

Directors' Compensation: Analyzing the Multilevel Factors That Exert the Greatest Influence

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Abstract : The economic crisis and notorious corporate scandals have caused social indignation and sparked the debate concerning the underlying rationality of the compensation that directors receive. In this context, this study examines the determinants of the remuneration of directors in listed Spanish companies using individualized data. A multilevel methodology appropriate for this type of data has been used that allows us to differentiate between inter-company variations and intra-company variations. The results show that company size is the variable (at the company level) that exerts the greatest influence on the level of director's compensation. One surprising finding is that the presence of independent directors on the board has a positive influence on remuneration. At the individual level, tenure and experience have a significant influence on the level of compensation, while the director's level of education does not appear to have an effect on it.

Keywords : board of directors, compensation, experience, multilevel, tenure

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