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POLITICAL IDEOLOGIES OF UPPER ECHELONS:

IMPLICATIONS FOR TOP EXECUTIVES' PAY ARRANGEMENTS

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ABSTRACT

In this dissertation, I examine the influence of the political ideologies of top executives on organizational outcomes. I first test how liberal and conservative CEOs have different influences on top management teams' (TMT) pay arrangements. Given that politically liberal CEOs believe in the importance of egalitarianism, whereas political conservatives hold to free-market principles, I propose that a firm with a more liberal CEO is likely to have greater TMT pay egalitarianism, which is defined as the degree to which pay is arranged such that executives' financial rewards are shared collectively. In the following study, I attempt to test whether the efficacy of TMT pay arrangements varies according to non-CEO executives' political ideologies. Liberals and conservatives assess fairness using different standards. Liberals, who strongly value egalitarianism, tend to base their judgment about fairness on the equality of outcomes; conversely, conservatives, who uphold proportionality, tend to be more accepting of unequal distribution of outcomes. Due to these divergent political ideologies, their perceptions and interpretations of similar situations will differ; consequently, the behaviors they exhibit and the choices they make in response will differ as well. Based on this argument, I test whether the direct influence of TMT pay egalitarianism on two organizational outcomes – firm performance and executive departure – is moderated by non-CEO executives' political ideologies. By testing these relationships, this dissertation will shed light on the importance of understanding the political ideologies of upper echelons.

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Chapter 1

INTRODUCTION

While individual political ideologies have studied in various disciplines, such as political science, psychology, sociology, and even economics, they have received comparatively little attention in the field of management. One reason for this gap in the management literature may be adherence to a business adage that is well-known in American culture: “Do not discuss politics and religion in general company” (*Iowa Liberal*, 1879: 15). Michael Jordan once referred to this the idea that political ideologies are considered undesirable for business when he said, in response to being asked why he did not endorse a Democratic candidate, “Republicans buy shoes, too” (*Forbes*, 2011). As people are advised not to talk about politics in the workplace, management scholars might consider political ideologies, such as the effects of upper echelons’ political ideologies on organizational outcomes, to be irrelevant or unimportant to investigate, resulting in the lack of research in this area.

However, top executives’ reluctance to speak up about political issues does not mean that they do not engage in any political activities or that the influence of their political ideologies on organizational outcomes can be neglected. For instance, many top executives make personal political donations. A recent study about CEOs’ political donation activity (Fremeth, Richter, & Schaufele, 2013) found that, among more than 2,000 CEOs of S&P 500 firms between 1991 and 2008, about 90 percent had made donations for more than 18 years. Chin, Hambrick, and Trevino (2013) also found that about half of CEOs of S&P 1500 firms had made donations before they became CEOs. Moreover, not all executives seem to follow the advice to avoid discussing politics in the work place. As can be seen from recent official announcements of a group of CEOs in large U.S. public companies supporting same-sex marriage (*Businessweek*, 2013), some executives officially express their political orientations. These facts suggest that top executives' political ideologies should no longer remain unexamined in the field of management.

A more important and fundamental reason that political ideologies should be considered in management research is that they reflect personal values. Several studies in political science and political psychology literature (Barnea & Schwartz, 1998; Goren, Federico, & Kittilson, 2009; Rosenberg, 1956) support the definition of political ideology as an interrelated set of values (Tedin, 1987) that organizes or captures individuals' personal values and beliefs (Converse, 1964; Jost, 2006). According to upper echelons theory, "executive values almost certainly affect information processing and strategic choices (including approaches to strategy formulation and implementation), as well as organizational performance" (Finkelstein, Hambrick, & Cannella, 2009: 59). Thus, top executives' political ideologies, which are a reflection of personal values, are also likely to influence various organizational outcomes; thus, they should be considered an important element in understanding such outcomes.

An important feature of political ideologies is that they are relatively stable and enduring. "Political ideologies…tend to be formed early in life, often through transmission from parents to children" and "they are relatively stable over the life course," leading to the formation of "stable political identities" (Burris, 2001: 378). In the same vein, Jost (2006: 665) noted that political ideology has its roots in stable personality differences, reflecting "basic cognitive and motivational predispositions." However, this does not mean that everyone has unchanging political ideologies. For instance, those who do not have clear political orientations might change their political stances over time in response to specific topics or situations. However, the political ideology of such people is still considered stable because they will be consistent in their tendency to vary; in other words, they will tend to change their opinions frequently and will be less likely to have firm political ideologies later in life.

In the present study, I focus on the liberal-conservative dimension of political ideology, which has been identified as a critical and useful tool in understanding individuals' values (Poole & Rosenthal, 1984). Jost (2006: 654) even notes that the liberal-conservative, or left-right, distinction "has been the single most useful and parsimonious way to classify political attitudes for more than 200 years." Several scholars verify this argument by showing that liberals and conservatives are distinct in their perspectives and priorities (Carney, Jost, Gosling, & Potter, 2008).

Specifically, liberal individuals are sensitive to social issues in general and tend to be more concerned than conservatives with issues regarding diversity, social change, human rights, and the environment. Jost has characterized liberals as those who seek to advance social justice, economic equality, planned social change, and controls over markets (Jost, 2006). They are also well known to value egalitarianism, or the belief that all people should be treated equally and fairly (Rokeach, 1968), which is considered one of most distinct and critical traits of liberals. Rasinski (1987) found that those who endorse egalitarianism tend to underscore interpersonal interactions and mutual dependence in the workplace. Liberals also tend to embrace change more easily and to be more likely pursue novelty (Jost, Glaser, Kruglanski, & Sulloway 2003).

Conservatives, by contrast, value individualism and free markets. They believe that resources should be allocated to the most efficient users (Detomasi, 2008; Murtha & Lenway, 1994; Roe, 2003), and they tend to emphasize individual accountability over social responsibility.

Conservatives place more emphasis on order, stability, respect for authority, the status quo, and business needs (Erikson, Luttbeg, & Tedin, 1988; Jost et al., 2003; McClosky & Zaller, 1984). Several scholars have found that conservatives are less open to changing traditional values (Conover & Feldman 1981; Jost & Thompson 2000; Peterson & Lane 2001), tend to value job security over task variety (Atieh, Brief, & Vollrath 1987) because they are more responsive to the possibility of a loss (Wilson, 1973), and tend to be averse to ambiguity and uncertainty (Gillies & Campbell, 1985; McAllister & Anderson, 1991).

Given these differences, I argue that the political ideologies of top executives are likely to influence firms' internal operationalization and final outcomes. Indeed, Chin, Hambrick, and Trevino (2013) recently found that firms with liberal CEOs tend to have more advance in corporate social responsibility (CSR) profiles. While Chin, Hambrick, and Trevino (2013) have demonstrated how CEOs' political ideologies influence firms' final outcomes, their influence on firms' internal arrangements has been little studied. Thus, in this dissertation, I attempt to test how top executives' political ideologies influence firms' internal operationalization and final outcomes other than CSR, such as financial performance and executive departure.

Among the various differences between liberals and conservatives, I specifically focus on egalitarianism, as it is one of most distinct features of liberals. I first test how CEOs' liberalism influences top management teams' (TMT) pay arrangements; then, in the following study, I investigate how the efficacy of TMT pay arrangements varies depending on non-CEO executives' stances on egalitarianism. By testing these relationships, this dissertation will shed light on the importance of understanding the political ideologies of upper echelons.

In testing these ideas, I investigate the degree to which top executives support the Democratic Party (versus the Republican Party), using data on individual political contributions. Each of these parties is built on a different set of moral foundations (Hutton, Jiang, & Kumar, 2012). According to prior studies in political science, liberals tend to support the Democratic Party, while conservatives tend to support the Republican Party, due to their alignment in values. For example, Democrats generally value equality of outcomes, environmental issues, the importance of government intervention in society, and a strong social safety net, whereas Republicans tend to endorse free market competition, efficient markets, limited government regulation, and personal accountability. Democrats and Republicans also tend to exhibit opposing opinions regarding labor unions, same-sex marriage, and Affirmative Action; specifically, Democrats generally support these agendas, whereas Republicans are more likely to oppose them or consider them less important. In sum, the differences between liberals and conservatives result in the support for different political parties in the U.S. In this dissertation, I take the position that more liberal executives are more likely to support the Democratic Party with donations.

Some might argue that top executives' motivation to donate is a desire for influence, or an investment for the purpose of acquiring certain benefits, and that thus it is not relevant to use donation records as a proxy for their political ideologies. However, according to the findings of political science studies, donation should be viewed as participation rather than as investment (Ansolabehere, de Figueiredo, & Snyder, 2003), as political scientists have concluded that it is personal ideology that motivates donation activities (Ensley, 2009; Francia, Green, Herrnson, Powell, & Wilcox, 2005). Also, whereas firms tend to engage in political activities for pragmatic reasons, individuals engage in political activities primarily as manifestations of their personal beliefs (Burris, 2001). More directly, Chin, Hambrick, and Trevino (2013) conducted a validity test for their donation-based index and found that donation records are significantly associated with non-CEO executives' self-reported ideologies. Moreover, even CEOs' self-reported political ideologies highly correlated with different types of donation-based measures (Hutton, Jiang, & Kumar, 2013). Thus, it is valid to use political donation data to determine top executives' political ideologies.

1.1. Research Questions

My dissertation is guided by the following research questions:

1) Do CEOs inject their political ideology into TMT pay arrangements? If so, what is the influence of CEO political ideology on TMT pay arrangements?

2) How does the political ideology of non-CEO executives influence the efficacy of TMT pay arrangements?

1.2. Dissertation Overview

The dissertation proceeds as follows. In Chapter 2, I test how liberal and conservative CEOs have different influences on TMT pay arrangements. Politically liberal CEOs are more likely to believe in the importance of egalitarianism, whereas politically conservative CEOs are more likely to hold to free-market principles. Given these different values, I hypothesize that a firm with a more liberal CEO is likely to have greater TMT pay egalitarianism; in other words, it is more likely for pay to be arranged such that financial rewards of executives are shared in unison. I also test the moderating effects of various factors – including CEO tenure, CEO power, and liberalism of board of directors – on the associations between CEO liberalism and TMT pay egalitarianism.

In Chapter 3, I attempt to test whether the efficacy of TMT pay arrangements varies according to non-CEO executives' political ideologies. According to literature in psychology and political science, liberals and conservatives assess fairness using different standards. Liberals, who strongly value egalitarianism, are more sensitive to the equality of outcomes, whereas conservatives, who uphold proportionality, are more accepting of the uneven distribution of outcomes (Rasinski, 1987). Because of these divergent political ideologies, the two groups' perceptions and interpretations of similar situations will differ; consequently, the behaviors they exhibit and the choices they make in response will differ as well (Hambrick & Mason, 1984). Based on this argument, I test whether the direct influence of TMT pay egalitarianism on two organizational outcomes – firm performance and executive departure – is moderated by non-CEO executives' political ideologies.

In chapter 4, I discuss the results and implications of this dissertation and possible topics for future research.

Chapter 2

CEO POLITICAL IDEOLOGIES AND PAY EGALITARIANISM WITHIN TOP MANAGEMENT TEAMS

The question of how top executives[1] are paid has drawn the attention of scholars in multiple fields, including economics, finance, sociology, and management (Devers, Cannella, & Reilly, 2007). Given that top management team (TMT) members play critical roles in implementing company strategy (Carpenter, Geletkanycz & Sanders, 2004; Hambrick & Mason, 1984) and that compensation is a substantial motivator influencing top executives' attention and behavior (Cho & Hambrick, 2006; Lawler, 1990), it is of both theoretical and practical importance to understand the determinants of the pay arrangements of these executives, including CEOs and other TMT members. Previous literature on top executives' pay, however, has focused primarily on CEO compensation (Finkelstein, Hambrick, & Cannella, 2009; Gomez-Mejia & Wiseman, 1997; Jensen & Murphy, 1990). Although an increasing number of scholars in organization studies have broadened their scope to include other TMT members over the last decade, there are still some unaddressed issues in the literature (Geletkanycz & Sanders, 2012).

One of the most critical shortcomings of the literature on top executives' pay is the lack of a group perspective, particularly regarding inter-temporal movement. Given that TMTs are better understood when one recognizes that "the recognition that top management teams are really groups" (Finkelstein, Hambrick, & Cannella, 2009: 361) and that collective rewards linked

[1] In Chapter 2, top executives and TMT members are used interchangeably, and they include both CEO and non-CEO executives. CEO is only referred to as "CEO," whereas non-CEO executives are referred to as "other top executives" and "other TMT members."

with common outcomes are often used when compensation is designed for a group (Katz, 2001; Wageman, 1995), it is important to heed the notion that TMT pay is also decided based on group consideration. For instance, some firms may tie all top executives' compensation to firm performance to the same degree (rather than tie compensation to subunit or individual performance), thereby making their top executives' pay rise and fall together. In this situation, firms can expect their TMT to function more cohesively as a group, with top executives being more mindful of the effectiveness (or ineffectiveness) of other members.

However, previous studies investigating TMT pay have not considered such group perspectives but rather have focused mostly on how top executives' pay levels or simple compositions are determined (summarized in Devers et al., 2007). Although some scholars have paid attention to the group perspective by studying pay disparity inside TMTs (Fredrickson, Davis-Blake, & Sanders, 2010), they also neglected the possibility that firms vary in terms of the degree to which top executives' pay moves collectively over time. Instead, scholars have been more interested in the simple differences in pay levels and have tested two types of pay disparity: vertical, defined as pay differentials between CEO and non-CEO executives; and horizontal, defined as pay dispersion among non-CEO executives (Siegel & Hambrick, 2005). As a result, despite their contribution, these studies they are somewhat limited in that the question of when pay among TMT members varies together inter-temporally has not been addressed.

Further, there are disagreements between the two main theoretical perspectives that guide pay disparity studies. Scholars anchored in economic theory, such as tournament theory scholars, argue that pay disparity is set up as an incentive for TMT members and that it reduces monitoring costs (Conyon, Peck, & Sadler, 2001; Lambert, Larcker, & Weigelt, 1993; Main, O'Reilly, & Wade, 1993). In contrast, socio-psychology scholars argue that pay disparity is a result of non-economic factors, such as social comparison (Fredrickson et al., 2010), the status of a CEO (Graffin, Wade, & Porac, 2008), and CEO pay structure (Wade, Porac, & Pollock, 2006). These two differently driven types of studies produce inconsistent findings concerning the same phenomena; moreover, neither approach fully explains the cause of these inconsistent results, which is considered to be another unresolved issue in this literature (Devers et al., 2007).

I argue that the main reason for the above limitations (lack of group perspectives in top executives' pay and disagreements between the two main theoretical perspectives on pay disparity) is that researchers have hereto disregarded important individual-level factors – namely, the personal characteristics of CEOs. According to upper echelons theory (Hambrick & Mason, 1984), CEOs' personal characteristics – such as experience, personality, and values – form their perceptions, interpretations, and business decisions. As such, organizational outcomes, including the pay arrangements of top executives, will be influenced by these characteristics. Moreover, given that CEOs are typically involved in the wage-setting process of top executives (Crystal, 1991; Wade et al., 2006), neglecting the influence of CEOs' individual characteristics is one of the main limitations of the contemporary discussion of the determinants of TMT pay arrangements.

CEOs' values, along with experience and personality, are considered by upper echelons scholars to be important factors influencing organizational outcomes. Due to difficulty of measurement, relatively few studies have attempted to empirically test the influence of CEOs' values on organizational outcomes; however, those that have done so have found a tendency for multiple organizational outcomes to be influenced, including corporate social responsibility profiles (Chin, Hambrick, & Trevino, 2013) and TMT behavioral integration (Simsek, Veiga, Lubatkin, & Dino, 2005). Based on upper echelons theory, along with empirical findings, I argue that CEOs' political ideologies, as a reflection of their personal values, will influence the TMT pay arrangements.

Politically liberal CEOs believe in the importance of egalitarianism, whereas political conservatives hold to free-market principles (Jost, 2006; Rasinski, 1987). Given these different beliefs, I argue that a more liberal CEO will tend to have greater TMT pay egalitarianism (or simply 'pay egalitarianism'), which can be defined as *the degree to which pay is arranged such that financial rewards of executives are shared collectively*. I specify three distinct facets of pay egalitarianism: a) vertical pay equality (pay differentials between CEO and non-CEO executives), b) horizontal pay equality (pay dispersion among non-CEO executives), and c) pay co-movement (the degree to which TMT pay moves up and down together over time).

Specifically, more liberal CEOs will tend to generate greater TMT pay egalitarianism by a) reducing pay gaps between themselves and other top executives, b) reducing pay dispersion among other top executives, and c) tying their pay to that of other top executives, thus reflecting their belief in egalitarianism. Conversely, more conservative CEOs will tend to generate lesser TMT pay egalitarianism by a) establishing larger gaps in the pay levels between themselves and other top executives, b) allowing for different levels of pay among other top executives, and c) designing their pay to move independently from that of other top executives, as a means of creating incentives and competition. Further, these relationships are moderated CEO tenure and CEO relative power.

In testing my hypotheses, I used the donation-based index to measure the political ideologies of 124 CEOs of major U.S. companies. I examined the association between this measure of CEOs' ideology and TMT pay egalitarianism with an array of controls, including industry controls and various company characteristics. In order to address possible endogeneity problems, I also used instrumental variables in a two-stage model.

This study has multiple implications. First, the findings enhance the overall understanding of the determinants of TMT pay arrangements by identifying specific individual-level elements (i.e., CEO values). These findings are consistent with the argument that pay determination has a sociopolitical nature (Carpenter & Wade, 2002; Finkelstein et al., 2009). Second, the results of this study demonstrate that economic and socio-psychological perspectives on TMT pay disparity are not necessarily incompatible, because the decision of whether to adopt one management approach over another is determined according to upper echelon values. For instance, liberal CEOs' decisions not to create intentional pay differentials within TMT are supportive of socio-psychological perspectives, whereas conservative CEOs' choice of setting up more hierarchy in TMT pay structures is consistent with economics-based views.

Third, by focusing on executive values, this study contributes to upper echelons theory. As noted earlier, although values were suggested as one of the critical components that shape executives' perception, interpretation, and choices, few prior studies have examined their influence on organizational outcomes (notable exceptions are Chin et al., 2013; Simsek et al., 2005; Agle, Mitchell, & Sonnenfel, 1999). This study offers important empirical evidence, reaffirming that upper echelons' values influence the antecedents of TMT pay arrangements and, consequently, that executive values are an important component of understanding organizational outcomes.

2.1. Background on Determinants of TMT Pay Arrangements

Although CEO compensation has been a major focus in the literature on the determinants of top executives' pay arrangements (Devers et al., 2007; Gomez-Mejia & Wiseman, 1997), some scholars have expanded their interest to other top executives as well, broadening our understanding of why TMT members are paid the way they are. Some of these scholars find that the CEO has an influence on other top executives' compensation level, whereas others focus on more external factors like shareholder wealth and industry regulation change. Specifically, the pay level of total TMT members tends to increase if the CEO is overpaid (Wade et al., 2006) or if the CEO's pay increases (Carpenter & Sanders, 2002). Other top executives also received more pay if they shared a common background with their company CEO (Carpenter & Wade, 2002). In contrast, other scholars have found TMT total pay level to be influenced by dollar returns to shareholders (Aggarwal & Samwick, 1999); shareholder wealth and institutional ownership (Hartzell & Starks, 2003); and industry condition changes such as deregulation (Cho & Shen, 2007).

Another topic that is widely discussed in the TMT pay literature is pay disparity, defined as pay differentials in total compensation either between the CEO and other executives (vertical) or among non-CEO TMT members (horizontal). Among the multiple theoretical perspectives on the determinants of TMT pay disparity, tournament theory (Geletkanycz & Sanders, 2012) is the most dominant. According to tournament theory, compensation hierarchy is deliberately designed to reduce monitoring costs by motivating top executives to work hard to win prizes, such as pay increase and promotion to the next round (Lazear & Rosen, 1981; Rosen, 1986). Some studies have supported the theory by showing that the pay gap between CEO and other executives becomes larger as the number of vice presidents increases (Conyon et al., 2001; Lambert et al., 1993). However, another study found the exact opposite – a negative relationship between the number of vice presidents and the pay gap with the CEO (Henderson & Fredrickson, 2001; O'Reilly, Main, & Crystal, 1988).

These mixed empirical results imply that pay disparity does not occur solely as a result of the existence of tournament competition within a firm; thus, these scholars demand alternative explanations for the cause of pay disparity in TMT. Socio-psychological researches have undertaken studies to provide answers and have suggested other factors as the antecedents of TMT pay disparity. For instance, Michel and Hambrick (1992) show that firms that do not require a high degree of coordination for their business (e.g., unrelated diversified firms) tend to have wider pay gaps. Hayward and Hambrick (1997) argue that pay disparity is a reflection of CEO hubris. The status of the CEO can be also considered a possible cause for pay disparity, because a CEO with higher status tends to be paid more compared with other TMT members (Graffin et al., 2008).

Some scholars even question the basic assumptions of tournament theory. They argue that tournament theory, which emphasizes the need for externally driven incentive structure, neglects the fact that most top executives are highly self-motivated by various internal factors, including the need to achieve, the desire for reputation, and the intrinsic value of the job (summarized in Finkelstein et al., 2009). Moreover, given that CEOs typically select their coworkers (Lorsch & MacIver, 1989) and are involved in the wage-setting process of other executives (Crystal, 1991; Main, O'Reilly, & Wade, 1995), Finkelstein and his colleagues (2009) argue that it is not clear what incentives a CEO would have to set up his or her own position as a prize.

In addition to vertical pay disparity, scholars have also paid attention to the antecedents of horizontal pay disparity, examining what causes pay differentials among non-CEO executives. Although relatively fewer scholars have studied horizontal pay disparity than have studied vertical pay disparity, the former have made contributions to the TMT pay literature by finding several important determinants of horizontal pay disparity. Bloom and Michel (2002) found that factors in a firm's environment, such as investment opportunities, have a significant influence on pay disparity within TMT. They argue that firms under high uncertainty tend to prefer wider pay dispersion among TMT members because these firms need more discretionary decisions of each manager. Fredrickson and his colleagues paid attention to socio-psychological factors based on social comparison theory (2010). According to them, the board of directors is mindful about differences in compensation among top executives and thus will try to minimize pay disparity, especially if TMT members appear to share similar characteristics, such as common board membership and length of tenure.

In sum, previous literature on the determinants of TMT pay contributes to the overall understanding of TMT pay arrangement by examining multiple dimensions of TMT pay with economic and socio-political factors. However, these studies' most glaring omission is their lack of insight into the far-reaching influence of CEOs' individual differences (Geletkanycz & Sanders, 2012). Given that CEOs inject themselves into organizational design (Finkelstein, Hambrick, & Cannella, 2009), TMT pay arrangements are also likely to be under the influence of CEOs' characteristics. Indeed, as argued by Crystal (1991), CEOs are typically involved in the wage-setting process of other executives. Wade et al. (2006) argue that CEO's concerns with fairness also influence compensation setting. In this vein, Graffin et al.'s (2008) study also indicates that higher-status CEOs are likely to set higher pay for other top executives. This stream of research indicates that CEOs are able to influence TMT pay arrangements, and thus their characteristics, such as values, are likely to be reflected in the design of pay for top executives.

2.2. Effects of CEOs' Political Ideologies on Pay Arrangements

2.2.1. CEOs' Values and Political Ideologies

According to upper echelons theory, executives' values contribute to form an individualized lens for each executive which, in turn, influences executives' attentions and choices (Hambrick & Mason, 1984). Indeed, values affect individuals' choices and actions both consciously and subconsciously. On the one hand, values can have a direct effect on individuals' choices through what England (1967) refers to as a "behavior channeling" process, through which individuals consciously compare available alternatives and choose the one that best fits their values. On the other hand, values appear to have an indirect effect on individuals' choices through "perceptual filtering" (England, 1967), through which individuals subconsciously search for information that matches their values and are influenced by that information in their perceptions and choices. These processes can occur simultaneously, guiding individuals' final decisions.

In keeping with this argument, some scholars have empirically tested for the possibility that top executives' values influence various organizational outcomes. Based on the findings of Bateman, O'Neill, and Kenworthy-U'Ren's (2002) study on executives' beliefs, Finkelstein, Hambrick, and Cannella (2009) propose that executives' values are likely to influence corporate goal-setting processes. Simsek and his colleagues (2005) showed that CEOs with high collectivism tend to have well-integrated TMTs, whereas those with low collectivism tend to have more fragmented TMTs. More recently, Chin, Hambrick, and Trevino (2013) found that CEOs' political ideology is significantly associated with their firms' CSR profiles; specifically, liberal CEOs tend to be more likely to advance their firms' CSR activities.

The political science and political psychology literature contains ample evidence showing that individuals' political ideologies reflect their overall values (Barnea & Schwartz, 1998; Goren et al., 2009; Layman, 1997; Rosenberg, 1956). Specifically, Feldman (2003: 477) notes the "substantial amount of evidence [suggesting] that values are a major source of structure for political attitudes." Tedin (1987: 65) also notes that "the term 'political ideology' is normally defined as an interrelated set of attitudes and values about the proper goals of society." More recently, Jost (2006: 653) argued that "ideology helps to explain why people do what they do; it organizes their values and beliefs." In sum, political ideologies are considered to be a reflection of personal values.

Another important feature of political ideology is that it is relatively stable and enduring. According to Burris (2001), once an individual's political ideology is formed early in life, it tends to remain relatively stable over time. Jost (2006) reached a similar conclusion, verifying that political ideology stems from fundamental cognitive and motivational predispositions.

Accordingly, it seems clear that political ideologies are relatively stable and enduring personal inclinations.

2.2.2. CEO Liberalism and Pay Arrangements

According to Jost (2006: 654), the liberal-conservative distinction "has been the single most useful and parsimonious way to classify political attitudes for more than 200 years." Consistent with this argument, the political science and psychology literature provide ample evidence that the liberal-conservative spectrum is useful and important for understanding individuals' central beliefs and values (Graham, Haidt, & Nosek, 2009; Poole & Rosenthal, 1984; Skitka & Tetlock, 1993; Weber & Federico, 2013). Although business executives are generally considered to be conservative-leaning, the range of their ideologies is widespread, varying from extremely liberal to extremely conservative (e.g., Burris, 2001; Chin, Hambrick, & Trevino, 2013; Francia et al., 2005). As such, the impact of executives' political liberalism, which has rarely been tested in organization studies, is likely to be consequential.

Several scholars have examined the major differences between liberals and conservatives and reached the consistent conclusion that these groups are rooted in different worldviews, motives, and moral foundations (Graham et al., 2009; Skitka & Tetlcok, 1993; Weber & Federico, 2013). Specifically, liberals value economic equality, social justice, planned social change, and market controls (Jost, 2006), while conservatives place more emphasis on individualism, free markets, property rights, business cases, order, and respect for authority (Detomasi, 2008; Jost et al., 2003; McClosky & Zaller, 1984; Murtha & Lenway, 1994; Roe, 2003).

My focus in this dissertation is upon diverging worldviews between liberals and conservatives in terms of their differing stances on egalitarianism. Liberals tend to have higher levels of compassion, which is related to the value domain of egalitarianism, suggesting that liberals are greater practitioners of equality (Hirsh, DeYoung, Xu, & Peterson, 2010). According to Rasinski (1987), people who identify themselves as liberal are more likely to support redistributive economic policies. In other words, liberals are more supportive of the equality of outcomes, whereas conservatives are more comfortable with the unequal distribution of outcomes (Verba & Orren, 1985; Graham et al., 2009). Further, since liberals believe that equality trumps rank and status, they are reluctant to design mechanisms that will increase the inequality in a group (Thompson, Ellis, & Wildavsky, 1990). In contrast, conservatives, who place more value on free-market competition, will be more accepting of setting individual incentives differently.

In addition, according to Rasinski (1987), those who endorse egalitarianism (a liberal trait) tend to underscore interpersonal interactions and mutual dependence in the workplace, whereas those who uphold proportionality (a conservative trait) place more emphasis on personal independence and ambition. Egalitarians are also known to foster group identities (Thompson et al., 1990); as such, liberal CEOs are more likely than their conservative peers to value social interaction and collaboration among TMT members as a group.

If the goal of an organization is to promote collaboration among its members, then, as discussed by several scholars (Devers et al., 2007; Kerr & Slocum, 1987), setting rewards based on common outcomes can be an effective way to achieve this goal. For instance, studies by Pitts (1974) and Salter (1973) found that executive rewards tend to be closely tied to firm performance when a higher level of collaboration is necessary. In other words, when the compensation of TMT members is tied to common outcomes and rises and falls to the same degrees, executives become more mindful of the effectiveness of other members. As such, liberal CEOs, who place more value on interpersonal interactions and mutual dependence, will strive to have greater pay co-movement within TMTs.

Within this context, I argue that CEOs' differing preferences toward economic equality and group interaction, stemming from distinct dispositions in favor of, or opposed to, egalitarianism, will be reflected in their pay arrangement decisions.

Hypothesis 1: The greater the political liberalism of a company's CEO, the greater will be the pay egalitarianism within the TMT. Specifically, compared to a conservative CEO, a liberal CEO will have greater (a) vertical pay equality, (b) horizontal pay equality, and (c) pay co-movement within the TMT.

2.2.3. The Moderating Effects of CEO Tenure

Although upper echelons theory suggests that CEOs' individual characteristics will be reflected in organizational outcomes, the effects of these characteristics may not be consistent over time (Finkelstein et al., 2009). For instance, according to the previous literature on CEO tenure, the effects of CEO characteristics on organizational outcomes are likely to be positively moderated by CEOs' tenure (Hambrick & Fukotomi, 1991). In this vein, other scholars found that a CEO's personality is more clearly manifested in the strategic profiles of his or her company when that CEO's tenure is longer than three years (Miller, Kets de Vries, & Toulouse, 1982).

As Hambrick and Fukutomi (1991: 732) note, CEOs need time to manifest themselves in a firm because, although a CEO develops some initiatives independently early in his or her tenure, “he or she may not have had a chance to reinforce or fully implement initial directions.” For instance, some organizational changes take two to four years to be aligned with a CEO’s new paradigm (Kao, 1985). Henderson, Miller, and Hambrick (2006) also argue that a firm needs time to fully implement new policies that align with the CEO’s worldview. Thus, early in their tenure, CEOs may not have had enough time to make administrative arrangements that fit their values; as a result, the organization will only gradually become a reflection of the CEO. Based on this argument, I hypothesize that the influence of CEOs’ liberalism on TMT pay arrangements will be greater for CEOs with longer tenure than for those with shorter tenure.

Hypothesis 2: CEO tenure will positively moderate the effects of CEO liberalism on pay egalitarianism within the TMT. Specifically, if the CEO has longer tenure, there will be a stronger positive association between CEO liberalism and (a) vertical pay equality, (b) horizontal pay equality, and (c) pay co-movement within the TMT.

2.2.4. The Moderating Effects of CEOs’ Relative Power over the Board

The CEO’s power over the company’s board is another critical factor influencing the extent to which the CEO’s personal characteristics are reflected in the firm’s decisions. For example, Chin, Hambrick, and Trevino (2013) showed that the effects of CEOs’ political liberalism on corporate social responsibility profiles become stronger as CEOs’ power over the board increases. In addition, both the relationship between CEO hubris and the size of premiums paid for acquisitions (Hayward & Hambrick, 1997) and founding CEOs’ inclination to resist takeover bids (Gao & Jain, 2012) are moderated by CEOs’ power.

CEO power within a company is derived from many sources. It can stem from inherent personal qualities, such as charisma or distinctive expertise (e.g., Finkelstein, 1992; Flynn & Staw, 2004), or it can simply be based upon the degree to which ownership shares are dispersed

(Galaskiewicz, 1997; McEachern, 1975). The most commonly recognized source of CEO power is the CEO-board relationship (Finkelstein et al., 2009; Gilson & Kraakman, 1991). For instance, CEO power can be contingent upon the CEO's financial stake in a firm relative to that of outside directors (Morck, Shleifer, & Vishny, 1988); upon structural power, such as CEO duality (Finkelstein & D'Aveni, 1994); or upon the degree of board independence (Westphal & Fredrickson, 2001).

This stream of literature suggests that the CEO's relative power over the board will influence the degree to which the CEO's personal inclinations are reflected in the overall organizational outcomes. I argue that CEOs' political ideologies will be reflected in company practice in proportion to the power they possess relative to other board members. The ideology of a CEO with comparatively little power will not be reflected – or, at best, will be only weakly reflected – in the company's TMT pay arrangements. Conversely, the ideology of a CEO with considerably more power will be strongly reflected in TMT pay arrangements.

Hypothesis 3: CEO power will positively moderate the effects of CEO liberalism on pay egalitarianism within the TMT. Specifically, as the CEO's power increases, there will be a stronger positive association between CEO liberalism and (a) vertical pay equality, (b) horizontal pay equality, and (c) pay co-movement within the TMT.

2.3. Methods

2.3.1. Sample

The sample for this study consisted of Standard & Poor's 500 firms' CEOs appointed between 2007 and 2009. Newly appointed CEOs were sampled so as to observe their firms'

TMT pay arrangements from the outset of their tenures. I sought at least three years of observations for each CEO. I applied two additional sampling filters: first, I only included CEOs of firms in industries (based on 2-digit SICs) with at least five other firms in the database, so as to reliably control for industry-level factors; second, I excluded interim CEOs by including only those CEOs who had served for at least two years. These criteria yielded a sample of 124 CEOs and 339 firm-year observations. I used Execucomp, NNDB, LinkedIn profiles, and media sources to identify the CEOs' profiles. Compustat and Execucomp were used to compile company financial and executives' compensation data. I operationalized each top management team as consisting of the five highest paid executives listed in the Execucomp database. Although these five top executives might not fully represent all TMT members, this method nonetheless has been accepted as a relevant and meaningful way of identifying TMT members and has been widely used in previous literature (Bloom & Michel, 2002; Carpenter & Sanders, 2002; Henderson & Fredrickson, 2001; Fredrickson et al., 2010).

Drawing upon these databases, I constructed a pooled sample, observing the dependent variables in every year t and independent and moderator variables in t-1. As described below, the independent variable, CEO political liberalism, was measured by examining the executives' political donations for the ten years before they became CEOs (from year t-10 to t-1, where t is the first year of each CEO's tenure). For example, the time frame for examining donation records of CEOs appointed in 2008 was from 1998 to 2007. Each CEO's political liberalism score was invariant during his or her tenure, reflecting the assumption that political ideology is relatively stable. With this lagged design, political ideology temporally preceded the measurement of TMT pay egalitarianism, thereby eliminating any recursive relationship between the ideology measure and the dependent variables.

2.3.2. Dependent Variables

Three variables were used as dependent variables to test the hypotheses: *vertical pay equality*, *horizontal pay equality*, and *pay co-movement.* Vertical pay equality measures pay differentials between CEO and non-CEO executives, whereas horizontal pay equality measures pay dispersion among non-CEO executives. Vertical pay equality was calculated as the average pay of all other TMT members divided by the pay of the CEO, which is a converted measure of vertical pay disparity used in previous studies (Siegel & Hambrick, 2005). Horizontal pay equality was measured by the inverse of the coefficient of variation in the total pay of other TMT members, which is a converted measure of horizontal pay disparity used in previous studies (Fredrickson et al., 2010). The coefficient of variation was calculated by dividing the standard deviation of other TMT members' pay by the mean TMT pay. Pay co-movement was measured by examining the yearly percentage change in pay for the CEO and the average of non-CEO executives, and then the inverse of the standard deviation of the yearly percentage change was used as a dependent variable.[2]

As stated earlier, the pay of the five highest paid executives were used for these variables. Also, both cash pay (i.e., basic salary and cash bonuses) and total pay (i.e., both cash pay and non-cash pay, which includes includes the ex-ante value of stock options and restricted stock grants) were used.

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[2] Instead of using coefficient of variation, I used the standard deviation as a dependent variable, while controlling for the mean of the yearly percentage change in order to handle zero and negative values.

2.3.3. Independent Variable

Following Chin, Hambrick, and Trevino's (2013) unobtrusive measures for the *CEO liberalism* variable, I measured each CEO's political liberalism by using data on individual political contributions to examine the degree to which he or she supported the Democratic Party (as opposed to the Republican Party).

The data originated from the U.S. Federal Election Commission (FEC), which publicly provides information about individual contributions of more than $200, including the contributor's name, state, city, street address, zip code, occupation, employer, amount of gift, date of gift, and name of recipient. These data are accessible directly from the FEC website, as well as from non-partisan research institutes such as the Center for Responsive Politics (www.opensecrets.org). While they modify the format of the data, these institutes report the exact same data provided by the FEC.

I coded executives' contribution records for the 10 years before they became CEOs. I verified the contributions of each CEO – checking middle names, shortened names, address information, and occupation and employer information – in an effort to exclude individuals whose names were similar to those of the CEOs in the sample. I used Notable Names Database, MergentOnline, Hoovers' Online, executive biographies on company websites, and other online sources to help confirm each donor's identity.

Using the information on CEOs' contributions, I calculated four indicators: (1) the number of donations to Democrats divided by the number of donations to recipients of both parties (to handle zero values, I added .1 to all numerators and .2 to all denominators), (2) the dollar amount of donations to Democrats divided by the amount of donations to both parties, (3) the number of years (over the 10-year time frame) in which the executive made donations to Democrats divided by the number of years donations were made to either party, and (4) the number of distinct Democratic recipients to whom the executive donated divided by the total number of distinct recipients of both parties. These four indicators, respectively, indicate the following four variables: behavioral commitment, financial commitment, persistence of commitment, and scope of commitment to a political orientation.

2.3.4. Control and Moderator Variables

To test H2, regarding the interaction of CEO political liberalism and CEO tenure, *CEO tenure* was measured with a dummy variable distinguishing early and late tenure, which was coded as one if the CEO tenure was more than three years and zero otherwise (Miller et al., 1982). The results did not substantially change when the dummy variable for CEO tenure was replaced with the number of years of CEO tenure. To test H3, regarding the interaction of CEO political liberalism and CEO power, I used a formative index of *CEO power* relative to the board (updated for every focal year t+n). Reflecting the premise that managerial power accrues from multiple sources (Adams, Almeida, & Ferreira, 2005; Finkelstien, 1992), I calculated a formative index (Diamantopoulos & Winklhofer, 2001; McDonald, Westphal, & Graebner, 2008) consisting of three variables that have been widely used in prior studies (Finkelstein, 1992; Haynes & Hillman, 2010; Pollock, Fischer, & Wade, 2002): a dummy variable for CEO duality, coded as one if the CEO was also board chair and zero otherwise; the CEO's relative ownership, measured as the difference between the percentages of stock owned by the CEO and by outside directors; and the proportion of outside directors appointed after the CEO. These variables were standardized and then averaged to create the CEO power index. The data were collected from Riskmetrics, Execucomp, and proxy statements.

I controlled for each company's pay egalitarianism upon the arrival of each CEO. I calculated the variables of *pre-CEO vertical pay equality*, *pre-CEO horizontal pay equality*, and *pre-CEO pay co-movement* as the company's pay co-movement and pay equality averaged for the year the CEO was hired and the year before that (i.e., t and t-1). It should be noted that I included the CEO's year of appointment in this calculation because TMT pay arrangements in that year cannot be meaningfully attributed to the new CEO.

I also controlled for several company factors that have been widely used in prior TMT pay studies, and they were all measured in the year prior to each focal year (t+n-1). I controlled for *firm size*, measured as sales, and firm performance, using a formative index with two components: industry-adjusted return on equity (net income divided by total equity in t-1) and industry-adjusted market-to-book value of common equity in t-1. The index components were standardized and averaged to form the variable *performance index*. Financial data were collected from Compustat. Also, an entropy measure ($\Sigma P_{ia} \ln(1/P_{ia})$, where P_{ia} is the proportion of a firm a's sales in business segment i) was used to control for the degree to which a firm is diversified.

Given that research and development (R&D) intensity varies significantly by industry (Sanders & Carpenter, 1998), I controlled for potential industry-level factors by including *R&D expenditure*, gauged as log of R&D expenditures. Results were unchanged in supplemental analyses using Amburgey and Miner's (1992) industry controls (i.e., eight dummy variables).

2.3.5. Estimation Methods

I used generalized estimating equations (GEE) to deal with multiple observations for the dependent variables. GEE, which derives maximum likelihood estimates and accommodates non-independent observations, is suitable when using cross-sectional time series data (Liang and Zeger, 1986). I did not use a fixed-effects model, because it is not appropriate to do so when models include time-invariant variables (such as political liberalism). Specifically, the xtgee command in Stata 13.0 with robust variance estimators (White, 1980) were used for all regressions in my models.

2.3.6. Addressing Possible Endogeneity

Because it is possible that liberal CEOs might be sought for certain kinds of CEO assignments, I conducted a test to address such endogeneity. Specifically, I examined a set of conditions that might bring about the appointment of liberal CEOs. I first regressed the measure of CEO political liberalism on a set of potential antecedent factors: the location of the company's headquarters, industry sectors, and calendar year dummies. Following the assumption that companies in heavily Democratic states might appoint liberal CEOs, I coded a dummy variable as one if a firm's headquarters was located in any of the ten most Democratically oriented states, as rated by Gallup (Gallup, 2009). To test the possibility that certain industries might favor liberal or conservative CEOs, I included dummy variables for industries. Finally, to check whether the political orientations of new CEOs varied systematically over time, I included calendar year dummies in this analysis. As a next step, I included an endogeneity instrument – the predicted value of the CEO's political liberalism – in the main analyses. The results were almost identical when this endogeneity instrument variable was included and when it was excluded.

2.4. Results

Table 1 reports means, standard deviations, and correlations among the variables.

Insert Table 1 about here

Table 2 presents GEE results for tests of the hypotheses on vertical equality in cash pay and total pay. Cash pay is used for dependent variables from Model 1 to Model 5, and total pay is used for dependent variables from Model 6 to Model 10. Both Models 1 and 6 include only control variables. Models 2 and 7 test the main effect of CEO liberalism on vertical equality in cash pay and total pay, respectively. The results indicate that CEO liberalism was not significantly associated with the vertical equality of cash pay and total pay, thus failing to provide support for Hypothesis 1a.

Insert Table 2 about here

Models 3 and 8 test Hypothesis 2a, which predicted that the greater CEO tenure, the stronger the relationship between CEO liberalism and vertical equality. The results provide no support for Hypothesis 2a. Models 4 and 9 test Hypothesis 3a, which predicted that the greater CEO power, the stronger the relationship between CEO liberalism and vertical equality. The results provide no support for Hypothesis 3a. Models 5 and 10 include all variables, and these fully-specified models also provide consistent results of no support for H1a, H2a, and H3a. Therefore, none of the hypotheses regarding vertical equality are supported.

Table 3 presents GEE results for tests of the hypotheses on horizontal equality in cash pay and total pay. Cash pay is used for dependent variables from Model 1 to Model 5, and total pay is used for dependent variables from Model 6 to Model 10. Both Models 1 and 6 include only control variables. Models 2 and 7 test the main effect of CEO liberalism on horizontal equality in cash pay and total pay, respectively. The results in Model 2 indicate that CEO liberalism was significantly positively associated with the horizontal equality of total pay, providing support for Hypothesis 1b ($p<.05$). However, the results in Model 7 show that horizontal equality of cash pay was not significantly associated with CEO liberalism.

Insert Table 3 about here

Models 3 and 8 test Hypothesis 2b, which predicted that the greater CEO tenure, the stronger the relationship between CEO liberalism and horizontal equality. The results of the two models provide no support for Hypothesis 2b. Models 4 and 9 test Hypothesis 3b, which predicted that the greater CEO power, the stronger the relationship between CEO liberalism and horizontal equality. The results provide no support for Hypothesis 3a. Therefore, the moderating hypotheses for horizontal equality are not supported.

Models 5 and 10 include all variables. The results in Model 5 and Model 10, respectively, indicate that CEO liberalism continues to be significantly positively associated with the horizontal equality of total pay ($p<.05$), providing support for H1b, but that it is not significantly associated with the horizontal equality of cash pay. In these fully-specified models, the moderating effects of CEO tenure and CEO power continue to be non-significant, providing no support for H2b and H3b.

Table 4 presents GEE results for tests of the hypotheses on co-movement of cash pay and total pay. Cash pay is used for dependent variables from Model 1 to Model 5, and total pay is used for dependent variables from Model 6 to Model 10. Both Models 1 and 6 include only control variables. Models 2 and 7 test the main effect of CEO liberalism on co-movement of cash pay and total pay, respectively. The results in Model 2 indicate that CEO liberalism was not significantly associated with the co-movement of total pay. However, the results in Model 7 show that co-movement of cash pay was significantly positively associated with CEO liberalism, providing support for H1c ($p<.05$).

Insert Table 4 about here

Models 3 and 8 test Hypothesis 2c, which predicted that the greater CEO tenure, the stronger the relationship between CEO liberalism and co-movement. The results in the two models provide no support for Hypothesis 2c. Models 4 and 9 test Hypothesis 3c, which predicted that the greater CEO power, the stronger the relationship between CEO liberalism and horizontal equality. The results provide no support for Hypothesis 3c. Therefore, the moderating hypotheses for co-movement are not supported.

Models 5 and 10 include all variables. The results in Model 5 and Model 10, respectively, indicate that CEO liberalism continues to be non-significantly associated with the co-movement of total pay but that it is significantly positively associated with the co-movement of cash pay ($p<.05$), providing support for H1c. In these fully-specified models, the moderating effects of CEO tenure and CEO power continue to be non-significant, providing no support for H2c and H3c.

2.5. Discussion

This study is one of the first to introduce and test the idea that TMT pay arrangements are a manifestation of CEO political liberalism. I hypothesized that liberal CEOs are more likely to have greater TMT pay egalitarianism because of liberals' distinct dispositions for favoring equality and group interaction. In testing this idea, I focused on three aspects of pay arrangements: vertical pay equality, horizontal pay equality, and pay co-movement within TMT. The results show that horizontal pay equality and pay co-movement, but not vertical pay equality, are significantly related to CEO liberalism. Although the study did not find all three aspects of pay arrangements to be under the influence of CEO liberalism, the results provide general support for my hypothesis by showing that liberal CEOs tend to have greater horizontal pay equality and greater pay co-movement than conservative CEOs.

The results show that CEO liberalism is significantly associated with horizontal pay equality, but not with vertical pay equality, suggesting that liberal CEOs tend to decrease pay differentials for other top executives but not for themselves. This implies that liberal CEOs might not apply their beliefs regarding egalitarianism to themselves; in other words, while they tend to reflect their beliefs regarding equal treatment on pay design for other top executives, it would seem that they do not differ from their conservative peers in reducing pay differentials between themselves and other top executives. This raises the question of whether liberal CEOs exhibit hypocritical tendencies when determining pay.

However, it should also be noted that CEO liberalism is also significantly positively associated with pay co-movement between the CEO and other top executives, meaning that liberal CEOs tend to share financial rewards with other top executives by causing their pay to move up and down together with that of other TMT members. This implies that liberal CEOs do take their own pay into account when designing compensation for other top executives, even though they do not reduce the pay gap between themselves and other top executives.

One possible explanation for this mixed support is that CEOs may not have enough discretion to decide their own pay levels. While CEOs are considered to have “nearly total control over the pay of other executives in their companies” (Chatterjee & Hambrick 2007: 364), they might not have the same amount of leeway to determine their own compensation. The previous literature on CEO compensation has revealed that factors other than CEOs’ characteristics, such as the board of directors and industry conditions, have significant influence in determining CEO pay. Therefore, even if more liberal CEOs want to adjust their pay to match their personal values, they may be simply unable to do so.

I also hypothesized that CEO tenure and CEO power would positively moderate the influence of CEO liberalism on TMT pay egalitarianism. However, neither of these hypotheses is supported by the findings. The non-significant results for CEO tenure indicate that there is no difference between shorter- and longer-tenured CEOs in terms of how much their personal values are injected into the pay arrangements of TMT members. In other words, even new CEOs can make adjustments in TMT pay arrangements relatively easily. This implies that unlike other organizational practices, which generally need a certain amount of time to reflect the CEO's characteristics (Hambrick & Fukutomi, 1991), TMT compensation structure may not require such adjustment time even for relatively newer CEOs.

CEO power was also found to have non-significant moderating effects. The results suggest that lower CEO power does not weaken the influence of CEO liberalism on TMT pay egalitarianism. In other words, CEOs do not necessarily need greater power in order to manifest their personal beliefs in TMT pay arrangements; rather, CEOs with relatively weak power can achieve the same modifications as CEOs with stronger power. This result is consistent with the notion that the board of directors heavily focuses on the compensation of CEOs. As the board tends not to be deeply engaged in the decision-making processes to determine the pay of other top executives, CEOs may not require greater power in order to inject their preferences. It is also consistent with the notion that CEOs enjoy nearly unilateral discretion to decide TMT pay structure (Chatterjee & Hambrick, 2007; Wowak, Mannor, & Arrfelt, 2013).

One interesting phenomenon of note is that CEOs seem to use different standards when comparing their pay with that of other top executives than when comparing pay among other top executives only. The results show that liberal CEOs link their cash pay, not total pay, with that of other top executives; however, they try to reduce differentials in total pay, rather than cash pay, among other top executives. This implies that CEOs may feel that their total pay, which includes both cash pay and non-cash pay (e.g., stock options and restricted stock), is not comparable with that of other top executives. Furthermore, this suggests the possibility that the motivations for assigning non-cash pay to CEO and non-CEO executives may be different. Given the streams of research indicating that the main reason to set up non-cash pay for CEOs is to resolve agency problems (summarized in Gerhart, Rynes, & Fulmer, 2009), non-cash pay given to non-CEO executives may be regarded as representing shared-fate rewards rather than as a monitoring device to reduce agency cost, as suggested in some previous studies (Goodwin, Wofford, & Whittington, 2001; Wowak et al., 2013).

2.5.1. Implications and Future Research

This study has several important implications for both TMT pay and the upper echelons literature. First, it provides new insights into the literature on TMT pay arrangements. By showing that CEO liberalism is manifested in TMT pay structure, the results of the study broaden the overall understanding of the determinants of TMT pay arrangements. Despite CEOs' influence on various organizational outcomes—as well as on TMT pay design—their characteristics have not been thoroughly examined in the TMT pay literature thus far (Geletkanycz & Sanders, 2012). Thus, this study contributes to the literature by focusing on the important yet hitherto neglected factor of CEO values.

In addition, by investigating how TMT pay egalitarianism varies across the firms and is influenced by CEO liberalism, this study sheds lights on the importance of considering the group perspective in TMT compensation design. As stated earlier, the TMT pay literature has tended to neglect the group perspective. However, given that TMTs are better understood when they are recognized as groups (Finkelstein, Hambrick, & Cannella, 2009) and that collective rewards are often used in compensation design for a group (Katz, 2001; Wageman, 1995), it is important to note that TMT pay can also be decided based on group consideration. By showing that firms differ in terms of how equally they pay their top executives and how they correlate the pay of CEOs and other top executives, this study fills this gap in the literature.

Furthermore, this study suggests that it is possible to reconcile the current literature's conflicting perspectives on the determinants of TMT pay arrangements. The economics-based and socio-psychological perspectives tend to be seen as incompatible (Devers et al., 2007); however, the results of this study suggest that this is not necessarily the case, as they suggest that TMT pay arrangements are under the influence of CEOs' personal values, while the framework of this study is also consistent with the suggestions of the economics-based perspective. For instance, conservative CEOs are more likely than liberal CEOs to have a less egalitarian and more hierarchical pay structure, and thus the tournament theory or agency theory better explains the TMT pay arrangements of these firms.

This study also contributes to the upper echelons theory. By presenting important empirical evidence that CEOs' values, reflected in political liberalism, influence organizational outcomes, this study fills an important gap in the upper echelons literature. As mentioned previously, very little empirical research has been conducted since Hambrick and Mason (1984) initially emphasized the role of executive values. Although there are a few exceptional empirical studies showing that CEO values have an influence on corporate social performance (Chin et al.,

2013) and TMT behavioral integration (Simsek et al., 2005), the question of whether and how CEO values influence internal corporate structure has remained unanswered. By showing that CEO political liberalism influences TMT pay arrangement, this study reintroduces the importance of executive values and broadens our understanding of how CEO individual characteristics are injected into organizational outcomes.

Like all empirical studies, the present study has some limitations, which provide opportunities for future research. First, the scope of top executives is restricted to only the five highest paid executives. Although it has been accepted as relevant in previous studies to consider the top five executives as representative of all TMT members, broadening the scope to include additional executives would provide a richer context. Furthermore, the question of whether liberal CEOs show greater egalitarianism toward employees other than TMT members also merits further investigation. For example, do highly liberal CEOs tend to extend stock options and profit-sharing to other employees as well?

The index of CEO political liberalism is only an indirect measure and thus must inevitably be considered an imprecise gauge. Although the validity of using political donation records has been empirically tested and theoretically supported (Ansolabehere et al., 2003: 117; Chin et al. 2013), further work might improve upon this measure and provide a better understanding of the influence of CEO liberalism on corporate decisions.

Determining the contexts in which TMT pay egalitarianism leads to better financial firm performance is also important and merits further investigation. For instance, political ideologies of non-CEO executives might have an impact on the effectiveness of TMT pay arrangements. As liberals and conservatives tend to have different worldviews and value systems, their reactions and degree of satisfaction regarding the same pay policy might differ, which could result in differences in firm performance. For example, if non-CEO executives are satisfied with their firms' pay policies, work motivation could improve, which in turn could enhance firm performance. On the other hand, if the executives do not like their firms' pay arrangements, their motivation could be negatively influenced, leading to lower firm performance. They might even decide to leave the firm if their values and pay arrangements do not match. In sum, the above questions about the effects of TMT members' ideology, TMT pay arrangements, and their interactions on firm performance and executives' departure could be further explored. Future research on these topics might find that the unexplored dimensions of executives' political ideology and TMT pay egalitarianism are important and widely consequential.

Chapter 3

THE EFFECTS OF TOP EXECUTIVES' POLITICAL IDEOLOGY ON THE EFFICACY OF PAY ARRANGEMENTS

The pay arrangements of the top management team (TMT) members,[3] who play critical roles in implementing company strategy (Hambrick & Mason, 1984; Carpenter, Geletkanycz, & Sanders, 2004), have been considered to be a major motivator influencing their attention and behavior (Cho & Hambrick, 2006; Lawler, 1990). Reflecting the importance of these pay arrangements, multiple theoretical perspectives have been suggested to explain their consequences. Some base their arguments on economic theories such as tournament theory (Lazear & Rosen, 1981; Rosen, 1986), arguing that the hierarchy in pay structures influences top executives' behaviors and motivates them to work better, while other arguments revolve around socio-psychological factors, claiming that the social interactions within the TMT and concerns about fairness influence the efficacy of TMT pay arrangements (Fredrickson et al., 2010; Wade et al., 2006). Although these previous studies contribute to the TMT pay literature by advancing our understanding of the consequences of TMT pay arrangements, a critical gap still exists in the literature: both perspectives neglect the possibility that the effect of TMT pay arrangements differs depending on the individual characteristics of non-CEO executives (Geletkanycz & Sanders, 2012; Hambrick, 2007).

[3] In Chapter 3, TMT members include both CEO and non-CEO executives. CEO is only referred to as "CEO," whereas non-CEO executives are referred to as "top executives" and "executives."

This oversight is surprising, considering that executive compensation scholars have long emphasized the importance of TMT pay arrangement alignment in conjunction with the organizational context, such as industry conditions and firm strategy (Balkin & Gomez-Mejia, 1990; Hoskisson, Hitt, & Hill, 1993). As recently suggested by several scholars (Geletkanycz & Sanders, 2012; Wowak & Hambrick, 2010), the personal characteristics of non-CEO executives should be considered in conjunction with other aspects of the organizational contexts, because the intended effects of certain pay arrangements will not be realized if there is a mismatch between TMT pay arrangements and top executives' comprehension of those structures as a result of their different individual characteristics. Given that multiple studies have illustrated how the pay arrangements of top executives can mislead them and result in unintended consequences (summarized in Devers et al., 2007), I argue that it is important to understand the influence of executives' individual differences in the TMT pay literature.

In this study, I attempt to inquire about the ways in which the effects of TMT pay arrangements vary depending on non-CEO executives' political ideologies, which reflect their personal values. According to the literature in psychology and political science, liberals and conservatives assess fairness according to different standards. As discussed earlier, liberals, who tend to value egalitarianism, are more sensitive to the equality of outcomes and sharing outcomes together, whereas conservatives, who uphold proportionality, are more accepting of the uneven distribution of outcomes and individual rewards (Rasinski, 1987). Given these divergent dispositions and political ideologies, it follows that their perceptions and interpretation of similar situations will differ and that, consequently, the behaviors they exhibit and the choices they make in response will differ as well (Hambrick & Mason, 1984).

To test this idea, I focus on the influence of TMT pay egalitarianism, defined as *the degree to which pay is arranged such that the financial rewards of executives are shared collectively*, on two organizational outcomes: firm performance and executives' departure. I specify two distinct aspects of pay egalitarianism: a) vertical pay equality, the degree to which pay is similar between CEO and non-CEO executives, and b) horizontal pay equality, the degree to which pay is similar among non-CEO executives. Since less competition, more cohesion, and more collaboration tend to occur under a more egalitarian atmosphere (Gerhart & Milkovich, 1992; Fredrickson et al., 2010), pay egalitarianism can be assumed to be beneficial to firms. Moreover, top executives are less likely to choose to leave a firm that has a more egalitarian atmosphere (Pfeffer, 1998; Wade et al., 2006). Thus, as baseline predictions, I hypothesize that the more a firm subscribes to pay egalitarianism, the better will be its overall performance and the lesser will be the likelihood of its executives to leave.

This study, however, focuses more upon how the different ideologies of non-CEO executives moderate the associations between pay egalitarianism and a) firm performance and b) the likelihood of executives' departure. As argued before, these associations are not likely to be consistent across different TMTs, because not all executives will perceive the same degree of fairness from their pay arrangements due to their differing political ideologies. For instance, liberal executives are more likely than their conservative peers to perceive unfairness from unequal pay arrangements, because fairness judgments of liberals are more equality-based than those of conservatives (Raskinski, 1987).

Given that individuals who perceive unfairness in an organization tend to reduce their commitment to that organization (Colquitt, Colon, Wesson, Porter, & Ng, 2001), it is likely that the top executives who feel that their firm distributes its financial rewards unfairly will make less effort to collaborate with their peers, which is likely to hurt firm performance (Fredrickson et al., 2010). As a result, executives' political ideology is expected to moderate the association between pay egalitarianism and firm performance, such that the positive influence of pay egalitarianism on firm performance will be greater for a firm with more liberal top executives.

I also propose that the political ideology of top executives will moderate the association between pay egalitarianism and the likelihood of executives' departure. It has been suggested that people are more likely to leave organizations when they feel that they are unfairly rewarded in those organizations (Dunford, Boudreau, & Boswell, 2005). Again, given the preferences of liberals towards egalitarianism, a liberal executive will be more likely than a conservative executive to stay with a firm with an egalitarian pay structure, because he or she will perceive more fairness in such a structure, thereby feeling less impetus to leave. Conversely, a conservative executive will be more motivated to leave the firm under the same circumstances, because conservatives tend to perceive equal distribution of outcomes as unfair. In short, an executive will be more inclined to leave a firm if the way in which the firm shares its financial resource does not fit that executive's values.

In testing my hypotheses, I used the donation-based index to measure the political ideologies of 363 TMTs and 1416 top executives in charge of major U.S. firms. I examined how this measure of executives' political ideology functions as a moderator. Using an array of controls – industry, year, company, TMT, and individual executive characteristics – I found support for my main argument that the efficacy of TMT pay arrangement differs depending on top executives' political ideology.

This study makes several contributions. Most notably, it enhances the overall understanding of the consequences of TMT pay arrangements by identifying specific individual characteristics reflected in top executives' values. By integrating disparate streams of research regarding executive compensation and the upper echelons perspective, this study fills a gap in the TMT pay literature that has been identified by a number of scholars (Hambrick, 2007; Geletkanycz & Sanders, 2012). Furthermore, it contributes to the upper echelons theory by empirically showing the influence of executives' values. Although executives' values have been suggested to be among the important factors influencing organizational outcomes, their influence has rarely been tested, mainly due to measurement difficulties; a few exceptional studies exist, but they only tested CEOs' values (Agle et al., 1999; Chin et al., 2013; Simsek et al., 2005). Also, given that upper echelons scholars suggest that organizational outcomes can be better understood when TMT members are considered together (Finkelstein, Hambrick, & Cannella, 2009), this study contributes to the upper echelons literature by providing important empirical evidence that shows how non-CEO executives' characteristics, specifically their political ideology, also can be consequential for organizational outcomes.

3.1. Values and Different Managerial Perceptions

Ever since Hambrick and Mason (1984) introduced the upper echelons perspective, TMT members' values have been considered an important factor in forming managerial perceptions. Based on the Carnegie School's premise of bounded rationality, which states that decisions are determined largely by behavioral factors rather than by economic optimization (Cyert & March, 1963; March & Simon, 1958), Hambrick and Mason (1984) suggested that behavioral factors, such as TMT members' values, are the key to understanding their choices. Specifically, the authors claimed that different environmental and organizational stimuli are filtered through different executive orientations, including their individual values, which in turn color each executive's respective field of vision, selective perception, and interpretation of individual circumstances differently. As a result, not all information is recognized by executives to the same degree; information that is meaningful to some may not even capture the attention of others. By paying attention to different types of information, executives generate their different fields of vision and perceptions.

Furthermore, it is critical to understand that not all individuals interpret the same situations in the same way. Several scholars have shown that different managers attach different meaning to the same stimuli. For instance, Day and Lord (1992) observed that different managers categorize stimuli in different ways. Jackson and Dutton (1988) suggested that some managers interpret a given situation as an opportunity while others view it as a threat. Similarly, Milliken (1990) found that college executives draw different conclusions from the same information. This stream of research evidences the fact that executives interpret situations in different ways, through a process that Starbuck and Milliken (1988) referred to as "sensemaking." Although these studies did not directly address with executive values, their results have implications for this study because they suggest that different executives develop with their own interpretations.

Some scholars take this argument a step further, proposing that executives construct their own reality based on their individual values. For instance, England (1967) argued that values influence individuals' final choices both consciously and unconsciously through a process he referred to as “perceptual filtering.” Through this process, certain applicable information is filtered out of – or fails to pass through – the individualized lenses of certain individuals, thereby causing them to either notice or ignore certain kinds of information. Compounding this effect is the fact that the way in which they interpret the information they perceive will differ depending on their values. Finkelstein, Hambrick, and Cannella (2009) also developed a series of propositions regarding the influence of executives’ values. They proposed that executives’ values will affect their fields of vision, their selective perceptions, their interpretations, and ultimately their final decisions.

These streams of research demonstrate that it is important to understand how “one executive’s construed reality can be quite different from another’s” (Hambrick, 1989: 5) and that values play an important role in forming executives’ perceptions and interpretations. Despite this conclusion, the TMT pay literature has yet to fully consider the possibility that executives’ different individual characteristics influence the efficacy of TMT pay arrangements (Geletkanycz & Sanders, 2012). While various organizational and environmental contexts have been suggested as critical factors in TMT pay, TMT-level contexts have not yet received sufficient attention (Hambrick, 2007). This study fills this gap in the literature by examining the effect of executives’ values on the effects of TMT pay arrangements on two types of consequences: firm performance and executive departure.

3.2. Consequences of Pay Egalitarianism

3.2.1. Pay Egalitarianism and Firm Performance

To the best of the present author's knowledge, no studies have suggested the exact construct of pay egalitarianism in TMT; however, several studies provide insights regarding the influence of TMT pay egalitarianism on firm performance. For instance, several scholars investigating the association between the TMT pay structure and firm performance focused on pay differentials within the TMT – a concept that has generally been referred to as 'pay disparity' (Bloom & Michel, 2002; Carpenter & Sanders, 2002; Lazear & Rosen, 1981; Rosen, 1986; Siegel & Hambrick, 2005; Wade et al., 2006). Collectively, these scholars suggested a number of theories to explain the effects of TMT pay arrangements on firm performance. However, they arrived at mixed conclusions about the association between TMT pay disparity and firm performance, depending on the theoretical perspectives utilized; some studies found support for a positive influence, while others found a negative relationship.

Scholars focusing on economic rationales, such as tournament theory, argue that pay disparity has a positive influence on firm performance because it creates incentives for top managers to work hard and strive to win prizes within hierarchical tournaments (Lazear & Rosen, 1981; Rosen, 1986). This argument has been supported by some empirical studies. For instance, Main, O'Reilly, and Wade (1993) and Lee, Lev, and Yeo (2008) found a positive association between pay differentials among top executives and firm performance. Eriksson (1999) also found positive effects of pay disparity within the TMT on firm performance in Denmark.

Others, however, argued that pay disparity does not increase firm performance, reasoning that pay disparity harms efficient TMT function, which is necessary for positive firm performance (Barnard, 1938; Lawler, 1990; Milgrom & Roberts, 1988; Mitchell & Silver, 1990; Pfeffer & Langton 1993). Several explanations have been offered regarding how pay disparity damages the social relations among top executives. First, pay disparity generates competition, which in turn leads to aggressive and ultimately unhealthy competition (Dye, 1984). Second, pay disparity results in TMT fragmentation, because those who are paid less are likely to suffer decreased satisfaction and jealousy (Pfeffer & Langton, 1993), making it difficult for them to form a cohesive team. In a similar vein, pay disparity is shown to inhibit cooperation within a team (Becker & Huselid, 1992; Gerhart & Rynes, 2003; Henderson & Fredrickson, 2001), and, in general, impaired social functioning impedes willingness to cooperate and therefore negatively influences team functionality (Fredrickson et al., 2010). This stream of studies implies that, as a firm exhibits greater pay equality within the TMT, creating more egalitarian TMT pay arrangements, it is likely to perform better because it will reduce unnecessary competition among top executives and thus enhance the functionality of the TMT.

In sum, firms with greater pay egalitarianism are likely to experience better firm performance, because pay egalitarianism results in less competitive behavior, greater functionality, and enhanced collaboration within the TMT. Thus, as a baseline prediction, I hypothesize:

Hypothesis 1: The greater the pay egalitarianism is within the TMT, the better the firm's performance will be. Specifically, a) greater vertical pay equality and b) greater horizontal pay equality will be associated with better firm performance.

3.2.2. Pay Egalitarianism and Executive Departure

Again, to the best of the author's knowledge, no studies have examined the exact construct of TMT pay egalitarianism in the executive departure literature. However, several studies provide insight into predicting the association between TMT pay egalitarianism and the likelihood of executives' departure. Most research on the influence of TMT pay structures on executives' departure has concluded that equally distributed pay arrangements tend to cause greater executive retention, whereas greater pay differential leads to increased executive departure. For instance, Pfeffer (1998) suggested that pay differential increases the likelihood of executive departure, because employees are less committed to a firm when they are paid less than their peers. Conversely, a firm will experience more executive retention if it reduces its pay differential, because doing so creates an egalitarian atmosphere, which is an environment in which both negative competition and the impetus to leave decrease (Gerhart & Milkovich, 1992). In this vein, Bloom and Michel (2002) and Wade et al. (2006) found evidence that executives are less likely to leave a firm when TMT pay is more equally distributed. Similarly, Pfeffer and Davis-Blake (1992) found that turnover of university administrators was lower in the case of more compressed pay arrangements.

These previous studies collectively suggest that, as a firm exhibits greater pay equality within its TMT, thereby creating more egalitarian TMT pay arrangements, its top executives would exhibit a greater willingness to stay. Thus, I argue that an executive with greater pay egalitarianism within the TMT is less likely to leave his or her firms, and as another baseline prediction, I hypothesize:

Hypothesis 2: The greater the pay egalitarianism is within the TMT, the lower will be the likelihood that an executive will leave the firm. Specifically, a) greater vertical pay equality and b) greater the horizontal pay equality will be associated with lower likelihood that the executive will leave the firm.

3.3. The Moderating Effects of Executives' Political Ideology

Despite the above reasoning, the influence of TMT pay on firm performance and executives' departure is not likely to be the same for all TMTs and for all non-CEO executives, because, as previously discussed, executives' perceptions and interpretations vary depending on their personal values. If executives perceive a given situation differently, then their responses to that situation are likely to differ. In addressing this issue, Hambrick (2007) argued that more attention should be paid to interactions between the effects of TMT pay and upper echelons' individual characteristics. Similarly, Geletkanycz and Sanders (2012) argued that efficacy of pay differs depending on executive preferences. Following these arguments, I argue that, to the extent that top executives subscribe to different values, the expected influence of TMT pay arrangements on firm performance and the likelihood of executive's departure will differ due to the executives' different reactions to the same situation.

In this chapter, I focus on the moderating effects of executives' political ideology, which has been shown in the political science and political psychology literature to reflect individuals' overall values (Barnea & Schwartz, 1998; Goren et al., 2009; Layman, 1997; Rosenberg, 1956). Specifically, Feldman (2003: 477) noted that there is ample evidence showing that "values are a major source of structure for political attitudes." Tedin (1987: 65) also noted that "the term 'political ideology' is normally defined as an interrelated set of attitudes and values about the proper goals of society." Jost (2006) also argued that political ideology organizes individuals' values and thus helps to explain their behaviors.

More specifically, I focus on the liberal-conservative dimension. As noted by Jost (2006: 654), the liberal-conservative dimension "has been the single most useful and parsimonious way to classify political attitudes for more than 200 years." Several scholars have found evidence that this spectrum is useful and important for understanding individuals' central beliefs and values (Graham et al., 2009; Poole & Rosenthal, 1984). Other scholars also verified the usefulness of this dimension, noting that liberals and conservatives have different worldviews, motives, and moral foundations (Skitka & Tetlcok, 1993; Weber & Federico, 2013).

Among the various differences between liberals and conservatives, their differing stances on egalitarianism are relevant to the research question of this study. Egalitarianism, which refers to the belief that all people should be treated equally (Rokeach, 1968), is considered to be one of most distinct and critical traits of liberals. Thus, liberals and conservatives will have different opinions regarding the equal treatment of people in the organization. Moreover, according to Rasinski (1987), those who endorse egalitarianism tend to underscore interpersonal interactions and mutual dependence in the workplace, whereas those who uphold proportionality (a conservative trait) place more emphasis on personal independence and ambition.

Furthermore, compared to conservatives, liberals are more sensitive to issues related to equality and tend to be greater practitioners of equality (Hirsh et al., 2010). According to Rasinski (1987), people who identify themselves as liberals are more likely to support redistributive economic policies. In one series of studies, Rasinski (1987) investigated different bases for fairness judgments and found that the distribution of outcomes is more important to liberals than to conservatives. Since liberals believe that equality trumps rank and status, they are reluctant to support mechanisms that increase the inequality in a group (Thompson et al., 1990). In sum, compared to conservatives, liberals are more supportive of equality of outcomes (Verba & Orren, 1985). Conservatives and liberals also differ in their understanding of the meaning of fairness, stemming from their different stances on egalitarianism. Conservatives tend to disagree with the idea of outcome equality (which those who endorse egalitarianism prioritize highly), tending instead to endorse the value of proportionality (Rasinski, 1987); as a result, they are more accepting of unequal outcomes.

If liberal executives place greater value on egalitarianism and are more sensitive to equality of outcomes compared to their conservative peers, it stands to reason their reactions to pay egalitarianism will differ as well. As Gomez-Mejia and Balkin (1992: 7) argued, "truth is in the eyes of the beholder." Thus, when both liberal and conservative executives face the same pay arrangements, they will perceive different degrees of fairness, leading them to different actions. According to the literature on perceived fairness, when employees perceive unfairness in the workplace, they tend to reduce both their efforts in the workplace and their organizational commitment, resulting in negative consequences for the firm (Colquitt et al., 2001). Accordingly, under less egalitarian pay arrangements, liberals will be reluctant to devote extra effort to improve team cohesion, cooperation, and collaboration. Thus, because the negative influence of un-egalitarian pay arrangements on firm performance becomes stronger as pay egalitarianism decreases, the functionality of the TMT will be damaged if there are more liberal executives in a firm that has less pay egalitarianism. As such, I hypothesize that TMT liberalism (measured by the average of each non-CEO executive's liberalism) will moderate the influence of pay egalitarianism on firm performance.

Hypothesis 3: TMT liberalism will moderate the association between pay egalitarianism and firm performance. Specifically, the greater the TMT liberalism is, the stronger will be the positive association between a) vertical pay equality and firm performance and b) horizontal pay equality and firm performance.

Executives' political ideology will also moderate the association between pay egalitarianism and the likelihood of executives' departure, because the perception of unfairness can influence executives' decision of whether or not to remain with the firm. In a study of systems that almost exclusively reward the best performers, Zenger (1992) found that even moderately high performers were more likely to leave, because they felt that their input was not properly rewarded. Dunford et al. (2005), suggesting that executives tend to search for better employment when they have a higher percentage of underwater stock options, argued that executives who believe their effort is not adequately compensated are more likely to look for new jobs. Fredrickson et al. (2010) also argued that executives ultimately might choose to leave firms to resolve the dissonance caused by perceived unfairness in their pay arrangements.

These studies suggest that executives who feel greater unfairness are more likely to feel the impetus to leave a firm. Thus, if pay is not equally dispersed among top executives, or if each top executive is paid differently based on his/her individual performance, liberal executives (who are sensitive to fairness and equality of outcomes) will perceive more unfairness and thus will be more likely to leave a firm. In contrast, conservatives (who tend to accept the values of proportionality) will not perceive proportional distribution of outcomes as unfair and thus will feel less motivation to leave under the same circumstances.

Other studies in different areas also provide relevant implications regarding the likelihood of executives' departure. For instance, Schneider (1987) proposed that people who perceive themselves not to fit an organization tend to leave it. Moreover, Gerhart et al. (2009) suggested that different types of compensation arrangements could lead different types of people to remain with an organization. Accordingly, if a firm implements greater pay egalitarianism, a liberal executive will be more likely to stay with the firm because the firm's pay arrangements fit his or her values. In contrast, if a firm has lower pay egalitarianism, a liberal executive will be more inclined to seek employment elsewhere, while a conservative executive will have less motivation to leave because proportional pay arrangements are likely to fit his or her values. Given these arguments, I hypothesize that the influence of pay egalitarianism on executive departure will be greater for a liberal than for a conservative executive.

Hypothesis 4: An individual executive's liberalism will moderate the association between pay egalitarianism and the likelihood of his or her departure from the firm. Specifically, the more liberal an executive is, the stronger will be the negative association between a) vertical pay equality and the likelihood that he or she will leave a firm and b) horizontal pay equality and the likelihood that he or she will leave the firm.

3.4. Methods

3.4.1. Sample and Research Design

The sample for this study was drawn from U.S. companies listed in Standard & Poor's (S&P) 500 from 2009 to 2011. I randomly selected 130 firms among the S&P 500 firms. To identify TMT members, following previous studies on TMT pay (Bloom & Michel, 2002; Carpenter & Sanders, 2002; Henderson & Fredrickson, 2001; Fredrickson et al., 2010), I searched for the five most highly paid executives reported to the Securities and Exchange Commission and treated them as TMT members. Although these five top executives might not fully represent all of the TMT members, this method has been accepted in the previous literature as a relevant and meaningful way of identifying TMT members. Since this study focuses on the effects of non-CEO executives' political ideology, the CEO was included when calculating pay egalitarianism measures but excluded when calculating the TMT liberalism variable and when identifying executive departure (further details are provided below). Compensation information was obtained from the Execucomp database, and company financial information was collected from the Compustat database. After excluding observations with missing data, the final sample size was 363 firm-years for the performance hypotheses model (H1 and H3) and 1416 executive-years for the departure hypotheses model (H2 and H4).

I constructed a pooled sample, observing the dependent variables in every year t and independent, moderator, and control variables in t-1. As described in detail below, TMT liberalism and individual executives' liberalism are measured by examining the executives' political donations over the course of ten years (from year t-10 to t-1, where t is the focal year). With this lagged design, political ideology temporally preceded the measurement of TMT pay egalitarianism, thereby eliminating the recursive relationship between the ideology measure and the dependent variables.

One might raise questions related to the influence of the sorting effect on the relationship between the pay egalitarianism and TMT liberalism constructs (Gerhart & Rynes, 2003). The sorting effect occurs when individuals are attracted to firms that offer pay arrangements matching their preferences or when firms redesign their pay arrangements to match incoming individuals' preferences. However, I argue that such an effect is unlikely to occur in this study, because executives are less likely to calculate pay egalitarianism or to consider it a top priority when searching for new employment. Wowak and Hambrick (2010: 806) also note that the sorting effect is “far from complete,” arguing that there is ample evidence showing a mismatch between pay plans and executives’ preferences (Deckop, Merriman, & Blau, 2004; Sanders, 2001).

One reason for this mismatch is that firms tend to redesign pay arrangements based on factors other than executives’ preferences. For instance, the need to improve firm performance (Carpenter, 2000) and industry deregulation (Rajagopalan & Finkelstein, 1992) have been suggested to cause changes in TMT pay structures. Also, boards may simply mimic other firms’ pay design, as they tend to do with other management techniques (Abrahamson, 1991). Similarly, boards may follow advice from compensation consulting firms, and there is little evidence that these firms consider top executives’ political ideologies. Accordingly, it is unlikely that firms adjust pay arrangements to match executives’ political ideologies. In sum, I argue that the sorting effect is unlikely to occur, especially in the contexts of personal values and political ideologies.

3.4.2. Independent Variables

Two variables were used as the independent variable: vertical pay equality and horizontal pay equality. Vertical pay equality, which measures the pay differentials between CEO and non-CEO executives, was calculated as the average pay of all other non-CEO executives divided by the pay of the CEO, which is a converted measure of vertical pay disparity in the previous studies (Siegel & Hambrick, 2005). Horizontal pay equality, which measures pay dispersion among non-CEO executives, was measured by the inverse of the coefficient of the variation in the total pay of non-CEO executives, which is also a converted measure of horizontal pay disparity in the previous studies (Fredrickson et al., 2010). The coefficient of variation was calculated by dividing the standard deviation of non-CEO executives' pay by the mean TMT pay. Total pay was used for these indicators, and the data were collected from the Execucomp database.

3.4.3. Dependent Variables

For the hypotheses about firm performance (H1 and H3), I used the market-to-book value of common equity as the dependent variable. The data were collected from the Compustat database. For the hypotheses about the likelihood of executives' departure (H2 and H4), I used a dummy variable as the dependent variable, coded as one if an executive left a firm before the age of 60 and as zero otherwise. Those executives who left a firm after age 60 were excluded from the analysis, because they might have retired due to their age or a mandatory retirement policy. However, the results do not substantially change when executives' departures after age 60 were each coded as one and were included.

3.4.4. Moderating and Control Variables

3.4.4.1. TMT Liberalism and Executive Liberalism

To test the hypotheses on the moderating effects (H3 and H4), I measured both *TMT liberalism* (H3) and *individual executive liberalism* (H4). TMT liberalism was measured by averaging the individual executive liberalism index of the four highest-paid TMT members, excluding a CEO. The intraclass correlation (ICC) for this measure is .57; given that ICC values greater than .4 represent good reliability (Fleiss, 1986), this measure is a valid, albeit imprecise, indicator of TMT liberalism. Following Chin, Hambrick, and Trevino's (2013) unobtrusive index, each executive's political liberalism was measured by examining the degree to which he or she supported the Democratic Party, as opposed to the Republican Party, using data on individual political contributions.

The donation data originated from the U.S. Federal Election Commission (FEC), which provides public information about individual contributions of more than $200; for each contributor, the data included the name, state, city, street address, zip code, occupation, employer, amount of gift, date of gift, and name of recipient. The data are accessible directly from the FEC website, as well as from non-partisan research institutes, such as the Center for Responsive Politics (www.opensecrets.org or www.transparencydata.com).

I coded each executive's contribution records for the 10 years prior to the focal year t (i.e., from year t-10 to t-1). I verified the contributions of each executive – checking middle names, shortened names, address information, occupation, and employer information –in an effort to exclude individuals whose names were similar to those of the executives in the sample. I used Bloomberg Businessweek, Notable Names Database, MergentOnline, Hoovers' Online, executive biographies on company websites, and other online sources to help confirm each donor's identity.

Using the information on executives' contributions, I calculated four indicators: (1) the number of donations to Democrats divided by the number of donations to recipients of both parties (to handle zero values, I added .1 to all numerators and .2 to all denominators); (2) the dollar amount of donations to Democrats divided by the amount of donations to both parties; (3) the number of years (over the 10-year time frame) in which the executive made donations to

Democrats divided by the number of years donations were made to either party; and (4) the number of distinct Democratic recipients to whom the executive made donations divided by the total number of distinct recipients of both parties. These four indicators, respectively, indicate the following four variables: behavioral commitment, financial commitment, persistence of commitment, and scope of commitment to a political orientation.

3.4.4.2. Control Variables

For the firm performance hypotheses (H1 and H3), I controlled for multiple factors that have been widely used in the prior TMT literature (Cannella, Park, & Lee, 2008; Fredrickson, Davis-Blake, & Sanders, 2010; He & Huang, 2011; He & Wang, 2009; Siegel & Hambrick, 2005). All factors were measured in the year prior to each focal year (t-1). I controlled for *firm size*, measured as log of asset; *prior firm performance*, measured as the market-to-book value of common equity; *debt ratio*, measured as long-term debt divided by sales; and *product diversification*, measured using an entropy measure ($\Sigma P_{ia} \ln(1/P_{ia})$, where P_{ia} is the proportion of a firm a's sales in business segment i). Given that research and development (R&D) expenditure varies significantly by industry (Sanders & Carpenter, 1998), I controlled for potential industry-level factors by including *R&D intensity*, measured as R&D expenditure divided by sales. Also, I controlled for potential temporal factors with a dummy for *calendar year*. Lastly, as previous studies have shown the influence of TMT-level factors on firm performance (Cannella, Park, & Lee, 2008; Fredrickson, Davis-Blake, & Sanders, 2010), *TMT average tenure* (measured as the average of top executives' tenure with company) and *TMT pay level* (measured as the average of top executives' pay) were included as control variables.

For the executive departure hypotheses (H2 and H4), I controlled for several factors that have been considered to be critical in prior TMT departure studies (Bloom & Michel, 2002; Wade, O'Reilly, & Pollock, 2006). Specifically, I controlled for *firm size*, measured as the log of asset; *prior firm performance*, measured as the market-to-book value of common equity; and *R&D intensity*, measured as R&D expenditure divided by sales. I also controlled for *executive age*, *executive tenure with company*, and *total pay level of an executive divided by the mean of TMT pay*. Results remained largely the same when the total pay level of an executive was used instead of the total pay level of an executive divided by the mean of TMT pay.

3.4.5. Estimation Methods

I used generalized estimating equations (GEE) to deal with multiple observations for the dependent variables. GEE, which derives maximum likelihood estimates and accommodates non-independent observations, is suitable when using cross-sectional time series data (Liang and Zeger, 1986). Specifically, the xtgee command in Stata 13.0 with robust variance estimators (White, 1980) were used for all regressions in my models. For the hypotheses on firm performance (H1 and H3), I specified a Gaussian (normal) distribution with an identity link function and an exchangeable correlation structure for all models. For the hypotheses on executives' departure (H2 and H4), I specified a binomial distribution with a logit link function and an exchangeable correlation structure for all models.

3.5. Results

Tables 5 and 6 report means, standard deviations, and correlations among the variables used for the firm performance hypotheses and the executives' departure hypotheses, respectively.

Insert Tables 5-6 about here

Tables 7 and 8 present the GEE results for tests of the hypotheses on firm performance. Vertical pay equality is used as the independent variable for Model 1 to Model 3 in Table 7, and horizontal pay equality is used as the independent variable for Model 1 to Model 3 in Table 8. Model 1 includes only control variables. Model 2 in Tables 7 and 8 tests the main effect of pay egalitarianism on firm performance. The results indicate that vertical pay equality is significantly negatively associated with firm performance ($p<.05$) and horizontal pay equality is not significantly associated with firm performance, thus failing to support Hypothesis 1a and Hypothesis 1b, respectively. Model 3 in Table 7 and Table 8 tests Hypothesis 3, which predicted that TMT liberalism will positively moderate the association between pay egalitarianism and firm performance. The results indicate that vertical pay equality is a positive moderator ($p<.05$), supporting Hypothesis 3a, but that horizontal pay equality is not a significant moderator, not supporting Hypothesis 3b.

Insert Table 7-8 about here

Figures 1-2 provide graphic support for Hypothesis 3a. Figure 1 shows that firm performance with a more liberal TMT tends to suffer less with greater vertical pay equality, compared to when the TMT is more conservative. The moderating effects of TMT liberalism become more distinct when comparing some extreme cases. This is illustrated in Figure 2, which shows that, while firm performance with extremely conservative TMTs (TMT liberalism <.1) decreases with greater vertical pay equality, firm performance with extremely liberal TMTs (TMT liberalism >.9) actually increases with greater vertical pay equality. These results are consistent with Hypothesis 3a.

Insert Figure 1-2 about here

Tables 9 and 10 present the GEE results for tests of the hypotheses on executives' departure. Vertical pay equality is used as the independent variable for Model 1 to Model 3 in Table 9, and horizontal pay equality is used as the independent variable for Model 1 to Model 3 in Table 10. Model 1 includes only control variables. Model 2 in Tables 9 and 10 tests the main effect of pay egalitarianism on executives' departure. The results indicate that neither vertical pay equality nor horizontal pay equality is significantly associated with the likelihood of executive departure, thus failing to support Hypothesis 2a and Hypothesis 2b, respectively. Model 3 in Tables 9 and 10 tests Hypothesis 4, which predicted that the individual executives' liberalism will negatively moderate the association between pay egalitarianism and the likelihood of executive departure. The results indicate that vertical pay equality is a positive moderator (p<.05), supporting Hypothesis 4a, but that horizontal pay equality is not a significant moderator, not supporting Hypothesis 4b.

Insert Table 9-10 about here

Figure 3 provides graphic support for Hypothesis 4a. It shows that a liberal executive is less likely, whereas a conservative executive is more likely, to leave a firm as vertical pay equality increases, which supports Hypothesis 4a.

Insert Figure 3 about here

3.6. Discussion

This study tests the idea that the efficacy of TMT pay arrangements varies depending on the political ideology of the top executives. I hypothesized that liberal top executives are more likely than their conservative peers to react positively to an egalitarian pay structure because of liberals' distinct disposition for favoring equality. To test this idea, I focused on two organizational outcomes (i.e., firm performance and executive departure), arguing that the influence of a TMT pay structure on firm performance and the likelihood of executive departure will differ depending on the political ideology of non-CEO executives.

The results show that the performance of firms with greater vertical pay equality suffers more when their TMT consists of more conservative (versus liberal) executives. Also, conservative executives are more likely to leave a firm when the firm has greater vertical pay equality, whereas liberal executives are more likely to leave a firm when the firm has lower vertical pay equality. The results for the moderating effects of top executives' political ideology provide general support for the main argument of this study; compared to their conservative peers, liberal executives tend to respond more favorably to the idea of sharing financial rewards collectively.

The results of testing the baseline hypothesis on firm performance also provide results that, although contrary to my expectations, are worth noting. Specifically,, vertical pay equality tends to lead to lower firm performance; in other words, firms with greater pay gaps between CEO and non-CEO executives tend to perform better. The results suggest that, when the political ideology of top executives is not taken into account, top executives in large U.S. firms generally do not seem to prefer or to accept an egalitarian pay structure. This finding is in line with tournament theory, which states that the hierarchy in pay policy functions as an incentive for executives to work better, thus leading to better firm performance. As a result, firms with greater vertical pay equality can be expected to suffer more in terms of performance, because such equality can be considered to provide a smaller prize for winners and fewer individual incentives for top executives.

However, horizontal pay equality was found to have no significant influence on either firm performance or the likelihood of executives' departure, which suggests that not all types of hierarchy in TMT pay structures function as an incentive for top executives. This implies that non-CEO executives, regardless of their political ideology, tend to care about pay differentials between themselves and their CEO but not about pay dispersion among other non-CEO executives. These results are also consistent with the perspective on the nature of top executives that each executive tends to engage in more bilateral relationships with the CEO (Hambrick, 2007). Accordingly, pay differentials between themselves and the CEO might be more salient and thus influence their motivation and sense of fairness more directly.

Although these results are more in line with tournament theory, I argue that they should not necessarily be considered to contradict the results of previous studies based on socio-psychological perspectives, which showed that greater pay egalitarianism (referred to as lower pay disparity in these studies) tends to lead to higher firm performance. One possible explanation for these inconsistent results is that the time periods of these previous studies are different from that of the present study. For instance, their sample periods are in the early 1990s (Siegel & Hambrick, 2005; Bloom & Sanders, 2002) or even the 1980s (Wade et al., 2006), whereas the time window for the present study is from 2009 to 2012. As such, the paradigm regarding what top executives' pay should be might have changed in recent decades. Given the fact that the ratio of CEO pay to average worker pay was about 25:1 in 1970 and increased to nearly 500:1 in 2000 (Murphy & Zabojnik, 2004), top executives in that era might have regarded pay disparity as unfair treatment rather than as an incentive to achieve, thus likely resulting in negative consequences for the organization.

In a similar vein, Hambrick and Wowak (2012) argue that the widespread implementation of agency theory since 1980 has substantially changed the business landscape in the U.S.; as a result, today's CEOs are more individualistic and materialistic than were their pre-1980 predecessors. Although the focus of their argument is CEOs, the same logic can be applied to non-CEO executives. That is, non-CEO executives might also be more individualistic and materialistic now than in the past; if so, they may take hierarchy in pay arrangement for granted and thus accept it more readily.

However, I do not argue that the socio-psychological view is no longer valid or that tournament theory is the only applicable theory. It is important to note that pay egalitarianism is not always harmful to firm performance. As Figure 2 shows, if TMT consists of extreme liberals, then paying them in a more egalitarian way would lead them to perform better. The results shown in Figure 2 suggest that this study does not contradict the socio-psychological perspective; rather, they show that tournament theory is not applicable to liberal TMTs, because liberal executives are more likely to perceive unequal pay distribution as an unfair policy rather than as an incentive or prize to be pursued.

3.6.1. Implications and Future Research

This study has important implications for both the TMT pay literature and upper echelons theory. First, it introduces a new aspect of the organizational context – top executives' values – into the literature on the consequences of TMT pay arrangements. By showing that the efficacy of TMT pay structure is affected by top executives' political ideology, this study broadens the understanding of the consequences of TMT pay arrangements. While other organizational contexts, such as industry conditions and firm strategy, have been considered as important factors when analyzing the effects of TMT pay on various organizational outcomes (Balkin & Gomez-Mejia, 1990; Hoskisson, Hitt, & Hill, 1993), the personal characteristics of top executives have been neglected in the literature. However, as recently argued by several scholars (Geletkanycz & Sanders, 2012; Wowak & Hambrick, 2010) and as shown in this study, it is critical to consider the personal characteristics of top executives. If different individual characteristics result in a mismatch between TMT pay arrangements and top executives' comprehension of those structures, the pay arrangements of those executives can result in unintended consequences. As such, this study contributes to the literature by focusing on the important yet hitherto neglected factor of top executives' political ideology.

In addition, this study provides practical implications for two organizational outcomes. First, it shows that, unless all top executives in a firm are extremely liberal, setting up an egalitarian pay structure has no practical effects on firm performance. Therefore, if a firm plans to share financial rewards among their top executives collectively for any reason (e.g., the CEOs' personal faith or the expectation that doing so will lead to greater collaboration and better performance), the firm has to consider the top executives' political ideology as well. The results of this study also indicate that top executives' motivation to leave a firm is influenced by their political ideology. Even among executives who face the same degree of pay egalitarianism, the likelihood of their departure will vary depending on their individual political ideologies. Thus, if the main purpose of setting up a hierarchy in the TMT pay structure is to provide incentive and to retain top executives, a firm needs to take their top executives' political ideologies into consideration.

This study also suggests that it is possible to reconcile the contradictory perspectives in the literature regarding the performance implications of TMT pay arrangements. The economics-based and socio-psychological perspectives tend to be seen as incompatible (Devers et al., 2007); however, I argue that this is not necessarily this case, because the results of this study suggest that different perspectives will be applicable to different situations. For those firms with more conservative TMTs, economics-based theories, such as tournament theory, are better able to explain the phenomenon; however, for those firms with extremely liberal TMTs, socio-psychological views seem to be more appropriate.

This study contributes to the upper echelons literature as well. By empirically demonstrating that non-CEO executives' political ideology influences the efficacy of the TMT pay arrangement, this study fills an important gap in the upper echelons theory. As mentioned previously, even though executives' values have been emphasized as one of the most critical factors influencing organizational outcomes since Hambrick and Mason's (1984) seminal paper, there has been very little empirical research on this influence, and thus the field lacks knowledge on how such values function specifically. Although a few exceptional empirical studies have shown how CEOs' values influence organizational outcomes (Chin et al., 2013; Simsek et al., 2005), the question of whether or how non-CEO executives' values influence organizational outcomes has remained unanswered. By showing that TMT political liberalism influences the consequences of TMT pay arrangements, this study reintroduces the importance of executive values and broadens our understanding of how the individual characteristics of not only CEOs but also non-CEO executives are injected into organizational outcomes.

Like all empirical studies, this study has limitations that present opportunities for future research. First, this study uses the five highest-paid executives of an organization to represent that organization's TMT. Although this method has been accepted as relevant in previous studies on TMTs, including more than the top five executives would provide a richer context. In addition, the measures used in the study, which are based on unobtrusive archival data, have room for improvement in future research. For instance, the index of political liberalism is an indirect measure, which would be considered an imprecise gauge in nature. Although the validity of this measure, which is based on political donation records, has been verified in previous studies (Ansolabehere et al., 2003; Chin et al. 2013), it can be improved through combination with other data reflecting individuals' political ideology. Furthermore, in-depth interviews with executives on why they decided to leave a firm could also help to provide a more precise understanding of the phenomenon.

The measure for TMT liberalism can be improved as well. As with studies on other TMT characteristics, such as tenure, this study also used the simple average of each executive's liberalism scores as the measure for TMT liberalism. If other factors, such as each top executive's power or social network, could be considered together in future research, it would be possible to comprehend the precise dynamics inside the TMT in more detail, thereby providing a richer understanding of the role of top executives' political ideology.

Another interesting factor that could be tested in future research on the political ideology of top executives is the direct influence of political ideology. While this study focuses on the moderating role of top executives' political ideology, it might also have direct effects on organizational outcomes. For instance, the heterogeneity in political ideology within the TMT might directly influence firm performance and the likelihood of executives' departure; that is, better performance could result if all of the TMT members share similar political ideologies, and vice versa. The likelihood of departure could also be directly influenced by the heterogeneity in political ideology; that is, those executives who have a political ideology that differs from that of the rest of the TMT members might be more likely to leave the firm.

Chapter 4

DISCUSSION AND CONCLUSION

4.1. Broad Overview of Findings

Each of the two empirical studies in this dissertation had its own research questions; however, as a whole, the dissertation explored this overarching question: Does the political ideology of upper echelons influence their decision-making processes and organizational outcomes, and, if so, how? To answer this question, in the first study, I tested the extent to which politically liberal CEOs set up more egalitarian pay structures within TMTs compared to their conservative peers. I hypothesized that firms with politically liberal CEOs are likely to have greater TMT pay egalitarianism (defined as the degree to which pay is arranged such that financial rewards of executives are shared collectively, because liberal individuals tend to value egalitarianism, whereas conservatives tend to value free-market principles.

In testing my hypotheses, I examined whether liberal CEOs are more likely to a) reduce pay gaps between themselves and non-CEO executives, b) reduce pay dispersion among non-CEO executives, and c) tie their pay to non-CEO executives' such that they vary together over time. The results indicated that horizontal pay equality and pay co-movement, but not vertical pay equality, were significantly related to CEO liberalism. Although not all of the hypotheses were supported, given that CEOs might not have enough discretion to decide their own compensation levels, the results of the first essay broadly supported the idea that TMT pay arrangements are influenced by CEOs' political liberalism.

The second essay expanded the scope from CEOs to non-CEO executives to determine whether and how the political ideology of non-CEO executives influences organizational outcomes. In this study, I explored the ways in which the effects of TMT pay arrangements vary depending on non-CEO executives' political ideology. Based on the idea that liberals and conservatives assess fairness according to different standards, I argued that non-CEO executives' perceptions about fair TMT pay arrangements will differ and that, consequently, the behaviors they exhibit and the choices they make in response to the same pay arrangements will differ as well. Specifically, I tested whether the direct effects of two types of pay structure (i.e., vertical and horizontal pay equality) on firm performance and executives' departure are moderated by non-CEO executives' political ideologies.

The results of this study indicated that non-CEO executives' political ideology moderates the associations between vertical pay equality and a) firm performance and b) the likelihood of their departure. However, their political ideology does not have significant moderating effects for firm performance and the likelihood of executives' departure. Although the results do not support all of the hypotheses, they do provide some evidence that non-CEO executives react differently to the same pay arrangements depending on their political ideology, which consequently influences organizational outcomes such as firm performance and the likelihood of executives' departure.

4.2. Future Research Direction

My dissertation contributes to strategic management and organization science literature not only by providing empirical results showing the importance of understanding the political ideology of upper echelons but also by suggesting a number of additional research avenues. For instance, given the results of the first study on the influence of CEOs' political ideology on TMT pay arrangements, I expect that liberal CEOs' belief in egalitarianism might also be reflected in other organizational structures beyond TMT pay structure; for example, a firm with highly liberal CEOs might have a flatter organizational structure and be more likely to encourage bottom-up communication. Further, highly liberal CEOs might be more likely than their conservative counterparts to extend stock options and profit-sharing to other employees.

Given that around 30 percent of top executives in the samples for the two studies were non-donors, it would be interesting to examine whether there are differences between the behaviors or strategic decisions of heavy donors and non-donors. Regardless of whether they are liberal or conservative, executives who are more mindful of political agendas and more likely to engage in political activities might be more beneficial to the firm than those who are indifferent to political agendas, especially if their industries are heavily regulated. They might tend to more effectively pursue non-market strategies, such as lobbying. In contrast, politically-minded top executives might be harmful to the firm if they pay too much attention to public issues that are only indirectly relevant to their companies' business.

Investigating how the political ideology of all TMT members influences team dynamics would also likely reveal meaningful implications. For instance, given that previous studies have shown that groups whose members share similar values tend to have more cohesiveness and less conflict and distrust among members (Harrison & Klein, 2007), homogeneity in political ideology among TMT members might enhance social integration and cognitive homogeneity. As a result, more homogeneous TMT members might share more information, resources, and decisions, which would lead to greater behavioral integration within the TMT, which has been suggested as one of key constructs in the upper echelons theory (Hambrick, 2007).

Future research can expand the scope beyond TMTs to include boards of directors, another promising research topic in this field. Since boards are known to be engaged in various corporate governance practices, investigating how their political ideology is reflected in corporate policies would advance our understanding of topics, especially related to CEOs. For instance, interactions between CEOs and their boards could be examined. Board members might be more generous and supportive toward a newly-appointed CEO if they share the same political views. In contrast, the likelihood of CEO dismissal might be greater if there is a discrepancy in political ideology between the board members and the CEO.

Homophily among board members might also be explained by political ideology. Board members with strong political ideologies might want like-minded others on the board; as a result, the composition of the board could be largely influenced by the political ideology of the current members. Even TMT homophily could be explained by considering the members' political ideology. In short, political ideology might be an important unexplored dimension for understanding homophily among corporate elites.

Top executives' political ideology could also provide frontiers for other topics, such as international business and entrepreneurship. Although the scope of this dissertation is restricted to the United States, investigating how the influence of top executives' political ideology varies across countries could provide a better understanding of national differences and behaviors of multinational companies. This novel construct also could contribute to the entrepreneurship field. For instance, entrepreneurship scholars could use this construct in social entrepreneurship studies to examine whether the performance of social enterprises is better when their leaders are more politically liberal. In sum, future research on these topics might find that top executives' political ideology is widely consequential across various organizational outcomes.

4.3. Conclusion

In the two essays of this dissertation, I have explored the influence of the political ideology of upper echelons on multiple organizational outcomes. The overarching goal of the two studies was to find answers to the question regarding the role of political ideology in organizations. The findings of both studies collectively presented coherent support for the main argument of this dissertation: top executives' political ideology does indeed matter in an organization, and its influence is more consequential than we might have thought. As noted throughout the dissertation, scholars in the field of organization science tend to neglect this important factor, perhaps assuming that topics related to politics are irrelevant to business settings. However, the results of this dissertation indicate that top executives' political ideology matters more than we might assume and needs more attention to advance our understanding of not only top executives' behaviors but also various organizational outcomes.

In sum, this dissertation contributes to a number of important domains within organization science – including corporate governance, executive compensation, and strategic decision-making processes – by exploring the influence of the political ideology of upper echelons on various organizational outcomes and by providing important insight and fruitful avenues for future organizational studies.

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APPENDIX A: FIGURES

Figure 1
The Interaction of Vertical Pay Equality and TMT Liberalism on Firm Performance

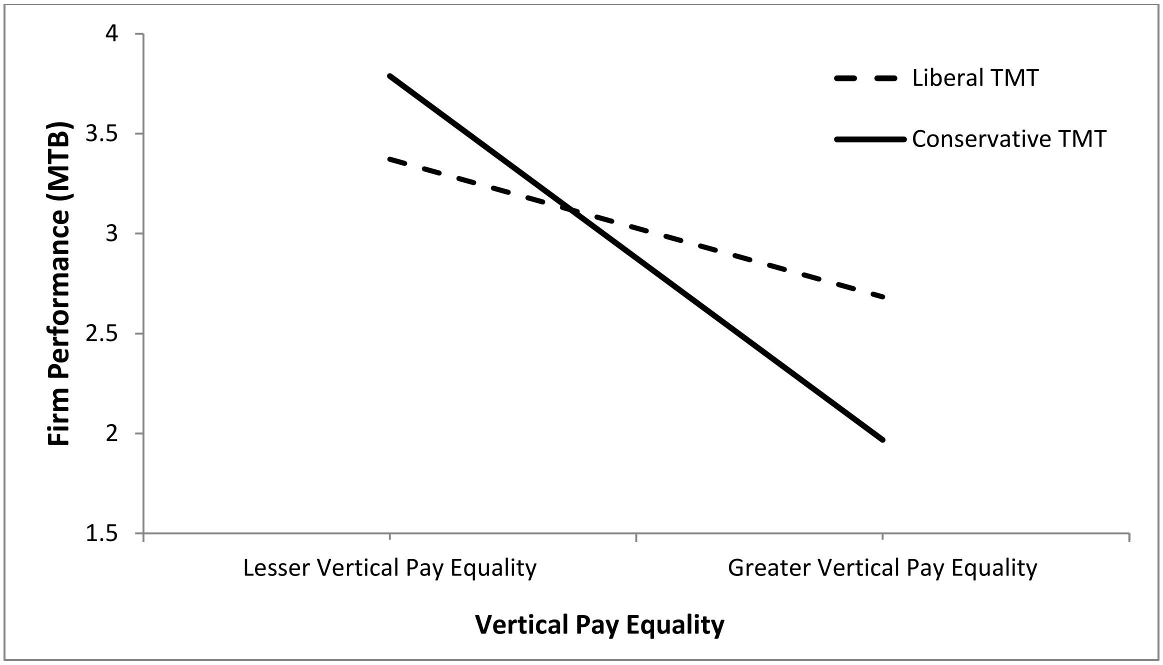


Figure 2
The Interaction of Vertical Pay Equality and TMT Liberalism on Firm Performance (Extreme Case)

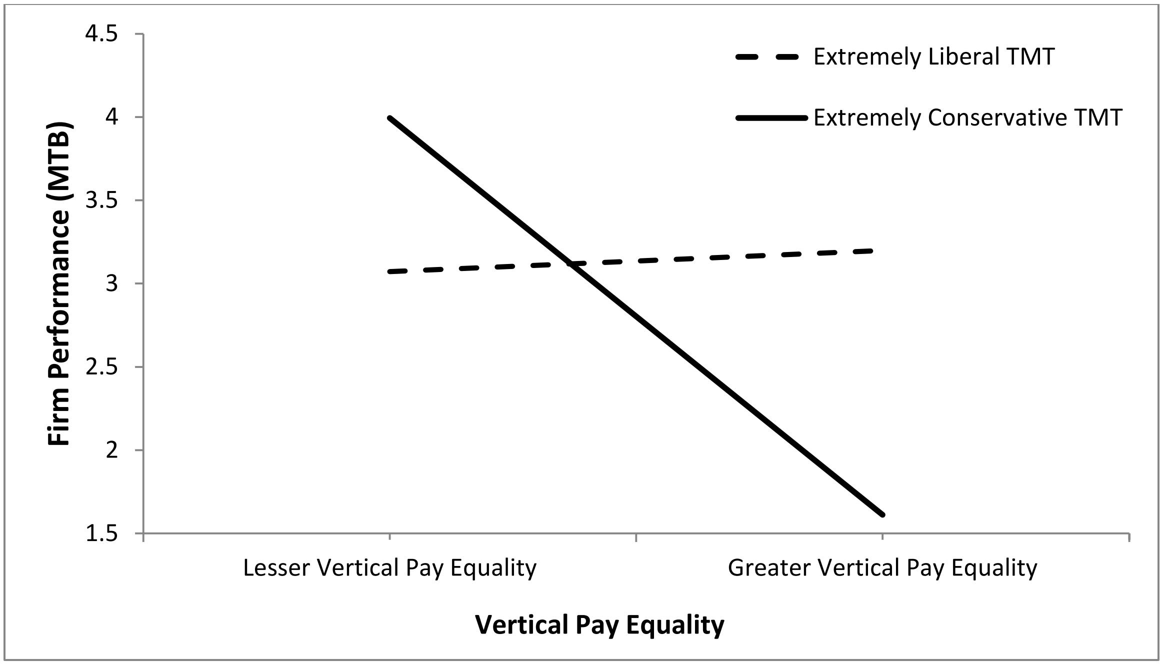
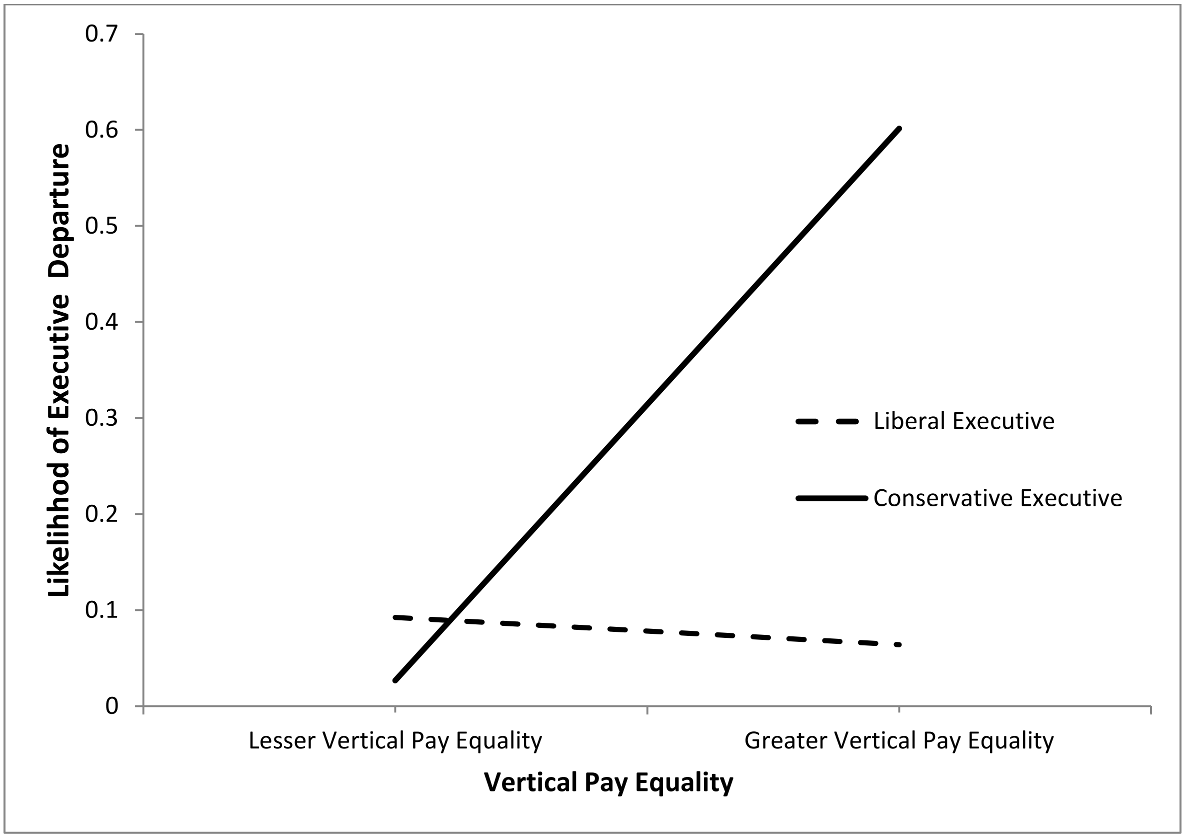


Figure 3
The Interaction of Vertical Pay Equality and Executive Liberalism on the Likelihood of Executive's Departure



APPENDIX B: TABLES

Table 1
Correlations and Descriptive Statistics

	Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Vertical equality (total pay)	8.27	1.69																
2	Vertical equality (cash pay)	5.88	1.52	0.32															
3	Horizontal equality (total pay)	0.27	0.16	-0.22	-0.25														
4	Horizontal equality (cash pay)	0.19	0.16	-0.25	-0.31	0.34													
5	Co-movement (total pay)	-3.26	2.60	-0.49	-0.23	0.08	0.07												
6	Co-movement (cash pay)	-0.31	0.28	-0.18	-0.43	0.05	-0.15	0.28											
7	Pre-CEO Vertical equality (total pay)	7.01	2.57	0.20	0.08	-0.12	-0.01	-0.07	-0.04										
8	Pre-CEO Vertical equality (cash pay)	5.17	1.92	0.16	0.22	-0.17	-0.09	-0.05	-0.09	0.60									
9	Pre-CEO Horizontal equality (total pay)	0.36	0.19	-0.11	-0.12	0.12	0.14	0.07	0.10	0.07	0.07								
10	Pre-CEO Horizontal equality (cash pay)	0.21	0.12	-0.11	-0.08	0.11	0.20	0.03	-0.03	0.06	-0.04	0.65							
11	Pre-CEO Co-movement (total pay)	-2.11	2.07	-0.22	-0.16	0.13	-0.01	0.34	0.26	-0.51	-0.40	-0.19	-0.11						
12	Pre-CEO Co-movement (cash pay)	-0.36	0.27	-0.19	-0.16	0.14	0.01	0.17	0.29	-0.40	-0.45	-0.04	-0.07	0.39					
13	Average percentage change (total pay)	-7.03	3.97	-0.45	-0.12	-0.03	-0.06	0.86	0.31	-0.11	-0.04	0.04	0.00	0.44	0.26				
14	Average percentage change (cash pay)	-1.03	0.68	-0.12	-0.29	-0.01	-0.24	0.26	0.84	-0.10	-0.13	0.05	-0.05	0.34	0.41	0.41			
15	Firm performance	0.00	0.72	0.06	-0.08	-0.04	-0.02	-0.07	0.10	-0.01	0.08	-0.06	-0.02	-0.03	-0.03	-0.06	0.10		
16	Firm size	8.98	1.12	0.15	0.10	-0.12	0.04	-0.37	-0.15	0.26	0.16	0.10	0.09	-0.55	-0.37	-0.50	-0.30	0.00	
17	R&D expenditure	2.53	2.95	0.01	0.01	-0.07	0.03	-0.06	0.03	0.09	0.19	-0.01	0.02	-0.14	-0.11	-0.07	0.07	0.22	0.06
18	Diversification entropy	0.41	0.35	0.10	0.08	-0.07	0.06	-0.23	-0.10	0.24	0.18	0.02	0.06	-0.26	-0.26	-0.21	-0.14	0.11	0.26
19	CEO tenure	0.00	0.44	0.08	0.00	-0.01	-0.01	-0.16	0.04	0.00	-0.01	-0.01	-0.01	0.03	-0.03	-0.16	0.02	0.04	0.03
20	CEO power	-0.04	0.32	-0.04	-0.01	0.00	0.01	-0.11	-0.08	-0.09	-0.04	-0.17	-0.02	0.05	0.09	-0.13	-0.07	0.15	0.01
21	CEO liberalism	0.38	0.27	-0.03	-0.07	-0.01	0.06	-0.01	0.05	-0.05	-0.08	0.19	0.14	-0.04	0.12	0.02	0.01	0.08	-0.09

	Variables	17	18	19	20
18	Diversification entropy	0.19			
19	CEO tenure	-0.03	-0.01		
20	CEO power	-0.10	-0.08	-0.02	
21	CEO liberalism	-0.04	0.08	0.00	-0.02

Correlations greater than or equal to 0.10 are significant at the 0.05 level. n = 339

Table 2
Results of GEE Analyses Predicting Vertical Pay Equality

	Total Pay					Cash Pay				
Predictor Variables	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	**Model 9**	**Model 10**
Intercept	6.06***	5.92***	5.92***	5.89***	5.89***	4.11***	3.28**	3.31**	3.18**	3.21**
	(1.08)	(1.09)	(1.08)	(1.09)	(1.08)	(1.23)	(1.41)	(1.39)	(1.42)	(1.40)
Pre-CEO vertical equality	0.16**	0.18**	0.18**	0.18**	0.18**	0.21*	0.24*	0.24*	0.23*	0.23*
	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.13)	(0.13)	(0.13)	(0.13)	(0.13)
Firm performance	0.27	0.36*	0.36*	0.36*	0.36*	0.08	0.09	0.1	0.08	0.09
	(0.21)	(0.20)	(0.20)	(0.20)	(0.19)	(0.09)	(0.07)	(0.08)	(0.08)	(0.08)
Firm size	0.12	0.13	0.13	0.13	0.14	0.07	0.13	0.13	0.15	0.15
	(0.13)	(0.12)	(0.12)	(0.13)	(0.12)	(0.10)	(0.11)	(0.11)	(0.12)	(0.11)
R&D expenditure	-0.02	-0.04	-0.04	-0.04	-0.04	-0.01	-0.03	-0.03	-0.03	-0.02
	(0.05)	(0.05)	(0.05)	(0.05)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Diversification entropy	0.11	0.05	0.04	0.04	0.04	0.14	-0.21	-0.22	-0.23	-0.24
	(0.29)	(0.32)	(0.32)	(0.32)	(0.31)	(0.43)	(0.36)	(0.36)	(0.36)	(0.36)
CEO tenure	0.16	0.28	0.25	0.27	0.25	0	0.05	0.03	0.05	0.02
	(0.23)	(0.22)	(0.21)	(0.22)	(0.21)	(0.15)	(0.14)	(0.14)	(0.14)	(0.13)
CEO power	-0.12	0	-0.01	-0.01	-0.02	-0.04	0.05	0.04	0.01	0.01
	(0.30)	(0.28)	(0.28)	(0.28)	(0.28)	(0.25)	(0.23)	(0.23)	(0.23)	(0.23)
CEO liberalism		0.05	0.05	0.05	0.06		0.91	0.93	0.84	0.86
		(0.30)	(0.30)	(0.30)	(0.30)		(1.04)	(1.04)	(0.90)	(0.90)
CEO liberalism X CEO tenure			0.85		0.86			0.58		0.6
			(0.70)		(0.70)			(0.50)		(0.51)
CEO liberalism X CEO power				0.37	0.41				1.4	1.43
				(0.65)	(0.64)				(1.09)	(1.07)
Wald chi2	13.85*	32.78***	34.97***	33.16***	36.02***	12.84*	28.78***	30.91***	32.23***	35.24***

n=339

*p<0.05 **p<0.01 ; Robust standard errors are in parentheses

Model 1 to 5 used total pay, and Model 6 to 10 used cash pay

Table 3
Results of GEE Analyses Predicting Horizontal Pay Equality

	Total Pay					Cash Pay				
Predictor Variables	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	**Model 9**	**Model 10**
Intercept	-0.37***	-0.43***	-0.43***	-0.43***	-0.43***	-0.10	-0.10	-0.10	-0.11	-0.11
	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.10)	(0.11)	(0.11)	(0.10)	(0.10)
Pre-CEO horizontal equality	0.21***	0.21***	0.21***	0.22***	0.22***	0.31***	0.32***	0.32***	0.32***	0.32***
	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)
Firm performance	0.00	0.01	0.01	0.01	0.01	0.03	0.03**	0.03**	0.03**	0.03**
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Firm size	0.02*	0.02**	0.02**	0.02**	0.02**	0.00	0.00	0.00	0.00	0.00
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
R&D expenditure	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Diversification entropy	0.01	0.01	0.01	0.01	0.01	-0.02	-0.04	-0.04	-0.04	-0.04
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
CEO tenure	0.01	0.02	0.02	0.02	0.02	0.00	0.01	0.01	0.01	0.01
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
CEO power	0.01	0.01	0.01	0.01	0.01	-0.01	-0.02	-0.02	-0.02	-0.02
	(0.02)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
CEO liberalism		0.09**	0.09**	0.09**	0.09**		-0.02	-0.02	-0.02	-0.02
		(0.04)	(0.04)	(0.04)	(0.04)		(0.04)	(0.04)	(0.04)	(0.04)
CEO liberalism X CEO tenure			0.01		0.01			-0.03		-0.03
			(0.06)		(0.05)			(0.05)		(0.05)
CEO liberalism X CEO power				-0.06	-0.06				0.07	0.07
				(0.09)	(0.09)				(0.06)	(0.06)
Wald chi2	22.00***	29.78***	31.03***	30.65***	32.24***	15.01**	21.97***	22.05***	23.25***	23.25***

n=339

*p<0.05 **p<0.01 ; Robust standard errors are in parentheses

Model 1 to 5 used total pay, and Model 6 to 10 used cash pay

Table 4
Results of GEE Analyses Predicting Pay Co-movement

	Total Pay					Cash Pay				
Predictor Variables	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	**Model 9**	**Model 10**
Intercept	1.85	1.91	1.92	2.15*	2.17*	-0.20**	-0.22**	-0.22**	-0.24**	-0.24**
	(1.23)	(1.26)	(1.26)	(1.21)	(1.20)	(0.09)	(0.09)	(0.09)	(0.10)	(0.10)
Pre-CEO pay co-movement	0.25*	0.24*	0.24*	0.24*	0.24*	-0.07	-0.09	-0.09	-0.09	-0.09
	(0.14)	(0.14)	(0.15)	(0.14)	(0.14)	(0.05)	(0.06)	(0.06)	(0.06)	(0.06)
Average percentage change	0.46	0.41	0.42	0.39	0.4	0.39***	0.40***	0.40***	0.40***	0.40***
	(0.36)	(0.35)	(0.35)	(0.35)	(0.35)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Firm performance	-0.09	-0.07	-0.07	-0.07	-0.07	0.00	-0.01	-0.01	-0.01	-0.01
	(0.15)	(0.16)	(0.16)	(0.16)	(0.16)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Firm size	-0.42***	-0.44***	-0.44***	-0.47***	-0.47***	0.03***	0.04***	0.04***	0.04***	0.04***
	(0.15)	(0.15)	(0.15)	(0.14)	(0.14)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
R&D expenditure	-0.04	-0.04	-0.05	-0.05	-0.05	0.00	0.00	0.00	0.00	0.00
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Diversification entropy	-0.66	-0.66	-0.65	-0.63	-0.63	-0.02	-0.02	-0.02	-0.02	-0.02
	(0.48)	(0.52)	(0.51)	(0.51)	(0.51)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
CEO tenure	-0.83***	-0.90***	-0.87***	-0.89***	-0.86***	0.00	0.00	0.00	0.00	0.00
	(0.20)	(0.20)	(0.20)	(0.20)	(0.20)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
CEO power	-1.00**	-1.18**	-1.17**	-1.13**	-1.12**	0.00	0.01	0.01	0.01	0.01
	(0.47)	(0.52)	(0.52)	(0.51)	(0.51)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
CEO liberalism		-0.39	-0.4	-0.42	-0.43		0.07**	0.07**	0.07**	0.07**
		(0.59)	(0.59)	(0.57)	(0.57)		(0.03)	(0.03)	(0.03)	(0.03)
CEO liberalism X CEO tenure			-0.84		-0.89			-0.02		-0.02
			(0.54)		(0.56)			(0.07)		(0.07)
CEO liberalism X CEO power				-2.10**	-2.13**				0.13	0.13
				(0.89)	(0.91)				(0.11)	(0.11)
Wald chi2	103.71***	107.93***	115.95***	114.01***	119.63***	97.57***	106.11***	112.54***	105.59***	114.47***

n=339

*p<0.05 **p<0.01 ; Robust standard errors are in parentheses

Model 1 to 5 used total pay, and Model 6 to 10 used cash pay

Table 5
Correlations and Descriptive Statistics for Firm Performance Analysis

	Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12
1	Firm performance	2.71	3.45												
2	Prior firm performance	2.75	3.85	0.59											
3	Asset (ln)	9.93	1.31	-0.16	-0.16										
4	Debt ratio	0.19	0.15	0.09	0.00	-0.16									
5	Diversification entropy	0.73	0.61	0.03	0.03	0.24	0.08								
6	R&D intensity	0.05	0.08	0.15	0.09	-0.33	-0.18	-0.16							
7	Dummy for 2009	0.33	0.47	0.04	-0.04	-0.04	0.00	0.00	0.03						
8	Dummy for 2010	0.34	0.47	0.01	0.04	0.00	-0.03	0.00	0.00	-0.50					
9	TMT average tenure	17.36	8.27	0.19	0.10	0.23	-0.02	0.11	-0.15	-0.03	0.01				
10	TMT pay level	3665.27	2297.05	-0.02	-0.02	0.36	-0.06	0.13	0.00	-0.13	0.02	0.21			
11	TMT liberalism	0.47	0.18	0.04	0.03	0.05	-0.15	0.03	0.17	-0.06	0.01	-0.12	0.05		
12	Vertical pay equality	0.42	0.37	-0.08	-0.08	0.12	-0.03	0.00	-0.04	0.00	-0.06	0.05	0.21	0.12	
13	Horizontal pay equality	-0.38	0.25	0.02	-0.01	0.20	-0.15	0.03	0.02	-0.08	0.05	-0.05	-0.25	0.16	-0.20

Correlations greater than or equal to 0.11 are significant at the 0.05 level. n = 363

Table 6
Correlations and Descriptive Statistics for Executive Departure Analysis

	Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9
1	Departure	0.08	0.26									
2	Asset (ln)	9.93	1.31	0.04								
3	Prior firm performance	2.75	3.85	0.00	-0.16							
4	R&D intensity	0.05	0.08	0.08	-0.33	0.09						
5	Executive age	52.83	5.92	-0.07	0.08	0.01	-0.05					
6	Executive tenure	13.00	10.52	-0.04	0.16	0.06	-0.11	0.29				
7	Executive pay divided by TMT average pay	0.40	0.04	0.02	0.00	0.00	0.00	0.13	0.07			
8	Executive liberalism	0.47	0.27	0.05	0.03	0.02	0.11	-0.04	-0.07	-0.07		
9	Vertical pay equality	0.42	0.37	0.02	0.12	-0.08	-0.04	0.03	0.07	0.00	0.08	
10	Horizontal pay equality	-0.38	0.25	0.00	0.20	-0.01	0.02	-0.02	-0.04	0.00	0.10	-0.20

Correlations greater than or equal to 0.06 are significant at the 0.05 level. n = 1416

Table 7
Results of GEE Analyses Predicting Firm Performance (Vertical Pay Equality)

Predictor Variables	**Model 1**	**Model 2**	**Model 3**
Intercept	-0.48	-0.44	-0.07
	(1.51)	(1.49)	(1.43)
Prior firm performance	0.56***	0.56***	0.56***
	(0.12)	(0.12)	(0.12)
Asset (ln)	-0.09	-0.08	-0.09
	(0.12)	(0.12)	(0.12)
Debt ratio	2.58	2.57	2.62
	(2.59)	(2.59)	(2.58)
Diversification entropy	0.05	0.03	0.05
	(0.18)	(0.18)	(0.18)
R&D intensity	4.92**	4.82*	4.95*
	(2.50)	(2.50)	(2.53)
Dummy for 2009	0.55*	0.55*	0.56*
	(0.34)	(0.34)	(0.34)
Dummy for 2010	0.19	0.17	0.18
	(0.38)	(0.38)	(0.38)
TMT average tenure	0.07***	0.07***	0.07***
	(0.03)	(0.03)	(0.03)
TMT pay level	0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)
TMT liberalism	0.99	1.09	0.42
	(0.66)	(0.67)	(0.71)
Vertical pay equality		-0.39**	-1.35**
		(0.20)	(0.62)
Vertical pay equality X TMT liberalism			1.57*
			(0.80)
Wald chi2	250.3***	256.42***	271.30***

n=363

*p<0.1 **p<0.05 ***p<0.01 ; Robust standard errors are in parentheses

Table 8
Results of GEE Analyses Predicting Firm Performance (Horizontal Pay Equality)

Predictor Variables	**Model 1**	**Model 2**	**Model 3**
Intercept	-0.48	0.32	0.56
	(1.51)	(1.70)	(1.64)
Prior firm performance	0.56***	0.56***	0.56***
	(0.12)	(0.13)	(0.13)
Asset (ln)	-0.09	-0.15	-0.15
	(0.12)	(0.14)	(0.14)
Debt ratio	2.58	2.71	2.69
	(2.59)	(2.62)	(2.62)
Diversification entropy	0.05	0.04	0.05
	(0.18)	(0.19)	(0.19)
R&D intensity	4.92**	4.66*	4.63*
	(2.50)	(2.46)	(2.45)
Dummy for 2009	0.55*	0.61*	0.60*
	(0.34)	(0.33)	(0.33)
Dummy for 2010	0.19	0.19	0.19
	(0.38)	(0.38)	(0.38)
TMT average tenure	0.07***	0.07***	0.07***
	(0.03)	(0.03)	(0.03)
TMT pay level	0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)
TMT liberalism	0.99	0.86	0.37
	(0.66)	(0.67)	(0.82)
Horizontal pay equality		0.82	1.39*
		(0.65)	(0.80)
Horizontal pay equality X TMT liberalism			-1.33
			(1.92)
Wald chi2	250.3***	250.12***	257.51***

n=363

*p<0.1 **p<0.05 ***p<0.01 ; Robust standard errors are in parentheses

Table 9
Results of GEE Analyses Predicting Executive Departure (Vertical Pay Equality)

Predictor Variables	Model 1	Model 2	Model 3
Intercept	-3.39***	-3.40***	-3.70***
	(1.23)	(1.23)	(1.23)
Asset (ln)	0.24***	0.24***	0.24***
	(0.09)	(0.09)	(0.09)
Prior firm performance	0.01	0.01	0.01
	(0.03)	(0.03)	(0.03)
R&D intensity	4.01***	4.02***	3.95***
	(1.18)	(1.18)	(1.18)
Executive age	-0.04***	-0.04***	-0.04***
	(0.02)	(0.02)	(0.02)
Executive tenure	-0.01	-0.01	-0.01
	(0.01)	(0.01)	(0.01)
Executive pay divided by TMT average pay	0.33	0.34	0.34
	(0.28)	(0.28)	(0.28)
Executive liberalism	0.48	0.46	1.05**
	(0.38)	(0.38)	(0.52)
Vertical pay equality		0.16	0.95**
		(0.15)	(0.40)
Vertical pay equality X Executive liberalism			-1.38**
			(0.67)
Wald chi2	24.38***	25.73***	29.52***

n=1416

*p<0.1 **p<0.05 ***p<0.01 ; Robust standard errors are in parentheses

Table 10
Results of GEE Analyses Predicting Executive Departure (Horizontal Pay Equality)

Predictor Variables	Model 1	Model 2	Model 3
Intercept	-3.39***	-3.70***	-3.76***
	(1.23)	(1.27)	(1.28)
Asset (ln)	0.24***	0.26***	0.26***
	(0.09)	(0.09)	(0.09)
Prior firm performance	0.01	0.01	0.01
	(0.03)	(0.03)	(0.03)
R&D intensity	4.01***	4.08***	4.08***
	(1.18)	(1.17)	(1.17)
Executive age	-0.04***	-0.04***	-0.04***
	(0.02)	(0.02)	(0.02)
Executive tenure	-0.01	-0.01	-0.01
	(0.01)	(0.01)	(0.01)
Executive pay divided by TMT average pay	0.33	0.33	0.31
	(0.28)	(0.25)	(0.26)
Executive liberalism	0.48	0.52	0.68
	(0.38)	(0.38)	(0.68)
Horizontal pay equality		-0.4	-0.6
		(0.43)	(0.68)
Horizontal pay equality X Executive liberalism			0.44
			(1.35)
Wald chi2	24.38***	26.22***	26.36***

n=1416

*p<0.1 **p<0.05 ***p<0.01 ; Robust standard errors are in parentheses

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PUBLICATIONS

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