



BOARD OF DIRECTORS' GUIDE TO CEO COMPENSATION BENCHMARKING

EBOOK



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How to Benchmark CEO Salaries

When Warner Bros. Discovery shareholders met in June 2025, nearly 60 percent rejected CEO David Zaslav's [\\$51.9 million compensation package for 2024—and payouts for other top execs, too.](#)

The message was clear. They were unhappy with the board's decision-making around [executive compensation.](#)

The timing made it all the more striking. The company had just posted an \$11.5 billion loss for 2024, yet Zaslav's pay still increased by 4.4 percent that year.

While the board pointed to his achievement of specific performance targets, significant cost savings, and growing streaming subscribers, shareholders weren't convinced.

Proxy adviser ISS urged a “no” vote, highlighting the board's failure to address earlier concerns and the clear disconnect between pay and performance.

The board was stuck. The numbers supported their decision, but the backlash was loud.

Many [compensation committees](#) now face the same dilemma—how to align pay with both performance and stakeholder expectations.

It's not a matter of lacking expertise or good intentions. The real issue lies in outdated benchmarking methods that create misalignment, even for the most experienced boards.

[This guide offers a better way forward.](#)

Discover why traditional approaches fall short, uncover six essential practices for effective CEO compensation benchmarking, and explore how leading boards are successfully adapting to today's complex governance environment.



Why Traditional CEO Salary Benchmarking Falls Short



Why Traditional CEO Salary Benchmarking Falls Short

Most compensation committees follow a familiar playbook when setting a CEO's compensation. This typically includes identifying peer companies, analyzing their CEO pay packages, and positioning compensation at the median or 75th percentile.

While this appears logical and defensible, it often produces outcomes that frustrate stakeholders and create governance challenges.

The problem lies in fundamental flaws that undermine the compensation benchmarking process.

Here's what's wrong with traditional executive pay benchmarking approaches:

- _The False Market Assumption**
- _The Comparable Company Challenge**
- _The Outdated Data Problem Assumption**
- _The Blunt Instrument Issue**
- _The Strategic Disconnect**





The False Market Assumption

Traditional benchmarking assumes CEOs will leave for better offers at peer companies, which creates the illusion of a competitive market.

“But in reality, CEOs rarely move between similarly sized firms,” says Korn Ferry’s Todd McGovern. “When they do leave their current company, it’s usually a leap to a much larger one.”

With few real market signals to go on, boards often default to copying one another—fueling a cycle of inflated pay that’s disconnected from actual talent movement.

The Comparable Company Challenge

Benchmarking only works when there’s a solid group of comparable companies. But in many sectors, that pool is far too small.

“In chemicals, there are only four or five listed companies in the UK,” says Chris Niland from Korn Ferry. “So, while you might naturally want to look at companies that are similar to you, you can’t get a statistically valid peer group.”

Board members often face a tough choice. Should they rely on too-small samples or stretch peer groups to include companies that aren’t truly comparable?

Either way, the data falls short. This leaves compensation committees with a shaky foundation for critical pay decisions.

The Outdated Data Problem Assumption

Traditional benchmarking relies heavily on proxy filing data to determine competitive pay levels. However, this information is often outdated because it usually reflects decisions made 12 to 18 months earlier.

“This means boards making 2025 compensation decisions are often looking at what other companies decided in 2023, under completely different market conditions,” notes McGovern.

By the time the data lands on the table, it’s no longer in step with what’s actually happening in the business.



The Blunt Instrument Issue

Peer groups include companies that boards use to compare CEO salary and set compensation levels. Most groups contain a mix of high-performing and struggling CEOs, along with newcomers and veterans.

Yet boards treat average CEO salary data within these groups as meaningful guidance, ignoring wide differences in capability and results.

Whether a leader has boosted shareholder value by 200% or reduced it, committees often target the same percentile within peer groups.

“Unlike pro sports, where pay reflects experience and performance, CEO compensation data rarely aligns with results,” says McGovern.

This can lead CEOs to be underpaid at their peak and overpaid in their later, less impactful years. For new CEOs, target pay may be wildly high or low depending on whether the CEO makes the expected impact.

The Strategic Disconnect

Benchmarking can often become a box-ticking exercise. It may meet governance standards but doesn't inform real strategy.

Boards perform peer analysis and produce target percentiles because it's expected, not because it clarifies what their CEO should earn, given their company's unique challenges.

“This leads to pay decisions that seem rigorous on paper but lack real strategic alignment,” says Korn Ferry's David Wise.

Boards might cite benchmarking studies to justify pay but struggle to link them to their company's performance, competitive position, or long-term goals.

This doesn't mean benchmarking should be dropped. But it does mean it needs to be smarter.

6 Best Practices for Effective CEO Compensation Benchmarking



6 Best Practices for Effective CEO Compensation Benchmarking

Traditional CEO compensation benchmarking relies on peer group analysis, typically comparing pay at companies with similar revenue and market cap.

While this approach provides a useful starting point, it often misses critical nuances.

To address these gaps, leading compensation committees are adopting multilayered strategies that complement conventional benchmarking.

Below are six best practices that offer vital insights and data—helping boards make more informed decisions on [executive salary benchmarking](#).



1.

Build Your Peer Group Around Strategy

2.

Assess Role Complexity Beyond Title-Matching

3.

Compare CEO Pay to Direct Reports

4.

Integrate Performance and CEO Tenure

5.

Use Multiple Data Sources Beyond Proxy Filings

6.

Apply Expert Judgment and Critical Evaluation

1.

Build Your Peer Group Around Strategy

“You want to benchmark against where you want to be, rather than where you are today.”

- Irv Becker, Korn Ferry

Too often, boards start with current metrics like market cap or industry classification. These are used when defining peer groups.

But effective benchmarking should begin with your strategic goals.

To attract and reward the right leadership, Korn Ferry’s Irv Becker advises, “You want to benchmark against where you want to be, rather than where you are today.”

How to Build Strategy-Focused Peer Groups:

- **Look at companies that reflect your goals**

Planning a global expansion? Benchmark against firms that have scaled internationally.

- **Don’t limit yourself to your industry**

A retailer investing in digital transformation should examine tech-savvy companies that have modernized their operations, regardless of their current industry classification.

- **Align peer groups with leadership needs**

Prioritize the skills and capabilities your strategy demands, like turnaround expertise, international experience, or digital fluency—rather than just current operational needs.

Starting with strategy ensures your compensation framework attracts leaders capable of executing your specific goals, rather than simply managing the company as it exists today.

2.

Assess Role Complexity Beyond Title-Matching

Traditional benchmarking often relies on simple title-matching when building peer groups—CEO to CEO, regardless of the actual scope and demands of each role.

This approach overlooks crucial differences in role complexity that significantly impact performance expectations and compensation.

A CEO running a \$500 million technology company with established products faces vastly different challenges than one leading a \$500 million technology company undergoing a major digital transformation.

How to Evaluate True Role Complexity:



- **Use job evaluation methodologies**

Apply systematic frameworks that assess problem-solving requirements and knowledge demands, rather than just revenue or head count metrics.

- **Consider operational complexity**

Factor in geographic reach, number of business units, regulatory environments, and stakeholder complexity that the CEO must navigate.

- **Assess transformation requirements**

A CEO managing steady-state operations requires different capabilities than one leading a turnaround, merger integration, or digital transformation.

- **Evaluate decision-making impact**

Select peers where CEOs face similar financial magnitude and long-term consequences of strategic decisions.

This approach ensures your peer group includes companies where CEOs face truly comparable challenges. It avoids the false assumption that all CEO roles are equal just because the titles match.

3.

Compare CEO Pay to Direct Reports

While external benchmarking looks at how your CEO's pay stacks up against peers, internal benchmarking focuses on internal equity. This approach looks at how the CEO's compensation compares to other top executives within your organization.

This adds a critical layer of context using data you trust. It helps ensure your pay structure remains defensible and aligned to actual role differences.

How to Assess Internal Equity:

- **Start with direct reports**

Look at roles like CFO and COO, where market data is typically more reliable.

- **Apply job evaluation ratios**

Use systematic job sizing methodologies to quantify the difference in scope, complexity, and impact between the CEO role and direct report positions.

- **Reverse-engineer CEO pay**

If your CFO earns \$800K and job evaluation shows the CEO role is 2.5x more complex, this suggests a CEO compensation range around \$2M as a baseline.

- **Cross-reference with external data**

Use this internal equity benchmark as a primary validation tool against your external peer group analysis, especially when peer data seems inflated or incomplete.

Internal benchmarking is especially useful when peer groups are limited or boards need a more robust framework to support their decisions.

4.

Integrate Performance and CEO Tenure

Traditional benchmarking treats all CEOs the same regardless of their track record or time in the role.

However, CEO performance often follows a recognizable pattern that's similar to professional athletes.

There is a ramp-up period, a performance peak, and typically an eventual decline, and this needs to be considered when setting CEO pay.

How to Factor Performance and Tenure Into Benchmarking:

- **Recognize the CEO performance curve**

Early-career CEOs have more uncertainty in their performance, and pay should reflect that. At the same time, high-performing CEOs in their prime deserve compensation that matches the value they create.

- **Adjust for tenure appropriately**

New CEOs might earn less due to unproven track records, while experienced CEOs with strong performance histories might command premium compensation.

- **Break the pay ratchet cycle**

CEO performance typically fluctuates over time, but compensation tends to increase steadily, regardless of performance variations, creating a fundamental disconnect between pay and results.

Unlike professional sports, corporate pay often ignores performance and experience differences, which can lead to misaligned compensation throughout a CEO's career.



5.

Use Multiple Data Sources Beyond Proxy Filings

Proxy data is the backbone of most benchmarking. But it's often 12-18 months old by the time boards use it, making it outdated for current decisions.

Smart executive compensation committees supplement proxy filings with fresh data to get a fuller, more timely market view.

How to Build a Comprehensive Data Foundation:

- **Add survey data**

[Compensation surveys](#) provide more recent market intelligence. They're typically six to 12 months newer than proxy filings, but these do sometimes lack role-specific detail.

- **Include executive search insights**

Real-time placement data reveals what companies are actually paying to attract new executives—the most current market indicator available.

- **Weight data by relevance**

Recent search data carries more weight for understanding current market conditions, while proxy data provides the most precise role comparisons.

- **Cross-validate findings**

Use diverse data sources to verify compensation ranges and identify any outliers or inconsistencies in the market data.

This approach ensures compensation decisions reflect current market dynamics, not outdated snapshots.



Korn Ferry Touchstone

This integrated platform provides compensation committees with a comprehensive solution for executive benchmarking and decision-making. It eliminates the need for multiple data sources and vendors, giving boards everything they need for informed compensation decisions.

- Proxy data from **4,000+ companies**
- Survey data from **800+ companies** covering **13,000+** executives
- Placement data from **1,000+ executive search placements**
- **Total Shareholder Return (TSR) calculator** for equity plan comparisons

[Find out more](#)

6.

Apply Expert Judgment and Critical Evaluation

Data provides the foundation for benchmarking, but numbers alone don't tell the complete story.

“The best compensation decisions combine rigorous market analysis with a seasoned perspective about what makes sense for the specific company, CEO, and situation.”

- Emma Grogan, Korn Ferry

Experienced compensation professionals know when to challenge what the data suggests and apply contextual expertise to validate findings.

What to Look for Beyond the Data:

- **Outlier data points**

If benchmarking shows unusually high or low market rates, dig deeper to understand whether these reflect genuine market conditions or data anomalies.

- **Market timing**

Raw benchmarking data might not capture recent market shifts, economic changes, or industry-specific talent shortages that affect current compensation needs.

- **Company-specific factors**

Traditional benchmarking can miss unique circumstances, such as succession planning or pay transparency requirements, that require different approaches.

- **Reasonableness check**

If the recommended pay level doesn't pass your critical evaluation, there's probably a reason worth investigating.

“Use benchmarking data as the starting point, not the final answer,” says Emma Grogan from Korn Ferry.

“The best compensation decisions combine rigorous market analysis with a seasoned perspective about what makes sense for the specific company, CEO, and situation,” she adds.

This human insight ensures compensation committees aren't bound by the data. Instead, they treat it as a key input for thoughtful, informed decisions.

CEO Pay—Global Perspectives



CEO Pay—Global Perspectives

Executive compensation practices reflect the markets and cultures in which they operate.

A CEO's pay package in Silicon Valley looks dramatically different from one in London or Sydney—not just in absolute amounts, but in structure, philosophy, and governance approach.

For boards operating globally or seeking to learn from international best practices, understanding these regional nuances is essential.



Regional Pay Mix Breakdown: US, UK, and Australia



US: The Equity-Heavy Model

- Fixed: 10% | Bonus: 20% | Long-Term Incentive (LTI): 70%
- Philosophy: Maximum leverage through equity compensation, historically constrained by tax rules that limit CEO salaries. Heavy reliance on stock-based rewards to align with shareholder value creation.



UK: Size-Dependent Structure

- Large companies: 20-30% fixed | 70-80% variable (split between annual bonus and LTI)
- Mid-cap companies: 30-40% fixed | 60-70% variable
- Smaller companies: 40-50% fixed | 50-60% variable
- Philosophy: Variable pay proportion increases with company size and international scope. Greater regulatory oversight, with shareholder approval required every three years.



Australia: The 33-33-33 Model

- Fixed: 33% | Short-Term Incentive (STI): 33% | LTI: 33%
- STI Structure: Typically 50% cash, 50% deferred into equity over one to two years
- Philosophy: Equal weighting across all components provides stability while maintaining performance incentives. Unique “two strikes” rule allows shareholders to trigger board spill motions if remuneration reports receive over 25% opposition votes in consecutive years.

Cross-Border Benchmarking Challenges and Solutions

One of the most complex issues in CEO benchmarking arises when companies operate across multiple jurisdictions or list on a variety of foreign exchanges.

How do you benchmark the average CEO pay of a German-headquartered company listed on NASDAQ? Or a UK company with significant US operations listed on both LSE and NYSE?

The Hybrid Model

For companies with cross-border listings, compensation experts recommend a split benchmarking strategy.

“You should benchmark equity and long-term incentives at the US level—especially for US-listed companies—so the comparisons make sense to shareholders and investors,” explains McGovern. “But you can benchmark some of the cash compensation to the local market.”

Making It Work in Practice

Applying a hybrid model isn't straightforward. Boards must navigate multiple factors that shape how—and where—different elements of pay should be aligned.

- **Regulatory compliance**

Each jurisdiction has different disclosure requirements and governance standards. [Pay transparency trends](#) also vary significantly by region.

- **Proxy advisor scrutiny**

US-listed companies face pressure from US proxy advisors, regardless of headquarters location.

- **Talent competition**

Local executive talent pools may have different pay norms or expectations.

- **Currency and tax implications**

Cross-border packages must account for exchange rate volatility and complex tax treatments.

Boards must decide—are we competing for talent locally or globally? The answer shapes whether compensation should reflect Silicon Valley or Stuttgart salary scales, for example.

Increasingly, the most sophisticated companies are doing both simultaneously.

Your Path to Better CEO Compensation Governance



Your Path to Better CEO Compensation Governance

Traditional CEO salary benchmarking, matching median market rates through peer group analysis, no longer serves the complex realities facing today's boards.

From shareholder dissatisfaction to flawed peer group designs, it's clear that compensation committees need more than market matching.

The answer isn't abandoning CEO benchmarking but enhancing it.

Boards that combine internal equity analysis, CEO performance context, and expert human oversight alongside traditional peer data make stronger, more defensible decisions. This approach also aligns compensation with broader [total rewards strategies](#).

Ready to get your CEO compensation right? Choose the right advisory partner to help you implement an effective approach.



READ OUR EBOOK

[Key Questions to Ask a Total Rewards Solution Provider](#),
and find the right partner
who fits your needs.

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Business advisors.

Career makers.