

CEO Compensation in Cooperatives versus Publicly Listed Firms

Li Feng

George Hendrikse¹

Abstract

A cooperative differs from a publicly listed enterprise in at least two dimensions. First, it does not have a public listing. Second, a cooperative has to bring the enterprise to value as well as to serve member interests, while a publicly listed enterprise has to do only the former. These differences have an impact on the composition of the performance measure, and therefore the optimal incentive intensity for a CEO. The results regarding the optimal incentive intensity and the nature of the CEO activities, additional information, and member size and heterogeneity are formulated. Moreover, strategic considerations are incorporated in the choice of performance measure weights.

Keywords: CEO compensation, performance measurement, cooperatives.

¹ The authors are at Rotterdam School of Management, Erasmus University, Office T8-56, P.O. Box 1738, 3000 DR Rotterdam, 00-31-10-4088660, The Netherlands, lfeng@rsm.nl, ghendrikse@rsm.nl.