

Corporate Performance Sensitivity and Corporate Compensation: Moderating Effect of CEO's Power in Listed Companies in Nigeria

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Abstract

Compensation alignment is one the measures used to minimize agency problem by converging the capital users and capital owners' interest. Despite this measure, Capital users' incentives have become excessively high at the detriment of capital owners due to managerial entrenchment and opportunistic behaviour. Against the backdrop, the study examines the moderating influence of CEO's power on the responsiveness of corporate performance to corporate compensation of listed companies in Nigeria. The study design was based on the existing data of 109 listed companies available from 2008 to 2022. The research deployed multivariate regression analyses. The result revealed two logical outcomes, first, that revenue per employee and profit per employee were insensitive to corporate compensation per employee but they are statistically significant whereas Tobin's Q as independent variable was sensitive but it is statistically insignificant. Secondly, the pairwise regression on the moderating influence of CEO's power on the compensation performance sensitivity (CPS) result shows that CEO tenure and ownership have a moderating effect on CPS.. Largely this evidence sheds crucial insight into empirical and theoretical ability of the study to use compensation performance sensitivity to explain the theory of optimal contracting theory (OCT) and managerial power theory (MPT) and predict it through the robustness of econometric models used.

Keywords: Corporate compensation, corporate performance, corporate governance, sensitivity, CEO power, multivariate regression.

JEL Classification: G32, G34, G38

1. Introduction

The office of Chief Executive Officers (CEO) in the corporate world is strategic to the tactical and operational workings of any organisational system. This is because the strategic plan of any corporate entity emanates from that seat of power. Awesome power is inherent in the position that metamorphosed to the opportunity behavioural attitude of CEOs in rent extraction in terms of compensation earned. The contribution of extant literatures on compensation and Corporate Performance (CP) over the last few decades cannot be overemphasised, and the policy recommendations for implementation in firms were in no small measures. Further investigation in this area is inexhaustible as a result of environmental and social dynamism in the corporate world, which demands perpetual research that would enhance new development in corporate affairs and which is crucial to the new discoveries of new products/services, penetrate existing markets and create new markets. The fallouts of past studies have shown that the connection between corporate compensation and CP revealed a positive association, but the value added is relatively small,

that is, corporate-performance-sensitivity, in terms of performance and wealth creation (Chen, & Hassan, 2022). The CP was incommensurate with corporate compensation, that is, compensation was insensitive (inelastic). This is called compensation-performance-insensitivity (Ataay, 2018; Aslam, et al, 2019; Buck, Bruce, et al, 2003; Hassaan, & Bibi, 2023; Jensen & Murphy, 1990). These acts were covered through meta-analyses of past studies that suffice to show that a series of justifications have accounted for compensation-performance-insensitivity.

Firstly, agency theory that existed in the contemporary firm in which there is a separation between capital users and capital owners (Adeyemi, et al, 2012; Jensen & Meckling, 1976; Sanchez-Marin & Baixauli-Soler, 2014; Rahman, et al., 2023), the core intention of institutionalising corporate compensation is to minimize or to cover the interest of owners of capital and users of capital by designing a corporate compensation contract template that can achieve minimization of the divergent interest that resulted from agency problems. The finding in the extant literature is that the majority of the results skewed toward positive and insignificant in proportion of performance as output to compensation except a few that have negative causality. The insignificant results imply that compensation earned by the executive office has not minimised agency problems.

Secondly, Balafas and Florackis (2014), Chen, and Hassan, (2022). affirmed that the compensation contract currently operating in firms, encourages insensitivity of performance in firms' results in additional agency conflicts in the area of compensation-for-performance that is relatively small or compensation-performance-insensitivity. This situation could further be explained by two theories that are associated with compensation contracts: Managerial Power Theory (MPT) proposes that influence of CEO can dictate the composition of remuneration committees which tends to make decisions on CEO's remuneration as such have excessive rent extraction which is detrimental to capital owners' interest. And Optimal Contracting Theory (OCT) proposes that compensation template prepared on the doctrine of arm's length transaction has the tendency to produce compensation that is commensurate with performance, with proviso that CEO did not influence the compensation committee (Bebchuk, et al, 2002; Gomez-Mejia, et al, 1987; van Essen, et al, 2015; Wang, et al., 2023). Bebchuk and Weisbach (2010) debated that the deficiency in the Agency Theory (AT) is associated with MPT and OCT, that they do affect incentive contract packages, this is another dimension that made the CEOs' compensation performance insensitive.

Lastly, existing studies that were domiciled in developed economies, were characterised in a way where companies enjoyed friendly-environment in terms of functional institutions, functional social infrastructures, and enforcement of good corporate governance, sound financial reporting standards operated as expected. Only few of studies are in emerging economies. In line with this argument, this study attempts to provide empirical evidence on the effect of corporate governance (CG) mechanism on the corporate compensation-performance-sensitivity (CPS) and moderating in Nigeria listed firms. The observable features that characterized the Nigerian Exchange Group (NGX) in terms of governance include zero investors protection (Adeusi, 2011), ineffective and inefficient board structures, inactive and non-proactive external governance mechanisms (Peng, Wang, & Jiang, 2008), and consequently, lower market values of public companies.

Firth, et al (2006) revealed that the executive compensation differs globally as a result of differences in nation specific circumstantial features like statutory framework, political environment, ownership structures, and cultures of the country. In Nigeria, virtually stock traded on the Nigerian Exchange Group (NGX) market is made up of the variable types of investment (shares), where this type of investments is, the investors interest are prone to business risk and environmental risk in the evolving economy compared with

developed markets, where Bond investments were prominent in those capital markets. Aside from these, earlier investigations have been carried out mainly in the evolved economy in which such contextual features are relatively similar. But in a divergent terrain, compensation-performance-sensitivity may behave differently in less evolved and emerging economies.

Moreover, the existing studies on corporate compensation-performance-sensitivity have been peripherally handled in selected sectors of Nigerian Exchange Group (NGX) as an emerging economy (Olaniyi, et al., 2017; Olalekan & Bodunde 2015). These scholars investigated compensation-performance-sensitivity by sectorialised their studies into the banking industry and non-financial industry. Hence, the degree of CP responding to corporate compensation and the impact of monitoring of CG in emerging economies have been less examined to the best of the researcher's knowledge. Against this backdrop, this study investigated CP sensitivity and corporate compensation: moderating effect of CEO's power of listed companies in Nigeria as an evolving economy.

The remainder of the study is structured as follows: the above section one is on the introduction, section two addresses the insights of extant literature and research hypotheses development. Section three describes the research approach and method of data analysis and the variables used. The next section four analyses the empirical results and discussion of findings and section five deals with summary, conclusion and recommendations.

2. Literature Review and Hypotheses Development

2.1 Compensation

Compensation of CEO is the consideration furnished for the contract that subsists between the shareholders as the principals and CEOs as agents. The component of this compensation, there are factors that affect the compensation component such as industry, demographic, economy, market, profit, etc. However, the performances of CEOs have been solely on the shoulders of the CEO, whereas, in firm other employees are part of the drivers of performance (Deckop, 1988). Existing literature has affirmed the CEO remuneration excessive rent extraction is a function of incumbent power inherent in CEO, including CEOs' ownership, tenure and duality, which have important influence on the corporate performance-sensitivity. It has been inferred from theory of MPT that the role of CEOs' duality and tenure provoked a superior control over nomination committee, board of directors and compensation committee to negatively influence the compensation setting process, which end up in suboptimal compensation practices (Acero & Alcalde, 2023; Conyon & He, 2011, 2012). In other ways, where there is separation of two roles and tenure is short, this can improve monitoring and reduce power concentration that facilitate arbitrary power rent extraction that is considered detrimental to compensation-performance-sensitivity (Conyon, 1997; Reddy, 2023).

The instrumentality of Corporate Compensation is premeditated to align the divergent interests of investing public, managers and stakeholders (Tosi & Gomez-Mejia, 1989). Specifically, in corporate firms, professional managers are employed to control and manage economic resources in the best interest of the owners of economic resources, whereas, agency conflict thrusts managers to opportunistic managers, they are assumed to have a higher susceptibility to operate divergently against the interests of stakeholders (Ntim et al, 2015). In order to reduce this tendency, divergent machineries have been deployed to strike a balance among these stakeholders in the corporate firm like compensation alignment and corporate governance. These, therefore, will assist and stimulate professional managers to pursue goal congruence of the corporate entity; hence, the value of investors' wealth will be enhanced (Jensen & Meckling, 1976). Therefore, the basic way to converge these

different interests between the professional managers and owners of the business is to design a suitable compensation template.

Corporate compensation is generally the largest costs or expenses that are charged in the operation of any corporate organisation. It was acknowledged by Gomez-Majia and Balkin (2016) that corporate remuneration as an expense often exceeds 80.1% of the total operating expense of corporate organisation. The purpose is not to measure income exactly received by corporate employees, but the value added which is the efforts that contribute to net production along with factors of production. The fundamental idea is that the value of net production is equal to the quantum of compensations that generate it. Corporate compensation ideology is an all-embracing statement of affairs of handling corporate compensation resources. It is a declaration of intent to align corporate compensation with the mission, goals and values of the company. Many companies have a template as a basis on which to articulate their pay policies and guiding principles for developing pay programmes and plans (Weinberger, 2010).

There were adduced contingencies that bring about the divergent perception of investigators, of the insensitivity of chief executive officers' compensation to performance, firstly, the compensation of executive officers cannot be directly traceable as an input activity of some organisational products except services-oriented entities. Evaluating compensation (input) with performance (output) the relationship will be spurious and inconsequential when strategic operations of the corporate organisation rest on the shoulders of top management officials and while, day to day corporation operations rest on other employees. Secondly, corporate compensation is made up of three categories of remunerations: executive officers' remuneration, professional fee and other employees' remuneration (Wysocki, 2010; FRCN, 2018).

However, virtually all the studies on corporate compensation strictly examine executive remuneration vis-à-vis corporate performance, whereas the chunk of corporate compensation is made up of other employees' compensation, whereas the compensation of other employees is traceable directly to corporate operation. However, the compensation of this group is conspicuously missed out in analysing the association between Corporate Compensation and CP. This gap requests for critical examination of the other staff compensation in relation to corporate performance. Influential quality of compensation affects the performance level of the employees, motivation and the quantity of employees that would stay with the corporate organisation, the applicants (potential employees), quality of employed (present employees) and the prospect of employment acceptance (Shaw & Gupta, 2007; Dineen & Williamson, 2012; Saks, Wiesner, & Summers, 1996). Corporate Compensation has been certified by some schools of thought as the most powerful instrument and engine room for enhancement and administration of human capital in the company and thereby encouraging organisational effectiveness, efficiency and performance (Gupta & Shaw, 2014:).

Most previous studies concentrated only on the CEOs' compensation and CP, whereas it has been established in the literature that compensation in corporate entities including top management team and other staff and performance measurement used has been on only financial and market performance measurement like ROA, ROE and Tobin Q. Corporate performance is the capability of a company to use its assets to generate expected returns from the operation of the business (Modum, *et al.*, 2013). The corporation's accomplishment is fundamentally described by its performance of such a company for the life span of a period and a very vital notion extends to the efforts made to determine measures for the concept of performance.

The phenomenon of performance is a significant indicator of a corporation's sound growth and life survival in a dynamic business externally, especially in the emerging

markets Nigeria terrain. Corporate compensation is assumed to be foremost mechanisms adopted by the corporate organisation to converge the conflicting interests' investors (principals) and with those professional managers (agents) with corporate intuition that this would enhance performance and assistance of sound and functional corporate governance as monitoring guidance in the corporate world. Hüttenbrink, et al., (2014) and Zhu, et al., (2012) revealed that corporate performance that has established a connection with executive officers' compensation and other staff remuneration is strategically installed in corporations to mitigate against the agency conflict that subsists between capital users and capital owners.

The adoptions of this corporate strategy also enhance corporate value maximization and reduce to the barest minimum of associated business risk. When corporate compensation paid responded positively and proportionally to targeted corporate performance, it is called responsiveness of compensation to performance or compensation sensitivity to corporate performance. If this alignment could be achieved, definitely the fit between management and other stakeholders could be reduced to the barest minimum, which is an agency problem (Sarpong-Danquah, et al., 2022; Jensen & Marury 1976). Therefore, corporate performance is crucial to stakeholders because it serves as a mirror where their investment performance can be viewed which reflects the input of corporate employees' efforts and skills. The existing literature had revealed that the only CEO compensation has been hypothesised with performance while others compensation of executive directors and other staff compensation should also drive corporate performance of any entity (Aslam, et al, 2019; Ciftci, et al., 2019; Duffhues & Kabir, 2008).

Kweh, et al., (2022); Raithatha and Komera, (2016) investigated the nexus between executive compensation and CP of corporate firms in India, the study domiciled on the emerging economy. The CP of these entities was measured by market-based and accounting-based measures. The researchers' methodologically deployed System Generalized Method of Moments (GMM) as an estimating instrument. The result revealed significant persistence in chief executive officer remuneration among the sampled firms and affiliated group corporations. The verdict casts doubt over the CP based on CEOs' compensation practices of emerging business.

Farooq, et al., (2023); Kato and Long (2006) ascertained the association that exists between Chief Executive Officers' compensation, CP, and CG of listed companies in the Shenzhen and Shanghai Stock Exchanges China from 1998 to 2002. The findings have shown statistically significant sensitivities and elasticity of executive compensation of the top with respect to shareholder value in China. Where individual explanatory variables exhibited a different association, sales growth and ownership structures were related with the companies' performance of China's floated entities which was a dwindling pay-performance link for top managers, therefore making China's listed corporations less effective in solving the agency problem.

The study ascertained the relationship empirically between the structure of the board, CEO remuneration, and CP, using panel data of 462 manufacturing companies of listed firms from India for the period 1997-2002. There were two specific issues the study hinged on. First, consider corporate board structures in terms of size and fraction of non-executive directors that influence CP. Second, the study investigated the different components of executive compensation and level that have an influence on CP. The empirical result indicates the size of the board and the ratio of non-executive directors have a nonlinear association with corporate performance and the result has a threshold level of on the size of the board at 11 and the proportion of non-executive directors at 73% beyond that the CP of the corporation will experiencing slow down and the relation between executive compensation and CP was non-linear (Ghosh, 2003).

Ciftci et al. (2019) investigated the contextual association between internal CG mechanisms and CP in Turkey, where family capitalism featured in the corporate world of listed firms. The sample size of 745 corporations across the all-inclusive sectors of the capital market period of 2003 to 2015. The research result showed more concentrated ownership, that is, controlling families bear more of the risk of weak and poor productivity. Large board size and foreign ownership have a direct impact on CP, while a higher ratio of family members on the board had no discernible influence on CP.

Aslam, et al. (2019) studied how the director remuneration influences companies' performance in Pakistan. GMM was deployed to diagnose the problem of potential endogeneity and unobserved heterogeneity due to potential reverse connexion of the sample of the non-financial firm quoted in the KSE between the periods of 2009 to 2016. The investigation showed support and provided evidence that corporate performance framework is weakly aligned with tournament theory, where executive officers remuneration sensitivity is also weakly enhanced with performance and in their conclusion that chief executive officer compensation have long-run equilibrium association with performance.

Olalekan and Bodunde (2015) investigated the effect of CEOs' pay on banks' profitability in Nigerian banking with the evaluation intuition of finding out whether bank size, CP apparatus, and CP can predict the remuneration of chief executive officers. General method movement (GMM) Ordinary Least Square was used to dissect the data, where measurement metrics for corporate size were gross earnings and market capitalization, and CP was proxy by ROE, ROA, and EPS and corporate governance were proxies by board size, independence of the board, and CEO ownership. The findings of the investigation revealed that only corporate performance has a significant connexion in predicting Nigerian bank chief executive officer remuneration while governance apparatus (board size, independence of the board, and CEO ownership) did not predict endogenous variable (CEO compensation).

Olaniyi et al. (2017) examined the connexion that is existing connexion between CEOs' remuneration and company performance of non- financial quoted corporations in Nigeria. The study covered the period of 1998 to 2010 of 63 non-financial listed companies. The finding revealed a bi-directional connexion between CEO compensation and CP and concluded that stakeholders vigilant on the component of CEOs' remuneration as a corporate governance apparatus must be enhanced to reduce agency problems in non-financial sector of quoted companies in Nigeria.

In concise, evolving economies surveyed discovered that there was a positive association between compensation and firms' performance, but, insignificant. The studies in this terrain shown that some wholly and holistically surveyed the capital market and some studies sectorialised their studies in the sectors of the capital market, but, the study of Olalekan and Bodunde (2015) affirmed the significance of the endogenous variable and exogenous variables, which implies that in the banking industry in Nigeria, agency problem was minimised through compensation of executive officers. Against this backdrop of direct connection between corporate compensation (CC) and CP established in extant literature. The investigation also is conceptualized to use CEOs' power to moderate the established compensation-performance association

2.1.1 The moderating influence of CEO power on the Compensation-performance-sensitivity

In the extant literature, it has been affirmed that a relationship exists between CEOs' characteristics and pay-performance-sensitivity, but are rare (Wowak, et al., 2011; Finkelstein, et al, 2009). The CEOs' characteristics like CEOs' age, tenure, ownership, duality and reputation, sometimes assist CEOs to arrogate power with their position. These

attributes can influence the company performance and compensation determination process, rendering compensation-performance-insensitivity. Van Essen, Otten, and Carberry (2015) researched on the determining factor of CEO compensation. The study affirmed the position of CEO ownership being exercised on the pay package process is obvious. The result affirms that the MPT is well positioned and equipped CEOs' positions that have more power and authority over the compensation administration process. Hence, this study focuses on CEO ownership attributes that influence their decision as related to compensation-performance-sensitivity.

Corporate compensation can be affected by the ownership structure in two dimensional: entrenchment effect and interest alignment effect. Entrenchment effect presumes that executive ownership can misappropriate non-controlling interests (NCI) in diverse manners, which could include undue remuneration packages (Ozkan 2011; Wang & Xiao 2011). Chief executive close rapport with controlling stakeholder may purposefully contract their remuneration opportunistically over and above industrial remuneration benchmark, thereby earnings, rent extraction at the detriment of non-controlling interests (NCI) wealth. In this case, excessive rent extraction on the wealth of the non-controlling interest is prevalent in evolving economies where formal institutions are in deficit, deficient and weak to cater to common economic players.

Since Nigeria is an evolving market with a weak and wobbly legal framework that can support the system. Secondly, the interest alignment effect is anchored on the agency theory, institutional shareholders have powerful and strong incentives to monitor and oversee the management, business transactions because of the strong commitment and better specific knowledge. Ekpulu and Omoye (2018) domesticated ownership structures in Nigeria as an evolving economy into managerial ownership, institutional ownership and foreign ownership with the argument that these structures crucially monitor corporate behaviour to stem the divergent and opportunist interests of executive managers. Hence, the study postulated that CEO's ownership should be hypothesised that the impact on compensation-performance-sensitivity could be feasible.

H0₁: CEO Ownership has no significant moderating consequence on the Compensation-performance-sensitivity.

The perspective of Managerial Power Theory (MPT) revealed that a long tenure of CEO Officer in an establishment, that may appropriate a greater control to the CEO than the board and this can reflect on the compensation setting process, and so can impact adversely on the compensation-performance-sensitivity (Cornett *et al*, 2009). However, it has been affirmed that older and long-tenured are perceived to have much and greater working experiences and have acquired needed skill that can guarantee corporation success and competitiveness, such CEOs are often offered higher compensation package that are outrageous that cannot have link with their performance in comparison with less experienced and younger colleagues, which can impact adversely on the compensation-performance-sensitivity (Sanchez-Marin *et al.*, 2014). But where tenure elongation is outlawed in the operation of corporate entities, this can minimise agency problems that are associated with rent extraction by opportunist CEO officers and the detriment of capital owners.

H0₂: CEOs' tenure has no moderating consequence of on compensation-performance sensitivity

3. Data and Methods

3.1 Data considerations

The study sourced the data from 109 listed firms in Nigerian Exchange Group as at 31st December, 2022. The study set two main benchmarks for companies included in the

final sample. First the data extracted started from 2008 to 2022. These data collection procedures permitted study to estimate pay performance sensitivity. The criteria assisted the study to fulfil the conditions of panel data analysis which possessed both cross-sectional and time-series characteristics, this enhanced as to whether the cross-sectional nexus between compensation and performance metrics. The table below shows that all the eleven sectors in the Nigerian exchange group were inclusive in the sampled companies. Total of 109 companies were sampled with 1,199 observations, due to unavailability of some annual audited reports of sampled companies of 33 observations. The study made use of 1166 observations in the descriptive statistics and multivariate regression results.

Table 1: Summary of sampled companies.

Sectors	No of data companies sampled	Companies in sector sampled	percentage
Agriculture	44	4	4%
Conglomerate	66	6	6%
Construction And Real Estate	33	3	3%
Consumers	176	16	15%
Finance	374	34	31%
Health	66	6	6%
ICT	33	3	3%
Industrial	99	9	8%
Oil And Gas	88	8	7%
Resources	33	3	3%
Services	187	17	16%
-	1199	109	100%

Source: Author Complication (2022)

3.1.2 Compensation, performance, CEO and corporate governance characteristics variables

The study classified variables into four main types with their full definition of all variables employed in the study were presented in table above. Conyon and He (2011); Murphy, (1985) used total pay of all executive directors and CEO pay as their main explained variables. But for robustness check of explained variables this study used multivariate regression analysis to stimulate six different variables, in order to have dependent variable(s) that can best be explained by independent variables. Pairwise regression of random effect and fixed effect was also used. Secondly, our main performance metrics employ Tobin's Q which was widely used by previous researchers, but as a robustness check, we also employ Profit per Employee (PPE), Revenue per Employee (RPE) which are responsibility accounting-based performance metrics. Thirdly, the corporate governance variables consist of CEO power, what we proxy as CEO's ownership and CEO's tenure, which they are included as independent variables. Lastly, the moderating effect or influence of CEO power was a proxy for CEOs' Ownership and CEOs' tenure and corporate governance characteristics on compensation-performance-sensitivity (CPS). We create an interaction variable between each of our monitoring CEOs' power/corporate governance mechanism and performance (e.g. (ceoten*ppey), (ceoshp*pey), (ceoten*rpey)).

3.2 Model Specification

Model 1

$$\partial_1 \text{staffrem}_{it} + \partial_2 \text{tmtrem}_{it} + \partial_3 \text{cocomp}_{it} + \partial_4 \text{avcocomp}_{it} + \partial_5 \text{lgavcocomp}_{it} + \partial_6 \text{nostaff}_{it} = \lambda_0 + \lambda_1 \text{ppey}_{it} + \lambda_2 \text{pey}_{it} + \lambda_3 \text{tobq}_{it} \dots 1$$

model 2

$$\partial_1 \text{staffrem}_{it} + \partial_2 \text{tmtrem}_{it} + \partial_3 \text{cocomp}_{it} + \partial_4 \text{avcocomp}_{it} + \partial_5 \text{lgavcocomp}_{it} + \partial_6 \text{nostaff}_{it} = \lambda_0 + \lambda_1 \text{ppey}_{it} + \lambda_2 \text{pey}_{it} + \lambda_3 \text{tobq}_{it} + \lambda_4 (\text{ceoten} * \text{ppey})_{it} + \lambda_5 (\text{ceoshp} * \text{pey})_{it} + \lambda_6 (\text{ceoten} * \text{rpey})_{it} + \lambda_7 (\text{ceosh} * \text{rpey})_{it} + \lambda_8 (\text{ceoten} * \text{q})_{it} + \lambda_9 (\text{ceosh} * \text{q})_{it} + U_{it} \dots 2$$

Model 3

$$\text{avcocomp} = \lambda_1 \text{ppey}_{it} + \lambda_2 \text{pey}_{it} + \lambda_3 \text{tobq}_{it} + \lambda_4 (\text{ceoten} * \text{ppey})_{it} + \lambda_5 (\text{ceoshp} * \text{pey})_{it} + \lambda_6 (\text{ceoten} * \text{rpey})_{it} + \lambda_7 (\text{ceosh} * \text{rpey})_{it} + \lambda_8 (\text{ceoten} * \text{q})_{it} + \lambda_9 (\text{ceosh} * \text{q})_{it} + U_{it} \dots 3$$

Where:

staffrem = staff remuneration

tmtrem = top management team remuneration

cocomp = corporate compensation

avcocomp = average compensation

lgavcocomp = log of compensation

nostaff = number of staff

ppey = PPEY_Profit Per Employee_Performance Data

rpey = RPEY_Revenue Per Employee_Performance Data

tobq = Tobin Q_Performance Data

Where: CCOMPPE = Corporate Compensation per Employee;

Where Corporate Performance is Q = Tobin Q;

Tobin Q_Performance Data

CEOTURE= CEO Tenure;

CEOSH= CEO Ownership;

U=error term

i=. ith performance and governance

t= time period

$\lambda_1 - \lambda_9$ = slope coefficients

Apriority expectation: $\lambda_1, \lambda_2, \dots, \lambda_9 \geq 0$

Table 2: Measurement of Variables

Code	Variables	Measurement	Aprori sign	Users
Dependent variables				
LogCCOMPPE	Corporate Compensation per Employee	Chief executive officer +Top management + other staff / Total Number of Staff	+	
Staffrem	Other staff remuneration		+	
Tmtrem	Top management remuneration		+	
Cocomp	Corporate compensation	Top management pay + other staff pay	+	
Avcocomp	Average compensation	(Top management pay + other staff pay)/ number of staff	+	
Nostaff	Number of staff		+	
Lgavcocomp	Log of average corporate compensation	Log (Top management pay + other staff pay)/ number of staff	+	
Independent variable				
Tobin's Q	Corporate performance	Total assets less book value of equity plus the market value of equity divided by total assets	+	Singh, Tabassum, Darwish, & Batsakis (2018)
PPEY	Profit Per Employee	Earnings before tax and interest divided by number of employees	+	Lukic, (2015). Bryan (2007). Gauri, (2013).
RPEY	Revenue Per Employee	Total revenue divided by number of employees	+	Lukic, (2015). Bryan (2007). Gauri, (2013)
Moderating variables				
CEOTURE	CEO tenure	CEO tenure is operationalized as the number of years the executive has been CEO	+	García- Sánchez, & Martínez- Ferrero, (2019).
CEOSH	CEO's Ownership	Large block holders least 5% of the company's Outstanding shares (managers, institutional and foreign ownership)	±	Holderness (2017), La Porta, Lopez-De-Silanes, and Shleifer (1999)

Source: Author's Compilation (2022)

4.1 Data Analyses and Discussion of Findings

4.1.1 Descriptive statistics and correlations

Table 3 presents the summary descriptive statistics of data used in this study. The corporate compensation has mean value of ₦5.7 million with minimum and maximum value of ₦0.05million and ₦110million respectively, their skewness and kurtosis have these values, 3.7 and 18.1 accordingly. It is obvious that despite governances on compensation and CAMA stands on directors' remuneration that equity-based compensation should form the considerable percentage of executives' compensation with the aim of closely converging the interests of shareholders and executives, cash compensation remains a bigger part of total executive compensation in Nigeria corporations. Similar to Uwuigbe, *et al* (2016), the mean of compensation value of ₦0.44million with the standard deviation value of ₦ 0.26million and minimum and maximum value of ₦0.10million and ₦1.0million respectively. Similarly the value of the performance metric, CEO attributes and corporate governance mechanisms variables, there were overall suggest that there are wide variation in our samples with that of (Uwuigbe, *et al.*, 2016).The average value of number of staff stands at 1153.8 (St Dev: 2355.9; min: 6.0; max: 19234.0; skewness: 4.3 and kurtosis: 25.1) whilst the mean of compensation per employee has value of 4711.3 (St Dev: 7749.4; min: 47.7; max: 170000.0; skewness: 10.6 and kurtosis: 191.1) (Adeoye, 2014; Idowu, & Abolade, 2018).

Tobin Q of national firm, on average is 1.3 (St.Dev : 1.2, min: -0.3; max: 11.3; skewness: 3.2; kurtosis: 16.8), this is in line with Olokoyo, (2013) who obtained a Tobin Q

average value of 0.9332. The average value of revenue per employee (rpey) value stands at 85853.4 (St.Dev : 302000, min: 110.7; max: 5099556; skewness: 9.2; kurtosis: 114.6). Despite the fact that the mean value of profit per employee stands at 4180.1 (St Dev 24209.0; min: -323031.0; max: 342000.0; skewness: 3.2 and kurtosis: 90.9. the verdicts are approximately akin with those reported (Soewignyo, 2014; Ladan, & Nguavese, 2019; Al-Matari, Al-Swidi, & Fadzil, 2014). The average value of CEO tenure stands at 0.7 (St Dev: 0.5; min: 0.0; max 2.0; skewness and kurtosis 1.521). This shows that CEO tenure mean is seven months, whilst the maximum tenure for all 109 firms has two years tenure. In the ownership in stocks of the firms, the average CEO ownership has 1.9 (St Dev: 7.5; min: 0.0; max: 63.7; skewness: 4.6; kurtosis: 24.8).

Table 3: Descriptive Statistics

Variables	N	St.Dev	Mean	min	Max	skewness	kurtosis	t-value
Dependent Variables								
Staffrem	1184.00	13200000.00	5570000.00	2756.00	109000000.00	3.67	18.08	14.55
Tmtrem	1169.00	429000.00	166000.00	170.00	6884000.00	7.98	92.01	13.19
Cocomp	1184.00	13500000.00	5740000.00	5056.00	110000000.00	3.67	18.12	14.67
Avcocomp	1181.00	7749.41	4711.32	47.70	170000.00	10.63	191.06	20.89
lgavcocomp	1179.00	0.42	3.46	1.68	5.23	-0.07	3.95	281.92
Nostaff	1181.00	2355.93	1153.77	6.00	19234.00	4.26	25.15	16.83
Independent Variables								
Ppey	1182.00	24208.99	4180.13	-323031.00	342000.00	3.19	90.94	5.94
Rpey	1182.00	302000.00	85853.44	110.65	5099556.00	9.23	114.64	9.78
Tobq	1184.00	1.19	1.32	-0.27	11.30	3.24	16.82	38.09
Moderating Variables								
ceotenppey	1199.00	17828.66	1934.13	-323031.00	342000.00	0.45	213.75	3.76
ceoshppey	1199.00	46982.57	-66.79	-966000.00	324000.00	-9.90	208.74	-0.05
ceotenrpey	1199.00	290000.00	60300.91	0.00	5099556.00	10.40	136.64	7.21
Ceoshrpey	1199.00	296000.00	48567.56	-11500.00	4250000.00	8.77	90.93	5.68
Ceotenq	1199.00	1.16	0.88	-0.27	11.30	3.19	18.47	26.14
Ceoshq	1199.00	9.92	2.23	0.00	152.18	7.05	72.85	7.80

Source: Author's Computation (2022)

4.1.2 Correlation Analysis Result

The table 4 provides the result of correlation analysis matrix, the analysis was carried out, in order to check the degree relationship that subsist among the explanatory variables. Hence, this is to check whether there are multicollinearity trepidations. From the figures provided in table 4, the correlation coefficient of the variables used are greater than 0.85. The result confirmed that multicollinearity is not a problem in the study analysis. The bivariate correlations coefficient among all the other variables are generally and relatively small and in consequence, signifying that any remaining multicollinearity may not be statistically harmful. Observably, the STAFFRE, TMTREM, COCOMP, AVCOCOMP, LGAVCOCOMP and NOSTAFF are positively associated with PPEY, whilst STAFFRE, COCOMP, AVCOCOMP, LGAVCOCOMP and NOSTAFF are negatively related to RPEY.

Table 4: Correlation Coefficient Matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) staffrem	1.000										
(2) tmtrem	0.636*	1.000									
	0.000										
(3) cocomp	1.000*	0.655*	1.000								
	0.000	0.000									
(4) avcocomp	0.182*	0.290*	0.187*	1.000							
	0.000	0.000	0.000								
(5) lgavcocomp	0.353*	0.336*	0.356*	0.657*	1.000						
	0.000	0.000	0.000	0.000							
(6) nostaff	0.812*	0.440*	0.809*	0.017	0.127*	1.000					
	0.000	0.000	0.000	0.554	0.000						
(7) ppey	0.027	0.045	0.028	0.597*	0.294*	-0.001	1.000				
	0.354	0.124	0.339	0.000	0.000	0.965					
(8) rpey	-0.014	0.144*	-0.009	0.650*	0.394*	-	0.334*	1.000			
	0.633	0.000	0.757	0.000	0.000	0.076*	0.009	0.000			
(9) tobq	-0.014	-0.046	-0.015	-0.004	-0.002	-0.037	-0.001	-0.016	1.000		
	0.628	0.113	0.598	0.881	0.744	0.199	0.865	0.586	0		
(10) ceoten	-0.043	-0.043	-0.043	-0.047	-0.118*	-0.022	-	0.028	0.02	1.000	
	0.139	0.146	0.136	0.103	0.000	0.454	0.072*	0.014	0.49		
									4		
(11) ceosh	-	-	-0.094*	-0.085*	-0.197*	-	-0.045	-0.051	-	0.097*	1.000
	0.093*	0.072*				0.067*			0.02		
									4		
	0.001	0.014	0.001	0.004	0.000	0.022	0.129	0.084	0.42	0.001	
									2		

Source: Author's Computation (2022) *shows significance at the .05 level

4.1.3 Multivariate Regression Analysis

Table 5 and 6 provide the results of the estimated model to achieve stated objectives and hypotheses. The study analyses the various dependent variables, in order to find out the effect of simulations of individual dependent variables on the individual explanatory variable, this is depicted in model 1. The model 2 analyses the different dependent variables with the aim to examine the effect of simulations of individual explained variables on individual moderating variables.

To ascertain the sensitivity of firm performance to corporate compensation, the study employed a multivariate regression analysis model for 109 entities quoted in the Nigerian Exchange Group NGX for the fiscal year 2008 to 2018. The multivariate regression started by estimating the model with seven compensation metrics as identified in extant literature. In the model, the compensation variables were estimated against three performance metrics (ppey, rpey and tobq) in a simulation order. The results of the models are significant at 10%, 5%, and 1% levels. As indicated in table 5, the results of the estimation in column 1 implied a positive and statistically significant nexus between all

performance metrics proxy as profit per employee (ppey), revenue per employee (rpey) and Tobin Q(tobq) and top management team remuneration (tmtrem). On the side of sensitivity of performance, the coefficient of performance metrics of Tobin Q is sensitivity to compensation of top management team and in contradiction of profit per employee and revenue per employee are insensitivity. The result in column 3 revealed a positive and statistically insignificant relationship between profit per employee (ppey) between corporate compensation (cocomp), but the relationship is sensitive. Whereas revenue per employ (rpey) and Tobin Q (tobq) are statistically insignificant and negatively in connection with corporate compensation even though in terms of sensitivity, revenue per employee is insensitive while Tobin Q is sensitive to the corporate compensation.

The result in column 4 showed there are positive and statistically significant association between profit per employee, revenue per employee and average compensation or compensation per employee, in term of sensitivity, both performance metrics are insensitive to compensation, whereas Tobin Q has negative and statistically insignificant relationship with compensation per employee, although Tobin Q is sensitive to compensation. The result in column 5 indicated where log of average compensation is explained variables, the connection between explained variable and explanatory variables revealed that they have positive and statistically significant relationship and are highly sensitive, i.e. PPEY and RPEY, while Tobin Q is negatively and statistically insignificant link with explained variables and insensitive to compensation

Table 5: Multivariate Regression Result

VARIABLES	(1) tmtrem	(2) Staffrem	(3) Tmtrem	(4) Cocomp	(5) avcocomp	(6) lgavcocomp	(7) nostaff
Ppey	0.125** (0.0604)	19.57 (16.95)	-0.0591 (0.543)	19.51 (17.30)	0.136*** (0.00628)	3.11e-06*** (4.77e-07)	0.00270 (0.00302)
Rpey	0.0211*** (0.00484)	-1.179 (1.358)	0.204*** (0.0435)	-0.975 (1.387)	0.0131*** (0.000503)	4.61e-07*** (3.83e-08)	-0.000678*** (0.000242)
Tobq	26.91 (1,165)	-143,395 (326,967)	-16,066 (10,483)	-159,460 (333,834)	-32.19 (121.1)	-0.00136 (0.00921)	-71.86 (58.18)
Constant	43,979*** (2,108)	5.864e+06*** (591,805)	169,567** (18,973)	6.034e+06*** (604,233)	3,047*** (219.2)	3.411*** (0.0167)	1,308*** (105.3)
Observations	1,167	1,166	1,166	1,166	1,166	1,166	1,166
R-squared	0.028	0.002	0.023	0.001	0.596	0.189	0.008

Source: Author's Computation (2020)

4.1.4 Multivariate Regression Result

Corporate compensation sensitivity: the moderating influence of CEO power

Based on the premises of the evidence thus far, the results suggest a mixed conclusion, which appears to have resulted in a positive but relatively small of compensation-performance-sensitivity and another result revealed a negative but relatively small of compensation performance sensitivity. It appears that these results are aligned with the MPT. The central tenet of managerial power theory, assumed, where CG is ineffective, inefficient and weak, this promotes poor managerial monitoring with corresponding excessive rent extraction. On the other hand, better governed corporate installed governance mechanisms that are functional and closer managerial monitoring can enhance or improve the compensation performance sensitivity, even when executive incentive contracts are suboptimal. This spurred the study to model a moderating influence on the CPS, which takes to account the joint influence of CEO power interacting with performance metrics. The

study examined whether CEO power can moderate the CPS with multivariate regression model specification as follows:

$$\sum_{i=1}^5 COMP = \sum_{k=1}^3 PERF + \sum_{l=1}^6 INT + \epsilon$$

Where (COMP) refers to various compensation proxies, comprising staffrem, tmtrem, cocomp, avcocomp, and lgavcocomp where (PERF) performance measures comprising: ppey, rpey and tobq, lastly, (INT) interaction variables specifically: ceoten*ppey, ceosh*ppey, ceoten*rpey, ceosh*rpey ceoten*q and ceosh*q. However, table 6 contains the results of multivariate regression results investigating the moderating impact of CEOS' tenure and CEOS' ownership and performance measures as it affects the compensation performance sensitivity CPS.

The model 2 results reported in table 6, the coefficient of the performance measures on the various compensation measures are one-to-one, statistically significant and positive. Thus and most importantly, it is easily distinct that irrespective of the difference of compensation proxy employed as dependent variables, the CPS have substantially impoverished performance. This revealed and implied that CEO tenure and ownership appeared to substantially moderate the CPS adversely. This evidence showed that result is not consistent with (Cornett et al., 2009; Finkelstein et al., 2009; Li & Srinivasan, 2011; Sanchez-Marin & Baixauli-Soler, 2014; Wowak et al., 2011 Yin, et al., 2023

Table 6 Multivariate Regression Result

VARIABLES	(1) Staffrem	(2) Tmtrem	(3) cocomp	(4) Avcocomp	(5) lgavcocomp	(6) Nostaff	(7) staffrem	(8) tmtrem	(9) cocomp	(10) avcocomp	(11) lgavcocomp	(12) nostaff
Ppey	-1.495 (25.02)	0.596 (0.797)	-0.899 (25.57)	0.207*** (0.00918)	1.54e-05*** (4.04e-06)	0.000741 (0.00456)	-1.495 (25.02)	0.596 (0.797)	-0.899 (25.57)	0.207*** (0.00918)	1.54e-05*** (4.04e-06)	0.000741 (0.00456)
rpey	2.986 (4.494)	0.0816 (0.143)	3.068 (4.592)	0.0138*** (0.00165)	4.56e-06*** (7.26e-07)	-8.30e-05 (0.000819)	2.986 (4.494)	0.0816 (0.143)	3.068 (4.592)	0.0138*** (0.00165)	4.56e-06*** (7.26e-07)	-8.30e-05 (0.000819)
tobq	2.614e+06*** (428,082)	69,865*** (13,634)	2.684e+06*** (437,375)	1,250*** (157.1)	1.300*** (0.0691)	485.6*** (77.98)	2.614e+06*** (428,082)	69,865*** (13,634)	2.684e+06*** (437,375)	1,250*** (157.1)	1.300*** (0.0691)	485.6*** (77.98)
ceotenppey	59.18* (35.70)	-0.823 (1.137)	58.36 (36.48)	-0.129*** (0.0131)	-1.49e-05*** (5.77e-06)	0.00790 (0.00650)	59.18* (35.70)	-0.823 (1.137)	58.36 (36.48)	-0.129*** (0.0131)	-1.49e-05*** (5.77e-06)	0.00790 (0.00650)
ceoshppey	-3.361 (9.817)	0.0181 (0.313)	-3.343 (10.03)	-0.00844** (0.00360)	-3.20e-07 (1.59e-06)	-0.000244 (0.00179)	-3.361 (9.817)	0.0181 (0.313)	-3.343 (10.03)	-0.00844** (0.00360)	-3.20e-07 (1.59e-06)	-0.000244 (0.00179)
ceotenrpey	-2.785 (4.736)	0.216 (0.151)	-2.568 (4.839)	0.00184 (0.00174)	-2.89e-06*** (7.65e-07)	-0.000188 (0.000863)	-2.785 (4.736)	0.216 (0.151)	-2.568 (4.839)	0.00184 (0.00174)	-2.89e-06*** (7.65e-07)	-0.000188 (0.000863)
ceoshrpey	0.465 (1.773)	0.00135 (0.0565)	0.466 (1.811)	0.00116* (0.000650)	4.99e-07* (2.86e-07)	2.01e-05 (0.000323)	0.465 (1.773)	0.00135 (0.0565)	0.466 (1.811)	0.00116* (0.000650)	4.99e-07* (2.86e-07)	2.01e-05 (0.000323)
ceotenq	-512,730 (514,527)	-22,836 (16,387)	-535,566 (525,695)	-133.1 (188.8)	0.0294 (0.0831)	-38.56 (93.72)	-512,730 (514,527)	-22,836 (16,387)	-535,566 (525,695)	-133.1 (188.8)	0.0294 (0.0831)	-38.56 (93.72)
Ceoshq	-58,588 (49,415)	-837.3 (1,574)	-59,426 (50,488)	-17.08 (18.13)	0.0174** (0.00798)	-4.091 (9.001)	-58,588 (49,415)	-837.3 (1,574)	-59,426 (50,488)	-17.08 (18.13)	0.0174** (0.00798)	-4.091 (9.001)
Observations	1,166	1,166	1,166	1,166	1,166	1,166	1,166	1,166	1,166	1,166	1,166	1,166
R-squared	0.088	0.094	0.089	0.688	0.593	0.097	0.088	0.094	0.089	0.688	0.593	0.097

Source: Author's Computation (2022)

Table 7

Models	(Fixed Effect)	(Random Effect)	(Fixed Effect)	(Random Effect)	(Fixed Effect)	(Random Effect)	(Fixed Effect)	(Random Effect)
VARIABLES	Avcocomp	avcocomp	avcocomp	avcocomp	avcocomp	avcocomp	avcocomp	avcocomp
Independent								
Ppey	0.0919*** (0.00673)	0.0971*** (0.00644)	0.0921*** (0.00673)	0.0971*** (0.00644)	0.0919*** (0.00675)	0.0969*** (0.00645)	0.123*** (0.0121)	0.140*** (0.0109)
Rpey	0.0139*** (0.000820)	0.0140*** (0.000683)	0.0139*** (0.000820)	0.0140*** (0.000683)	0.0157*** (0.00198)	0.0160*** (0.00175)	0.0148*** (0.00200)	0.0147*** (0.00175)
tobq	100.0 (202.3)	129.9 (147.8)	37.86 (241.7)	212.0 (179.3)	16.14 (244.0)	179.8 (181.9)	-15.54 (242.4)	156.2 (179.5)
Ceoten*q			79.29 (177.1)	-124.4 (156.8)	133.8 (185.3)	-61.08 (163.9)	153.2 (184.2)	-25.04 (162.8)
Ceosh*q			3.403 (19.95)	-5.925 (17.72)	2.205 (20.51)	-7.910 (18.71)	-11.49 (20.94)	-20.20 (18.88)
Ceoten*rpey					-0.00177 (0.00181)	-0.00215 (0.00166)	-0.000745 (0.00186)	-0.000385 (0.00169)
Ceosh*rpey					0.000192 (0.000879)	0.000232 (0.000727)	0.000233 (0.000867)	0.000593 (0.000726)
Ceoten*ppey							-0.0353*** (0.0136)	-0.0541*** (0.0127)
Ceosh*ppey							-0.0103*** (0.00359)	-0.00965*** (0.00341)
Constant	3,257*** (186.4)	2,934*** (388.8)	3,256*** (188.0)	2,946*** (389.4)	3,183*** (195.3)	2,878*** (393.4)	3,178*** (196.3)	2,832*** (375.0)
Observations	1,072	1,181	1,072	1,181	1,072	1,181	1,072	1,181
R-squared	0.585	0.585	0.586	0.586	0.587	0.587	0.621	0.621
Number of id	109	109	109	109	109	109	109	109

Source: Author's Computation (2022)

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0

Additional analysis

In table 7 is the result of model 3, the study further examined the robustness of the first results, firstly, we dissect the robustness of our results by using multivariate regression analysis to identify the best coefficient of determination that explained the variation that occurred among the endogenous variables. The results are encapsulated in the table above. The results presented in model I to model IV are pairwise regression of random effect and fixed effect respectively. The result revealed compensation-performance-insensitivity with the performance metrics used, which is revenue per employee (RPEY) and profit per employee (PPEY), while Tobin Q yielded compensation-performance-sensitivity. On the other hand, the moderating variables of CEO's tenure and ownership interacted with the established relationship of compensation-performance-sensitivity, these are also encapsulated in the above result. The result exhibited a relatively high sensitivity when CEO's tenure moderated compensation-performance-sensitivity, while the moderating of CEO's ownership moderated compensation-performance-sensitivity, the result revealed a small relative sensitivity. But, there was a great departure when the CEO's tenure and ownership moderated compensation-performance-sensitivity of the performance metrics of revenue per employee and profit per employee. The results revealed that there was relatively high insensitivity in the relationship of compensation-performance-sensitivity.

5.1. Conclusion and recommendations

The study investigates whether CEO power can moderate the connexion between compensation performance sensitivity using a sample of 109 Nigerian publicly quoted companies from 2008-2018. Hence, the study extended the frontiers of knowledge and made new support to the empirical and theoretical literature in many directions.

To start with, past studies investigate direct nexuses between compensation of the executive and performance with results given generally as positive, but relatively small CPS (Ntim, et al, 2019; Eklund, 2023; Olaniyi, et al, 2017). This has explained and predicted the theory of MPT and suggested that influential and powerful CEOs usurp their influence that will end up with excessive rent extraction at detrimental to shareholders' wealth maximisation. At the same time, study also explained and predicted the theory of Optimal Contracting Theory OCT. OCT predicts that entities with functional and strong governance structures and dedicated CEOs in the monitoring, can enhance the CPS (Bertrand & Mullainathan, 2001; Nguyen et al 2023; Kuo, et al, 2014). In dissimilarity, the paper uniquely examines the complex situation where responsibility accounting proxies were used as performance metrics and also moderate the CPS. Consistent with the findings which contributed to the literature by having positive, but relatively improve CPS, and provide support for OCT.

Secondly, different from study new insight empirical contributions, the study findings also insightfully expands the theories of MPT and OCT. Previous research has concluded that both theories were mutually exclusive in their interdependencies. But, the result of this study revealed that powerful CEOs domineering in pay setting institutions (CEO Tenure and Ownership) has predicted the possibility of OCT and MPT, when market-based proxy and when responsibility accounting was proxy (Revenue Per Employee and Profit Per Employee) were used.

Thirdly, the findings of the investigation have vital and crucial policy, regulatory, practitioner and societal inferences, principally for corporate entities and authorities in evolving economy that are envisioning or at present pursuing corporate governance's structure and corporate compensation policy reforming that bring about of new code of corporate conduct of 2018 in Nigeria. The crucial implication of study evident in the result, is that for greater effectiveness, compensation arrangement and monitoring by corporate governances can be mutually pursued. Hence, to obtain maximum influence, the study

recommended that, to have executive compensation that will align executive interest with those of capital owners should be accompanied by equivalent corporate governance reforms that seek to: the board structures with functional board committee independence such as nomination and compensation committees.

Fourthly, the robustness of the findings showed that compensation-performance-insensitivity with the performance metrics used, that is, revenue per employee (RPEY) and profit per employee (PPEY), while Tobin Q yielded compensation-performance-sensitivity. Again, the findings of the moderating variables of CEO's tenure and ownership. The result exhibited a relatively high sensitivity when CEO's tenure moderated compensation-performance-sensitivity, while the moderating of CEO's ownership moderated compensation-performance-sensitivity, the result revealed a small relative sensitivity. But, there was a great departure when CEO's tenure and ownership moderated compensation-performance-sensitivity of the performance metrics of and profit per employee (PPEY) and revenue per employee (RPEY). The result discovered that there was relatively high insensitivity in the connexion of compensation-performance-sensitivity.

Fifthly, this study is situated in an evolving economy, the recent modification in governance codes show that authorities and firms are currently trailing reforms in remuneration of executives and envisioning the monitoring functions of governance especially in Nigeria. Hence, the key policy implication emanated from study findings is to encourage formulation of joint policy reform that will bring about compensation alignment template and governance mechanisms in a manner to ensure efficient and effective operation of firms and to safeguard the capital owners' interest. Generally, regulators of corporate firms and professional managers should incorporate improvement mechanisms to governance functions by focusing the context of compensation-performance alignment by discouraging power concentration on CEOs'.

Lastly, although the findings reported are crucial and unswerving, there are some limitations that need to be expressly acknowledged. First, lack of sufficient data and unavailability of these data, as at December 2022, the quoted companies NGX were 168, but data of 109 companies were available. Again the components of compensation in corporate entities were not detailed enough.

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