

# CEO Duality, Tenure, And Compensation: Is There a Link? - An Evidence from The Indian Market

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## ***Abstract***

**Purpose:** This study examines the relationship between CEOs playing a dual administrative role in a company and their tenure and compensation. This paper examines the research problem by applying four theoretical frameworks—“managerial power theory,” “efficient contracting theory,” “ability matching theory,” and “bargaining theory.”

**Design/methodology/approach:** The research sample includes 1,223 companies across 50 industries, totaling 4,419 firm years from the year 2011 to 2021. The findings are more robust when industry-fixed effects are modeled into the relationship. A variable, like the persistence of ROA, is also introduced into the model.

**Findings:** Despite some heterogeneity in the effects of CEO duality and CEO tenure, the results reveal a favorable influence of CEO duality and CEO tenure, suggesting that bargaining theory holds good concerning CEO remuneration in Indian companies. CEOs who can keep a high persistent ROA may see an increase in their remuneration.

**Implications:** Because there is a positive association between the size of the company and the compensation the CEO receives, it comes to reason that larger organizations are leveraging pay to lure the best suitable candidates. It would appear that growing Indian firms are prepared to pay more for CEOs with the experience and competence to take their company to new heights. This is a direct result of the positive implications that MBV has. Due to the favorable impact of ROA IOP, CEOs who maintain a high return on assets over time might anticipate receiving a larger compensation package.

**Originality Value:** It is the first study to use a large sample of 50 industries from the Indian market providing data on CEO remuneration and other characteristics, and also the first study to test the impact of volatile ROA on CEO remuneration.

**Keywords:** *CEO’s compensation, managerial power theory, efficient contracting theory, ability matching theory, bargaining theory*