Accepted Manuscript

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PII: S0304-405X(16)30179-9
DOI: 10.1016/j.jfineco.2016.09.011
Reference: FINEC 2708

To appear in: *Journal of Financial Economics*

Received date: 26 September 2014
Revised date: 6 January 2016
Accepted date: 4 February 2016

The impact of firm prestige on executive compensation☆

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August 2016

ABSTRACT

We show that chief executive officers (CEOs) of prestigious firms earn less. Total compensation is on average 8% lower for firms listed in *Fortune*'s ranking of America's most admired companies. We suggest that CEOs are willing to trade off status and career benefits from working for a publicly admired company against additional monetary compensation. Our identification strategy is based on matched sample analyses, difference-in-differences regressions, and a regression discontinuity design. We perform several robustness checks and exclude many alternative explanations, including that firm prestige just proxies for better corporate governance or for increased exposure of the pay-setting process to media attention.

JEL classification: G39, M52

Keywords: CEO compensation, firm prestige, social status, career benefits

☆We thank an anonymous referee, Renee Adams, Pat Akey, Yakov Amihud, Christian Andres (discussant), Laurent Bach (discussant), Morten Bennedsen, Jonathan Berk, Alon Brav, Joan Farre-Mensa (discussant), Rüdiger Fahlenbrach, David Feldman, Simon Gervais, Yaniv Grinstein, Cam Harvey, Atif Ikram (discussant), Han E. Kim, Gilberto Loureiro (discussant), Ulrike Malmendier (discussant), Ron Masulis, Daniel Metzger, Kevin Murphy, Clemens Otto, Jerry T. Parwada, Stefan Ruenzi, Luke Taylor, and Toni Whited (the editor), as well as participants at the 2013 Ackerman Conference on Executive Compensation, 2013 American Finance Association (AFA) meeting, European Institute for Advanced Studies in Manangement (EIASM) Workshop on Corporate Governance, Erasmus Workshop on Executive Compensation and Corporate Governance, Economic and Social Research Council (ESRC) Exeter Business School Workshop, 2013 European Finance Association (EFA), 2012 Financial Management Association (FMA) annual meetings, 2012 French Finance Association meeting, 2012 German Finance Association meeting, Rothschild-Caesarea Ninth Annual Academic Conference, 2013 Swiss Finance Association meetings, and seminar participants at Concordia University, Copenhagen Business School, Duke University, ESSEC Business School, Hanken School of Economics, Mannheim University, New Economic