

The Board Quality, CEO Compensation and Executive Team Compensation

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Abstract

In this paper, we explore the effect of board quality (the talent level of outside directors on boards) on the CEO compensation, executive team compensation and the CEO's pay slice (CPS) in the executive team pay developed by Bebchuk, Cremers, and Peyer (2007). Our estimations show that the board quality matters only in the CEO compensation. The good boards pay more to CEOs, but it is not related with the executive team compensation and CPS. This evidence is not consistent with Bebchuk, Cremers, and Peyer (2007) which show that the CPS is high at firms with bad governance.

JEL Classification: D20, G30, J41, J44, J64, L25

Keywords: Corporate Governance, Boards of Directors, Board Quality, CEO Compensation, Executive Team Compensation, Professional Labor Market, CPS

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