

**Group versus Individual Compensation Schemes for Senior Executives
and Firm Performance**

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Philosophy

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CERTIFICATE OF AUTHORSHIP / ORIGINALITY

I certify that the work in this thesis has not previously been submitted for a degree, nor has it been submitted as part of requirements for a degree, except as fully acknowledged within the text.

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Paul James Brown

Abstract

This thesis investigates the compensation of senior executives directly below the CEO level. Specifically, it addresses two questions. First, the firm characteristics associated with the choice of individual versus group compensation schemes for senior executives (Chapter Two). Second, to provide evidence on the firm performance consequences associated with the choice of individual versus group compensation schemes for those executives (Chapter Three).

Based on a sample of 303 listed Australian firms for the period 2003 to 2005 (590 firm years), the key findings are: (I) individual compensation schemes are adopted by firms where individual senior executive inputs and outputs are separable and observable, and group compensation schemes are adopted where there are efficiencies from senior executive co-operation and interdependencies between executives; (II) on average there is no difference between the performance of these firms, regardless of their compensation scheme choice; (III) firms that choose compensation schemes not consistent with the firm's characteristics suffer lower subsequent performance.

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