Internet Appendix A111: CEO Power
A111.1 Illustrative Pitch Template Example

Pitcher's Name	Puspa Muniandy	FoR category	Corp Governance	**Date Completed**	22/1/16
(A) Working Title	The role of institutional investors in moderating CEO Power and their compensation.				
(B) Basic Research Question	1) Does CEO Power affect the level and mix of CEO Compensation? 2) Do different types of Institutional Investors have moderating effects on CEO Power and their level and mix of compensation?				
(C) Key paper(s)	1. Choe, C., et al. (2014). "CEO power and the structure of CEO pay." International Review of Financial Analysis 35: 237-248. 2. Adams, RB, Almeida, H & Ferreira, D 2005, 'Powerful CEOs and Their Impact on Corporate Performance', Review of Financial Studies, vol. 18, no. 4, pp. 1403-32. 3. Finkelstein, S. (1992). "POWER IN TOP MANAGEMENT TEAMS: DIMENSIONS, MEASUREMENT, AND VALIDATION." Academy of Management Journal 35(3): 505-538.				
(D) Motivation/Puzzle	Studies have argued that the power element is a multi-faceted element relevant in making strategic choices for an organisation (Finkelstein, 1992; Choe et al.2014). Firstly, this study will exploit the ownership and structural element of power in examining the effects on CEO Compensation. It is argued that variables which proxy ownership and structural elements are effective governance variables in testing the agency problem issue given that mitigation of agency cost is possible only with the choice of accurate governance variable. By using less effective governance variables either augment any potential agency problems with an adverse impact on firm valuation or not yield results at all (Chalmers et al.,2006; Choe et al.,2014). Secondly, the paper will also examine whether different types of institutional investors have a differing moderating influence on CEO Power and their level and mix of compensation. Extant research has shown that institutional investors in general are a source of external influence in shaping the governance of a firm (Hartzell & Starks, 2003; David et al., 1998). The domination of managerial power theory in the design of managerial compensation a decade ago was against a backdrop of market forces which were hardly forceful enough to constrain excessive optimal contracting outcomes (Bebchuk et al., 2002). However, recent findings appears to indicate otherwise thus suggesting differing present conditions due to internationalisation and globalisation of financial markets in turn prompting a revisit into this area.				
THREE	**Three** core aspects of any empirical research project i.e. the "**ID**io**T**s" guide				
(E) Idea?	Drawing upon Finkelstein's (1992) multiple dimensional construct of CEO Power, the core idea is to extend both Choe et al.'s (2014) & Adam et al.'s (2005) research by determining whether two elements namely the ownership and structural power's effect on CEO Compensation and whether different types of institutional investors have divergent moderating effects on CEO Power and their level and mix of compensation. Novelty lies in the selection of power elements and variables such as institutional investor and CEO Compensation that mostly addresses agency issues. This paper considers elements that closely links with agency cost representing the power construct that may affect the structure of pay. Theoretical "tension": 1. Exploits differential predictions of agency theories using multiple-dimensional construct of CEO Power to identify conditions when each prevail/dominate when CEO power is high or low on the structure of CEO pay. 2. Explores which type of institutional investors are better moderators of CEO Power and the CEO's pay structure.				

Template taken from Faff, Robert W., Pitching Research (January 11, 2015). Available at SSRN: http://ssrn.com/abstract=2462059 or http://dx.doi.org/10.2139/ssrn.2462059

(F) Data?	Country Setting – Australia Unit of analysis: Individual firm year observations for the period 2004 to 2012 Expected sample: 5000 listed firms on the ASX excluding finance firms (2004 to 2012) Institutional shareholdings, obtained from the Top 20 shareholdings list sourced from Morningstar for the years 2004-2012. Governance data to be sourced from SIRCA [CEO Ownership – 5125, CEO tenure – 5100 and CEO Pay Slice – 4800]. Financial, R&D and incorporation date data sourced from DatAnalysis Premium and BVD Orbis databases respectively. Finally market related information sourced from Thomson Reuters Datastream.
(G) Tools?	Q1 & Q2 Panel data fixed effects with possibility of complementing with 2SLS with Instrumental Variable approach.
TWO	**Two** key questions
(H) What's New?	IDEA is novel – blend/unify/integrate existing Agency Theory (i.e. optimal contracting versus managerial power theory) with Finkelstein's (1992) multi-dimensional power to explain the relationship between CEO Power and Pay structure and how institutional investor's moderate the effects of this relationship. Extant research (David et al., 1998; Almazan et al., 2003) document that institutional investors influenced CEO compensation and that this influence is largely dependent on the heterogeneity of the institutional investors. Limited Australian studies have examined the role of institutional investors in influencing CEO pay. The Australian setting also differs from the US because as yet not all firms offer equity-based compensation to their CEOs (Matolcsy & Wright, 2007; Fernandes et al., 2012) which is exacerbated by Australian unfavourable tax treatment employee share scheme.
(I) So What?	If CEO Power has a significant effect, the research will establish what type of pay structure a firm should adopt in minimising agency cost. Does the presence of certain type of institutional investors help reduce the potential agency costs and serve as a check on CEO Compensation?
ONE	**One** bottom line
(J) Contribution?	• By utilising variables that proxy ownership and structural power, this paper will focus on two governance variables that best addresses agency problems. • The capacity to manage with internal and external sources of uncertainty form the underlying premise of power for CEOs. It thus becomes relevant to examine if the determination of CEO's compensation sheds evidence of CEO's response to the external pressure (moderating influences of institutional investors) given the limited evidence of other external threats such as take-over threat in Australia.
(K) Other Considerations?	Is collaboration needed or desirable? No Target Journal – *Journal of Business Finance and Accounting and Corporate Governance International Review* *Australian Journal of Management.* Risk Assessment 1. No result: LOW as data collection is complete and some preliminary analysis has been undertaken. 2. Competition: HIGH, as papers on CEO Compensation are indeed a hot topic! 3. Obsolescence: LOW, ownership structure and governance effects on executive compensation packages has long been a puzzle in the corporate governance area for many decades.