A CROSS SECTIONAL STUDY OF THE DETERMINANTS OF US CEO COMPENSATION

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ABSTRACT

The executive compensation is continued to be generating considerable debates. Even with the Sarbanes Oxley Act of 2002, the problem of excessive executive compensation is focus of main argument. This paper seeks to provide a comprehensive examination of the relationship between executive compensation and its related variables such as firm Performance, corporate reputation, CEO power, technology management and CEO human capital. Though there are a lot of studies done on this particular topic, the results are often mixed.

The results of this study report very interesting and important findings. In addition to firm performance and firm size which are relatively well established in many prior literature, corporate reputation and technology management greatly contribute to the determinants of CEO compensation. The better the corporate reputation, the greater the CEO reputation will be. The results also suggest that high technology industries tend to provide larger compensation as compared to the low technology industries. The CEO power measured by tenure and stock ownership also show significantly positive relationship with the CEO compensation. Unlike some of the prior studies, the results of this paper do not support that the CEO human capital, measured by age and education level, influence the executive compensation.

Key Words: Corporate Reputation, Firm Performance, Technology Management and CEO Compensation