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## BASE SALARY CHAPTER 9 ABSTRACT

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### BASE SALARY

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There has been little attention paid to the subject of executive base salary programs. And the reason is pretty simple. It's because everyone thinks organizations and their executives don't pay all that much attention to base salary. And for most organizations—as well as for their CEOs and other top executives—this may be true. But in our opinion, there shouldn't be.

In most total reward strategies, a CEO's base salary is not structured to reflect how well they perform in their various responsibilities. As a matter of fact, when it comes to base salary most companies take the easy way out. They look at the average market "going rate" for a CEO, then pay their executives at or just above the 75th percentile and call it good. This practice is generally agreed-upon and practiced industry wide—and it's extremely inadequate. The entire system is built around blending in with the average market, rather than driving its company to success.

Every reward component has the ability to carry a message—and that goes for base salary too. If you overlook this you are missing another opportunity to send your message.

The better organizations actively develop performance management programs associated with the distribution of base salary increases. This is an area of rich and untapped messages that can be sent to executives. In fact, it is through the base pay program that executives should learn to deliver performance within the greater context of the organization's value system.

If you want outstanding executives—executives who perform—pay them in a way that motivates them to perform. Start with base salary.