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Literature Review of Executive Compensation

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Abstract

The research on executive compensation has always been a hot topic in the East and West. Based on the literature published in Chinese and English academic journals from 2015 to 2017, this paper analyzes the research status of executive compensation in the East and the West. This paper summarizes the factors that affect executive compensation, the impact of executive compensation on the development of enterprises, the compensation gap on the development of enterprises and related research methods in order to provide a reference for the study of executive compensation.

Keywords

English Literature, Chinese Literature, Executive Compensation Literature Review

1. Introduction

In modern corporate governance, executive compensation is a commonly used incentive method. The executive market releases information related to executive compensation plan formulated by the board of directors or compensation committee for executives. Qualified professional managers can sniff this information, join in the development and operation of enterprises, create value for shareholders, and make a long-term development for enterprises. There are two different views on the effect of executive compensation on enterprise development. The first view is that there is a reverse relationship between executive compensation and the development of the enterprise. The higher the executive compensation, the more likely the executive will violate the moral constraints and deviate from the value orientation of the enterprise itself, which is extremely unfavorable for the sustainable development of the enterprise. In Lucian boccek and Jesse Friede's book "getting paid for nothing—examining the executive compensation system in the United States", they put forward solutions to alleviate this harmful impact. They think that through the reform of management system, directors can bear more responsibilities for shareholders, so that when making compensation arrangements, they can avoid the distortion of compensation plans to a certain extent Condition. The second view is that there is a positive correlation between executive compensation and enterprise development. Under the incentive of executive compensation, the management will be loyal to the interests and values of shareholders. In the book executive compensation, Ella T. Kay and Steven van Putten analyzed the listed companies in the United States, and thought that executive compensation matched with their contribution to the company, and the incentive for executives was conducive to the effective development of the whole market.

Compared with mature markets such as the United States, the executive compensation of Chinese listed companies is not only the same but also different. There are both the phenomenon of rapid growth of executive pay and the emergence of sky high pay. And "zero compensation" is a unique phenomenon of Chinese listed companies. The issue of executive compensation is not only related to the governance and development of the enterprise itself, but also related to social equity, corruption and other social hot spots of national economy and people's livelihood. Every year, the relevant media will analyze, compare and rank the executive compensation of listed companies, and deeply analyze its development trend, change causes, etc. This has further stimulated the public's enthusiasm and interest in the issue of executive compensation. In recent years, the issue of executive compensation has become the focus of academic and practical circles. Therefore, this paper summarizes the literature related to executive compensation in Chinese and English, discusses the development trend of executive compensation, and puts forward constructive suggestions on the future research of executive compensation.

2. Sample Selection and Classification

2.1. Sample Source

This paper selects five international authoritative journals and five top Chinese journals. The articles published in these 10 journals represent the latest research fields and mainstream research directions of the East and the west, which can be said to play a guiding role in the research of the whole industry. The five international journals are Journal of Accounting and Economics, Journal of Accounting Research, Accounting Review, Journal of Financial Economics, Journal of Corporate Finance. These journals enjoy a high international reputation and are recognized as the top journals in the industry. The five Chinese journals are economic research, management world, accounting research, financial research and China's industrial economy, which are the top Chinese journals. After selecting the 10 journals, this paper searches the articles about executive compensation in the past three years from 2015 to 2017 from two dimensions of English and Chinese. See Table 1 and Table 2 for descriptive statistics of the retrieved documents.

Table 1. Statistics of English literature on executive compensation in 2015-2017.

Year	JAE	JAR	AR	JFE	JCF	Sum
2017	3	1	0	3	4	11
2016	2	0	1	2	3	8
2015	1	1	8	1	7	18
Sum	6	2	9	6	14	37

JAE: Journal of Accounting and Economics; JAR: Journal of Accounting Research; AR: Accounting Review; JFE: Journal of Financial Economics; JCF: Journal of Corporate Finance.

Table 2. Statistics of Chinese literature on executive compensation in 2015-2017.

Year	Economic research	Managing the world	Accounting Research	Financial research	Chinese industrial economy	Sum
2017	1	1	1	0	0	3
2016	1	2	3	0	1	7
2015	0	0	4	1	3	8
Sum	2	3	8	1	4	18

It can be seen from Table 1 that the articles on executive compensation have appeared in all five English journals in the past three years, and the number of relevant literature is relatively large. The number of documents in three years showed a U-shaped trend. It is very common for English journals to study the issue of executive compensation, which is a research hotspot.

It can be seen from Table 2 that in China, articles on executive compensation have also appeared in these five journals in the past three years, but the number of relevant literature is less than that in English. This shows that the gap between China and the west is obvious. It can be seen that the number of literature between 15 and 16 years is the largest, which may be due to the promulgation of the “salary limit order”, which makes the executive compensation change greatly compared with the past, so it has attracted the attention of scholars.

2.2. Sample Research Content

Through the study of Chinese and English executive compensation literature, as shown in Table 3. This paper will mainly discuss from the following four aspects: first, the factors that affect executive compensation; second, the impact of executive compensation on the development of enterprises; third, the impact of pay gap on the development of enterprises; finally, the methods of studying executive compensation in Chinese and English are classified.

3. A Summary of the Research on Executive Compensation in English

3.1. Factors Affecting Executive Compensation

There are many factors that affect executive compensation. Western scholars

Table 3. Statistical table of literature research perspectives on executive compensation.

Research angle	Factors affecting executive compensation	The impact of executive compensation on the development of enterprises	The influence of salary gap on the development of enterprises	Other	Sum
Number of English documents	28	2	0	7	37
Number of Chinese documents	8	6	3	1	18

study from the inside and outside of the enterprise as well as the personal characteristics of executives. Ellahie, Tahoun and Tuna examined the role of inherited beliefs and values in CEO compensation contracts from an international context. In their view, CEOs have the opportunity to influence their compensation arrangements because they can state their preferences when negotiating with the board on compensation issues, which are determined by their shared genetic beliefs and values. When the purpose of CEO change is to introduce "change promoter", the influence of inherited beliefs and values is stronger, which indicates that increasing bargaining power may be the company's decision to compensate the CEO's racial preference. They also found that CEOs' shared genetic beliefs and values were also related to their preference for job security [1].

Jongjaroenkamol, Volker Laux believed that compared with the internal promoted managers, the external recruited managers received higher incentive pay and higher expected pay. Compared with the internal personnel, the external personnel have disadvantages in higher incentive and compensation costs. Compared with the internal promoted managers, the external employed managers have shorter expected tenure, and the performance indicators are difficult to manipulate. When it is difficult to manipulate the performance indicators of new employees, the company is more likely to hire external personnel to fill the vacant positions. Marinilka B. kimbroa, Danielle Xu reviewed shareholder votes in 2011 and 2012 shortly after the implementation of SEC regulations, which required non binding common shareholders to vote on executive compensation or "statement of payment" (SOP). Compared with companies with high opposition to SOP, companies approved by SOP have better performance and return, higher CEO ownership, lower institutional ownership, lower CEO compensation, lower return volatility and better accounting quality. Shareholder dissatisfaction is related to high pay or excessive CEO pay [2] [3].

Huasheng Gao, Juan Luo, Tilan Tang found that compensation has a strong job hopping effect: after losing the executives of other companies, the enterprises greatly increase the compensation (especially equity based compensation) for their in-service executives. Further analysis shows that the impact of job hopping on executive compensation is basically consistent with the optimal contract. First of all, the cross-sectional change of job hopping effect is mainly driven by market forces. In particular, when current executives have greater job mobility in the labor market, when companies lose senior managers, and when other companies get favorable job opportunities, pay increases are more obvious. Secondly, the executive compensation of job hopping enterprises is not as competitive as that provided by competitors in the early stage of the jump, but this compensation defect is greatly reduced in the late stage of the jump. This shows that job hopping has "rebalanced" low wage companies' pay packages. Finally, the pay increase after the job hopping incident effectively helped to retain other executives. Cadman, Carterand Hillegeist filed a lawsuit against Citigroup, and the court ruled that the enterprise waste related to CEO's salary was claimed by the court. The court intervention was analyzed as an alternative governance mechanism in the case of excess salary. In a cross-sectional analysis, they found that while CEOs with higher excess pay responded more negatively to these companies, it was more positive for those with higher excess pay and poor performance. They interpret this as evidence that shareholders believe court intervention is costly and may be generally unpopular in companies with a high probability of intervention. But in companies where excess pay is accompanied by poor performance, shareholders seem to think court intervention is beneficial. Brian Cadman, Linda Vincent concluded from the comparison of CEO dB (fixed benefits) compensation and CEO compensation components of enterprises without CEO DB compensation plan that enterprises and CEO DB plan to use different plans to compensate their CEOs. After controlling the characteristics of companies and CEOs that affect pay, it is found that CEOs with DB pension plans will also get more cash, equity and total pay. Based on the excellent CEO DB pension benefits, the measurement of CEO power is positively related to the increase in the total non full non pension amount of these CEOs in the year. Margaret A. Abernethy, Kuang, Qin examined the impact of CEO power on the design of compensation contracts. It is found that companies with strong CEOs adopt the regulatory reform related to performance stock options (pvso) as early as possible, and grant easier attribution goals through pvso. Both options occur at the same time. Companies with strong CEOs will only influence the early adoption of pvso if they know that they can influence the choice of belonging goals. Since the choice and difficulty of attribution goal are not easily seen by the external public, the early adoption of pvso has become the "disguise" of good governance. Our results also support MPT's prediction of the role of anger in compensation contract design. However, anger is a necessary but not sufficient condition for the reform of salary design. The anger combined with a strong Chief Executive provides the conditions for this [4] [5] [6] [7].

Florens focke, Ernst Maug, Alexandra Niessen ruenzi investigated the relationship between CEO compensation and corporate reputation, and found that the CEO of enterprises included in the ranking of "the most admired companies in the United States" was on average 8% lower than that of non ranking companies in terms of compensation factors. In their view, CEOs value corporate stress because it increases their social status and improves their career prospects for the future. As a result, they are willing to trade in monetary compensation for prestige and accept lower salary growth rates. They also found that the negative impact of corporate reputation on compensation was concentrated in well managed businesses. Only a strong enough board can reduce the CEO's salary, while a weak board can leave the salary of the prestigious company to the CEO as rent. Mark Humphery Jenner *et al.* studied the effect of overconfidence on compensation structure. Their findings support the exploitation hypothesis that companies provide incentive important compensation contracts that allow CEOs to take advantage of their positive biases about the company's prospects with overconfidence. Overconfident CEOs get more options intensive compensation, and the relationship increases with the bargaining power of CEOs. External shocks (SOx and Fas 123R in 2002) provide additional support for the findings. De Cesari, Gonenc and Ozkan investigated the impact of corporate acquisitions in mainland Europe on CEO compensation and CEO change in family businesses. They found that there was no increase in the remuneration of the chief executive of the family business during the post acquisition period, while there was a significant positive statistical correlation between the remuneration of the chief executive of the non family business and their acquisition activities. This finding is consistent with the view that controlling family shareholders supervise CEOs to mitigate management problems caused by the separation of ownership and control. In addition, they found that after the acquisition of non family businesses, the possibility of CEO turnover decreased, indicating that these M & A CEOs will not face higher possibility of dismissal when they receive higher level of remuneration. In contrast, the acquisition has no significant impact on the turnover of the CEO of the family business [8] [9] [10].

3.2. The Impact of Executive Compensation on Enterprise Development

Executive's behavior decision-making plays an important role in the operation of the enterprise. As an incentive way for executives, executive compensation will inevitably have a significant impact on the survival and development of the enterprise. GAO, H. uses the setting of experimental Vorst AG to investigate whether this executive compensation system creates value for shareholders. The regulation of the responsibilities of the German executive compensation and supervision committee to gain an in-depth understanding of the market's views on the economic impact of regulations. On average, the company's value increases with the increase of the possibility or scope/content of the regulation of executive compensation. The total amount of compensation under the mandate of Vorst Ag does not exceed the "customary" level, which is the industry average. As a result, companies with higher than industry average pay levels are particularly affected by the regulation. The response of market value to the increase of the possibility or scope/content of executive compensation regulation is positively related to the degree of abnormal compensation. In addition to setting a cap on the total amount of compensation, Vorst Ag seeks compensation linked to (long-term) performance. In other words, their pay performance sensitivity is low. The response of market value to the possibility or scope/content of executive compensation regulation is negatively correlated with compensation performance sensitivity. EI yet Chu, saw IMM song study explains whether over investment is related to the relationship between executive compensation and earnings management. There is evidence that the application of investment strategies by executives has resulted in a 23% increase in remuneration and a 1% increase in share price. However, the value of this finding to shareholders is unclear, because shareholders can also share the benefits of increasing equity value, which is related to the higher risk of over investment. It is also worth noting that the ability of executive directors is well reflected in the incentive ratio, but not for companies with large shareholders. Nevertheless, the executive directors' short-term compensation and bonuses reflect their ability to outperform others in their respective industries. In addition to companies controlled by major shareholders, over investment has actually increased the equity of executives in our research. In the short term, it does benefit shareholders because they share the gains as share prices improve. However, in the long run, the correlation between over investment and high risk is not clear. Although the short-term compensation reflects the executive director's ability, the increase of over investment will increase the equity value of directors, so more research on long-term equity compensation is needed [11] [12].

3.3. Research Methods of Executive Compensation

Among the 18 English literatures about executive compensation, empirical research methods play a leading role. In these documents, the empirical models are generally multiple linear log regression model, multiple log linear regression model, multiple linear regression model. However, these models are not used alone, but more are combined with the establishment of mathematical models to derive the two-way service for research, and most of them use the robustness test to make the research conclusions more reliable. In addition, some literatures also use experimental research methods, which greatly enriches the research methods in this field.

4. Summary of Research on Executive Compensation in Chinese Literature

4.1. Factors Affecting Executive Compensation

There are many factors that affect executive compensation. Chinese scholars analyze and study the internal and external factors from different perspectives. Xiaomei Han, Qihui Gong and Liansheng Wu studied the impact of the reduction of salary tax cost brought by the reform of salary tax credit on the salary arrangement of enterprises against the background of China's 2008 salary tax credit reform. The research shows that in the case of implementing the tax deduction standard, the total tax cost of increasing the salary paid to ordinary employees is higher than the tax cost of increasing the salary paid to senior managers, which leads to the enterprise more likely to increase the income of senior managers than to increase the income of ordinary employees, which leads to the expansion of the income gap between senior managers and ordinary employees. It can be seen that the main bearers of the tax wage system to the workers' income depression are ordinary employees rather than senior managers. After the reform of salary tax credit, based on the expectation of compensation, ordinary employees will take it for granted that they should enjoy the increase of the share of workers' income brought by the tax reform. Therefore, after the reform of compensation tax deduction, enterprises are more inclined to increase the salary of ordinary employees, so as to narrow the pay gap between executives and ordinary employees. The research of Cai Chai, Shizhong Huang and Qinhua Ye shows that compared with the companies implementing the cost leading strategy, the companies implementing the differentiation strategy should adopt the more radical executive compensation incentive mechanism, and the average level of monetary compensation incentive for the executives will be significantly higher; compared with the companies implementing the cost leading strategy, the companies implementing the differentiation strategy should adopt the more radical high In the management of salary incentive mechanism, the average gap of monetary salary between executives will be significantly larger. Xingfei Jia and Xianzhi Zhang believe that the change of accounting concept will bring about the change of executive compensation contract. The sensitivity of net profit and executive compensation decreased significantly, while the sensitivity of net asset and executive compensation increased significantly, reflecting that managers pay more attention to capital appreciation in business philosophy and decision-making behavior; compared with companies with lower accounting sensitivity, companies with higher accounting sensitivity pay more attention to capital appreciation after the accounting concept changes, their management The degree of change of business philosophy and decision-making behavior is greater, that is, the decrease of net profit and executive compensation sensitivity is greater, while the increase of net assets and executive compensation sensitivity is greater; compared with non-state-owned holding companies, state-owned holding companies have a greater degree of change of management philosophy and decision-making behavior after the change of accounting concept, that is, under the sensitivity of net profit and executive compensation The decrease degree is greater, while the increase degree of net assets and high management compensation sensitivity is greater [13] [14] [15].

Juwei Wang, Jianxin Tang and Mochi Kong analyzed the interaction mechanism between the merger and acquisition earnings and the change of executive's monetary compensation after the merger. Taking the A-share listed companies which had significant merger and acquisition in Shanghai and Shenzhen stock markets from 2007 to 2012 as the research object, the study found that there was a substitution relationship between earnings management and merger earnings on the change of executive's compensation. Xin Wang, Yanlin Li and Fangshu Li believe that the behavior of managers in private enterprises is strictly regulated by the owners, and they are more vulnerable to the threat of dismissing or reducing their salaries, and managers are also difficult to get political promotion through donations. Therefore, in private enterprises, corporate social responsibility is more likely to play a strategic motive, less to become an excuse for managers' compensation incentive and dereliction of responsibility, weakening the sensitivity of managers' compensation and performance. Jianping Deng and Aihua Chen believed that the introduction of financial related executives in private enterprises significantly promoted the overall compensation level of executives. The higher the salary of the financial related executives, the faster the overall salary level of the company's executives increases. Further analysis also found that there is no significant relationship between the financial related executive compensation and the improvement of the company's business performance. The results show that the compensation of financial related executives has a significant impact on the change of the compensation of private enterprise executives, but this impact is not achieved by improving the performance of the company through financial related to improve the overall compensation level of the company executives, but has a significant relationship with the reference point of high financial related compensation [16] [17] [18].

Yiyi Zhao and Changjiang Lv studied the special effect of kinship on family business from the perspective of compensation contract: whether the kinship between the actual controller and CEO of family business can reduce the demand for compensation contract, and whether kinship can provide effective incentives. The empirical results show that: the actual controller acts as CEO himself, the demand for compensation contract is the lowest, and the economic consequences are the best. Excluding the founder effect, the family members of the actual controller are CEOs. Compared with non family CEOs, they have lower demand for compensation contracts and better accounting performance. This paper points out that the special role played by kinship in family business is to influence the contractual relationship, which makes family business different from other enterprises. Kinship reduces the demand for compensation contract, and at the same time, kinship itself realizes effective incentive, which has a positive effect on company performance. Sihai Li, Xinfeng Jiang, and Xianzhong Song studied the impact of executive age on compensation contracts. The results show that the age of executives has a significant impact on the level of compensation. The older the relative age and the absolute age are, the higher the level of compensation is. However, the age that has a significant relationship with compensation has no significant correlation with corporate performance, and the age of executives reduces the sensitivity of compensation performance, especially when performance declines Sensitivity, reflecting that the age of executives reduces the effectiveness of compensation contracts. Further research shows that there is an intermediary role of social capital in the influence of senior executives' age on compensation contracts, and the older the senior executives are, the more likely they are to have political capital, which enhances their negotiation and control in the signing of compensation contracts [19] [20].

4.2. The Impact of Executive Compensation on Enterprise Development

Executive compensation has a far-reaching impact on enterprises, whether it is the disclosure of information, the adjustment of capital structure, the company's performance and so on. Xinsheng Cheng, Jianmei Liu and Jinghan Chen studied whether executives disclose more strategic information when they receive excess compensation, and further tested whether the motivation of strategic information disclosure at this time conforms to the hypothesis of managers' ability signal or the hypothesis of compensation defense. The results show that the disclosure of strategic information is positively related to the excess compensation, and the positive correlation is stronger in the state-owned enterprises, especially in the central enterprises, the companies with low sensitivity of compensation performance and low shareholding ratio of institutional investors. That is to say, when the executives get the excess compensation, in order to improve the legitimacy and rationality of the compensation, they will disclose more strategic information to show their talents. They examined the motivation of information disclosure from the perspective of executive compensation defense, especially in the institutional context of developing countries. Huang *et al.* took all A-share listed companies in Shanghai and Shenzhen stock markets from 2001 to 2012 as research samples, and empirical tests found that corporate governance mechanisms such as manager compensation incentive and institutional investor supervision can alleviate shareholder manager agency conflict and optimize the company's dynamic capital structure decision-making. When the constraint effect of debt on managers is strong, the relationship between manager compensation and the speed of capital structure adjustment is more sensitive. That is to say, when the capital structure is higher than the target level, the impact of manager compensation on the speed of capital structure adjustment is greater, about twice that of lower than the target level; and for companies with higher growth opportunities, the impact of manager compensation on the speed of adjustment is greater. From the perspective of dynamic adjustment of capital structure, the higher the manager's salary, the faster the company adjusts its capital structure upward, and the slower the company adjusts its capital structure downward. Therefore, in the static level of capital structure, the higher the manager's salary, the higher the company's debt level should be. Xiongyuan Wang, Zhenyang Shi and Jie He based on the data of China's listed companies from 2007 to 2013, from the perspective of the pay characteristics of employees, such as whether the pay is balanced, whether there is no annual large pay and whether the proportion of non taxable pay items is high, or from the amount of income tax withheld and paid by enterprises in the detailed account of "personal income tax payable", Judge whether the enterprise has made the tax planning of the wage income tax, and then investigate the influence of the tax planning of the wage income tax on the incentive effect of the employees' salary. The results show that the equity compensation of senior managers is relatively low, there are many senior managers with financial background, and the average wage level is in the middle. The more motivated enterprises are to carry out the tax planning of wage income tax, the stronger the promotion effect of the tax planning of wage income tax on salary incentive effect [21] [22] [23].

Cai Chai, Shizhong Huang and Qinhua Ye studied the impact of unreasonable compensation incentive on executives' performance under the compensation incentive mechanism corresponding to two competitive strategies. The research shows that under the strategy of differentiation, the over incentive caused by the over payment of monetary compensation to senior managers will have a negative impact on the company's performance; under the strategy of cost leadership, the under incentive caused by the payment of monetary compensation to senior managers will also have a negative impact on the company's performance; under the strategy of cost leadership, the under payment of monetary compensation will also have a negative impact on the company's performance However, the lack of incentive has no significant adverse effect on the company's performance. Under the differentiation strategy, the incentive intensity of executive's equity compensation and the company's performance show an inverted U-shaped relationship: within the reasonable incentive intensity of equity compensation, the two are positively correlated; when the incentive intensity exceeds the reasonable incentive intensity of equity compensation, the two are negatively correlated; under the cost leadership strategy, the executive's There is no significant "inverted U" relationship between the incentive intensity of equity compensation and the company's performance: that is, within the reasonable incentive intensity of equity compensation, the two are positively correlated; when beyond the reasonable incentive intensity of equity compensation, the two are not significantly negatively correlated. Tao Zhu studied the relationship between directors and CEOs from the perspective of compensation. It is found that "director supervision compensation" is positively related to CEO compensation, and has a significant positive impact on the future performance of the company, and "director excess compensation" is also positively related to CEO compensation, but has a significant negative impact on the future performance of the company. The intermediary effect test shows that the impact of "director supervision compensation" and "director excess compensation" on the future performance of the company is 15.37% and 40.54%, respectively It is indirectly realized through CEO compensation arrangement, which shows that there are two effects of supervision and collusion between directors and CEO at present, but collusion effect is stronger than supervision effect. Liangmou Gao and Jianci Lu used the threshold panel model to investigate the asymmetric incentive effect of internal pay gap on corporate performance, and then explained the internal mechanism of the asymmetric effect by examining the incentive consequences of different levels of pay gap on executives and ordinary employees. It is found that there is an inverted U-shaped relationship between internal compensation gap and corporate performance, and the positive incentive effect is different with the change of gap, that is, it has significant threshold characteristics [14] [24] [25].

4.3. The Impact of Pay Gap on Enterprise Development

The gap between executives and employees is related to enterprise innovation, employees' sense of fairness and legal compliance. Dongmin Kong, Mingli Xu and Gaowen Kong used the data of Listed Companies in China to investigate the impact of the pay gap between managers and employees on enterprise innovation. They found that: first, on the whole, the results support the tournament theory, that is, the pay gap has a positive impact on innovation output. Second, in the case of low level of pay gap, expanding the pay gap significantly improves the innovation of enterprises, indicating that the tournament theory plays a leading role in innovation activities; but in the case of high level of pay gap, expanding the pay gap has a negative effect on enterprise innovation, indicating that the ratio theory begins to play a role. Third, the positive incentive effect of compensation gap on innovation is mainly driven by the compensation premium of management, which reduces the innovation output to a certain extent. Their research provides an important perspective for the regulatory and enterprise sectors, and has important reference significance for the government to issue policies to encourage enterprise innovation. Yu Lei and Jianhua Guo demonstrated that it is an unfair distribution rule that executives' pay stickiness is greater than employees' pay stickiness from the aspects of content and motivation of rules, four factor theory of organizational justice and traditional Chinese concepts. On this basis, the study found that unfair rules will reduce the efficiency of employees, and reduce the incentive effect of pay gap on employees. Rui Zhang and kaolei Guan used empirical data of Listed Companies in China to empirically test the impact of internal and external pay gap of senior executives on embezzlement crimes. The results show that the smaller the internal pay gap is, the more likely the executives are to commit embezzlement crimes, while the smaller the external pay gap is, the less likely the executives are to commit embezzlement crimes [26] [27] [28].

4.4. Research Methods of Executive Compensation

Among the 18 Chinese literatures about executive compensation, empirical research method plays an absolutely dominant role. In these documents, the empirical models are generally multiple linear log regression model, multiple log linear regression model, multiple linear regression model, double difference model and threshold panel model, among which the multiple linear log regression model and multiple log linear regression model are mostly used. Generally, there are many independent variables and control variables involved in the model, and the analysis is more thorough.

5. Conclusion

Western scholars' research on executive compensation mainly focuses on the factors that affect executive compensation, and the impact of executive compensation on the development of enterprises. Chinese scholars focus on the factors that affect executive compensation, the impact of executive compensation on enterprise development and the impact of pay gap on the company. It can be seen that in the past three years, there have been overlaps and overlaps between the eastern and Western studies, which have carried out detailed analysis and Research on many factors affecting executive pay. Western scholars have many perspectives on the factors affecting executive pay, such as exploring the impact of psychological aspects such as the values that executives uphold and the overconfidence of executives on executive pay. Scholars from the East and the west start with the relevant laws and regulations, such as the intervention of courts in the west, and the reform of compensation tax credit in China. Starting from the external environment such as the legal environment is the normal research. The study of executive compensation on the development of enterprises both the eastern and Western scholars pay attention to the performance and value of enterprises. Chinese scholars have also explored the impact of the gap between executive compensation and employee compensation on enterprises. In recent three years, no relevant research has been found from western scholars. The world is reshaping executive compensation in a variety of new ways, including the rise of digital and new technologies, new non-traditional competitors (such as Google, Baidu in the development of driverless, will become competitors of traditional car manufacturers in the future), environmental crisis and political atmosphere, demographic changes, emerging markets (urbanization and the rise of consumerism). Although change is not new, the development of technology and digitalization is accelerating the process of change, which is different from any change we have experienced in the past. All these changes force enterprises to rethink how to attract and retain senior management talents. In the new environment, enterprises must: define and convey the company's unique values; redefine performance and how to measure performance; explore non-traditional pay model to attract rare talents; focus on the balance of short-term interests and long-term values to retain core talents. In terms of research methods, the empirical process in the west is more complex and accurate than that in China. Some empirical models and variables used in English literature can be used for reference in empirical research of equity incentive in China. In addition, western scholars also use experimental methods and the establishment of complex mathematical models for formula derivation and other research methods. Although these methods are not widely used, Chinese scholars can also draw nutrients from them and apply them to their own research. In the west, there are also methods that combine modeling and empirical research. The two methods blend with each other and complement each other for the research purpose. It may be more effective.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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