The relationship between accounting-based relative performance evaluation (RPE) and CEO compensation

A relação entre a avaliação de desempenho relativo (RPE) baseada em contabilidade e a remuneração do CEO

DOI:10.34117/bjdv9n12-055

Recebimento dos originais: 17/11/2023
Aceitação para publicação: 19/12/2023

Jasmine
Master in Accounting
Institution: Universitas Sumatera Utara
Address: Jl. Prof. TM Hanafiah 12, USU Campus Medan
E-mail: jasmine.ong8991@gmail.com

Juni Vivi Sianturi
Master in Accounting
Institution: Universitas Sumatera Utara
Address: Jl. Prof. TM Hanafiah 12, USU Campus, Medan, Indonesia
E-mail: juni.vivi@student.usu.ac.id

Silvia Sinaga
Master in Accounting
Institution: Universitas Sumatera Utara
Address: Jl. Prof. TM Hanafiah 12, USU Campus, Medan, Indonesia
E-mail: silvia.sinaga@student.usu.ac.id

Iskandar Muda
Doctors in Accounting
Institution: Universitas Sumatera Utara
Address: Jl. Prof. TM Hanafiah 12, USU Campus, Medan, Indonesia
E-mail: iskandarl@usu.ac.id

ABSTRACT
This paper explores the relationship between Accounting-Based Relative Performance Evaluation (RPE) and CEO compensation within the context of corporate governance. The theoretical foundations for RPE are agency theory, economic theory, and stakeholder theory, and the study explores the complexities of CEO compensation, incorporating frameworks like agency theory, tournament theory, and human capital theory. Employing a qualitative descriptive approach, the paper analyzes existing literature to unravel the applications, benefits, and challenges of RPE in CEO compensation. The results and discussion section scrutinizes the RPE process, emphasizing peer benchmarking, defining performance metrics, quantifying relative performance, adjusting for external factors, and incorporating risk and effort sharing. Accounting-Based RPE emerges as a critical subset, offering financial alignment, objective performance metrics, and a shareholder value focus. The paper acknowledges challenges, including data accuracy, comparability issues, and concerns about short-termism. Furthermore, it underscores the integral role of corporate governance in shaping the impact of RPE on CEO compensation.
Keywords: relative performance evaluation, CEO compensation, corporate governance.

RESUMO
Este artigo explora a relação entre a avaliação de desempenho relativo (RPE) baseada em contabilidade e a remuneração do CEO no contexto do controle corporativo. Os fundamentos teóricos para RPE são teoria de agência, teoria econômica e teoria das partes interessadas, e o estudo explora as complexidades da compensação de CEO, incorporando estruturas como teoria de agência, teoria de torneios e teoria do capital humano. Empregando uma abordagem descritiva qualitativa, o artigo analisa a literatura existente para desvendar as aplicações, os benefícios e os desafios do RPE na remuneração dos CEOs. A seção de resultados e discussão examina o processo de RPE, enfatizando a avaliação por pares, definindo métricas de desempenho, quantificando o desempenho relativo, ajustando-se a fatores externos e incorporando o compartilhamento de riscos e esforços. O RPE baseado em contabilidade emerge como um subconjunto crítico, oferecendo alinhamento financeiro, métricas de desempenho objetivas e um foco de valor para o acionista. O documento reconhece desafios, incluindo precisão de dados, problemas de comparabilidade e preocupações sobre curto prazo. Além disso, destaca o papel integral do governo corporativo na formação do impacto do RPE na remuneração de CEO.

Palavras-chave: avaliação de desempenho relativo, remuneração de CEO, governança corporativa.

1 INTRODUCTION
Relative Performance Evaluation (RPE) is the practice of determining a manager’s compensation based on the firm’s performance relative to the observed benchmark of other peer firms, the industry, or the market as a whole (Do, Zhang, & Zuo, 2021). The theoretical foundation for RPE was to eliminate uncontrollable factors such as global economic recession out of incentive contracts based on firm performance. As every firm executives’ face similar market risk, it is more fair to determine compensation based on how one executive faces a market risk compared to their peers (Farmer & Alexandrou, 2013). Holmstrom (1979) added that RPE can be used to indicate the existence of unknown information about a manager’s actions that cannot be determined through only the manager’s output.

However, empirical evidence regarding the benefits of RPE implementation has been mixed and the lack of data on the contractual terms of CEO compensation has caused difficulties in research (Angelis & Grinstein, 2011). Therefore, it is necessary to further our understanding regarding RPE and its relation to CEO compensation. The purpose of this paper is to explain what is RPE and try to answer how it is applied in determining
CEO compensation, evaluating its benefits, challenges, and impact on corporate governance.

2 LITERATURE REVIEW

2.1 RELATIVE PERFORMANCE EVALUATION (RPE)

Relative performance evaluation (RPE) at its’ base is the evaluation of an individual’s performance in comparison to the performance of others in similar levels (Dye, 1992). The concept of RPE is derived from agency theory which suggests that employees may have different interests than that of the organization’s (Holmström, 1979). The economic theory of RPE was developed by Holmström (1982) and tested for existence in executive compensation contracts by Antle and Smith (1986). RPE is seen as one of the solutions to agency problems by aligning individual goals with organizational goals through peer-based performance assessments. The key components to Holmström’s (1979) RPE theory are: to align interests, eliminate uncontrollable factors, indicate managerial actions, and introduce an element of risk and effort sharing.

To showcase the importance of RPE in compensation contracts, Angelis and Grinstein (2011) created a simplified principal-agent model where the principal’s main interest is maximizing profit ($z$). With the assumption that $z$ is influenced by both the agent’s unobservable effort ($e$) and other factors outside of the manager’s control ($x$), we obtain the formula $z = x + e$. Since the principal can only observe $z$, the manager/agent does not shoulder any risk and finds no need to exert additional effort. This becomes the basis to calculate incentive compensation for executives with the added variables of $g$ as a measure of RPE. When RPE is added into the calculation, principals may observe $x$ and $e$ through the adjustment provided by variable $g$.

Angelis and Grinstein (2011) also explained several variables that may affect the optimal level of RPE assigned as well as the level of uncertainty regarding strategies in peer firms. One of the variables is firm size where smaller firms will be much more affected by uncontrollable factors compared to larger firms in the industry. This causes smaller firms to change strategies more often in comparison. Other variables to consider are growth opportunities, extent of interchangeable CEOs, as well as the calculation of a firm’s daily stock return on the industry’s daily stock return.

Researches on RPE has produced mixed results and little support. While some researchers argue that it enhances employee motivation and performance, critics suggest that it may lead to detrimental effects such as increased competition, sabotage, or reduced
collaboration among employees or firms in the industry (Aggarwal & Sarwick, 1999; Joh, 1999). Studies have explored the impact of RPE on various outcomes, including job satisfaction, turnover, and overall organizational performance, with results varying across industries and organizational contexts. In terms of CEO compensation, the design of RPE may also be influenced by powerful CEOs through selection of peer firms for comparison (Dikolli, Diser, Hofmann, & Pfeiffer, 2018) or influenced indirectly via process of performance evaluation (Abernethy, Kuang, & Qin, 2015). This influence may result in an excess compensation.

The design and implementation of RPE systems play a crucial role in their effectiveness. Factors such as the choice of performance measures, frequency of evaluations, and the transparency of the evaluation process impact how RPE influences employee behavior. Firms that lack monitoring on their employees would find RPE unnecessary (Bertrand and Mullainathan, 2001; Angelis and Grinstein, 2013) and firms less affected by industry shock would also tend to use less RPE on their contracts (Cremers and Grinstein, 2013; Angelis and Grinstein, 2013).

Accounting-Based RPE, by incorporating peer comparisons, aims to provide a more nuanced evaluation, aligning executive interests with those of shareholders. Accounting-Based RPE involves the use of financial metrics, peer comparison, and adjustments for industry dynamics. Commonly employed indicators include return on assets (ROA), which gauges the efficiency of asset utilization, return on equity (ROE), reflecting the profitability relative to shareholder equity, and earnings per share (EPS), indicating the company's profitability on a per-share basis. These metrics serve as foundational benchmarks in evaluating a company's financial performance (Muda et al., 2019, Sadalia et al., 2019). Peer comparison provides a crucial contextualization of a company's financial performance within the broader industry landscape. By benchmarking against peer firms, Accounting-Based RPE ensures a more realistic and meaningful assessment, considering industry-specific nuances and challenges.

The approach laid out by Lobo, Neel, & Rhodes (2018) exemplifies the evolution of executive performance evaluation beyond simplistic metrics. Accounting-Based RPE, through its incorporation of peer comparisons and industry-specific adjustments, not only provides a more accurate reflection of a company's financial standing but also contributes to fostering a compensation structure that aligns the interests of executives with the long-term success of the organization.
2.2 CEO COMPENSATION

The study of CEO compensation is grounded in several theoretical frameworks. Agency theory posits that executive pay serves as a mechanism to align the interests of managers and shareholders and motivate the CEO (Albuquerque, 2009). Other theories, such as tournament theory and human capital theory, contribute to understanding the dynamics of CEO pay.

CEO compensation typically comprises of three components, which are salary, bonuses, and equity-based compensation composed of stock options, restricted stocks, and/or performance shares (Noviani, 2022). Salaries are generally determined by the level of responsibilities a CEO bears, their experience, as well as the payment by other comparable firms. Bonuses are generally defined as a percentage of salary given for achievements met at the end of a fiscal year. The same can be defined for equity-based compensation (Almeida, 2014).

The relationship between CEO compensation and firm performance remains a central focus of research, reflecting the ongoing interest in understanding the dynamics of executive pay and its’ impact on organizational outcomes (Yulisfan, 2021). Scholars and researchers have delved into various aspects of this complex relationship, examining factors such as incentive structures, equity-based compensation, and the alignment of CEO interests with those of shareholders (Hai Yen, 2022).

One seminal study in this field is the work of Jensen and Murphy (1990), who introduced the concept of "agency theory" to explain the principal-agent relationship between shareholders and CEOs. Their study emphasized the need to align executive compensation with shareholder interests to mitigate agency problems and ensure that CEOs act in the best interests of the company. Subsequent research has explored the nuances of CEO compensation in different contexts. For instance, Bebchuk and Fried (2004) investigated the role of compensation committees in determining CEO pay, emphasizing the importance of independent and vigilant committees in designing effective executive compensation packages. Additionally, studies like that of Frydman and Jenter (2010) have scrutinized the impact of CEO power and influence on compensation decisions, highlighting how CEOs with greater bargaining power may negotiate more favorable pay packages, sometimes decoupled from firm performance.

CEO compensation has also been examined in the context of social responsibility and stakeholder theory. One notable study in this realm is that of Carroll and Shabana (2010), who investigated the relationship between corporate social responsibility (CSR)
and executive compensation (Vasiljeva et al., 2023). Their research emphasized the growing importance of CSR initiatives in the business landscape and examined how executive pay might be influenced by a company's commitment to social and environmental concerns (Rahmi, 2022). Furthermore, the work of Freeman et al. (2010) delves into stakeholder theory, emphasizing that corporations have a responsibility to consider the interests of all stakeholders, not just shareholders. In the context of CEO compensation, this theory suggests that executive pay structures should align with the broader interests of employees, customers, and the community. The study underscores the need for executives to balance the pursuit of financial objectives with the social and ethical dimensions of their decisions.

3 METHODS

This study uses a qualitative descriptive approach as it’s methodological framework. Qualitative description is a research design that focuses on providing a detailed account and interpretation of the phenomena under investigation, with an emphasis on generating insights and understanding the complexities of the subject matter (Patton, 2002). The qualitative descriptive approach aligns with the research objectives of this study, which aim to explore and describe the applications of Relative Performance Evaluation (RPE) in determining CEO compensation.

This approach analyzes and collects previous literatures regarding the relative performance evaluation and CEO compensation. Sources of data are obtained from various journals and analysis reports done by accounting corporations. This study will give a description on how relative performance applications are applied to determine CEO compensation as well as the benefits, challenges, and its’ impact on corporate governance. Therefore, the methodology used is pure literature analysis, evaluation, and drawn conclusions from theoretical analysis and discussion results, adding deeper insight to achieve a better understanding.

4 RESULT & DISCUSSION

The application of Relative Performance Evaluation on CEO compensation does not have a universal set of steps; however, it is generally done as below:

1. Identifying Peer Firms and Benchmarking

One of the initial steps in applying RPE is the identification of peer firms for benchmarking. This involves selecting companies that are similar in industry, size,
and market conditions. Benchmarking against peer firms is crucial for contextualizing performance (Antle & Smith, 1986; Angelis & Grinstein, 2011).

2. **Defining Performance Metrics**
Clearly defining the performance metrics that will be used to assess CEO performance is essential. These metrics can include financial indicators like return on investment (ROI), earnings growth, or market share. The choice of metrics should align with organizational goals (Antle & Smith, 1986; Lobo, Neel, & Rhodes, 2018).

3. **Quantifying Relative Performance**
Once metrics are established, the next step involves quantifying relative performance. This often includes comparing the CEO's performance against that of peer CEOs or against industry benchmarks. This quantification can be expressed in terms of percentage differences or other relevant measures (Antle & Smith, 1986; Angelis & Grinstein, 2011).

4. **Adjustments for External Factors**
Recognizing that external factors beyond the CEO's control may influence performance, adjustments are often made. This step involves accounting for macroeconomic conditions, industry-specific challenges, or other uncontrollable variables to ensure a fair assessment (Angelis & Grinstein, 2011; Lobo, Neel, & Rhodes, 2018).

5. **Incorporating Risk and Effort Sharing**
As per Holmström's (1979) theory, RPE involves introducing an element of risk and effort sharing. This step requires considering not only the outcomes but also the efforts exerted by the CEO. The compensation structure should reflect the CEO's ability to manage risks and make strategic decisions (Holmström, 1979; Angelis & Grinstein, 2011).

6. **Periodic Evaluation and Feedback**
RPE is often implemented through periodic evaluations. Regular assessments provide an ongoing feedback loop, allowing for adjustments to compensation based on changing performance dynamics. This step ensures that the CEO's incentives remain aligned with the organization's goals (Angelis & Grinstein, 2011; Lobo, Neel, & Rhodes, 2018).

7. **Transparency and Communication:**
Communication is critical in the application of RPE. Transparently communicating the methodology, performance metrics, and the rationale behind compensation decisions helps foster understanding and acceptance among stakeholders, including executives and shareholders (Angelis & Grinstein, 2011; Lobo, Neel, & Rhodes, 2018).

8. Governance Oversight:
Implementing RPE on CEO compensation often involves governance oversight. Boards of directors and compensation committees play a vital role in ensuring that the RPE process is fair, objective, and in the best interest of the company and its shareholders (Angelis & Grinstein, 2011; Lobo, Neel, & Rhodes, 2018).

The link between CEO compensation and firm performance is a central concern in corporate governance. Accounting-Based RPE plays a pivotal role in shaping CEO compensation packages by offering a more tailored and contextualized evaluation of executive performance (Jensen & Murphy, 1990). This approach recognizes that a one-size-fits-all evaluation may not accurately capture the complexities of executive performance. Instead, Accounting-Based RPE allows for a nuanced assessment that considers industry dynamics, company size, and other relevant factors (Lobo, Neel, & Rhodes, 2018). This approach also fosters an alignment of interests between CEOs and shareholders, encouraging a focus on long-term value creation (Baker & Hall, 2004).

The usage of RPE in general has both proponents and critics when it comes to determining CEO compensation. Some of the potential benefits from RPE application are:

- Alignment with Shareholder Interests
  RPE aligns CEO compensation with shareholder interests by comparing the company's performance against industry peers. This alignment is crucial for ensuring that CEOs are incentivized to make decisions that contribute to the company's competitiveness and financial success (Antle & Smith, 1986; Angelis & Grinstein, 2011).

- Motivation for Excellence
  RPE can motivate CEOs to strive for excellence as they are measured against the performance of their peers. Knowing that their compensation is tied to relative performance, CEOs may be more inclined to adopt strategies that lead to superior performance compared to industry benchmarks.
• **Risk Mitigation**
RPE can mitigate agency problems by discouraging excessive risk-taking. CEOs might be less likely to engage in high-risk strategies solely for short-term gains if their compensation is tied to both absolute and relative performance metrics, promoting a more balanced approach to decision-making (Angelis & Grinstein, 2011; Lobo, Neel, & Rhodes, 2018).

• **Long-Term Focus**
Relative performance evaluation can encourage a long-term perspective. CEOs may be incentivized to invest in strategies and initiatives that contribute to sustainable growth rather than pursuing short-term gains that might not be beneficial in the long run (Jensen & Murphy, 1990; Angelis & Grinstein, 2011).

• **Adaptability to Economic Conditions**
RPE allows for a degree of adaptability to economic conditions. In industries where macroeconomic factors significantly impact performance, RPE provides a framework that considers the relative success of a CEO in navigating challenging economic environments (Angelis & Grinstein, 2011).

• **Industry Benchmarking**
Using RPE allows for industry benchmarking, enabling boards of directors to assess CEO performance in the context of the competitive landscape. This comparative approach can provide valuable insights into how well a CEO is steering the company relative to industry norms (Lobo, Neel, & Rhodes, 2018).

• **Flexibility in Performance Metrics**
RPE provides flexibility in choosing performance metrics. Boards can tailor the evaluation criteria to match the specific circumstances and goals of the company, allowing for a more customized and nuanced assessment of CEO performance (Angelis & Grinstein, 2011).

• **Peer Group Selection**
The process of selecting a peer group for comparison in RPE encourages boards to carefully consider industry dynamics, company size, and other relevant factors. This thoughtful selection process contributes to a more accurate and fair evaluation of CEO performance.

• **Reduced Sensitivity to External Factors**
RPE can reduce the sensitivity of CEO compensation to external factors that affect the entire industry. By focusing on relative performance, compensation committees can help ensure that CEOs are rewarded for their efforts and strategies rather than being penalized for factors beyond their control (Angelis & Grinstein, 2011; Lobo, Neel, & Rhodes, 2018).

- **Enhanced Transparency**

  The use of RPE can enhance transparency in the compensation-setting process. Clearly defined benchmarks and criteria for evaluation provide stakeholders, including shareholders and employees, with a clearer understanding of the rationale behind CEO compensation decisions.

  Additionally, Accounting-Based RPE has added benefits of financial alignment, objective performance metrics, and shareholder value focus. Accounting-Based RPE aligns executive compensation directly with the financial performance of the company and motivate the executives to make decisions that contribute to the company's overall financial success (Jensen & Murphy, 1990). The financial metrics used in Accounting-Based RPE, such as return on investment (ROI), earnings growth, or market share, are often objective, quantifiable, and relevant to shareholder value (Lobo, Neel, & Rhodes, 2018).

  While there are benefits to using relative performance evaluation, it's important to acknowledge that the effectiveness of this approach can depend on various factors, including the selection of appropriate peer groups, the design of performance metrics, and the broader corporate governance framework in place. Besides its’ advantages, there are challenges and criticisms to the application of RPE, specifically Accounting-Based RPE, as well. Data accuracy and comparability issues arise due to differences in accounting methods and reporting standards across industries (Ittner & Larcker, 2003). Concerns about potential short-termism persist, as even adjusted metrics may incentivize CEOs to prioritize immediate gains (Bebchuk & Fried, 2004). Additionally, subjectivity in adjustments raises questions about the reliability and objectivity of the evaluation (Antle & Smith, 1986).

  The impact of relative performance evaluation (RPE) on CEO compensation is also closely tied to corporate governance practices. Corporate governance frameworks play a crucial role in shaping the design, implementation, and effectiveness of RPE in determining CEO compensation. Here are some key impacts and considerations:

  - **Alignment with Shareholder Interests**
RPE, when integrated into corporate governance structures, helps align CEO compensation with shareholder interests. Corporate governance mechanisms, such as compensation committees comprised of independent directors, play a role in ensuring that RPE is used to incentivize CEOs to act in the best interests of shareholders (Jensen & Murphy, 1990).

- **Role of Compensation Committees**
  Corporate governance’s best practices often recommend the establishment of compensation committees responsible for CEO pay decisions. These committees, comprised of independent directors, are instrumental in overseeing the use of RPE in determining CEO compensation. They ensure that the evaluation process is objective, transparent, and aligned with corporate objectives (Bebchuk & Fried, 2004).

- **Transparency and Disclosure**
  Effective corporate governance encourages transparency and disclosure in executive compensation practices. Companies employing RPE are often required to disclose the specific metrics and benchmarks used in their evaluations. This transparency helps shareholders and other stakeholders understand the rationale behind CEO compensation decisions and assess whether RPE is being applied judiciously (Carroll & Shabana, 2010).

- **Stakeholder Involvement**
  Corporate governance practices that involve stakeholders in the compensation-setting process can impact the use of RPE. Engaging shareholders through advisory votes on executive compensation allows them to express their views on whether RPE is appropriately utilized and whether CEO pay aligns with performance (Freeman, Harrison, Wicks, Parmar, & Colle, 2010).

- **Risk Management and Oversight**
  Corporate governance frameworks emphasize the importance of risk management and oversight. RPE, if not carefully managed, could incentivize CEOs to take excessive risks for short-term gains. Corporate governance mechanisms, including risk committees, can help ensure that RPE aligns with the company’s risk appetite and long-term strategic goals (Bebchuk & Fried, 2004).

- **Ethical Considerations**
Ethical considerations are integral to corporate governance. The use of RPE raises ethical questions, such as the potential for unhealthy competition among executives. Corporate governance practices should address these concerns and establish ethical guidelines to prevent unintended negative consequences (Freeman, Harrison, Wicks, Parmar, & Colle, 2010).

- **Performance Metrics Selection**

The choice of performance metrics is a critical aspect of RPE. Corporate governance practices guide compensation committees in selecting appropriate metrics that reflect the company's strategic objectives and align with long-term value creation. This ensures that RPE contributes to sustainable performance rather than encouraging short-termism (Bebchuk & Fried, 2004).

- **Evaluation of Peer Groups**

Corporate governance practices guide the process of selecting peer groups for comparison in RPE. Compensation committees are responsible for ensuring that the chosen peer group is relevant, representative, and reflective of industry dynamics. Transparent criteria for peer group selection contribute to the credibility of RPE in CEO compensation (Bebchuk & Fried, 2004).

- **Regulatory Compliance**

Corporate governance practices often intersect with regulatory requirements. Companies need to ensure that their use of RPE in CEO compensation aligns with applicable laws and regulations. Corporate governance mechanisms assist in maintaining compliance and avoiding legal and reputational risks (Bebchuk & Fried, 2004).

- **Shareholder Activism**

Shareholder activism is a key aspect of corporate governance. Companies with effective governance structures are more likely to respond to shareholder concerns and engage in constructive dialogue on executive compensation practices, including the use of RPE (Freeman, Harrison, Wicks, Parmar, & Colle, 2010).

In summary, the impact of RPE on CEO compensation within the realm of corporate governance is significant. Effective governance practices ensure that RPE is applied judiciously, transparently, and in a manner that aligns CEO incentives with the long-term interests of shareholders and the company as a whole. As corporate governance
standards evolve, the impact of RPE will continue to be shaped by the evolving expectations of shareholders, regulators, and the broader business community.

5 CONCLUSION

In conclusion, Relative Performance Evaluation (RPE) is a multifaceted tool in determining CEO compensation, intertwining aspects of executive performance, shareholder alignment, and corporate governance. As explored in this paper, the application of RPE in CEO compensation involves a nuanced process that considers various factors such as peer benchmarking, performance metrics, risk sharing, and governance oversight. While RPE, including the Accounting-Based RPE, holds promises of aligning executive incentives with shareholder interests, motivating excellence, and promoting long-term focus, it is not without challenges and criticisms.

The literature review highlights the theoretical foundations of RPE, drawing from agency theory, economic theory, and stakeholder theory. It reveals the complexities of CEO compensation, a subject grounded in frameworks such as agency theory, tournament theory, and human capital theory. The study of CEO compensation is not only about financial incentives but also about balancing the interests of stakeholders, corporate social responsibility, and ethical considerations.

The results of this paper present a detailed examination of the RPE process, emphasizing the importance of identifying peer firms, defining performance metrics, quantifying relative performance, adjusting for external factors, and incorporating risk and effort sharing. Accounting-Based RPE emerges as a crucial subset, providing financial alignment, objective performance metrics, and a shareholder value focus.

However, it is crucial to recognize the problems and disadvantages associated with RPE. Challenges include data accuracy, comparability issues, concerns about short-termism, and subjectivity in adjustments. Furthermore, the impact of RPE on CEO compensation is intricately linked with corporate governance practices. Governance mechanisms, such as compensation committees and transparent communication, play a vital role in ensuring fair, objective, and ethical application of RPE. Stakeholder involvement, risk management, and compliance with regulatory requirements are integral components of effective corporate governance.

As we move forward, further empirical research and case studies will be essential to deepen our understanding and refine the application of RPE in executive compensation.
practices, ultimately fostering a governance framework that aligns the interests of CEOs, shareholders, and the broader stakeholders for sustainable organizational success.
REFERENCES


