

The Relationships among Internationalization, Downside Risk, and Incentive Pay

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ABSTRACT

In this study, we extended agency-based by examining the role of downside risk in the structure of managerial compensation. We also investigated the relationship of internationalization and diversification strategy from real options theory. Data of S&P500 firms were 168 from firm level and 1622 from individual level. There are four major findings: (1) Internationalization strategy has a positive relationship with downside risk. (2) Related diversification has a negative relationship with downside risk. (3) The negative relationship with unrelated diversification and downside risk is not support. (4) Downside risk has a positive relationship with incentive pay.

Keywords : incentive pay、downside risk、internationalization、diversification

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