How managerial power impacts CEO compensation and pay gap?

Yi-Mien Lin, Yuh-Jiuan Parng, Teng-Shih Wang
E-mail: melodyp@mail.dyu.edu.tw

ABSTRACT
This paper examines the impacts of managerial power and the intermediate role of financial information on Chief Executive Officer (CEO) compensation and the managerial pay gap. It first measures the impacts of managerial power on compensation and pay gap and further explores the effects of managerial power, value-relevance of earnings information and return on assets. It additionally considers the economic volatility factor and tests the effects during both stable and unstable periods. The empirical results validate three aspects. First, the positive correlation of managerial power with CEO compensation and managerial pay gap based on tournament theory and managerial power theory. Second, it further enriches the linking effects of financial information with managerial power on the prior two issues. Lastly, economic stability makes the prior phenomenon differently, the managerial power impact is stronger during unstable periods. The discoveries pile up the literature study of CEO compensation with the focus of managerial power.

Keywords: CEO compensation; managerial power; pay gap; economic stability.

REFERENCES