charges that he illegally engineered bonuses worth nearly €60 million (US$77.87 million) to bosses at German phone company Mannesmann AG when it was acquired by Vodafone Group PLC.

The charges were ultimately dropped after the Duesseldorf state court approved a deal that called for the defendants to make payments totaling €5.8 million (US$7.53 million) in return for the charges being dropped.

Ackermann, who sat on Mannesmann's board at the time and did not receive the bonuses, agreed to pay €3.2 million (US$4.15 million) of that figure himself. That was based on a percentage of his salary -- a closely guarded secret in Germany.

In Germany, awards of the size awarded to the Mannesmann managers are uncommon and top executives' compensation is generally more modest than in the U.S.

Other companies have moved to cut back on the compensation they offer executives.

California-based retailer Sharper Image Corp. trimmed more than US$3 million (€2.31 million) from the severance package of Richard Thalheimer, who had founded the company in 1977 and left his post as CEO in September amid questions regarding the timing of certain stock-option grants.

In a securities filing in December, the company said Thalheimer's severance would be US$1.78 million (€1.37 million) -- far less than the US$5 million (€3.85 million) minimum that had been guaranteed to him under a contract signed in 2002. He'll get US$3.9 million (€3.01 million) in retirement benefits.