Pavilion

2022 Executive Compensation Report

Executive Summary

We won't bury the lede: the median compensation of executives around the globe increased by more than 8.5% in 2021. As capital investments flooded the market at record pace, talent development couldn't keep up. The ensuing talent crunch inflated wages and pushed executive median on-target earnings (OTE) from $300,000 in 2020 to more than $325,000 in 2021.

While that increase was a welcome trend, early signals in 2022—including a deceleration in VC funding, layoffs, and macro impacts—are pointing to a slowdown in this "candidates market." Amid this uncertainty, it's more important than ever for executives to build compensation packages that support their short and long term security and align with the rest of their organization.

The majority of executives lack key structural benefits critical to ensuring long term financial security and opportunity, such as the right to secondary sales, dilution protection, and buyback equity. As the dollar amount of compensation surged last year, the adoption rates of these benefits decreased.

Meanwhile, sales executives remain overly dependent on non-guaranteed commissions and bonuses scattered across quarterly benchmarks. The average sales exec makes less than 60% of their annual income in base salary, compared to almost 75% for their peers in marketing.

Execs should focus marginally less on cash compensation and marginally more on structuring their employment agreements to protect themselves and their financial future. That begins with committing the proper time and resources to the negotiation phase: just 18% of execs hired a lawyer during contract talks and 70% signed within a week or less of the offer.

Professional development and education is essential to securing more sustainable compensation agreements. Execs that negotiate from a position of proficiency and confidence are more likely to secure deal terms that are productive for all parties. Truly equitable contracts create alignment between executive teams and businesses and drive growth.

By investing in the proper tools and resources, executives can set both themselves and their companies up for success.

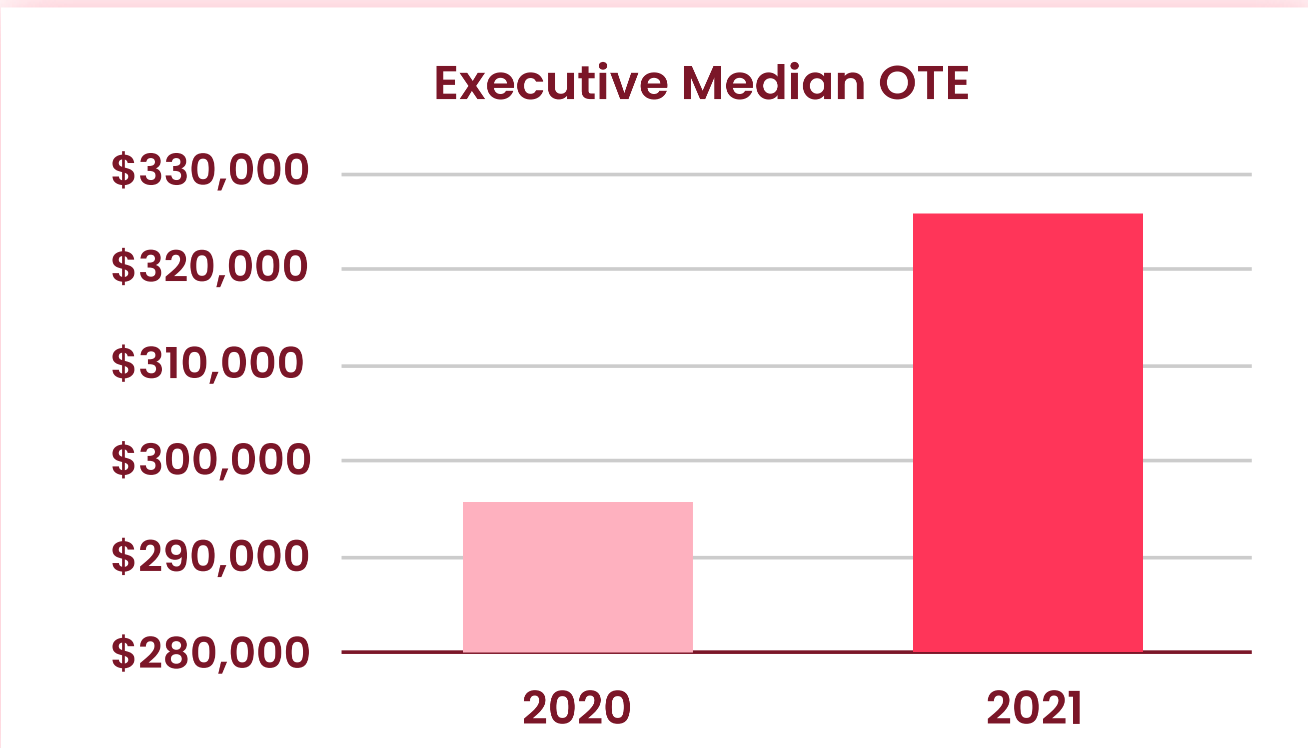
Executive compensation surged amid the talent crunch

2021 brought an unprecedented boom in venture capital. Fueled by more than 1,500 megadeals, global venture investments roughly doubled from the previous year, **topping out north of $620 billion.** New unicorns were formed at a pace of more than 10 per week as the number of private companies valued at over $1 billion increased by nearly 70%.

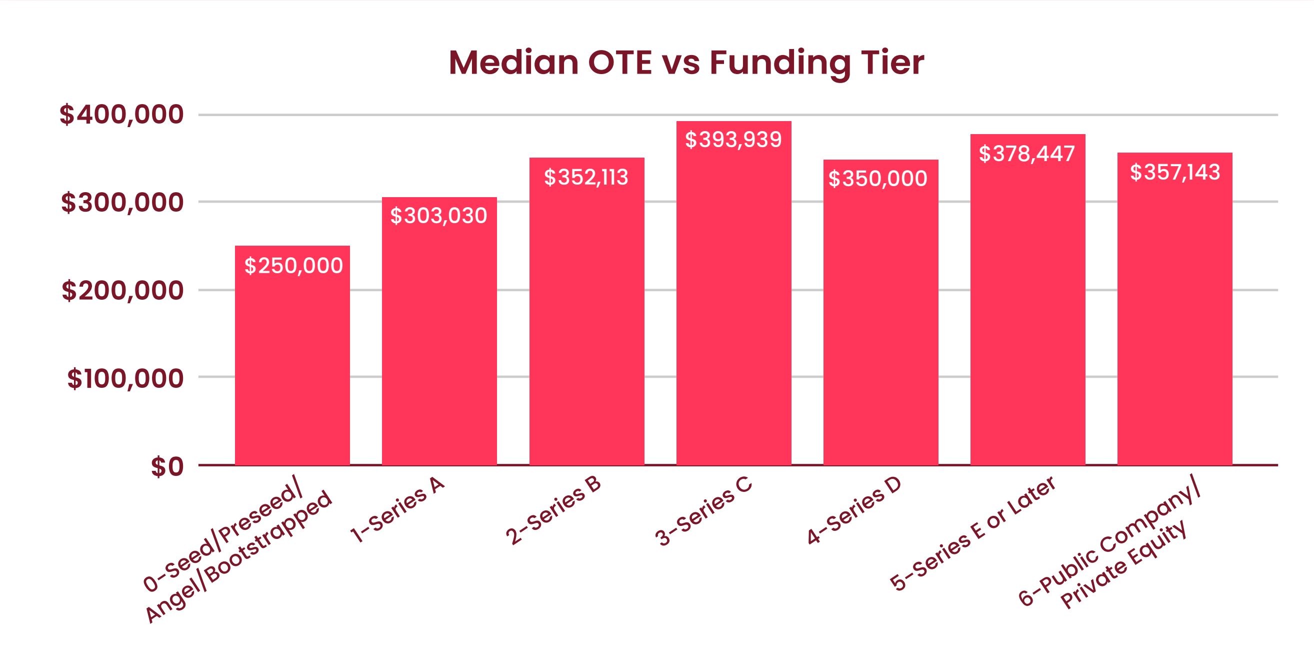
But the lofty growth projections companies presented to their investors quickly outpaced available talent.

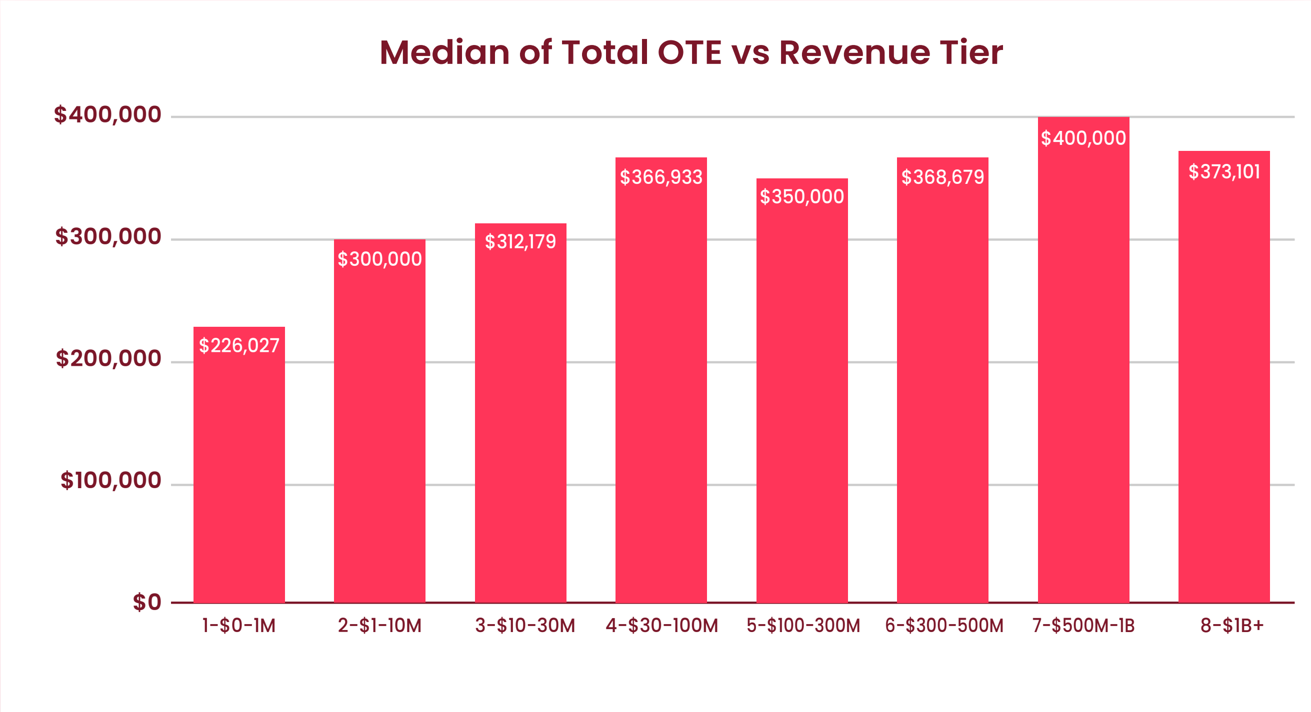
The resulting talent crunch drove up wages as companies competed to recruit an increasingly scarce workforce. Wages and benefits in the United States increased 4% in 2021—**the biggest increase in over 20 years.**

Executive median OTE jumped to more than $325,000 in 2021, an 8.5% climb from the previous year.



Executives at Series C companies earned over $394,000 in 2021, more than any other funding tier. Meanwhile, executives at companies earning between $5 million and $1 billion earned roughly $400,000.





Insights in action:

Expect the bullish talent market to slow in 2022 as VC investments come back toward Earth and companies are held accountable to delivering against lofty growth targets. Executives can further distinguish themselves and their value in the market by investing in professional development and education. Pavilion Members looking to level up their skills can **enroll in our 12-week CRO school.**

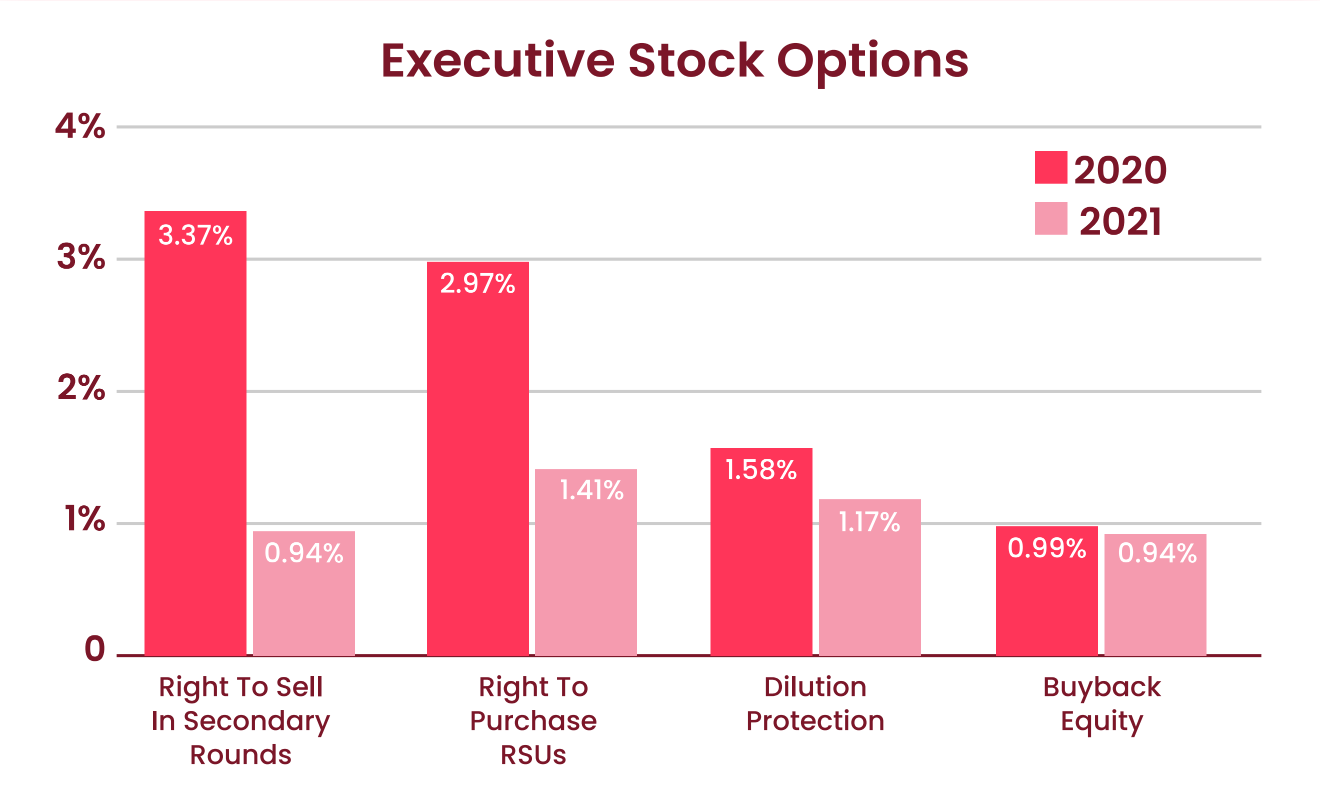
Executives lack key structural benefits

While the increase in compensation is a welcome trend, there are signs it's not sustainable. The record-setting pace of venture capital investment **slowed in the first quarter of 2022** and executives should be prepared for a ripple effect on OTE if that trajectory continues.

Regardless, executives looking to ensure financial security should be focused on more than the amount of their salaries.

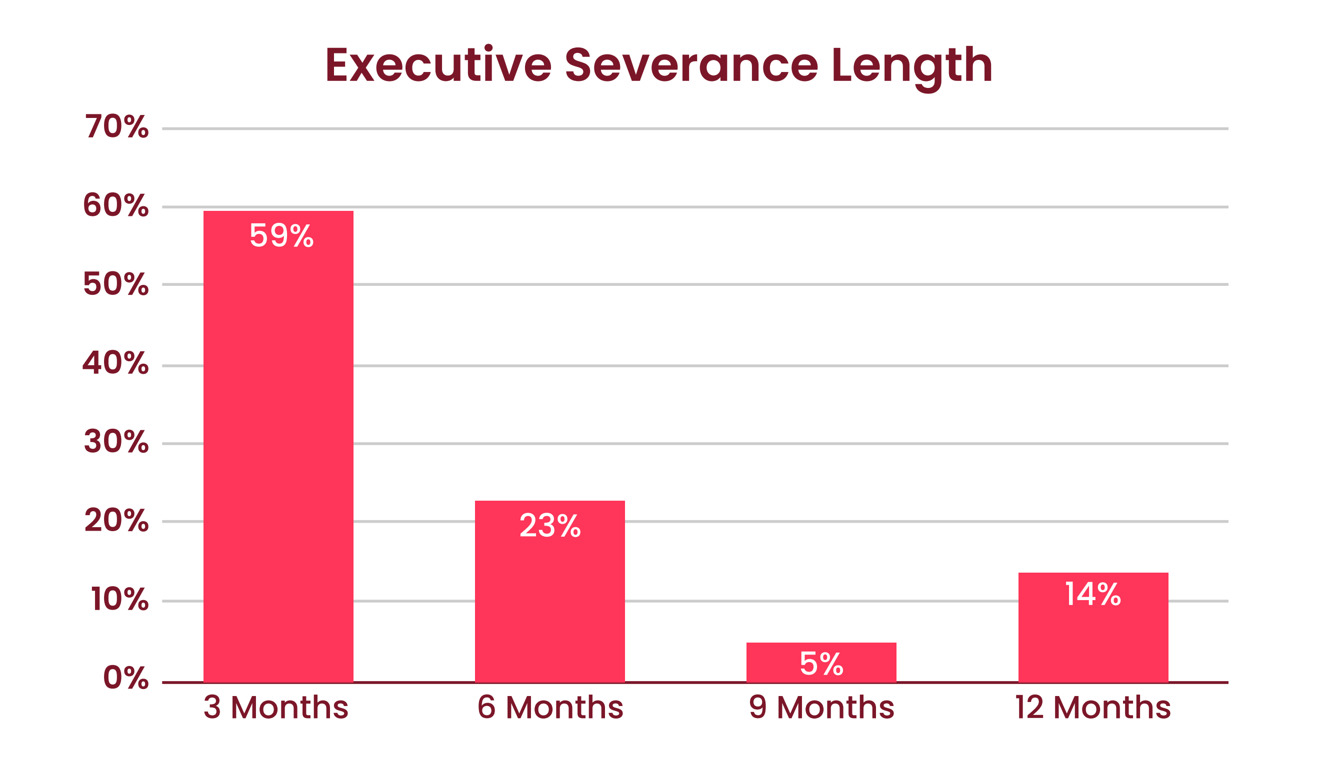
The structure of an employment agreement can be just as—if not more—important to earning potential.

When analyzing the rates of key structural benefits like the right to secondary sales, dilution protection, and buyback equity, we saw a considerable decrease from the previous year.



Not all structural benefits decreased, though. In a promising development, 30% of executives said they pre-negotiated severance, up from 23% last year—though of those who had severance, only 31% had a duration longer than three months.

Executives, particularly those at early growth stage companies, bring a tremendous amount of value to companies relative to the professional risk they take on. They deserve better financial security for doing so.



Insights in action:

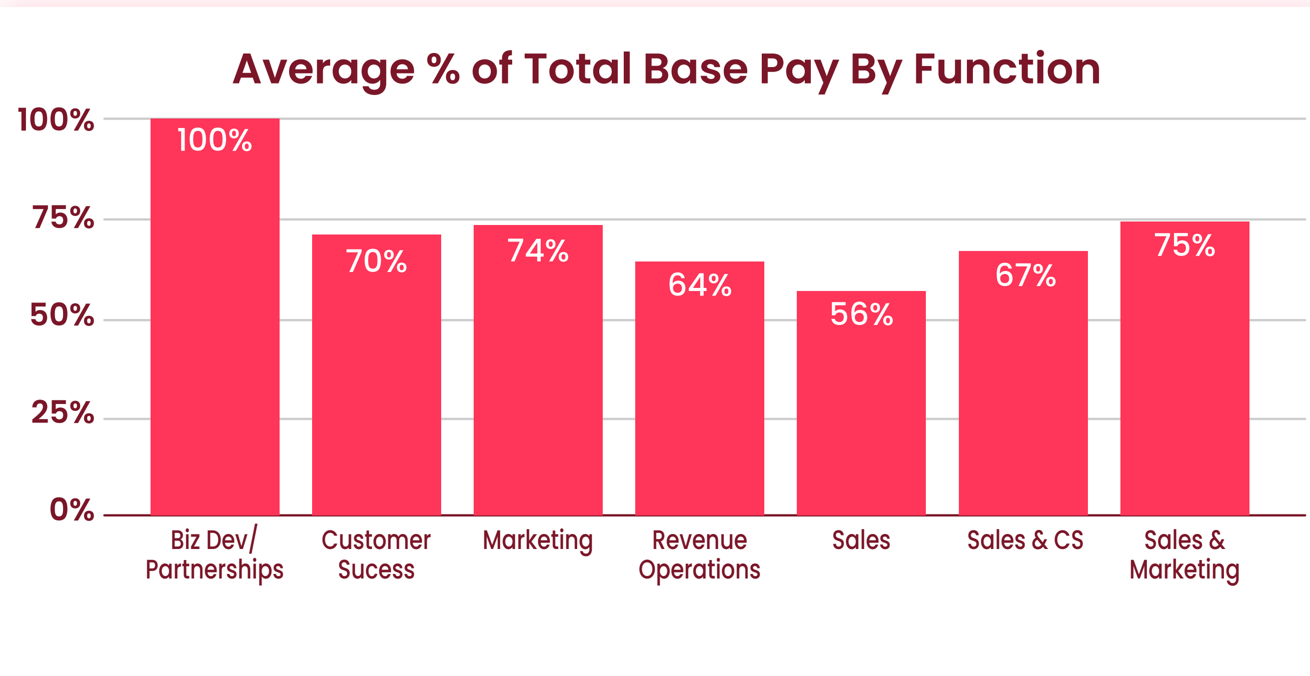
During negotiations, executives should focus marginally less on cash compensation and marginally more on structuring their employment agreements to protect themselves. This provides job security and puts them in position to receive large lump sum payments at different times in their life.

Pavilion Members can use our **Executive Compensation Guide** to guide their negotiations for equitable employment structure.

Sales execs remained unaligned with the rest of the C-suite

Though compensation increased across the board for executives, the way in which compensation is distributed remains inequitable. Sales execs are still heavily reliant on performance-based commissions and bonuses to meet expected earnings.

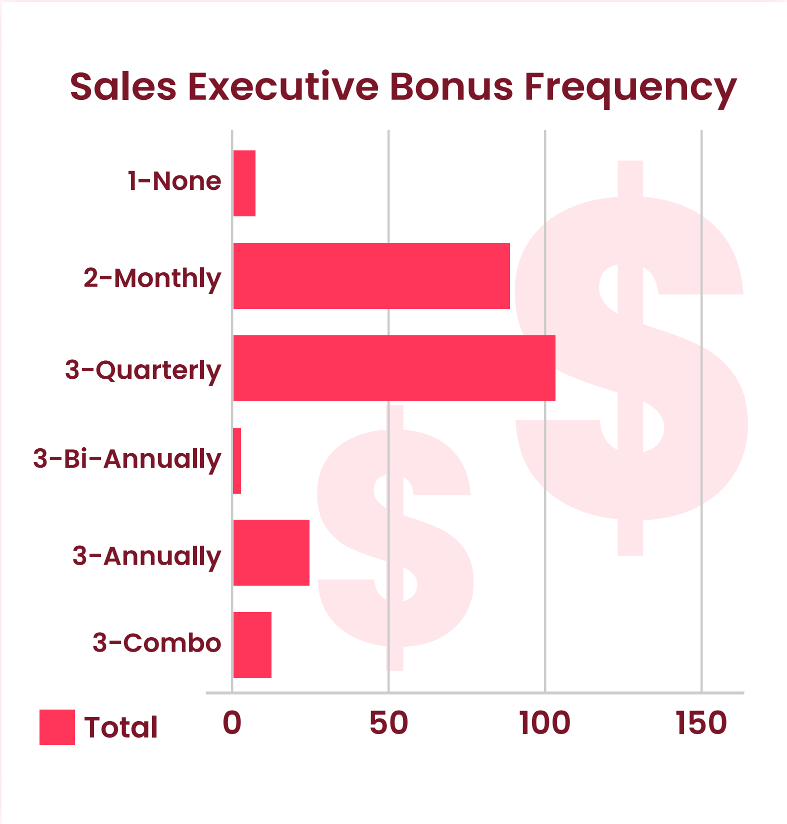
On average, sales executives received just 57% of their income as base salary in 2021, a nearly identical rate to the previous year. Marketers, meanwhile, had a base percentage of more than 74%.



This is exasperated by the rate at which commissions and bonuses are paid out: 43% of sales executives receive bonuses on a quarterly basis

By structuring most of the executive's income in quarterly, transactional batches, companies create situations in which the executive's incentives are not completely aligned with the wellbeing of the company. A sales exec who is paid a bonus based on quarterly performance, for example, may be tempted to let a rep close a deal with terms that aren't optimal for the business, like delayed payment or a 30-day opt out.

The practice creates immense pressure on sales executives and burdens them with an inequitable amount of risk—after all, sales performance is also based on the work of marketers, product developers, etc. An executive's ability to build long term financial security is hamstrung when more than a third of their annual income is on the line.



Insights in action:

The entire C-suite should be paid an 80/20 or 70/30 base-to-bonus to ensure the team is aligned on long term value creation for the company. Sales execs should look to secure more of their earnings as guaranteed salary, even if that means taking a lower total compensation in line with the rest of the leadership team.

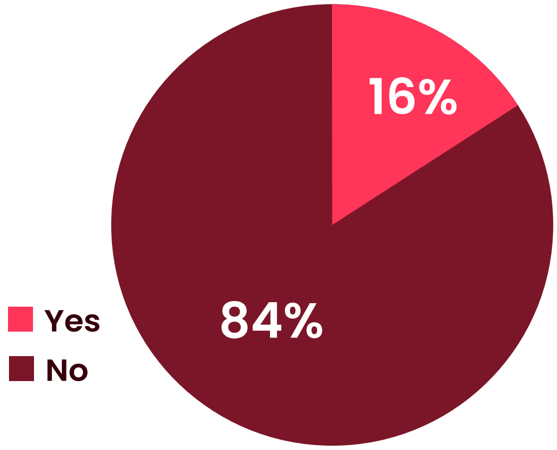
Pavilion Members can use our **Compensation Calculator** and a **Sales Compensation Procedural Guide** to determine equitable compensation and tips for negotiation.

Negotiation is key

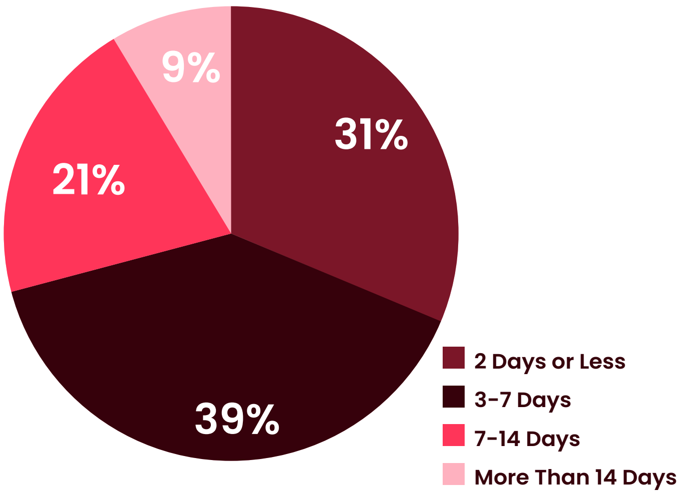
Improving the wage and benefit structure of executive salaries begins with the negotiation period. Executives may feel unprepared, rushed or dazzled by inflated or misleading wage offers (such as the bonus-heavy deals outlined in the previous section).

But just 16% of executives hired a lawyer during contract negotiations in 2021.

Executives Who Hired Lawyers



Executives Negotiation Length



Executives should stop looking at the money they spend on legal counsel—as well as professional development and networking opportunities—as expenses and instead view it as an investment. Hiring a good lawyer is paramount to ensuring a well structured contract and financial security.

Likewise, executives may feel rushed to accept an offer, not taking the time to ensure they set themselves up for success in the future. Nearly 70% of executives said they negotiated for a week or less after receiving an offer.

Insights in action:

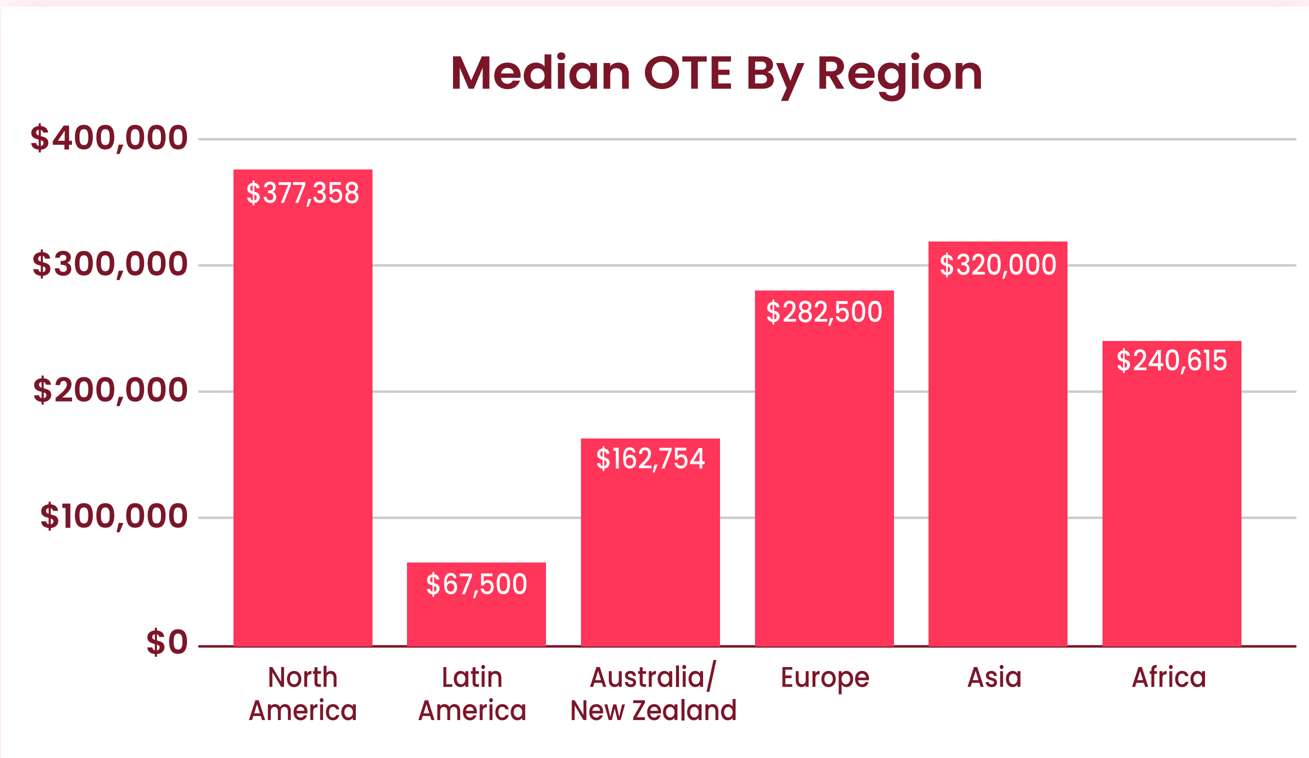
Executives should negotiate to secure equitable compensation and financial security, but not at the expense of the business. The goal is for companies and individuals to be aligned. When the company wins, you should win… and vice versa.

One of our favorite negotiating tactics, particularly with early-stage companies, is to pre-negotiate milestone increases in compensation. Build in raises at six or 12 months based on certain revenue milestones. Any CEO should be willing to entertain that conversation.

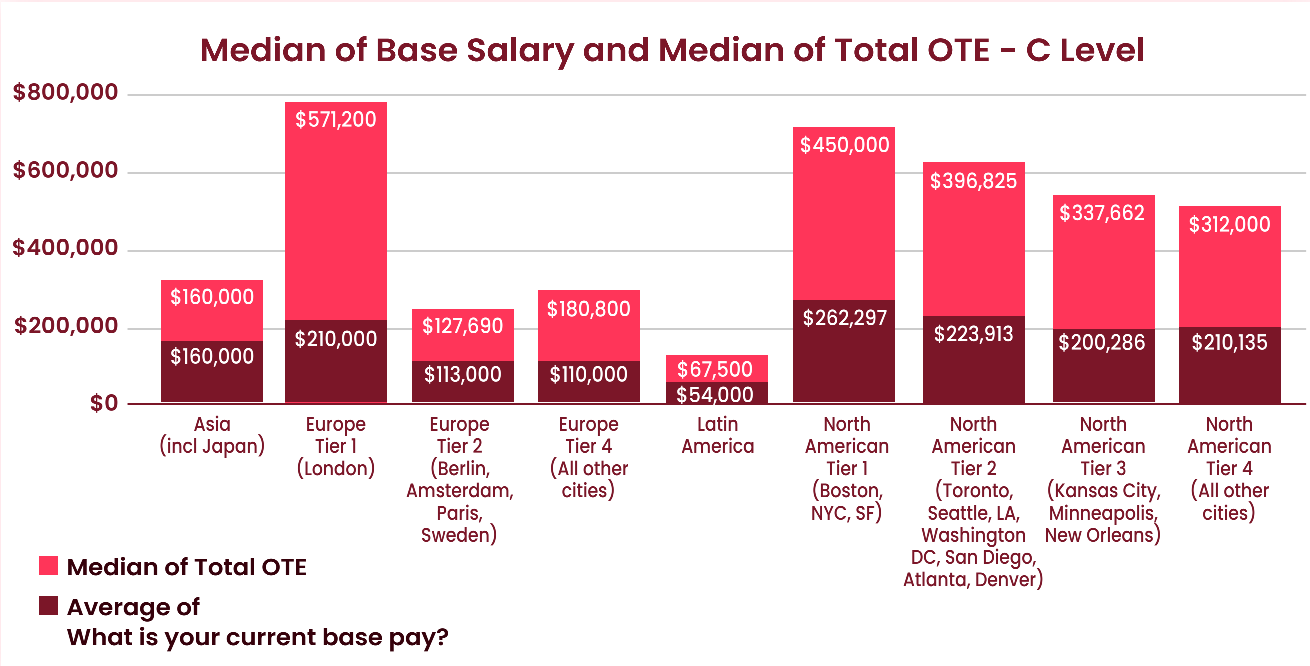
Pavilion Members can access a network of vetted legal partners by emailing **legal-hotline@joinpavilion.com**. Conducting due diligence research is also critical to a successful negotiation. **Check out our guide here**.

Global findings

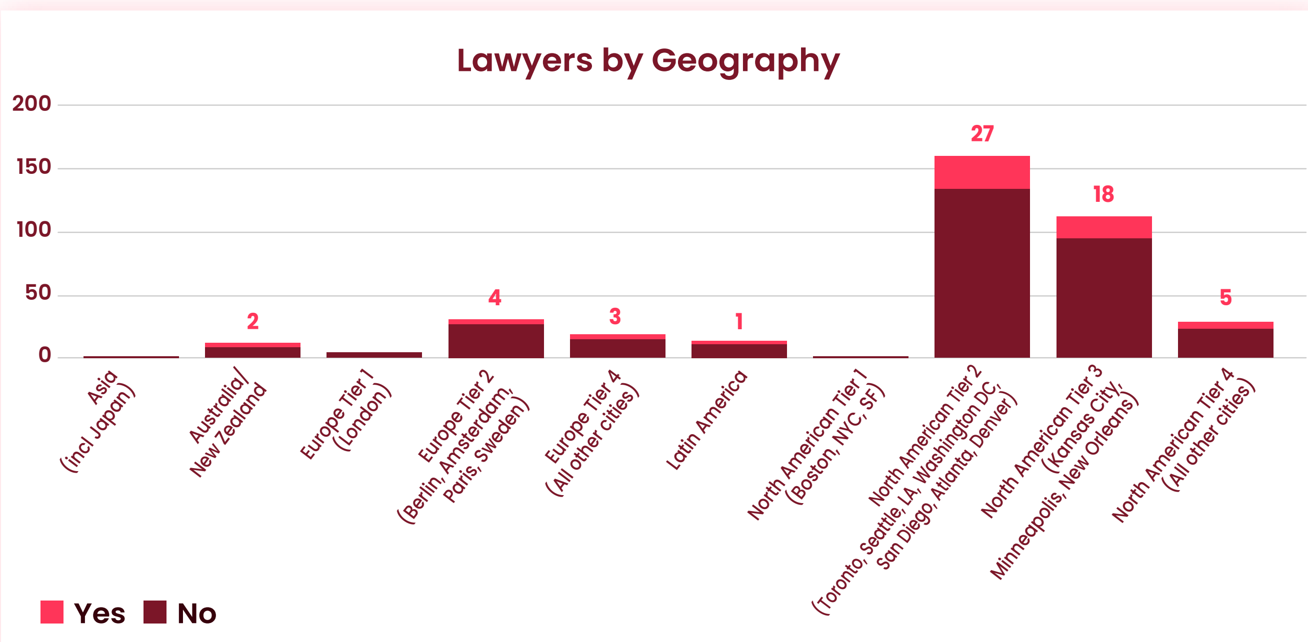
North American executives continue to garner significantly higher earnings than their global peers. At more than $377,000, median OTE in North America was 18% higher than Asia and 34% higher than Europe.



Generally, those subregions that had the highest median OTEs also saw the lowest percentage of base salary. London execs received just 37% of their annual earnings as base, while those in Boston, New York City, and San Francisco received 56% of their pay as base.



The practice of hiring lawyers is uncommon everywhere, but particularly outside North America.



An opportunity for change

It's difficult to predict what the remainder of 2022 will bring. **Startups raised $10 billion less in February 2022 than they did in January**, the first such decrease in years. Still, that month's capital raise was up 24% over February 2021. Whether a slowdown in capital investments—and, in turn, growth projections and hiring rates—is upon us is yet to be seen.

Regardless, we expect the negotiating table to remain tilted sharply toward the candidate in 2022. That trend carries with it an opportunity for executives to negotiate their way to a fundamental realignment of compensation structure and company goals.

Even as earnings spiked last year, the structure of compensation agreements remained skewed in favor of companies. Executive equity distribution terms were inequitable, pre-negotiated severance packages were relatively infrequent, and sales executives continued to be inordinately reliant on commision.

Informed executives have an opportunity to restructure these key deal terms.

This is not, mind you, an endorsement of executives negotiating at the expense of their employers. Rather, truly equitable employment contracts will benefit companies alongside their executives. By aligning executive incentives with the long term value creation goals of the company, businesses will foster growth.

The ability of executives to drive this realignment begins with education. Execs who invest in professional development resources like those offered through Pavilion Membership will be more capable both at the negotiating table and in their roles, setting themselves and their companies up for long term success.

Want to discover your own insights?
Pavilion Members can explore the full data set by logging into Guru.

Not a Member?
Apply now to unlock the full report.

Methodology

For this report, Pavilion surveyed more than 800 of its Members across all three membership tiers, primarily Executives (VP titles and above) and Associates (Managers, Directors). Pavilion Members represent all GTM functions, including sales, marketing, customer success, revenue operations, finance, and more.

About Pavilion

Pavilion was founded in 2016 as a support network for revenue leaders. Since opening its first chapter in New York City, it has grown into an international center providing peer-to-peer connection, training and development, and career resources for all high-growth professionals. Pavilion is always imagining new ways to help current and future leaders unlock and achieve their professional potential. For more information about Pavilion or to become a Member of one of its worldwide chapters, please visit **joinpavilion.com**.