Multiple Large Shareholders
And Owner-Manager Compensation:
Evidence From French Listed Firms

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ABSTRACT

The objective of this study is to examine the relation between complex ownership structures and managerial compensation. More specifically, we examine the impact of the owner-manager's excess control and the presence of multiple large shareholders (MLS) on the owner-manager's compensation. Using a sample of French publicly listed firms, the results reveal several important points. First, the owner-manager's compensation increases with the owner-manager's excess control. This finding indicates that managers use their power to increase their pay, hence expropriating minority shareholders. Second, the presence of MLS decreases managerial opportunism and prevents owner-managers from diverting corporate resources for their own benefit. Hence, MLS play an important monitoring role.

Keywords: Corporate Governance; Excess Control; Multiple Large Shareholders; CEO Compensation; France

1. INTRODUCTION

*M*anagerial compensation has recently been a topic of great interest to practitioners and academic researchers (Firth et al., 2010; Gao et al., 2012). Interest in this topic has further escalated after the many financial scandals that erupted in major financial markets around the world (e.g., Enron (2001), Parmalat (2003), Worldcom (2006)), which raised considerable controversy surrounding the level of managerial compensation. These controversies are particularly concerning the existence of a mismatch between manager performance and remuneration (Benson and Davidson, 2010), as well as the unjustified increase in this remuneration (Broye and Moulin, 2010; Chen et al., 2011). To reduce this mismatch, some countries have attempted to regulate managerial compensation by, among other measures, requiring the disclosure of all CEO compensation components. France enacted a law on new economic regulations (NER, 2001) and a financial security law (FSL, 2003). These laws represent a first step toward transparency in CEO compensation. French firms are now required to disclose full information on the compensation of their officers, to reduce their tendency to consume private benefits in the form of salaries at the expense of minority shareholders.

Extraction of private benefits of control is more pronounced in civil law countries featuring weak protection of minority shareholders (La Porta et al., 1998).[1] In these countries, such as France, concentrated–ownership firms dominate the economic landscape and agency problems between large and minority shareholders are prevalent. Moreover, these firms exhibit substantial divergence between insider voting rights and cash flow rights, which is maintained through different control-enhancing mechanisms, such as multiple voting shares. A high degree of separation of voting rights and cash-flow rights (i.e., excess control) gives insiders incentive to extract private benefits of control at the expense of minority shareholders (Johnson et al., 2000). Masulis et al. (2009) find a

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[1] Claessens et al. (2000) and Faccio and Lang (2002) questioned the findings of Berle and Means (1932), who indicated the large widespread dispersed ownership structures. These authors provide evidence that the equity capital of listed firms throughout the world is not widely held outside the United Kingdom and the United States.

positive and statistically significant relation between insiders' excess control and managerial compensation in the Unites States. This result indicates that managers with higher excess control become entrenched, which gives them incentives to divert corporate resources through compensation. The Masulis et al. (2009) results contradict the findings of Barontini and Bozzi (2010), who provide evidence that managerial compensation is negatively related to excess control, implying that managers with higher excess control act in the interest of minority shareholders.

A number of recent studies emphasize the governance role of multiple large shareholders (MLS) in curbing the consumption of private benefits of control, which mitigates agency problems between insiders and minority shareholders (Maury and Pajuste, 2005; Laeven and Levine, 2008). These studies show that the existence of MLS, beyond the largest controlling owner, increases firm value (Maury and Pajuste, 2005; Laeven and Levine, 2008) and reduces the cost of equity (Attig et al., 2008). In addition, the existence of MLS has been shown to significantly affect earnings informativeness (Fan and Wong, 2002), information asymmetry and stock liquidity (Attig et al., 2006), the extent of analyst following (Boubaker and Labegorre, 2008), and the cost of debt (Guedhami and Mishra, 2009; Lin et al., 2011). Maury and Pajuste (2005) and Laeven and Levine (2008) lend support to the hypothesis that the presence of MLS with evenly distributed equity holdings is an effective corporate governance mechanism.

The objective of the present study is to analyze managerial compensation in the presence of a complex ownership structure in France. More specifically, it examines the governance role of MLS on owner-manager's pay[2]. Thus, we begin by focusing on the impact of the owner-manager's excess control on the owner-manager's compensation. Then, we discuss the effect of the existence of one or more controlling shareholders on this compensation.

This work has several implications for the current debate on the determinants of managerial compensation. First, it has the advantage of focusing on the French context. On the one hand, France is characterized by a relatively weak legal system and, thus, a low investor protection environment, which gives rise to expropriation of minority shareholders (La Porta et al., 1999). Typically, French listed firms have a concentrated ownership structure and are controlled through various control-enhancing mechanisms, such as dual-class shares and pyramidal structures. These mechanisms allow the ultimate owners to control their firms while holding only a small fraction of the cash flow rights (Faccio and Lang, 2002; Boubaker and Labégorre, 2008). The separation of ownership and control may result in severe agency conflicts between large and minority shareholders, which enhances the possibility of extracting private benefits of control. On the other hand, the present study is among the first to examine the impact of the owner-manager's excess control on the owner-manager's compensation in France.

Second, to the best of our knowledge, this paper is the first to investigate the impact of MLS on managerial compensation. Previous studies have shown that ownership structure is an important determinant of managerial compensation by focusing on the role of dominant shareholders. Large shareholders are able to closely monitor managers to curb their opportunistic behavior and to reduce their compensation. This argument implies the existence of a negative relation between the presence of more than one large shareholder and owner-manager compensation (Goldberg and Idson, 1995; Conyon and He, 2011), whereas other researchers preclude the existence of such a relationship (Su et al., 2011). The role of large shareholders is similar to the role of institutional investors in reducing excessive CEO compensation (Hartzell and Starks, 2003). Given that institutional investors are mainly interested in performance, one could expect a positive effect from these investors on the sensitivity of compensation to performance (Clay, 2000). The link between compensation and the presence of other types of shareholders is also investigated in the literature. The presence of financial institutions is shown to have a negative impact on compensation, while the presence of families has a positive impact (Amoako-Adu and Smith, 2011).

The remainder of this paper proceeds as follows. Section 2 develops the hypotheses. Section 3 describes sample selection, data sources, and the adopted methodology. Section 4 presents the results. Section 5 describes our conclusions.

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[2] The terms CEO and owner-managers are used interchangeably in the text.

2. HYPOTHESES

2.1. Effect Of Excess Control On Owner-Manager Compensation

Excess control by an owner-manager reflects the degree of separation between owner-manager control and cash flow rights. Control-enhancing mechanisms (e.g., pyramiding and dual-class shares) create such separation by allowing the largest controlling shareholders to control their firms while having only a small fraction of cash flow rights (Bebchuk et al., 2000). These mechanisms reinforce and entrench the power of the owner-manager, which provides the owner-manager with strong incentives to extract private benefits of control at the expense of minority shareholders (Grossman and Hart, 1988; Claessens et al., 2002). In this vein, Claessens et al. (2002) and Boubaker (2007), among others, show that the greater the separation between voting rights and cash flow rights, the lower are the incentives for the largest controlling shareholder to run firms properly and the stronger are the incentives to consume private benefits of control (e.g., perks, perquisites, excessive compensation, etc.).

However, the effect of excess control on managerial compensation remains a matter of debate. Previous studies have shown that the separation between control and cash flow rights of the controlling shareholder may have a positive (Masulis et al., 2009) or a negative (Barontini and Bozzi, 2010) effect on managerial compensation. The positive effect may be attributed to the ability of entrenched owner-managers to shift their firm's pay decisions toward higher compensation. Nevertheless, the negative effect may be explained by owner-manager concern about their reputation when there is substantial excess control. Thus, they prefer to improve firm performance and to set fair compensation for themselves.

In France, concentrated-ownership firms dominate the economic landscape. They are often run by members of controlling families, whose voting rights often exceed their cash flow rights (Faccio et al., 2001; Boubaker, 2007; Boubaker and Labégorre, 2008). Thus, French listed firms are typically vulnerable to severe agency conflicts between their owner-managers and minority shareholders. Accordingly, we expect that entrenched owner-managers of these firms have the incentives and power to consume private benefits of control by increasing their compensation (Masulis et al., 2009). Hence, we formulate the following hypothesis:

Hypothesis 1: Owner-manager compensation increases with the separation of voting rights and cash-flow rights of the owner-manager.

2.2. Effect Of MLS On Owner-Manager Compensation

The corporate governance literature offers two theoretical views on the role of MLS in corporate governance. According to one view, MLS may have incentive to expropriate minority shareholders. Zwiebel (1995) argues that MLS may collude with other shareholders to extract private benefits of control. Kahn and Winton (1998) argue that large shareholders may adopt opportunistic behavior by preferring to trade on private information rather than curbing the consumption of private benefits by corporate insiders.

The second view is based on the idea that MLS have the incentive (substantial cash flow rights) and power (substantial voting rights) to monitor the owner-manager (Bennedsen and Wolfenzon, 2000; Bloch and Hege, 2003). Laeven and Levine (2008) find that more than 40% of the European firms in their sample have more than one large shareholder holding at least 10% of voting rights. These authors provide evidence that MLS play an effective governance role in curbing misuse of corporate resources, which results in higher firm valuations. In the same vein, Maury and Pajuste (2005) show that the presence of MLS mitigates expropriation by the controlling owner, especially when MLS hold evenly distributed voting rights, which increases firm value. According to Bloch and Hege (2003), the presence of two large shareholders reduces the possibility of diversion of corporate resources, as these shareholders prefer to compete for corporate control to attract minority shareholders rather than extracting private benefits of control. Faccio et al. (2001) find that the presence of MLS is associated with lower expropriation by controlling owners, which results in higher dividend payouts in European firms. Bennedsen and Wolfenzon (2000) and Pagano and Röell (1998) argue that MLS can play an important governance role in mitigating agency problems between the controlling owner and minority shareholders. Moreover, results in Attig et al. (2011) indicate that the presence of MLS improves internal governance, resulting in higher value for firm cash holdings.

We expect that the presence of MLS, beyond the largest controlling owner, has an impact on managerial compensation. As mentioned above, a growing number of theoretical and empirical studies show that MLS are able to prevent the owner-manager from adopting opportunistic behavior that leads to diversion of corporate resources (e.g., Bloch and Hege, 2003; Attig et al., 2011; Boubaker and Sami, 2011). Hence, we draw the following hypothesis:

Hypothesis 2: Owner-manager compensation decreases with the presence of MLS.

3. METHODOLOGY

This section describes the sample selection procedure, data sources, empirical model and the variables used in the analysis.

3.1. Sample Selection And Data Sources

The initial sample includes all French listed firms available in the Worldscope database over the period 2004–2007. First, we exclude financial firms (SIC codes 6000-6999) and firms with missing financial, ownership, or compensation data. Further, we discard firms that experienced a departure of a CEO (succession, retirement, dismissal, and death) during the sample period. We are left with 459 non-financial firms with 1,476 firm-year observations over the period 2004–2007.

Data on CEO compensation, ownership, and board characteristics are gathered from firm annual reports available from the websites of the AMF (Autorité des Marchés Financiers).[3] Financial data are gathered from the Worldscope database. Financial variables are winsorized at the 1% and 99% levels to mitigate the effects of outliers on the results. Table 2 presents descriptive statistics of all variables used in this study.

3.2. Model And Measurement Of Variables

3.2.1. Model Specification

To examine the effect of owner-manager excess control and relative power on owner-manager compensation, we consider the following model:

$$CeoComp_{i,t} = \beta_0 + \beta_1\, ExControl_{i,t} + \beta_2\, MLSD_{i,t} + \beta_3\, BoardSize_{i,t} + \beta_4\, Duality_{i,t} + \beta_5\, IndDir_{i,t} + \beta_6\, CompCom_{i,t} + \beta_7\, CeoAge_{i,t} + \beta_8\, CeoTen_{i,t} + \beta_9\, CeoFon_{i,t} + \beta_{10}\, FirmSize_{i,t} + \beta_{11}\, ROA_{i,t} + Industry\ Dummies + Year\ Dummies + \varepsilon_{i,t}$$

which we estimate using a pooled ordinary least squares regression with industry and year fixed. The t-statistics are calculated using heteroskedasticity-robust standard errors that cluster at the firm level.

3.2.2. CEO Compensation

We use two measures of CEO compensation (*CeoComp*), namely total CEO compensation and variable CEO compensation (Core et al., 1999; Chalmers et al., 2006). Total compensation of the CEO (*TotCeoComp*) includes all components of compensation, that is, fixed, bonus, stock options, and granted stocks. The variable portion of compensation excludes the fixed portion.

3.2.3. Ownership Variables

The owner-manager's excess control is a proxy for the degree of separation of cash flow rights and voting rights. We follow the approach of Claessens et al. (2000, 2002) and Faccio and Lang (2002) to compute, for each concentrated ownership firm in our sample, the ultimate cash flow and control rights of its owner-manager.[4] The

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[3] *Autorité des Marchés Financiers Financiers* (AMF) is the French equivalent of the US Securities and Exchange Commission (SEC).
[4] See, La Porta et al. (1999), Claessens et al. (2000, 2002), and Faccio and Lang (2002).

excess control of the owner-manager "*ExControl*" is the difference between the owner-manager's ultimate cash flow and ultimate control rights, all divided by the owner-manager's ultimate control rights. We consider that a firm has an owner-manager when this individual holds directly and indirectly at least 10% of the voting rights of the firm. [5,6] *MLSD* is a dummy variable that is set to 1 if the firm has at least one external blockholder that controls, directly or indirectly, at least 10% of the voting rights of the firm. [7]

3.2.4. Control Variables

Board size *(BoardSize)*: The board of directors plays an important role in monitoring managers. However, as the size of the board increases, the actions of managers become more difficult to control, which allows managers to benefit from larger compensation. Several studies conclude that managerial compensation is higher when boards are large (Core et al., 1999; Ozkan, 2007). Thus, we include in our regressions *BoardSize*, which equals the natural logarithm of the number of directors on the board.

CEO duality *(Duality)*: Board effectiveness depends on separation of the CEO and chair of the board positions. Such separation prevents the CEO from imposing excessive and unfair compensation contracts (Boyd, 1994; Cyert et al., 2002). To proxy for CEO duality, we consider a dummy variable *Duality*, which equals 1 if the executive holds both the positions of CEO and chair of the board, zero otherwise.

Board independence *(IndDir)*: Independent directors are able to monitor CEOs and to influence their compensation decisions, which may result in less excessive CEO compensation (Lambert el al., 1993; Boyd, 1994; Core et al., 1999; and Coakley and Iliopoulou, 2006). We use the variable *IndDir*, which equals the proportion of independent directors on the board, that is, the number of independent directors divided by the total number of directors on the board.

Compensation committee *(CompCom)*: Studies show that compensation committees are effective at ensuring credibility when setting executive pay (Conyon, 1997). Thus, we include the dummy variable *CompCom*, which takes the value 1 if the firm has a compensation committee, zero otherwise.

CEO age *(CeoAge)*: Greater CEO experience indicates a higher ability to manage the firm and, thus, higher compensation. Hence, we expect a positive relation between CEO age and CEO compensation (Li et al., 2007). However, Croci et al. (2012) find that older managers are more risk averse. The variable *CeoAge* is the natural logarithm of the CEO's age, in years.

CEO tenure *(CeoTen)*: The longer the CEO tenure, the higher is the CEO's managerial power and ability to command higher compensation (Cyert et al., 2002). Thus, we expect a positive relation between CEO tenure and compensation (Deckop, 1988; Allgood et al., 2012). CEO tenure is measured by the natural logarithm of the number of years the CEO has been in the CEO position.

CEO Founder (*CeoFon*): The intrinsic motivation of founding managers reduces their need for incentive compensation (Murdock, 2002; Benadou and Tirole, 2003). Therefore, they are expected to receive lower compensation (Gomez-Mejia et al., 2001; 2003). We include in our model a binary variable that takes the value of 1 if the current CEO is the founder of the firm or a member of the founding family, zero otherwise.

Return on assets *(ROA)*: Studies show that firm performance is an important determinant of managerial compensation, since good managerial performance results in higher executive compensation (Buck et al., 2008). To proxy for firm performance, we use *ROA*, which equals the ratio of earnings before interest and taxes to total assets. We expect a positive relation between this variable and CEO compensation.

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[5] The choice of this threshold is motivated by previous studies such as La Porta et al. (1999), Faccio and Lang (2002) and Claessens et al. (2000, 2002).

[6] If a firm does not have a shareholder that holds directly at least 10% of the voting rights, it is considered as widely held.

[7] Our results are robust to the use of the lagged and industry-average ownership variables, suggesting that our conclusions are not affected by potential reverse causality.

Firm size *(FirmSize)*: Prior studies provide evidence of a positive relation between firm size and managerial compensation (Murphy, 1999; Elston and Goldberg, 2003; Murphy and Sandino, 2010). The size of the firm, *FirmSize*, is measured by the natural logarithm of total assets.

4. DESCRIPTIVE STATISTICS AND CORRELATIONS

Table 2 provides descriptive statistics (mean, standard deviation, 5th percentile, 25th percentile, median, 75th percentile, and 95th percentile) for the variables used in the analysis. The average total (variable) CEO compensation is 311,458€ (265,667€). It seems that managerial average pay is less than that perceived by managers in the Anglo-Saxon countries such as the United States. This may be due to the larger size of US listed firms compared to that of French listed firms.

Table 2 also shows that the average CEO age in our sample is 52. CEO tenure in the firm is, on average, six years. Moreover, we find that, on average, only 27.40% of the members of boards of directors are independent, indicating that the independence of French boards remains relatively limited despite the requirements of codes of best corporate governance. Indeed, if a board is dominated by internal directors, it is less able to impair the ability of the controlling owners to extract private benefits, which results, among other practices, in higher CEO compensation. Firms with powerful CEOs that accumulate both the titles of CEO and Chair of the Board are also less effective at setting executive pay. Table 2 shows that, on average, 69.24% of sample firms do not separate the positions of CEO and Chair of the Board. A concentration of power in the hands of the manager strengthens the manager's position, which may hinder the mission of independent directors to work in the interests of the firm.

In addition, we find that only 43.86% of our sample firms have a compensation committee, which affects their ability to curb extraction of private benefits through higher CEO compensation. This low percentage reflects certain subjectivity in fixing the compensation of French CEOs.

Table 3 provides Pearson correlation coefficients of variables used in the analysis. This correlation matrix shows that the coefficients between the variables are not exceptionally high. Moreover, the variance inflation factors (mean is equal to 1.62) indicate that multicollinearity is not a serious concern.

5. REGRESSION RESULTS

Table 4 provides regression results of the relation between owner-manager excess control and the presence of MLS, on the one hand, and total CEO compensation (Column 1) and variable CEO compensation (Column 2), on the other. The R-squared ranges between 26.23% and 47.63%, which indicates that the set of independent variables is relevant in explaining total and variable CEO compensation.

The results in Table 4 (Column 2) show that the coefficient on "*ExControl*" is positive and statistically significant at the 5% level, implying that the variable part of CEO compensation increases with the excess control of the owner-manager. This finding supports the entrenchment effect argument (Claessens et al., 2002; Masulis et al., 2009). CEOs with a higher degree of separation of ownership and control have incentive to consume private benefits of control by increasing their variable compensation. The coefficient on "*ExControl*" is not statistically significant when the dependent variable is *TotCeoComp* (Column 1).

Furthermore, Table 4 (Column 2) suggests that the relative power of MLS "*MLSD*" affects negatively the variable part of CEO compensation. (The coefficient is statistically significant at the 5% level). This result indicates that MLS play an effective monitoring role that reduces extraction of private benefits of control by owner-managers. MLS prevent owner-managers from extracting higher salaries. Thus, their presence is an effective corporate governance mechanism in France.

As for control variables, Table 4 shows that the existence of a compensation committee, *CompCom*, is positively and significantly associated with CEO total compensation. This result indicates that compensation committees do not play a disciplinary role that makes them effective in reducing executive pay. These results can be explained by CEOs' ability to shift the balance of power away from these committees, allowing them to impose their preferences for higher compensation.

The results in Table 4 also provide evidence that board independence, *IndDir*, is positively and significantly related to the variable part of CEO pay. This result may be explained by the fact that the owner-managers may build close relationships with independent directors, reducing their monitoring capacity. Board size, *BoardSize*, has a positive and statistically significant effect on the variable part of CEO pay. Indeed, when board size increases, directors are less able to effectively monitor CEO behavior. As a result of board inefficacy, CEOs increase their variable compensation in a way so as to consume private benefits that do not accrue to minority shareholders. CEO tenure, *CeoTen*, is positively and significantly related to CEO total compensation. CEO compensation, both total and variable, is found to increase with firm size, *FirmSize*, substantiating the claim that CEO compensation is higher in large firms.

6. CONCLUSION

The objective of this study is to investigate the impact of CEO control over their own compensation. The empirical results reveal that entrenched CEOs have the incentives and power to increase their own compensation. More specifically, we find that the higher the degree of separation of the owner-manager's ownership and control, the higher is the owner-manager's compensation. In addition, we provide evidence that the presence of MLS prevent the controlling owner-manager from diverting corporate resources at the expense of minority shareholders. An interesting research avenue is to examine the impact of external governance mechanisms on the relation between ownership structure and managerial compensation.

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APPENDIX

Table 1. Variable Definitions And Data Sources

Variables	Definition	Data Sources
Managerial Compensation		
Total Compensation of CEO (TotCeoComp)	The natural logarithm of all components of the owner-manager compensation (fixed salary, bonus, stock options, and granted stocks).	Annual reports and author's calculations
Variable compensation of CEO (VarCeoComp)	The natural logarithm of all variable components of the owner-manager compensation (bonus, stock options, and granted stocks).	As above
Ownership structure		
*Excess of Control (ExControl)**	(UCO-UCF)/UCO if the firm is closely held, and zero otherwise, where UCO: ultimate control rights of the owner-manager, and UCF: ultimate cash flow rights of the owner-manager.	Annual reports and author's calculations
Multiple large shareholders (*MLSD*)	Dummy variable that takes the value of one if the firm has at least one external blockholder that controls, directly or indirectly, at least 10% of the voting rights of the firms, and zero otherwise.	As above
Control Variables		
Board size (BoardSize)	The natural logarithm of the number of the directors on the board.	Annual reports and author's calculations
Duality (Duality)	Dummy variable that equals one if the executive accumulates both the titles of CEO and chairman of the board of directors, and zero otherwise.	As above
Independent directors (IndDir)	The proportion of independent directors on the board.	As above
Compensation committee (CompCom)	Dummy variable that equals one if the firm has a compensation committee, and zero otherwise.	As above
CEO's Age (CeoAge)	The natural logarithm of the CEO's age in years.	As above
CEO's tenure (CeoTen)	The natural logarithm of the number of years the CEO has been in the position.	As above
CEO founder (CeoFon)	Dummy variable that takes the value of one if the current CEO is the founder of the firm or a member of the founding family, and zero otherwise.	As above
Return on assets (ROA)	The ratio of earnings before interest and taxes to total assets.	Worldscope
Firm size (FirmSize)	The natural logarithm of total assets.	As above

Table 2. Descriptive Statistics

Variables	N	Mean	S.D	5th percentile	25th percentile	Median	75th percentile	95th percentile
CeoTotComp(€)	1476	311,458	0,003	50,868	152,817	265,667	601,390	3194,688
CeoVarComp(€)	1476	3,980	0,200	0	0	29,990	180,773	2345,478
ExCont(%)	1476	19.680	25.141	0	0.220	17.094	31.071	60.400
MLSD*(%) (N(MLSD =1) = 493)	1476	33.40	47.180	0	0	0	1	1
BoardSize	1476	6.372	1.620	2.998	3.998	5.995	9.000	14.999
Duality*(%) (N(Duality=1)=1022)	1476	69.241	46.165	0	0	1	1	1
IndDir(%)	1476	27.406	24.521	0	0	28.571	50.000	66.600
CompCom*(%) (N(CompCom=1) =647)	1476	43.869	49.351	0	0	0	1	1
CeoAge(years)	1476	52.457	1.184	38.978	46.997	52.995	58.997	67.829
CeoTen(years)	1476	6.275	2.154	1.999	3.665	5.995	10.990	23.998
CeoFon*(%) (N(CeoFon=1)=694)	1476	47.018	49.927	0	0	0	1	1
ROA(%)	1476	4.370	9.330	-11.8	2.345	4.807	8.016	15.300
FirmSize	1476	12,392	2,162	9,480	10,819	12,027	13,669	13,778

Notes: This table presents the statistics descriptive of all variables used in the study. All variables are defined in Table 1. Financial variables used are winsorized at the 1% and 99% levels.

Table 3. Correlation Matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13
1.TotCeo Comp	1.000												
2. VarCeo Comp	0.5313[a]	1.000											
3.ExControl	0.0360	0.0776[a]	1.000										
4.MLSD	-0.0922[a]	-0.1295[a]	0.0276	1.000									
5.BoardSize	0.4584[a]	0.3901[a]	0.0391	-0.0504[c]	1.000								
6.Duality	-0.0809[a]	-0.0479[c]	0.0079	-0.0322	-0.1210[a]	1.000							
7.IndDir	0.3292[a]	0.2833[a]	0.0065	-0.0767[a]	0.4065[a]	-0.2164[a]	1.000						
8.CompCom	0.4076[a]	0.2932[a]	0.0163	-0.0857[a]	0.4313[a]	-0.1336[a]	0.4052[a]	1.000					
9.CeoAge	0.1039[a]	0.0375	-0.0328	-0.0997[a]	0.1946[a]	0.0734[a]	0.0248	0.0867[a]	1.000				
10.CeoTen	0.0112	-0.0323	-0.0092	-0.0608[b]	-0.0521[b]	0.2184[a]	-0.0244	-0.0437[c]	0.2180[a]	1.000			
11.CeoFon	-0.0326[c]	-0.0589[b]	0.0122	-0.0138	-0.1304[a]	0.1102[a]	-0.1237[a]	-0.0456	-0.0004	0.0735[a]	1.000		
12.ROA	0.0791[a]	0.0538[b]	0.0499[c]	-0.0399	0.0496[c]	0.0038	-0.0305	0.0150	0.0289	0.0143	0.0740[a]	1.000	
13. FirmSize	0.6462[a]	0.4371[a]	0.0159	-0.1655[a]	0.6678[a]	-0.0878[a]	0.3561[a]	0.4232[a]	0.2259[a]	-0.0308	-0.0971[a]	0.1392[a]	1.000

Notes. This table presents Pearson correlation between variables used in the study. All variables are defined in Table 1. Financial variables are winsorized at the 1% and 99% levels. a, b and c denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 4. Regression Results

	Dependent variable: CeoTotComp (Column 1)		Dependent variable: CeoVarComp (Column 2)	
ExControl	0.041 (0.34)		1.218[b] (2.07)	
MLSD		0,034 (0,44)		0.782[c] (-1.82)
BoardSize	0.037 (0.29)	0.27 (0.033)	2.68[a] (1.434)	2.96[a] (1.579)
Duality	-0.024 (-0.28)	-0.27 (-0.023)	0.88 (0.369)	0.84 (0.351)
IndDir	1.58 (0.29)	1.58 (0.293)	2.00[b] (1.778)	1.86[c] (1.649)
CompCom	0.339[a] (3.37)	0.340[a] (3.41)	0.744 (1.58)	0.705 (1.51)
CeoAge	-0.406 (-1.58)	-0.405 (-1.57)	-1.848 (-1.39)	-1.983 (-1.51)
CeoTen	0.101[b] (1.97)	0.102[b] (1.98)	-0.004 (-0.02)	-0.031 (-0.12)
CeoFon	0.066 (0.86)	0.067 (0.87)	-0.155 (-0.41)	-0.167 (-0.45)
ROA	-0.035 (-0.01)	0.004 (0.01)	-0.366 (-0.25)	-0.230 (-0.15)
FirmSize	0.366[a] (11.63)	0.367[a] (11.58)	0.755[a] (6.33)	0.724[a] (5.96)
Year *Dummies*	Yes	Yes	Yes	Yes
Industry *Dummies*	Yes	Yes	Yes	Yes
Intercept	8.939[a] (9.46)	8.913[a] (9.47)	1.246 (0.25)	2.472 (0.50)
Number of observations	1476	1476	1476	1476
R-squared	47.63%	47.64%	26.23%	26.35%
F-Value	26.18	26.17	16.83	16.44

Notes. This table presents the regression results. All variables are defined in Table 1. Dependent variables are '**CeoTotComp**' (Column 1) and '**CeoVarComp**' (Column 2). Industry dummies are based on the industry classification of Campbell (1996). Financial variables are winsorized at the 1% and 99% levels. The t-statistics are reported in parentheses. a, b and c denote statistical significance at the 1%, 5%, and 10% levels, respectively.

NOTES