Global Review of Accounting and Finance
Vol. 3. No. 2. September 2012. Pp. 18 – 31

How Does Corporate Governance Affect CEO Pay in Family and Non-Family Firms?

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The aim of this paper is to examine how family businesses and non-family businesses pay their CEOs differently and the role corporate governance plays in the process. This is an empirical study to analyze the data of 400 listed firms on the Hong Kong Stock Exchange Main Board Market during 2005-2007. Multiple regression analysis is applied to examine the relationships among family firms, executive pay and corporate governance mechanisms. The empirical results show that compared with non-family businesses, family businesses tend to grant more fixed compensation and less performance-based pay to their CEOs. Besides, when the CEOs are also the chairmen of the boards in family businesses, they get more fixed compensation. According to the literature review, this is the first study to examine the identity of the remuneration committee chairman as a proxy for the independence level of the committee. We found that assigning INED to chair the remuneration committee and increasing the percentage of INED on the committee help to restrain fixed compensations and encourage performance-based pay in family businesses.

JEL Codes: G32 and G34

Keywords: Corporate governance, executive compensation, ownership structure

1. Introduction

Inspired by the Cadbury Report (1992), market regulators in the developed countries (such as UK, US) advocate various governance systems such as enhancing the independence level of the board, avoiding CEO duality (CEO and chairman of the board are the same person) and setting up remuneration committees to mitigate agency problems. East Asian markets have followed the corporate governance practices from the West in the past decade; however, the effectiveness of these practices in the region is still questionable. This paper contributes to the corporate governance literature by examining the relationship among corporate governance mechanisms, CEO pay and family ownership structures in Hong Kong.

According to the literature review, this is the first paper to examine the independence level of the remuneration committee by two measures, namely, the percentage of INED on remuneration committee and whether the committee is chaired by an INED. The results indicate that the traditional governance practices (such as CEO duality and independence level of the board) advocated by regulators around the world do not play significant roles in CEOs pay in Hong Kong. Instead, the comparatively new corporate governance tool, the remuneration committee, plays a crucial role in CEOs pay levels

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setting, the empirical results strongly support that the independence level of the remuneration committee is important in monitoring and balancing CEOs compensation packages.

This study also finds that family businesses and non-family businesses have very different compensation practices and they are affected by the governance mechanisms in very distinctive ways; where family businesses tend to pay more fixed compensation and less performance-based pay to their CEOs and these practices apply to both family-CEOs (CEO is a family member) and outsider-CEOs (CEO is not a family member). We believe that it is because family businesses tend to run the companies in more traditional management style; therefore, they tend to retain the conventional compensation practices and rely on fixed compensation. Besides, this study finds that in family firms, the CEO duality is positively related to fixed compensation; on the contrary, a negative relationship is found in non-family firms. These results imply that the monitoring power of the shareholders in family firms is weaker; therefore, when the CEOs are also the chairmen of the board in family firms, they have more power to influence their own compensations.

Hong Kong is chosen for the study because it is a mixture of the West and East. On one hand, it has the characteristics of the less developed markets, such as highly concentrated ownership via pyramid structures, cross-holdings and deviations from one-share-one-vote rules (Claessens et al. 1999). On the other hand, the legal system and corporate governance policies in Hong Kong are highly influenced by the developed markets; where the social and economics characteristics in many developed markets can be found in Hong Kong, such as the low corruption rate and well-developed financial market structure. Besides, according to previous survey results conducted by international corporate governance ranking agencies (such as CLSA, Political and Economic Risk Consultancy), Hong Kong is usually ranked at the top three countries among East Asian markets. Therefore, Hong Kong provides a good environment to study the mixture of family ownership structure and western board practices.

The paper is organized as follows. In Section 2, we review the related literature; in section 3, we develop the methodology and model; in section 4, we present the econometrics specifications; in section 5, we explain how the data are collected. Section 6 presents the regression analyses and section 7 concludes.

2. Literature Review

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2.1 Agency Problem and Executive Pay

The association between managerial incentive and firm performance in the Western world has long been studied and has referred to the sensitivity of pay to performance (Fama, 1980). The concept behind pay-performance sensitivity is the dollar change in executive wealth associated with each dollar change in shareholder wealth. There are also some pay-performance sensitivity studies in East Asian markets. For example, Kato and Long (2005) examine the relationship between managerial pay and firm performance of China listed firms during 1998 to 2002. They are the first to find that pay-performance sensitivity is statistically significant in the China market. However, Firth et al. (2007) study the same issue of Chinese listed firms during 1998 to 2000. On

the contrary, they find that the pay-performance sensitivity is low and question the effectiveness of firms' incentive systems of the market.

Cheng and Firth (2005) study the pay-performance sensitivity of Hong Kong listed firms and find that the executive director pay levels in the market are closely correlated to firms' performances. Lin (2005) examines the correlation between executive pay and firm performances in the Taiwan market and find that the relationship between the two is positive but not at a significant level. In sum, similar to the diverse results found in the Western markets studies, the empirical results of East Asian markets are inconsistent due to differences in market, time frame and measurement method.

2.2 Family-Controlled Businesses and Executive Pay

Empirical results show that the studies on the relationship between family firms and executive pays in the US and UK markets are rather diverse. On one hand, DeAngelo and DeAngelo (2000) and Anderson and Reeb (2004) find that family members in the listed family firms tend to extract private benefits of control via excessive compensation schemes, extraordinary dividend payouts and related-party transactions. Kole (1997) suggests that the incentive compensation is potentially less effective in family firms relative to non-family firms. Stigler and Friedland (1983) find no relationship between ownership concentration and CEO pay in a sample of 92 US companies for the period of 1937-1938.

On the other hand, some suggest that family ownership structure reduces agency costs and increases incentives for diligence and self-discipline because founding families CEOs have inducements to maximize the long-term growth of family businesses as the successes of the companies represent the families' reputations (Santerre and Neun, 1989; Dyl, 1988; FitzRoy and Schwalbach, 1990; Goldberg and Idson, 1995). Some studies suggest that management entrenchment problem is less common in family firms because managers in non-family firms possess superior information that allow them to pursue their own interests and forgo the shareholders interest (Anderson and Reeb, 2003). Gersick et al. (1997) and Miller and Le Breton-Miller (2006) find evidence suggesting that owners-managers in family firms tend to accumulate wealth of their businesses in the long perspective so that family businesses can be passed on from generation to generation.

Comparatively, East Asian studies generate consistent results. Prior studies report that getting excessive pay is one of the methods controlling shareholders use to expropriate minority shareholders in family firms (Firth et al., 2007; Filatotchev et al., 2005); these studies conclude that the family ownership structures lead to weak pay-performance sensitivity. Faccio et al. (2001) and Filatotchev et al. (2005) find that in family firms high levels of ownership concentration lead to expropriation of minority shareholder interests. Cheng and Firth (2005) also conclude that in a family ownership dominated market; institutional investors help to restrain executive pay. Claessens et al. (1999) and Claessens et al. (2000) find that the ownership in East Asian markets is highly concentrated, where voting rights frequently exceed cash-flow rights via pyramid structures and cross-holdings and two-thirds of firms are controlled by a single shareholder. Among the East Asian countries, listed firms in Hong Kong are predominantly controlled by families. They find extensive family control in more than half of East Asian corporations and suggest that founding families expropriate minority shareholder wealth through excessive compensation schemes. Other empirical studies also document that ownership concentration and unification of ownership and

management in family firms create agency costs because of management entrenchment.

In sum, prior East Asian studies conclude that in family firms, managers tend to receive excessive pay and they are not paid according to firm performances (weak pay-performance sensitivity), implying that the managers in family firms do not have to work harder to get more pay.

3. The Methodology and Model

3.1 CEO Pay and Board Composition

The board of directors is the primary internal corporate governance mechanism that monitors senior management, including setting management compensations (Jensen, 1993; Lorsch, 1989; Main & Johnston, 1993). According to Jensen (1993), the board represents shareholders to serve as their first line of defence against a self-serving management team and the INED are expected to exercise independent judgment, to guard against over-generous executive compensations and to promote performance-related practices (Cadbury, 1992; Greeenbury, 1995; Hampel, 1998; and OECD, 1999).

However, there are also findings that INED do not monitor the top management effectively. Conyon and Peck (1998) and Parthasarathy et al. (2006) conclude that the percentage of outside directors has only limited effect on the level of top management compensation. Also, Cheng and Firth (2005) find no significant evidence that outside directors act to impose pay-for-performance incentive schemes on top management. Although the conclusions from previous studies are mixed, based on the principal that the boards are the most essential internal corporate governance mechanisms which are expected to "provide a governance safeguard to both equity and managerial employment contracts" (Baysinger and Hoskisson, 1990), we hypothesize,

H1a: In family business, CEO fixed compensation level is negatively related to the percentage of INED on the board.

H1b: In family business, CEO performance-based pay level is positively related to the percentage of INED on the board.

3.2 CEO Pay and CEO Duality

Boyd (1994) states that "CEO duality exists when a firm's CEO also serves as the chairman in the board of directors. Holding the highly symbolic position of board chair would provide the CEO with a wider power base and locus of control'. International corporate governance reports (Cadbury, 1992; OECD, 1999) recommend that the role of CEO and chairman of the board should not be combined and the responsibilities of CEO and chairman of the board should be clearly segregated. Therefore, appointing two different persons to perform CEO and chairman roles is considered to be one of the most crucial internal governance mechanisms.

However, empirical studies do not provide consistent conclusions on the effectiveness of such mechanism. Rechner and Dalton (1991) and Pi and Timme (1993) empirically prove that duality is negatively related to shareholders interests, where CEO duality weakens the monitoring role of the boards of directors over executives which leads to

poor corporate governance. On the contrary, numbers of findings support the opposite, for example, Main et al. (1994) conclude that “CEOs who also hold the role of chairman of the board do not earn significantly more money”. Although existing studies present diverse results, empirical results supporting the positive relationship between duality and CEOs compensations seem to dominate, therefore, we hypothesize,

H2a: In family business, CEO fixed compensation level is positively related to the CEO / chairman duality.

H2b: In family business, CEO performance-based pay level is negatively related to the CEO / chairman duality.

3.3 CEO Pay and Remuneration Committee

Compared with the developed markets (such as US, UK), the remuneration committee is a rather new governance structure in East Asian market. Main and Johnston (1993) stress that “there are strong theoretical reasons for expecting a Board sub-committee such as the remuneration committee to exert an influence on top executive pay. And that influence should be in the interests of the owners, i.e., the shareholders”.

In this paper, all firms have established remuneration committees and thus it is not necessary to measure the existence of the committee. Instead, we further test the independent level of the remuneration committee by examining the percentage of INED on the committee and whether the committee is chaired by an INED. We hypothesize,

H3a: In family business, CEO fixed compensation level is negatively related to the independent level of the remuneration committee.

H3b: In family business, CEO performance-based pay level is positively related to the independent level of the remuneration committee.

4. Econometrics Specifications

The empirical model for testing the relationship among CEOs compensation, family ownership structure and firm-level corporate governance mechanism is designed as follows:

$$\ln COMP_{it} = \alpha_0 + \alpha_1 FAMD_{it} + \alpha_i (\text{FIRM-LEVEL CG MECHANISMS})_i + FAMD_{it} * \alpha_j (\text{FIRM-LEVEL CG MECHANISMS})_j + \alpha_k (\text{Controls})_k + \varepsilon_{it}$$

4.1 Dependent Variables

There are two dependent variables in this study, namely, fixed compensation (FIXEDPAY) and performance-based pay (PBP). FIXEDPAY is the CEOs’ annual fixed compensations, and PBP is the sum of the compensation (i.e., cash bonus, other benefits and allowances, share-based benefit and share-option benefit) granted to CEOs based on their performance. Following Cheung et al., (2005), Chung and Pruitt (1996) and Firth et al., (2007), both dependent variables are expressed in natural logarithm forms to reduce their dynamic ranges.

4.2 Independent Variables

Family ownership structure is measured by a dummy variable (FAMD), which equals 1 if the total shareholding by the controlling shareholders (or all family members) exceeds 20% of total issued shares (La Porta et al. 1999) and at least two or more family members are board members; 0, otherwise. FIRM-LEVEL CG MECHANISMS represents five major independent variables in the regression model. DUAL refers to CEO / chairman duality, it is a dummy variable equals 1 if both CEO and Chairman role are performed by the same person; 0, otherwise. FAMDCEO measures if the CEO is a family member, the dummy variable equals 1 when CEO is a family member; 0, otherwise. INED% measures the percentage of INED on the board. The independent level of the remuneration committee is measured by two variables, RCINED% and RCCHAIR. RCINED% measures the percentage of INED on the remuneration committee; RCCHAIR is a dummy variable, which equals 1 if the chairman of the remuneration committee is not an INED; 0, otherwise.

There are five alternate measures for firms' performance, namely, ROA (net profit divided by total assets); ROE (net profit divided by total equity); Tobin's Q (ratio of book value of total assets minus the book value of equity plus the market value of equity to book value of total asset); REVENUE (sales revenue) and PROFIT (net profit).

Four control variables are included as they might bring confounding effects into the relationships between CEOs compensation and internal governance mechanisms. Firm size is controlled by the total asset of the company (ASSET), which is presented in natural log form. Leverage (LEVERAGE) is controlled by the ratio of the book value of total debt divided by the book value of total assets. Market-to-book ratio (MBR) is also included, which is measured by the market value of equity divided by the book value of equity.

The last control variable is to control the origins of the companies. It is a dummy variable represented by acronym CHINA, which equals 1 if the company is either H-share or Red-chip company; 0, otherwise. The companies' origins are controlled because a lot of Chinese companies listed in Hong Kong used to be State Owned Enterprises (Firth et al., 2007), their companies' histories and backgrounds, board structures, management styles, corporate governance levels (Ke et al. 2008) and even organizational goals are very different from the other listed companies in Hong Kong. Therefore, we predict the CEOs compensation practices of the Chinese companies are different from other listed companies in the market.

5. Data

According to Claessens et al. (2000), listed firms in Hong Kong are predominantly controlled by families and the largest ten families in Hong Kong control about a third of the corporate sector. In such an environment, if we adopt a random data collection method, the samples would inevitably be biased by family controlled firms. Therefore, we first divide all the companies listed on the Hong Kong Stock Exchange (main board) during 2005-2007 into two categories, namely, family and non-family. Following La Porta et al., (1999), a company is defined as family owned if the total shareholding by the controlling shareholders (or all family members) exceeds 20% of total issued shares and at least two or more family members are board members.

Then we exclude companies that have less than three-year listing history in order to avoid IPO effects. Firms with missing data are also excluded. After these two steps, 200 companies are left in the non-family group. Therefore, we pick 200 companies from the family group to match with the companies in the non-family group. As a result, the final sample consists of 400 firms (800 firm-years).

All compensation, board composition, shareholding, internal corporate governance data were hand collected from annual reports. The financial data of sample firms were collected from Datastream and Worldscope.

6. Regression Analyses

6.1 Results on CEOs Fixed Compensation

Table 1 presents the regression results of fixed compensation on family ownership structure and firm-level corporate governance mechanisms. Five alternate measures for firms' performances are tested, the results present in Column 1 to 2 show that the empirical results are robust in ROA and ROE. The other three performances are also tested and they are robust in all accounting and market measures.

Consistent with Conyon and Peck (1998) and Parthasarathy et al. (2006) but contradict with Firth et al., (2007), we do not find significant relationship between the percentage of INED on the board and fixed compensations for CEOs in family firms. Therefore, the results do not support H1a.

In family firms, DUAL is positively related to fixed compensation at an insignificant level but the opposite is found in non-family firms, where their relationship is significantly negative. Although the null hypothesis for H2a is not rejected, it is interesting to note that these results imply that the monitoring power of the shareholders in family businesses is weaker than in non-family businesses. Therefore, when the CEOs are also the chairmen of the board, they have more power to influence their own compensation levels in family firms.

The independence levels of remuneration committees are represented by two variables, RCINED% and RCCHAIR. The results show that the percentage of INED on remuneration committees (RCINED%) play significant roles in CEOs fixed compensation level in both family and non-family businesses, even though it brings opposite effects to the two. The coefficients on RCINED% are positive and significant in non-family businesses, versus the coefficients on FAMD*RCINED% are all negative and significant, which indicate that high independence level of the remuneration committee in family businesses helps to restraint the high fixed compensation for CEOs.

On the contrary, the coefficients on both RCCHAIR and FAMD*RCCHAIR are positive and insignificant. Although the results do not support H3a, it is interesting to note that when the chairmen of the remuneration committees are not INED, firms tend to pay more fixed compensations to their CEOs in both family and non-family businesses.

Similar with previous studies (Fernandes, 2008; Duffhues and Kabir, 2008), it is not surprising to see that the fixed compensation level is not tied to firm performance but is significantly related to firm size and firm's origin.

Table 1: Regression of CEOs Fixed Compensations on Ownership Structure, Internal Governance Mechanisms and Firm Performances

Dependent Variable = CEOs Fixed Compensations

Independent Variables	Column 1: PERF = ROA	Column 2: PERF =ROE
Intercept	2.20*** (4.54)	2.12*** (4.38)
PERF	0.00 (0.00)	0.00 (0.06)
FAMD	1.03** (2.04)	1.01** (1.99)
DUAL	-0.39*** (-2.76)	-.035 * (-2.49)
FAMILYCEO	0.13 (0.85)	0.08 (0.53)
INED%	-0.01 (-0.02)	-0.01 (-0.01)
RCINED%	1.25*** (3.58)	1.21*** (3.44)
RCCHAIR	0.20 (1.56)	0.24 * (1.89)
FAMD*PERF	0.00 (0.15)	0.00 (0.03)
FAMD*DUAL	0.19 (0.98)	0.19 (0.99)
FAMD*INED%	-0.42 (-0.50)	-0.49 (-0.59)
FAMD*RCINED%	-1.51*** (-2.86)	-1.44*** (-2.72)
FAMD*RCCHAIR	0.10 (0.57)	0.01 (0.05)
CHINA	-0.69*** (-6.25)	-0.76*** (-6.96)
ASSET	0.15*** (6.07)	0.16*** (6.50)
LEVERAGE	0.26 (1.47)	0.27 (1.43)
MBR	0.00 (0.45)	0.00 (0.47)
Adjusted R^2	0.25	0.25

All regressions include industry dummy variables. *t*-Statistic values are reported in parentheses. ***, **, and * Significance at 1%, 5%, and 10% level, respectively.

FAMD is a dummy variable equals 1 when the total shareholding by the controlling shareholders (or all family members) exceeds 20% of total issued shares and at least two or more family members are board members; 0 otherwise; DUAL is a dummy variable equals 1 if both CEO and chairman are performed by the same person; 0 otherwise; FAMDCEO is a dummy variable equals 1 if the CEO is a family member; 0 otherwise; INED% is the total number of independent non-executive director divided by the total number of board of directors; RCINED% is the total number of independent non-executive director in the remuneration committee divided by the total number of directors in the remuneration committee; RCCHAIR dummy variable equals 1 if the chairman of the remuneration committee is not an independent non-executive director; 0, otherwise; CHINA is a dummy variable equals 1 if the company is either a H-share or Red-chip company; 0, otherwise; ASSET is the natural log of total assets; LEVERAGE is the ratio of the book value of total debt divided by the book value of total asset; MBR is the market value of equity divided by the book value of equity.

ROA is the return on asset ratio (net profit divided by total assets); ROE is the return on equity (net profit divided by total equity). The other three performance measures, namely, TOBIN'S Q, REVENUE, and PROFIT are also tested, and the results are consistent with the ones found with ROA and ROE.

6.2 Results on CEOs Performance-based Pay

Table 2 presents the regression results of performance-based pay on family ownership structure and firm-level corporate governance mechanisms, Column 1 to 2 show that the empirical results are robust in ROA and ROE. The other three performances are also tested, and they are robust in all accounting and market measures.

Similarly with the findings on CEO's fixed compensation, the performance-based pay is not significantly related to the percentage of INED on the board and duality, therefore, the null hypotheses of H1b and H2b are not rejected.

As for the independence levels of remuneration committees, we find that they bring very different impacts to family and non-family businesses. The coefficients on RCINED% and RCCHAIR show that the percentage of INED on remuneration committee and the identity of the committee chairman do not play significant roles in CEO performance-based pay setting processes in non-family businesses. On the contrary, we find quite the opposite in family businesses. The coefficients on FAMD*RCINED% are positive and significant, which means higher percentage of INED on the remuneration committee encourages more performance-based pay for the CEOs in family businesses. Moreover, the negative coefficients on FAMD*RCCHAIR are all significant, which indicates that when the remuneration committee is not chaired by an independent non-executive director; family businesses tend to give less performance-based pay to the CEOs. Therefore, the independence level of the remuneration committee plays a very important role in encouraging performance-based pay for CEOs in family businesses. These results support H3b.

We have tested the correlations among all variables. They are generally comparable to those documented in previous studies, such as Cheung et al., (2005) and basically there are no very high correlations among variables.

Table 2: Regression of CEOs Performance-Based Pay on Ownership Structure, Internal Governance Mechanisms and Firm Performances

Dependent Variable = CEOs Performance-Based Pay

Independent Variables	Column 1: PERF = ROA	Column 2: PERF =ROE
Intercept	1.37 (1.49)	1.36 (1.53)
PERF	0.02* (1.69)	0.01*** (2.93)
FAMD	-2.04** (-2.10)	-2.30** (-2.41)
DUAL	-0.14 (-0.58)	-0.12 (-0.50)
FAMILYCEO	-0.03 (-0.07)	-0.01 (-0.03)
INED%	0.16 (0.12)	0.14 (0.15)
RCINED%	0.20 (0.38)	0.17 (0.32)
RCCHAIR	-0.12 (-0.39)	-0.06 (-0.21)
FAMD*PERF	0.02* (0.97)	0.03** (2.37)
FAMD*DUAL	-0.43 (-1.05)	-0.54 (-1.37)
FAMD*INED%	0.42 (0.24)	0.73 (0.42)
FAMD*RCINED%	1.85** (2.35)	1.85** (2.10)
FAMD*RCCHAIR	-1.28*** (-2.54)	-1.32*** (-2.69)
CHINA	-0.97*** (-4.29)	-0.94*** (-4.20)
ASSET	0.22*** (4.78)	0.22*** (4.54)
LEVERAGE	-0.00 (-0.01)	-0.23 (-0.63)
MBR	0.06** (3.06)	0.10*** (3.26)
Adjusted R^2	0.20	0.22

All regressions include industry dummy variables. *t*-Statistic values are reported in parentheses. Definitions of the variables are reported in Table 1. ***, **, and * Significance at 1%, 5%, and 10% level, respectively.

7. Conclusion

More than 80% of the firms in Hong Kong are family firms, in order to mitigate the agency problems between majority and minority shareholders, the HKEx follows the developed markets (such as UK) and requires the companies to increase the board independency, set up remuneration committees and abandon CEO duality. The paper aims to test whether these practices help to restrain CEO fixed compensations and encourage performance-based pay in the market.

This is the first study to examine the independence level of the remuneration committee by two measures, namely, the percentage of INED on the remuneration committee and the identity of the committee chairman and the results confirm that they play crucial roles in encouraging performance-based pay for CEOs in family businesses. Among different firm-level governance mechanisms tested in the study, the independence levels of remuneration committees seem to be the most important practice to restraint the high fixed compensations levels for CEOs in family businesses.

In conclusion, the regulators in the Eastern markets keep updating the corporate governance code with the Western markets which is a good practice, however, this research shows that merely following is not sufficient. One should find out which corporate governance mechanisms genuinely mitigate the agency problem in family firms and tailor-make its own set of codes for that particular market.

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Appendix

Abbreviations

Abbreviations	Meaning
CEO duality	CEO and chairman of the board are the same person.
Family-CEOs	CEO is a family member.
Outsider-CEOs	CEO is not a family member.
FIXEDPAY	CEO's fixed compensation.
PBP	CEO's performance-based pay.
FAMD	A dummy variable equals 1 when the total shareholding by the controlling shareholders (or all family members) exceeds 20% of total issued shares and at least two or more family members are board members; 0 otherwise.
DUAL	A dummy variable equals 1 if both CEO and chairman are performed by the same person; 0 otherwise.
FAMDCEO	A dummy variable equals 1 if the CEO is a family member; 0 otherwise.
INED%	The total number of independent non-executive director divided by the total number of board of directors.
RCINED%	A dummy variable equals 1 if the chairman of the remuneration committee is not an independent non-executive director; 0, otherwise.
RCCHAIR	A dummy variable equals 1 if the chairman of the remuneration committee is not an independent non-executive director; 0, otherwise.
CHINA	A dummy variable equals 1 if the company is either a H-share or Red-chip company; 0, otherwise.
ASSET	The natural log of total assets.
LEVERAGE	The ratio of the book value of total debt divided by the book value of total asset.
MBR	The market value of equity divided by the book value of equity.
ROA	Net profit divided by total assets.
ROE	Net profit divided by total equity.
Tobin's Q	Ratio of book value of total assets minus the book value of equity plus the market value of equity to book value of total asset.
REVENUE	Sales revenue.
PROFIT	Net profit.