

# Determinants of Executive Incentive Pay

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## ABSTRACT

Based on expectancy theory and agency theory, this study investigates the effects of downside risk, degree of internationalization, and growth opportunities on managerial incentive compensation. Data of total 1501 managerial observations were analyzed by regression. There are two major findings: (1) Downside risk is a significant and negative determinant of incentive pay. (2) Degree of internationalization has a positive influence on incentive pay. Implications of these findings for management practice and future research are discussed.

Keywords : Incentive pay, downside risk, degree of internationalization, growth opportunities

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