

Chief Financial Officer Compensation in Mergers and Acquisitions Activities

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Abstract : Using a sample of U.S. firms during the period 1993-2015, this study examines whether mergers and acquisitions (M&A) impact the compensation of the Chief Financial Officer (CFO) in the bidding and integration phases of M&As. The study finds that after controlling for CEO power, CFOs' total compensation is higher during M&A years and is driven by higher equity incentives. These results are robust to controlling for self-selection. Furthermore, CFOs receive a greater bonus during the year of acquisition and the year prior. The study also investigates if CFO compensation during M&A years is driven by M&A characteristics and finds that deal size and diversification are positively related to total compensation while completion time is negatively related. The results are robust to a number of sensitivity tests and additional analyses.

Keywords : chief financial officer, compensation, mergers, acquisitions

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