

THE HONG KONG POLYTECHNIC UNIVERSITY
DEPARTMENT OF MANAGEMENT & MARKETING
DEPARTMENTAL RESEARCH SEMINAR

**Misalignment of Interests within the Top
Management Team: A Chief Marketing Officer
Perspective**

By

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Time: 2:30 p.m. - 4:00 p.m.

Venue: M802

All interested are welcome

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Abstract

Information asymmetry between shareholders and top managers creates the opportunity for top managers to pursue their own interests versus those of shareholders. A common approach to aligning executives' and shareholders' interests is by tying executive compensation to firm value through an equity-based compensation incentive. The Chief Marketing Officer (CMO) is the executive within the top management team who is responsible for ensuring that marketing creates value for shareholders. This paper tests for misalignment between the CMO and shareholders by examining whether an equity-based incentive for the CMO impacts firm performance *above and beyond* an equity-based incentive provided to other members of the top management team (TMT). The empirical findings demonstrate that equity allotted to the CMO increases firm value, *even after controlling* for equity allocated to other executives in the TMT. The study also finds that the effect of an equity-based incentive paid to CMOs depends upon the level of mutual monitoring within the top management team relative to the CMO.