Institutional Ownership and Restructuring Charges Shielding Effect on Executive Cash Compensation

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While previous literature linked certain corporate governance mechanisms to stronger CEO's compensation shielding from restructuring charges, this study investigates the impact of shareholders ownership characteristics, distinguishing between institutions ownership vs. managerial ownership. We examined a longitudinal sample of 2,196 US restructuring firms for the period of 2001-2006. We found institutional ownership to negatively moderate the shielding effect between restructuring charges and CEO cash compensation after controlling for board size, dual CEO role, and firm performance. Implications from this study highlight the key role of shareholders ownership characteristics in relation to CEO compensation at a time when many firms are undergoing restructuring.

INTRODUCTION

With the increased rate of mergers and acquisitions we are witnessing in today's economy, corporate restructuring has become common practice. Nevertheless, the decision to restructure is very often controversial with different stakeholders groups, who be definition are each viewing the consequences of such a decision differently. In this context, two key actors play pivotal roles in the decision to restructure and the implications the company will experience, these are that of the CEO and the shareholders. Given the unique roles that each of these actors plays in the strategic decision of the firm, it is of significant interest to investigate them further. In that light, agency theory provides insights of opportunistic behaviors that can emerge between the firm restructuring decision and the CEO incentives decisions (Jensen 1986; Feroz et al. 1991; Dechow et al. 1991 and Moehrle, 2002). Scholars have discussed the role of board's shielding effort to protect CEO salary, in an effort to reduce the impact of opportunistic behaviors that may emerge when the CEO salary is negatively impacted by charges of restructuring which is likely to reduce company size and earnings. Although earlier studies have confirmed such shielding effect, nonetheless, limited research has specifically looked at the board characteristics that enhances such shielding effect (Dechow et al., 1994) (hereinafter DHS) and Adut et al., 2003). Furthermore, even lesser literary attention is given to the examination of shareholders ownership characteristics. This study seeks to investigate the role of institutional and managerial ownership on the shielding effect of CEO compensation from the effects of restructuring charges on earnings. We are interested in investigating how shareholders' ownership characteristics can moderate the relationship between restructuring charges and CEO cash compensation. In a previous study, we have confirmed the complete shielding effect of

board characteristics on CEO compensation (Abdelzaher, 2011) highlighting certain board structures that help the protection of CEO salary. This study focuses specifically on shareholders ownership characteristics using a longitudinal dataset sample. We are reexamining such effect by restricting our sample to restructuring firms using a sample of 2,196 US companies for the period from 2001-2006. We control for board size and company performance and test how institutional ownership and managerial ownership play a key role in protecting the CEO cash compensation from restructuring charges.

This paper is presented in the below sections. The next section provides a brief literature review of restructuring CEO role, and board strategic role using the agency theory lens to summarize prior research in the area. We then present several testable hypotheses concerning the impact of restructuring charges and board/corporate governance characteristics on executives' compensation, including the moderating impact of institutional ownership. This is followed by the presentation of the research model and the methods sections. We close with the presentation of research findings and implications from this study.

LITERATURE REVIEW

"Restructuring in the corporate sector induces the reallocation of physical capital and labor across firms. Such restructuring, if optimally carried out, can facilitate the reallocation of resources from less-productive firms to more-productive firms, which raises average productivity of capital and labor in the economy and, consequently, the aggregate output "(Kim, 2011: 458). Restructuring is a process where the firm is seeking to maximize its effectiveness; this can be done via changing corporate strategies in pursuit of cost reductions and increased competitiveness. This process includes the "incorporation of new structures, technologies, and relationships" (Walston, Stephen & Chou, 2011: 177; Walston et al., 2004), leading firms to further learning and development.

It has been documented in that literature that companies often use reorganization as a way to improve company's earnings (Denis and Kruse, 2000; Chen et al., 2001). Positive capital markets reaction has been evidenced positively, on average, to restructuring activities (Francis, Hanna and Vincent 1996). With Brickley and Van Drunen (1990) and Kross et al. (1998) found that announcements of restructuring activities and related charges result, on average, is positive two day abnormal returns of roughly 1 percent. As a result, such restructuring actions have proved to show that under performing companies that restructure end up improving earnings results (Francis, Hanna & Vincent, 1996; Atiase, Platte & Tse, 2004). In addition, restructuring has received positive reactions from shareholders which means investors perceive such reorganization positively for the long-term growth of the company.

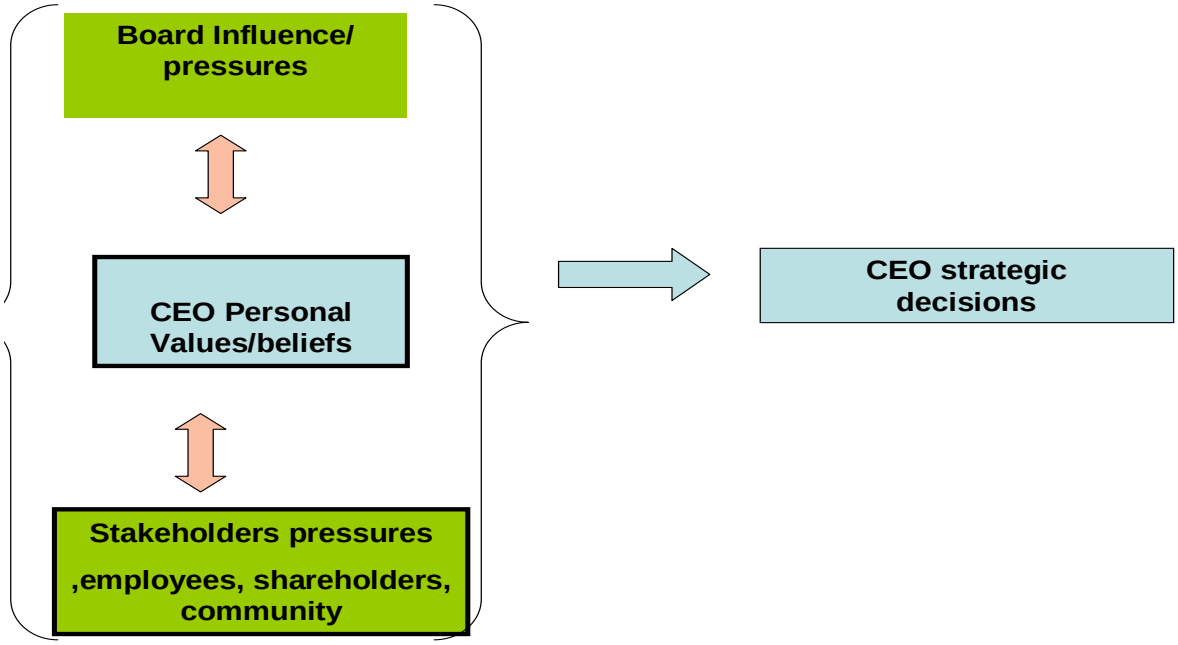
But despite the mentioned advantages of restructuring, many firms are cautious about announcing such a decision. In fact, scholars describe the challenges associated with it by saying "organizational change is often difficult and messy... Major change is never a single, orderly, linear process" (Waltson & Chou, 2011, p. 179). Additionally, scholars have highlighted the importance of having consensus among organizational actors to ensure that intended restructuring objectives are achieved (Axelrod, 2000). While restructuring decisions may impact several key stakeholders differently, this particular study focuses on its direct impact on CEO's compensation.

In that light, managers are faced with a unique scenario when a firm restructuring. Managers often perceive downsizing of the firm as a negative impact on their own compensation and therefore are less likely to go for restructuring decisions and often defend such actions strongly. Managers are often short term goal oriented and are keen on maximizing their short term incentive and are less keen to downsizing the company which reduces firm size and eventually their cash compensation (Latham, 1999; Cheng 2004; Stulz, 1988; Clark & Ofek, 1994; Dial & Murphy, 1994; Lamber, Larcker & Weigelt, 1991). Such CEO's perception of the restructuring decision can have a direct impact on the organizational outcome of the decision.

Upper Echelon Theory draws attention to the concept of "shared forces" which argues that examining the influence of executive groups yields better explanations of organizational behaviors and outcomes (Sanders and Hambrick, 2007). Most corporate strategic moves are linked directly to the CEO be it positive or negative. But it is important to note that CEO's decisions are not made in isolation. They are

guided by interaction dynamics between the three forces of (1) CEO's personal values and beliefs which shape his/her cognitive lens, (2) external pressures from key stakeholders (shareholders, employees, communities) which require that he/she balances strategic decisions between shareholder wealth maximization vs. sustainability of the firm, and (3) internal pressures from key decision makers (board members profile/motives). Depending on his/her values and priorities a CEO can choose to give different weights of importance to different sources of influence, but will consider all three. As highlighted in figure 1, both the board and shareholders are significant sources of pressures on CEO's actions. Building on this concept of shared forces and its impact on organizational sections, the research model presented in this study takes into account the influence of these forces in concert. To this purpose, we examine shareholders' interest as we discuss the type of shareholders ownership that are dominant in the restructuring firms (managerial vs. institutional). In addition we examine the impact of the structure of the board members on CEO compensation in restructuring firms.

FIGURE 1



HYPOTHESES DEVELOPMENT

While incentive-based earnings aim to align the interest of management with shareholders, they have also raised the concern that CEOs may only pursue actions that maximize their earning based compensation, with lesser concerns for pursuing actions that are for the long term good of the company. In other words, CEOs may be hesitant to pursue actions that may seem to jeopardize this. Restructuring is associated with a charge to earnings, although better firm performance in the long run. It is for this purpose that compensation committees play a strategic role in preventing CEOs from behaving opportunistically (Dechow, et al., 1994).We start with the main hypothesis of a negative relationship between restructuring charges and CEO cash compensation building on the existing literature documented in earlier research (Dechow, et al., 1994; Adut et al., 2003; Abdelzaher, 2011).

H_1: There is a negative relationship between restructuring charges and CEO cash compensation

Board composition deals with examining the percentage of outside directors on the total board. According to Jensen 1993, board that lacks independence tends to have weaker control mechanism when dealing with poor managers. Earlier literature indicated that the higher the percentage of outside directors on the total board, the more sensitive the board is to performance issues and the more likely the company will restructure to release value for shareholders (Jensen, 1993; Yermack, 1996). Lack of independent members on the board makes the board less likely to respond to failures timely (Jensen, 1993). In addition, Newman and Mozes (1997) found that the level of CEO pay is impacted by the number of insiders on the board for a sample of 161 firms.

Board composition or independence of the board also increases the monitoring role and therefore a positive relationship between board independence and financial reporting integrity has been documented (Klein, 2002; Bédard et al., 2004). "Empirical research has shown that when boards exercise a relatively high degree of power as an independent governing body in the organization, they are more vigilant in overseeing managerial decision making in order to protect shareholder interests" (Westphal and Zajac, 2001, p207). Anderson et al. (2004) provide evidence that fully independent committees are associated with significantly lower cost of debt, indicating better firm bottom line profits.

H_2: There is a positive relationship between board composition (percentage of outside board members) and CEO cash compensation in restructuring firms.

The responsibility of the board is immense as they try to align the interest of both the shareholder and the CEO to maximize firm performance. The board takes a significant role in the hiring, firing, evaluating, and compensating the CEO. However, many times as the CEO serves as the chair of the board, he or she can exercise significant control over the board through his or her power to set the board's plan. According to Jensen (1993), he argues that the CEO faces the challenges when faced with two conflicting roles on the board. As he tries to objectively drive to perform the chair's monitoring function and in the same time manage his or her personal wealth in the company. Therefore, separating the chair from the CEO/president position may be important if the board is to be a successful monitoring tool. In this connection, we present the following hypothesis:

H3: There is a positive relationship between CEO dual role and CEO cash compensation in restructuring firms.

In the recent years, we are witnessing increased scholarly attention to the role of institutional owners in shaping the firm behavior and key actors within the organization (Lin & Manowen, 2012). McConnell and Servaes (1990) reported a positive relationship between Tobin's q ratio (an approximation of the company's growth opportunities) and degree of institutional ownership. Han and Suk (1998) also examined the effect of institutional ownership on company performance. They found that stock returns are positively related to institutional ownership. Institutional investors have more incentive to monitor managers than do small investors (Shleifer & Vishny, 1986) because they have significant economic stakes with the firm when compared with individual type shareholders. We investigate the impact of Institutional investors as they have proved to have a significant role as external monitors of corporate activity (Agrawal & Mandelker, 1990).

This research stream argues institutional owners prioritize long term company gains over shorter term profits. The work of Rajgopal, Jiambalvo, and Venkatachalam (2002) and Shang (2003) found institutional owners to be less associated with discretionary accruals, an example of that would be a manger' s bonus that is not in the books but not paid yet. A number of studies found significant evidence of institutional ownership playing a significant role in limiting managers' self serving opportunistic behaviors (Smith, 1996; Del Guercio & Hawkins, 1999), which in the case of restructuring firms could be

relevant. Scholars have sought to discriminate the impact of institutional owners (Bushee, 1998) by segmenting them in accordance to the (a) degree of diversification of their investment portfolios and (b) expected turnover. This builds on the earlier work of Parthiban Kochhar and Levitas (1998) who found that the nature of a firm's ownership structure has an impact on CEO compensation.

Within the context of restructuring firms, the benefits are likely to be evident in the long term rather than the short-term. In this context, the negative impact of restructuring charges on CEO compensation is likely to be offset by the role of institutional owners who value company actions that are more long term yielding results. Thus, we included the variable INST to account for the external monitoring by institutional investors. We expect a moderating negative coefficient for INST coefficient with CEO cash compensation driven by their efforts to ensure the CEO's salary is not impacted by the restructuring decision to ensure stability of the firm. We posit a negative moderating relationship between institutional ownership and salary cash compensation.

> *H_4: The relationship between Restructuring charges and CEO cash compensation will be negatively moderated by institutional ownership in restructuring firms, such that the more shares owned by institutions the less negative the impact of restructuring on CEO compensation.*

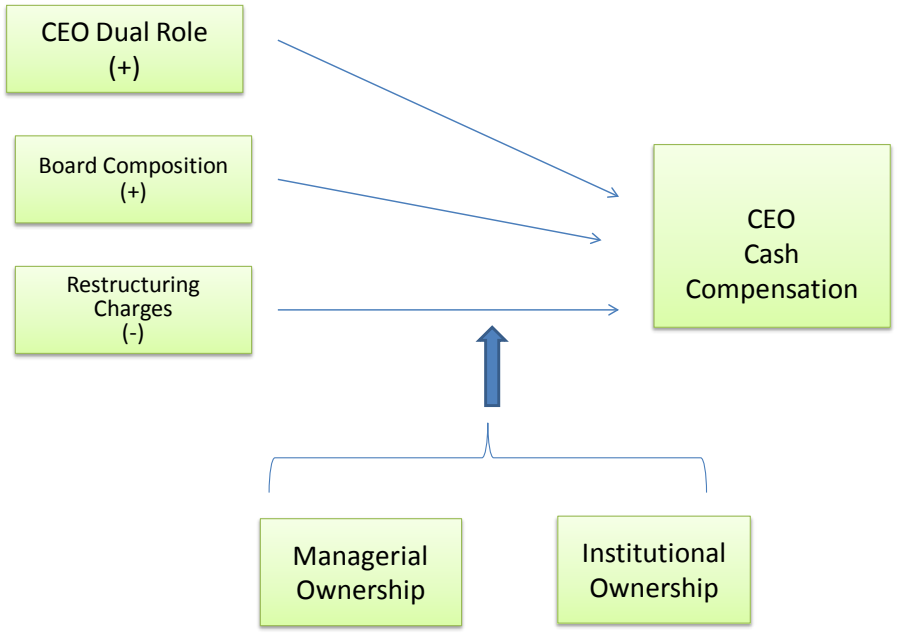
Agency theory states that conflict arises when the manager is separate from the owner (Jensen & Meckling, 1976). According to this theory, manager and principal are also likely to differ in terms of their attitude towards risk, which is why the board must play an intervening role to mitigate such agency costs. What if the shareholders are managers or insiders of the company, can they also mitigate such costs? Can we have the shareholders working with the managers together with the same type of interest? In this scenario, the principal interest of both the shareholders and managers would be to increase the value of their own stock vs. what was actually in the best interest of the firm. Is it for the interest of the company or the interest of their own wealth? In an important Chicago Law Review article titled "Managerial Power and Rent Extraction in the Design of Executive Compensation" – Bebchuk and colleagues (2002) demonstrate how the purposed solution of equity stock option granted to managers as part of their compensation or rewards are not satisfying to managers and do not in fact reward CEO but often discourage their performance.

In the case of restructuring, management salaries are likely to be negatively impacted. However this situation is less likely to occur when majority of shares are owned by the managers themselves. Therefore, we hypothesis that managerial ownership will offset the negative relationship between Restructuring charges and CEO cash compensation. In this case, the more managers' ownership in shares the less likely their cash compensation would be negatively impacted by restructuring.

> *H_5: The relationship between Restructuring charges and CEO cash compensation will be negatively moderated by Management ownership in restructuring firms, such that the more shares owned by managers the less negative the impact of restructuring on CEO compensation.*

The below figure 2 depicts the research model of this study.

FIGURE 2
RESEARCH MODEL



METHODS

Sample

Since our study focuses on the relationship between CEO cash compensation shielding from restructuring charge, we restrict our sample to restructuring companies. We apply multiple models for each **CASHCOMP** to examine the shielding impact separately for the type of shareholders after controlling for board structure. In this model, we are controlling for accounting measures as documented by Dechow (1994) to have a positive effect on CEO compensation. Consistent with Dechow (1994), we expect the compensating committee to shield cash compensation from restructuring charges and we examine whether such shielding exist even after controlling for different shareholders' ownership. We obtain CEO cash compensation from Corporate Library database for year 2001 through 2006. Since our study focuses on the relationship between CEO cash compensation shielding from restructuring charge, we restrict our sample to restructuring companies. We obtain restructuring charges from Compustat accompanied with all the financial data for the period 2001 and 2006. We exclude firms for which data was not obtained from the aforementioned databases. Our final sample consists of 2,196 restructuring US companies listed on the Compustat databases with restructuring and corporate governance characteristics. Consistent with previous study, we eliminate financial firms with SIC codes from 6000 to 6999.

Dependent Variable

CEO cash compensation (CASHCOMP) is defined as the sum of CEO salary and annual bonus in thousands Data is extracted from EXECUCOMP database for years 2001-2006.

Independent Variables

H1: *Restructuring charges* is measured by Restructuring Charge, extracted from firm's financial statements.

H2*: Board composition* is measured by the percentage of outside directors (non-executives) on the board.
H3*: CEO dual role* is measured by 1 or 0, if the CEO is also the Chairman then this is coded as 1, if not it is coded 0.
H4: *Institutional ownership* is measured by the percentage of outstanding shares held by institutions.
H5*: Management Ownership* is the estimated percentage of outstanding shares held by top management and directors, as reported by the company's most recent proxy statement.

We control for *adjusted income* where it equals pre-restructuring charge income, computed as INCOME -R_Chg equals earnings before extraordinary items. Additionally, we control for *board size* as it can have an impact on CEO salary and company performance. The larger the board size, the more committed the board to oversee the financial reporting and internal control systems (Anderson et al., 2004) and facilitate quality discussions among committee members (DeZoort and Salterio, 2001). *Board Size* is measured by the total number of directors.

Research Analysis

Regression analysis is used to examine the relationship between Restructuring charges and CEO Cash Compensation while controlling for firm performance, board size, and CEO dual role. Interaction terms were created to test for moderation effect of institutions ownership and managerial ownership. These variables were centered prior to testing the moderation effect hypothesis.

Model 1:
$CASHCOMP = B_0 + B_1{}^{*}ADJ\_INC + B_2{}^{*}R\_Charge$

Model 2:
$CASHCOMP = B_0 + B_1{}^{*}ADJ\_INC + B_2{}^{*}R\_Charge + B_3 BoardSize + B_4{}^{*}CEOischair$

Model 3:
$CASHCOMP = B_0 + B_1{}^{*}ADJ\_INC + B_2{}^{*}R\_Charge + B_3 BoardSize + B_4{}^{*}CEOischair + B_5{}^{*}BdComposition$

Model 4:
$CASHCOMP = B_0 + B_1{}^{*}ADJ\_INC + B_2{}^{*}R\_Charge + B_3 BoardSize + B_4{}^{*}CEOischair + B_5{}^{*}BdComposition + B_6{}^{*} INSTownership + B_7{}^{*} INSTownership * R\text{-}Charge$

Model 5:
$CASHCOMP = + B_1{}^{*}ADJ\_INC + B_2{}^{*}R\_Charge + B_3 BoardSize + B_4{}^{*}CEOischair + B_5{}^{*}BdComposition + B_8{}^{*} MgmOwnership + B_9 MgmOwnership * R\text{-}Charge$

Where:

CASHCOMP	=	The CEO's cash compensation (salary and bonus) in thousands;
ADJ_INC	=	Pre-restructuring charge income, computed as INCOME +R_Chg, where INCOME equals earnings before extraordinary items, and the results of discontinued operations in 2001-2006.
Bd Composition	=	measured by the percentage of outside directors (non-executives) on the board
R-Chg	=	Restructuring charge
CEOisChair	=	CEO has dual role as a Chairman

INSTownership=		Percent of outstanding shares held by institutions.
BoardSize	=	Director Total
MgmOwnership=		Estimated percentage of outstanding shares held by top management and directors, as reported by the company's most recent proxy statement.

We examine the degree of shielding using the Dechow et al. 1994 (DHS), defining B_1 as the (weighted average) mean of the firm specific ADJ_INCOME coefficients and B_2 as the (weighted average) mean of R_chg Coefficients. We use Dechow's et al. (1994) definition of shielding. They used the word shielding to capture the extent when the weight of the executive compensation places on restructuring charges are lower than the weight on pre-restructuring charge income. The three categories used where the relative weight of restructuring charges are as follows: (i) no shielding, where the weight on restructuring charges is positive and at least as large as that on pre-restructuring charge income; (ii) partial shielding, where the weight on restructuring charges is positive but smaller than that on pre-restructuring charge income; and (iii) complete shielding, where the weight on restructuring charge is either zero or negative (Dechow et al., 1994 : Adut et al., 2003).

RESULTS

Table 1, summarizes the descriptive statistics of the sample of restructuring firms when compared with a non restructured firms. When compared to non-restructuring firms, restructuring firms have lower adjusted income, lower percentage of insider's ownership, and higher percentage of institutional ownership. This results imply that restructuring firms tend to have lower percentage of insider's ownership, as managers and insiders are well aware of the reorganizations that the company has to go through and therefore less inclined to invest in their own company. Nevertheless, we see higher percentage of institutional shareholders in restructured firms confirmed by the significant T-test revealing a positive significant association between institutional ownership and CEO cash compensation with (p-value <0.001).

Table 2 presents Pearson correlation among the main variables. We see that the CEO cash compensation is highly correlated with CEO dual function, percentage of management ownership in the firm, percentage of institutional ownership and board size. We did not find a correlation between CEO cash compensation and board composition.

Table 3 present the results of the five regression models above mentioned. Regression results show that board size, CEO dual role, and adjusted income had a positive and significant relationship (p-value <0.001). H_1 prediction was supported with restructuring charge being significant and negatively related to CEO cash compensation (p-value<0.001). In all the models, we see complete shielding of CEO cash compensation from restructuring charges as defined by Dechow (1994). The results indicate a Beta of Adj_Income as positive as and higher than B_2 of the restructuring charges. Model 2 also tested the main effect of board composition and found a significant positive relationship (p-value<0.05), therefore H_2 is also supported. Institutional ownership (H4) was found to be negatively moderate the relationship between restructuring charges and CEO cash compensation (p-value< 0.001), although the main effect was found to be positively significant with CEO cash compensation. Our understanding is that the higher institutional ownership in a restructured company, the more likely the shareholders strength and demands and therefore works heavily with the board to make sure the CEO's incentives are aligned with the firm when restructuring is positive for the company. Nevertheless, the moderating negative effect on the CEO compensation is negatively impacted by the institutional ownership and restructuring charges moderating variable. We seek future researcher in this earlier explaining such a phenomena further. We did not find any significant association between managerial shareholders and CEO cash compensation. We hope that such research in this area will open up further research questions regarding the role of shareholders and their impact on improving corporate performance.

CONCLUSION

The purpose of this paper is to examine the influence of management and institutional ownership after controlling for board size and CEO dual role on the shielding of CEO cash compensation for restructuring firms for the period between 2001-2006. Our results confirm Dechow et al.'s (1994) and Adut et al. (2003) evidence that compensation committees intervene to modify the operating income figure that determines CEO cash compensation. We confirm this intervention by the compensation committee to shield CEO cash compensation. The result evidenced that equity ownership by institutional shareholders to have a positive shielding impact on CEO cash compensation from restructuring charges. Institutional ownership in the firm appears to align the interest of both the owner and the manager and will lead to value maximizing decisions in this case referring to restructuring charges. Our results do not support the notion that manager's ownership increases management feeling of entrenchment. Our result revealed that management ownership has no effect on the CEO cash compensation. With high institutional ownership, the interest of the managers and the shareholders are aligned and therefore the board is more likely to work for restructuring actions and shield management compensation from such actions. Nevertheless, we found no evidence that managerial ownership and board composition play a key role on the shielding of CEO compensation from restructuring charges. We hope this research will open up further research questions regarding the role of shareholders ownership characteristics and their influence in improving long term company's income.

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TABLE 1
DESCRIPTIVE STATISTICS RESTRUCTURING FIRMS VS. NON RESTRUCTURING FIRMS 2001-2006

Variables	Restructured Firms N=2,196 Mean	Non-Restructured Firms) N=6,852 Mean	T-Test
CASHCOMP($Millions)	1.56	1.52	0.82
ADJ_INC	276.53	366.05	-2.30**
Board Size	9.38	9.39	-0.22
MgmOwnership	15.95%	16.5%	-1.20
InstOwnership	67.71%	64.62%	5.51***
CEOisChairman	0.54	0.59	-3.91***
R_Chg	-71.77	-3..20	-19.20***
Bd Composition	21.20%	20.37%	0.95

***significant with: p<0.001, **p<0.05, *p<0.10

CASHCOMP	= CEO cash compensation (salary and bonus)
Board Composition	= Estimated percentage of outside directors on the board.
InstOwnership	= Estimated Percentage of outstanding shares held by institutions.
MgmOwnership	= Estimated percentage of outstanding shares held by top management and directors, as reported by the company's most recent proxy statement.
BoardSize	= Director Total
CEOisChairman	= CEO has dual roles
ADJ-INC	= Pre-restructuring charge income, computed as INCOME –R_CHARGE, where INCOME equals earning before tax, extraordinary items, and the results of discontinued operations in 2001-2006.
R_CHG	= The restructuring charge in year 2001- 2006 before tax.

TABLE 2
PEARSON CORRELATION

		ADJ_INC	R_Chg_b4tax	CEOis Chairman	Board_ Size	Bdcomp ostion	Mgmt OwnPc tg	InstitOwnPctg	R_Chg_ MgmOw nership	R_chg_Insitute Ownership
CEOcashCom p	Sig. (2-tailed)	.314** .000	-.105** .000	.097** .000	.204** .000	-.004 .673	-.081** .000	.080** .000	-.033** .002	-.109** .000
ADJ_INC	Sig. (2-tailed)		-.037** .000	.068** .000	.234** .000	.012 .241	-.109** .000	.005 .611	.083** .000	-.027* .011
R_Chg_b4tax	Sig. (2-tailed)			.020 .061	-.100** .000	.024* .023	.041** .000	.009 .373	.512** .000	.956** .000
CEOisChairm an	Sig. (2-tailed)				.003 .801	.138** .000	-.144** .000	.090** .000	.021* .044	.009 .382
Board_Size	Sig. (2-tailed)					-.037** .000	-.115** .000	-.126** .000	-.044** .000	-.103** .000
Bdcompostion	Sig. (2-tailed)						-.050** .000	.068** .000	.011 .285	.017 .101
MgmtOwn	Sig. (2-tailed)							-.189** .000	-.089** .000	.043** .000
InstitOwn	Sig. (2-tailed)								.002 .867	-.021* .046
R_Chg_Mgm Ownership	Sig. (2-tailed)									.607** .000

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

TABLE 3
REGRESSION ANALYSIS (N=2,196)

Standardized Coefficient					
Dependent Variable: CASHCOMP	Model 1	Model 2	Model 3	Model 4	Model 5
Constant					
ADJ_INC	0.312***	0.262***	0.261***	0.261***	0.262***
R_Chg	-0.213***	-0.176***	-0.177***	-0.107***	-0.172***
Board Size		0.206***	0.207***	0.209**	0.206***
CEOisChairman		0.095***	0.088***	0.098***	0.087***
Bd Composition			0.039**	0.032**	0.038**
InstOwnership				0.071***	
InstOwnership *R-Change				-0.124***	
MgmOwnership					-0.013
MgmOwnership* R-Change					-0.008
R	0.386	0.444	0.446	0.462	0.446
R Square	.0149	0.197	0.199	.214	0.199
Adjusted R Square	0.148	.196	.197	.211	0.197

***significant with: p_value<0.001, ** p_value <0.05, * p_value <0.10

APPENDIX I

CASHCOMP	= CEO cash compensation (salary and bonus)
InstOwnership	= Percent of outstanding shares held by institutions, as reported by the company's most recent proxy statement.
MgmOwnership	= Estimated percentage of outstanding shares held by top management and directors, as reported by the company's most recent proxy statement.
Bdcomposition	= percentage of outside directors on the board
BoardSize	= Board of Directors total
CEOisChairman	= CEO has dual roles.
ADJ-INC	= Pre-restructuring charge income, computed as INCOME –R_CHARGE, where INCOME equals earning before tax, extraordinary items, and the results of discontinued operations in 2001-2006.
R_CHG	= The restructuring charge in year 2001- 2006.