



**FIRM PERFORMANCE, AGENCY CONFLICT AND FACTORS AFFECT TOP  
MANAGEMENTS' COMPENSATION: EVIDENCE FROM THAILAND**

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May 2013**

**ABSTRACT**

This paper examines what factors affect top management's cash compensation levels. We also extend our research to examine the impact of the proposed financial variables on stock option issuance. We find that the firms' performance proxies: Gross Profit Margin, EBITDA and Tobins'q, explain a significant positive relationship with top management's cash compensation levels. However, the firms' performance has no impact on the stock option issuance. It is not surprising that firm size also highly correlated with top management's cash compensation levels. Our finding on firm size is consistent with many previous researches. Surprisingly, we find that board size and percentage of independent directors have no influence on the top management's cash compensation levels. The positive correlation coefficients indicated that directors tend to avoid conflict with the top management's pay arrangements. We also find that the young firms tend to issue stock options for their top management team, because younger firms are more likely to be cash constrained. However, our extended model might have some omitted variables which are beyond the scope of this research.

**Keywords:** Top Managements' Compensation, Pay Performance, Agency Conflict