

Managerial Compensation Structure and Corporate Governance Mechanism
in Japan

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〈SUMMARY〉

The purpose of this paper is to examine the determinants of managerial bonus ratio of 522 Japanese manufacture firms during 1991-95. We analyze whether or not managerial bonus take a role of incentive compensation and Japanese corporate governance such as financial keiretsu and bank-appointed directors enhance incentive compensation policy. Our findings are summarized as following three points.1) Managerial bonus ratio becomes higher in firms with higher performance. 2) Managerial bonus does not take a role of incentive compensation in firms of financial keiretsu instead of their direct monitoring.3) Managerial bonus also does not provide incentive for firms with bank-appointed directors instead of their direct monitoring. These results suggest that the monitoring role of financial keiretsu and bank-appointed directors substitute for the role of incentive compensation package as managerial bonus in Japan during 1990s.

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