

America's best and worst CEOs

If you are a shareholder of a stock that has underperformed the market and get a look at the CEO's annual paycheck, you might go ballistic. On the other hand, if the stock has lined your pockets as well as the boss's, you may champion the executive. If it's one of America's biggest companies, you can look at the CEO's paycheck and then at your return and react accordingly. One thing to point out is a short-term look when evaluating pay and performance may yield skewed results, so you should take at long-term look as well.

We did exactly that in determining Best and Worst Bosses among America's 500 biggest companies. In our 11th annual bang-for-buck scorecard, we set out to find the executives who delivered the most to shareholders relative to their total compensation. This year we found 206 chief executives whose companies have been publicly trading since March 2006, have been in office at least six years and have at least six years of pay history. The most efficient rank is 1, and least efficient is 206.

Amazon's Jeff Bezos is the number one CEO in America. Over the past six years, he has earned an average of \$1.4 million in total compensation, most of which is the company's cost of security provided to him (he takes a \$81,840 in annual salary and hasn't had a raise since 1998). He delivered a 30% annual return to shareholders over the past six years. Since he took his company public in May 1997, he has delivered an annual 36% return to shareholders, which is significantly better than the 5% annual return for the S&P 500 over that period.

Forbes contributor George Anders says in his Amazon feature, "The passing of Steve Jobs has left him, without question, as the corporate chief that others most want to meet, emulate and deify". Click here to see why.

Following Bezos to round out the top five: last year's best CEO, Marc Benioff of Salesforce.com; Bob Sasser of Dollar Tree; Neal Patterson of Cerner and Leonard Bell of Alexion Pharmaceutical.

At the bottom of our scorecard is Michael Frazier of Genworth Financial. Genworth's six-year annual return of -19% lagged its peers. Over the past six years, Frazier has been collecting a paycheck averaging \$10.5 million a year.

Also among the worst bosses is a CEO who says "I think I'm one of the most underpaid executives in the history of executive payment". See colleague Jeff Bercovici's feature to find out why Sirius XM's Mel Karmazin thinks just that. I can tell you here how he ended up at the bottom of our scorecard. He has earned more than \$37 million since he took the job in November 2004. Meanwhile, the stock has gone from about \$9 shortly after he took over, before its merger with XM, to its recent hovering in the low \$2 range. Additionally, he also stands to clear another \$125 million or so next month with a planned exercise of stock options.

Our grading for the executives uses four factors. One is the company's stock performance (including dividends) relative to that of its industry peers over six years. Two others are annualized stock performance during the leader's tenure, and performance relative to the S&P 500 during that time. The last factor is total compensation over the past six years. For the each CEO included in our scorecard, average six-year pay was \$9.1 million; average six-year total return was 7%; average total return during tenure was 12%.

Compensation data is from the latest available proxy statements filed through Mar. 23. Total returns are through Mar. 14.

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