



## WHY THE BEST EXECUTIVES ARE SO HIGHLY PAID

When you go to the worst neighborhoods in any city in America, you will find areas where there is rampant unemployment-people are living on the street, and where drugs, prostitution and murder rates are all high. The people you will find in these areas are those who are unable to follow orders and to successfully work for others, for the most part. They are people without jobs.

When you drive out of the ghetto, you will find average, middle class, and working class neighborhoods, where you will pass countless rows of houses, in which the televisions flicker each night. Inside each of these homes is a man who goes to an average job each day, follows orders, and gets paid. He lives much better than the man in the ghetto, and his ability to follow orders and work in an organized system is rewarded. He gets a roof over his head and a job that brings him a steady paycheck.

The better the area, the more likely you will find men who are incredibly skilled in following orders. And in addition to following orders, they are usually in positions where they are giving orders-and are highly skilled in doing this. The better middle class neighborhoods will contain doctors, lawyers, and other high level professionals who have gone to schools and learned to follow orders and procedures properly. These neighborhoods may also contain highly skilled laborers. The best neighborhoods will contain the upper level managers. Again we are talking about highly skilled people.

Then, in every city-as there has always been, you will find homes that are gigantic and have gates and other amenities that boggle the mind. These are the homes that are lived in by the wealthiest men. Some of these homes are so fantastic that the average man cannot even imagine setting foot inside them, much less living inside. These are typically not the homes of the men who follow orders, or are skilled in following orders. Instead, these are the men who are mostly skilled at giving orders, creating procedures, and getting incredible amounts of work done through hundreds, if not thousands of people. The most successful men or women become this way because of the amount of work they can accomplish, and often the number of people they can get to do all the work that needs to be done.

The man who shovels a ditch each day is only affecting the dirt in front of him. He is paid accordingly. The man who supervises a group of ditch diggers is paid more because he is able to ensure that more work gets done by a group. The man who manages the group that supervises the group of ditch diggers is paid even more. And so on. The more skilled the executive, the more he is able to control, and the more work he is able to get accomplished. This requires an understanding of people, the environment, and the economy, and it involves making numerous decisions and calculations whilst taking every factor into account each day.

One of the most fascinating questions that I have heard before is *why do certain executives in major corporations earn so much money?* When you see a large company like General Electric, Home Depot, Disney, Apple and so forth, you will generally find **Chief Executive Officers** who are earning millions and sometimes tens of millions of dollars per year. It may seem hard for you to believe that someone's efforts are actually worth \$50,000,000 a year; however, there is a reason these people are paid so much, which is very easy to see. Nevertheless, throughout my entire life I have heard numerous people complain about the high salaries that top level executives receive. These complaints keep up year after year, but the salaries of the top executives in big corporations never end up decreasing. Instead, *they end up increasing every year*. For example, a recent article in the *Atlanta Business News* relates: Even as the U.S. economy suffered its worst downturn in decades last year, many of Georgia's leading public companies pushed pay for their top executives higher.

Retired Coca-Cola chairman Neville Isdell had a total compensation package that topped \$23 million.

Delta Air Lines CEO Richard Anderson ranked third in the AJC survey at \$17.4 million.

Current Coca-Cola chairman Muhtar Kent has a total compensation package of more than \$19 million.

Median pay for senior Georgia executives rose 3 percent in 2009 to \$1.88 million, according to the Atlanta Journal-Constitution analysis of pay packages for more than 100 executives of Georgia's 20 largest publicly owned companies.

...[These increases came during] a year when 13 of the 20 companies saw their net income fall, and 17 saw the price of their stock drop.

<http://www.ajc.com/business/top-63374.html>

Even politicians have gotten into the fray, trying to pass various laws limiting bonuses bankers and others can receive. There seems to be some real anger out there about paying high salaries to executives. A recent CNN story relates:

**WASHINGTON (CNN)** — One day after President Obama ripped Wall Street executives for their “shameful” decision to hand out \$18 billion in bonuses in 2008, Congress may finally have had enough.

“You can't use taxpayer money to pay out \$18 billion in bonuses,” an angry Sen. Claire McCaskill says.

An angry U.S. senator introduced legislation Friday to cap compensation for employees of any company that accepts federal bailout money.

Under the terms of a bill introduced by Sen. Claire McCaskill, D-Missouri, no employee would be allowed to make more than the president of the United States.

Obama's current annual salary is \$400,000.

“We have a bunch of idiots on Wall Street that are kicking sand in the face of the American taxpayer,” an enraged **McCaskill** said on the floor of the Senate.

“They don't get it. These people are idiots. You can't use taxpayer money to pay out \$18 billion in bonuses.”

<http://www.cnn.com/2009/POLITICS/01/30/executive.pay/>

Why do the salaries of the top executives in various corporations keep rising despite the anger of politicians, bad economic conditions, and so forth? The reason this keeps occurring is mainly because exceptional executives are rare. The truly exceptional executive or corporate leader is someone that very few companies can locate. The exceptional executive has the ability to lead a company and its people, and can organize all the necessary resources to get things done. There are no schools that can effectively teach someone to be an exceptional leader, or how to organize resources and marshal them in an effective way. The skill of a great executive leader is something that is more innate than taught. The skill of a great leader and executive involves controlling things and people around them (like the ditch digger)-but often also controlling people, places, and things that may be thousands of miles away from them. Very few people have the ability to exert control beyond their immediate location.

The average worker and manager does not have the ability to do anything but control what is around them. A man can be a good salesman, for example, but inspiring an entire sales department and getting tons of salesmen to work productively for him, is an entirely different matter. It is for this reason that good salesmen rarely become good sales managers. It is even rarer that someone can control and inspire and make productive not just a sales department, but also an accounting department. It is even rarer that someone can do this for an entire company and all its many divisions. Rarer still is the person who can do this for an entire company, and then make his company a leader in its field.

Everyone in any company is generally under the supervision of an executive of some sort. The people's job security, and the growth and survival of the company is dependent upon the decisions that the **top level administrator** is making. When companies fail, it is generally due to the skills of the executive (or lack thereof) and how the executive has organized (or has failed to organize) the resources of the company. If, under the direction of some executive, a company starts to perform poorly, there are many possible factors that might point towards the executive's performance as a possible cause for the decline in productivity. For instance:

- The executive may have people doing jobs that are unnecessary, and which do not in any way lead to the profitability of the company.
- He or she may have too many people on staff to do various jobs.
- He or she may be pursuing unprofitable lines of business and therefore wasting resources.
- He or she may be making decisions about certain markets or business dealings that do not make any sense.
- He or she may be engaging in graft, corruption, or other illegal activities that hurt the company in the long run.
- He or she may be overpaying certain employees and underpaying others who deserve a higher salary.
- He or she may not be organized enough to properly produce and deliver the company's product or service.
- He or she may not be hiring the right people.
- He or she may not be inspiring employees to do good work.
- He or she may be hiring the wrong people.
- He or she may be paying too much for supplies and goods that the company buys.

There are thousands of small decisions relating to those above, which a good executive and corporate leader needs to consider on a daily basis. These are the sorts of decisions the highest paid executives make, and they are the sorts of decisions that can assist corporations in reaching their objectives. The better these sorts of decisions are made, the better the company or organization will do. These decisions are so important to an organization's survival, and so few people are proficient in making them-it is no wonder why there are so few excellent executives. This also explains why many executives are hated and are unpopular for their decisions; each decision typically affects many people some way. And unfortunately not every decision can affect everybody in a positive or welcomed manner. When you are trying to be a good executive or leader, it is absolutely impossible to please everyone. The executive who tries to please everyone will always fail and take the company or organization right along with him.

A big debate in the United States has been and probably always will be healthcare. I remember during the Clinton Presidency, when Hillary Clinton tried to get universal healthcare pushed through. She failed and in a public statement I remember her saying something to the effect of "You cannot get anything done in Washington. These people are impossible to work with!"

While what she said may have had some truth to it, her job as a politician/executive/administrator was to do her very best to get others organized to accomplish her objective. The responsibility of an executive is to get things done, not to make excuses. The highest paid executives are able to implement and get things done; the lowest paid typically are not able to do this.

The survival of any company, or group, depends on having skilled administrators, who can get things done and keep the group going. A man like Saddam Hussein, for example, ultimately failed as an executive because he was unable to keep things going, and he ended up having his country invaded and taken over. A more skilled administrator would have done whatever was needed to keep the country operating and to keep himself in power. The Korean Dictator Kim Jong Il, despite being ridiculed internationally, has been able to keep his country going and to keep himself in power. This is a monumental achievement, which means that Kim Jong Il is more powerful and skilled than it might otherwise appear.

Countries that are conquered, companies that go out of business, and organizations that fail, usually do so due to having poor executives leading them, who make the wrong choices with the information and resources at their disposal. If all failures were simply due to a single ideology or strategy itself, then there would be no communist countries, no Nazi hate organizations, no military dictatorships and so forth. Organizations with unpopular ideologies will always exist. But what makes the organization ultimately fail or succeed is often the skill of the executive or executives leading it-over and above the particular ideology. Executive skill is more important than any ideology.

The ability of an executive or leader to administer the needs of a group is something that has controlled the growth of civilization. At a distant point in time, man was a "hunter-gatherer" species. Learning to domesticate animals and farm land, rotate crops, and so forth was a step in the ability to organize resources, and executive decision making abilities, albeit in their earliest form, became important. As people began working together, the ability of executives to lead people in their hunting, farming, and so forth became extremely important. Societies that became more organized, which were therefore able to farm more land and domesticate more animals, were able to grow. This allowed for the eventual development of cities, states, and countries. The most unsuccessful countries are those that are unable to organize their people and resources. Much of Africa, for example, has been characterized by this lack of organization.

The same ideas apply to a company. Larger companies have the ability to organize numerous people to accomplish common objectives. The best leaders typically lead the largest companies, and are able to do so by using their highly developed skills. They organize various sets of rules to get things done. Good executives will either make organizations survive under these rules, or they will not.

There is another point that bears mention and is quite important: When executives organize groups of people, whether in government or business, there are always going to be people who follow directions and rules, and those who simply cannot. In fact, the ability of people to live under an executive and to do things in the way the executive dictates (or does not), is something that determines the success or failure of most people in most organizations. Similarly, the ability of an executive to hand down rules and orders that are likely to be followed by subordinates, and to get the subordinates to follow these rules is in large part the measure of a successful executive.

Those who can lead groups typically are the highest paid people inside corporations and groups. Those who can best follow leaders, or outstanding executives, are typically the highest paid next to the top executives. The lower you move down the totem pole in any group, the more you will find that they have more and more difficulty following orders. When you go out on the street and see the chronically unemployed you will generally find people who have severe problems following orders. The survival and prosperity of a group of people depends on having people who can give good orders-and have them carried out by those who are able and willing to follow good orders.

When I interview young people out of college, they often talk about wanting a job with independence. Independence is a good thing and I am not being critical of this desire. However, most people come under some sort of administration in every job, and they do need to follow orders, which come down from someone who is higher up. The ability to follow orders and live within the parameters of rules set down by executives is the hallmark of any great employee or department. It is for this reason that you will generally find the larger and more successful the organization, the more rules there are. A franchise, for example, is generally successful when it expands, because the franchisees are all required to follow numerous rules in how they operate the business-and these rules are strongly enforced. If a McDonald's restaurant suddenly decided that they wanted to get a liquor license and start serving mixed drinks, you had better believe that the corporate office would shut the restaurant down in a real hurry. The survival of McDonald's as a franchise is largely dependent upon and due to all the rules it requires its franchisees to follow.

A large part of the tension in society is between those who are executives, who are managing the system(s), and those who are not. However, almost all people want to feel part of a system, and like they are contributing. Everybody wants to feel that they have a role in what is being created and accomplished. It is for this reason that when you see people on welfare, for example, there is an incredible amount of unhappiness. These people are simply being governed by administrative orders and pronouncements over which they have no control. They are not allowed to contribute. Similarly, the spoiled son of the wealthy man who does not have to work is typically a mess as well. The person who is retired also lacks the ability to contribute.

When a person cannot work under executives, he or she typically has a very difficult life. Furthermore, if the same person does not have the ability to be an administrator on some level, his or her career and life are often even more difficult.

Most people choose to conform, and do not confront the pain involved in being a high level executive. Powerful executives are often ridiculed in public and are attacked by those who have lost jobs, or those who are unhappy with a company's performance. The executive's actions are questioned time and time again. The executive's exploits are followed by the news media. Opposite of this is the life of someone who is afraid of criticism and who does what everyone else is doing, following the crowd at all times. There are countless reasons people do not want to be high level executives in charge of ordering people about, creating rules, and running an organization. There are also countless reasons people are not interested in being subjected to an executive, or the given orders of a company. However, life is dependent upon this ability, and so is having a career. The truth is that you either learn to live under an executive and take orders, or you learn to lead. This is the order of the world.

This is the reason that the best executives are so highly paid. There are simply very few people who have the capacity or ability to organize people, increase productivity and profitability, all while facing criticism and driving a company forward.

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