

The Contemporary Dynamics of Board Composition and Executive Compensation for R&D Spending

Authors : Farheen Akram

Abstract : Research and Development (R&D) is the most crucial element of the firm's survival in a competitive business environment. R&D is a long-term investment; therefore, executives having the power to make the investment decisions may be pessimistic when their compensation is closely linked with short-term firm performance. Thus, the current study investigates the impact of board composition and executives' compensation (cash or short-term benefits and LTIs) on R&D spending using a sample of 85 S&P/100 firms listed on the Australian Stock Exchange (ASX) in 2017. SmartPLS (v.3.2.7) was used to evaluate the proposed model of current research. The empirical findings of this study indicate that board composition has a significant and positive effect on R&D spending. While, as expected, executive cash compensation has negative and Long-Term-Incentives (LTIs) has a positive impact on R&D spending. Based on current findings, the study suggested that myopic behavior of CEOs and top management towards long-term value creation investment like R&D can be controlled by using long-term compensation rewards.

Keywords : cash compensation, LTIs, board composition, R&D spending

Conference Title : ICBEFM 2020 : International Conference on Business, Economics, Finance, and Management

Conference Location : New York, United States

Conference Dates : January 30-31, 2020