

-RESEARCH ARTICLE-

EXECUTIVE INCENTIVES AND CORPORATE PERFORMANCE: A STRUCTURED NARRATIVE REVIEW

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—Abstract—

This exploratory investigation adopts a structured narrative review of peer reviewed journal articles published between 2019 and 2025 to map research trajectories and provide an integrated synthesis of executive incentive arrangements in relation to corporate performance. Positioned at the interface of corporate finance and corporate governance, the study applies a systematic narrative approach to examining executive incentives. The review follows a clearly articulated protocol governing search procedures, screening stages, quality appraisal, and coding processes, with explicit specification of constructs, outcome variables, and inclusion criteria. The structured search of the Scopus database yielded thirty-nine relevant studies. Subsequent

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examination of these contributions organised the evidence into five dominant thematic categories, namely salary, equity-based incentives, perks, pay gaps and managerial power, while aggregating reported effects across market based, accounting based, and real performance measures. The findings reveal a limited emphasis on interactions across incentive modes and on institutional complementarities, despite their importance for incentive effectiveness. The resulting recommendations emphasise the need for sharper construct delineation, more rigorous research designs supported by credible identification strategies, and wider empirical coverage to enable meaningful cross context comparison, alongside integrative synthesis that explicitly links incentive mechanisms to observable outcomes. Overall, the article extends the literature on executive incentives within corporate finance and governance, with implications for both academic research and policy formulation.

Keywords: Structured Narrative Review; Executive Incentives; Corporate Performance; Executive Compensation; Corporate Governance; Agency Theory; Corporate Finance.

INTRODUCTION

This review situates executive incentives and corporate performance within central concepts in economics and finance, including efficiency, firm value, risk exposure, and the allocation of resources. Over the past decade, board structures have expanded, while executive remuneration frameworks have been recalibrated to reflect evolving expectations surrounding sustainability and emerging governance standards (Lozano-Reina & Sánchez-Marín, 2020). At the same time, firms operate under compressed innovation cycles and heightened external scrutiny. Empirical evidence on the extent to which incentive arrangements enhance corporate performance remains inconclusive and highly sensitive to context (Rousseau et al., 2023). Theoretical arguments emphasise that incentives should align managerial decisions with long term value creation (Jensen & Meckling, 2019), yet inadequately designed schemes may foster short term orientation, private benefit seeking, and coordination problems within organisations (Bloom, 1999; Masulis & Reza, 2015). These concerns underscore the need to re-evaluate how core incentive mechanisms function in practice.

Public and regulatory attention to executive pay has intensified across capital markets (Ertimur et al., 2013). Many large corporations increasingly rely on equity-based awards linked to explicit performance criteria (Bettis et al., 2018). In several economies, chief executive remuneration has continued to rise in real terms (Fernandes et al., 2013), while disparities between top executives and the broader workforce remain substantial across industries (Edmans et al., 2023). Investors and regulators question whether compensation structures generate outcomes that are both observable and sustained over time (Ertimur et al., 2013). Proxy advisory firms place growing emphasis on the calibration of performance targets and the transparency of

disclosures. Shareholder voting and engagement further intensify pressure for remuneration designs that can credibly demonstrate their effectiveness through realised performance (McCahery et al., 2016).

The empirical record documents heterogeneous effects across incentive forms. Exposure to equity-based pay can stimulate risk taking and innovative activity when managerial alignment is strong and governance oversight is effective (Mao & Zhang, 2018). Internal pay differentials may operate as tournament incentives that increase effort in settings characterised by separable tasks (DeVaro, 2006), whereas excessive dispersion can undermine cooperation in environments requiring interdependent work (Shaw et al., 2002). Perquisites introduce additional complexity. Evidence relating to corporate jet usage indicates adverse market reactions following disclosure and weaker performance relative to comparable firms (Lee et al., 2018). Such findings highlight the importance of disciplined governance over perks and transparent reporting practices. Institutional and policy environments play a critical role in shaping incentive outcomes. Some jurisdictions rely primarily on disclosure regimes and investor monitoring to discipline executive pay (Yeung, 2021). Others employ more direct administrative interventions, particularly in state owned enterprises or firms deemed systemically important (Colonnello et al., 2023). China represents a salient example within this latter category and provides a useful comparative benchmark (Bae et al., 2024). The configuration of these institutional arrangements conditions how incentive schemes translate into managerial behaviour and firm level results.

The review commences in 2019 in order to capture contemporary compensation practices and recent developments in oversight and governance. This timeframe encompasses a major global shock that revealed both the resilience and the limitations of alternative pay structures (Carter et al., 2024). Focusing on this period enhances the relevance and timeliness of the synthesis for current boards, investors, and policymakers. The article addresses two guiding questions. First, which changes since 2019 in policy frameworks, disclosure requirements, and governance practices have strengthened or weakened the capacity of executive incentives to enhance firm value and outcomes related to innovation, efficiency, risk, and sustainability. Second, which combinations of incentive designs and institutional complements most reliably support performance, and under which boundary conditions these effects emerge.

To bring structure to a fragmented body of research, the review is organised around five recurring incentive modes in corporate governance scholarship and practice, namely salary, equity, perks, pay gap, and power. Treating these modes as analytically distinct yet interrelated mechanisms allows for differentiation between level effects and design features, identification of non-linear responses such as inverted U relationships, and assessment of how oversight quality, disclosure, and external monitoring influence the conversion of incentives into performance outcomes. Given

the scope and heterogeneity of the field, a structured narrative review is adopted rather than a fully systematic review. Constructs are defined *ex ante*, a focused search covering the period from 2019 to 2025 is conducted using empirical studies indexed in Scopus, and transparent inclusion and exclusion criteria are applied. Evidence is then synthesised within and across the five incentive modes. Eligible studies treat executive incentives as the independent variable and firm level outcomes as the dependent variable. This approach balances breadth of coverage with theory informed integration in contexts where measurement approaches, institutional settings, and identification strategies differ substantially across studies (Jodlbauer et al., 2023).

The remainder of the article is organised as follows. Section 2 outlines the methodology, including the search strategy, appraisal procedures, and synthesis approach. Section 3 presents descriptive patterns and narrative findings for each incentive mode. Section 4 examines cross cutting mechanisms, contextual contingencies, and implications for boards and compensation committees. Section 5 concludes by discussing limitations and directions for future research. The insights generated by this review are also relevant for policy debates on executive pay regulation and stewardship, particularly for regulators, investors, and institutional stakeholders.

Theoretical Analysis

In this review, eight theoretical frameworks underpinning empirical investigations of executive incentives and corporate performance were identified. Agency theory was the most prevalent, accounting for approximately 50% of the studies. Agency theory posits that conflicts of interest arise between managers and shareholders, as managers may prioritise personal wealth accumulation at the expense of shareholder value (Jensen & Meckling, 2019). Such conflicts are exacerbated under decentralised corporate structures, increasing information asymmetry and facilitating agency problems such as the misuse of perks (Li et al., 2020). Governance and contractual mechanisms are typically employed to mitigate these conflicts by addressing incentive misalignment and information asymmetry, for example through employee stock ownership (Aben et al., 2021; Daryaei et al., 2021) and improvements in disclosure quality (Su & Jiang, 2023). However, the literature indicates that alignment between compensation and procedural measures does not necessarily translate into material performance improvements (Haque & Ntim, 2020). Moreover, disclosure alone is insufficient; robust control systems are necessary to ensure managerial actions align with shareholders' long-term objectives (Humphery-Jenner et al., 2022).

Tournament theory and managerial power theory each accounted for around 18% of the studies. Tournament theory highlights the motivational effects of relative pay, where larger compensation differentials can encourage greater effort and risk taking (Lazear & Rosen, 1981). Evidence demonstrates that within teams, pay gaps often

exhibit an inverted U-shaped relationship with innovation (Tan et al., 2024), while substantial gaps between management and employees are associated with increased patent output (Li et al., 2019). Conversely, external industry pay disparities may suppress innovation (Wang & Lin, 2024). Managerial power theory posits that executives can secure private benefits by exerting influence over boards of directors (Bebchuk & Fried, 2006). Empirical findings show that powerful CEOs tend to face weaker oversight and reduced earnings quality (Hemdan & Khan, 2023), whereas external regulatory mechanisms can redirect managerial power toward long term investment objectives (Humphery-Jenner et al., 2022). In settings with weak governance, in-office consumption may serve as a vehicle for rent seeking and concealment (Masulis & Reza, 2015). Other frameworks identified include behaviour theory, cultural governance theory, equity theory, motivating innovation theory, and upper echelons theory, though their influence within the reviewed literature remains limited. The distribution of theoretical frameworks supporting these studies is summarised in Figure 4.

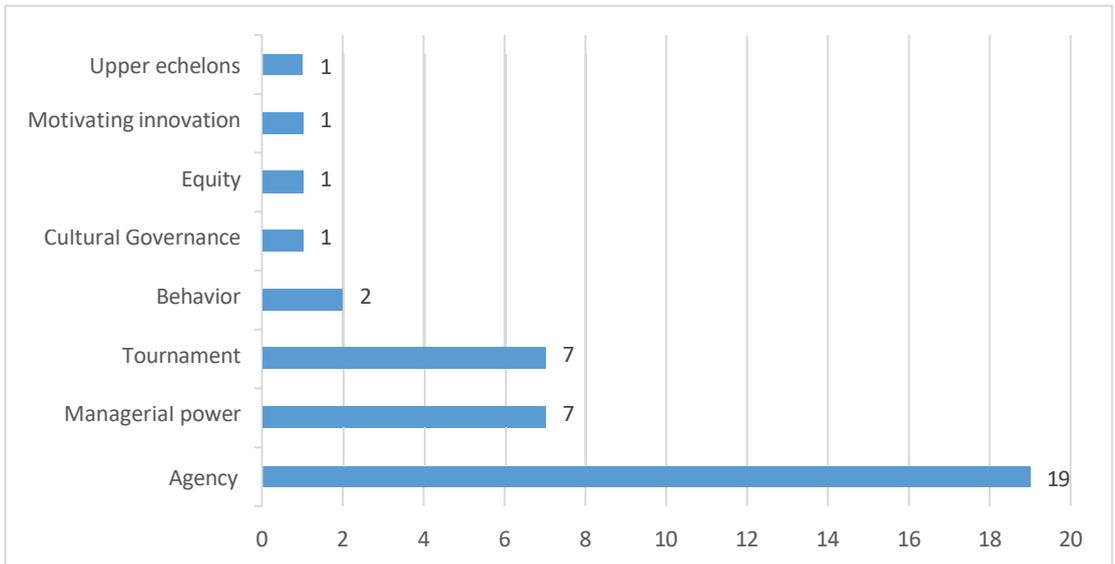


Figure 4: Distribution of Literature by Theory (Authors' Compilation).

Subject Classification

The analysis revealed a wide but fragmented body of research on the impact of executive incentives on corporate performance. A limited subset of studies focused specifically on the direct relationship between pay and performance across different governance contexts, whereas a larger group examined multiple incentive instruments in combination, often without a coherent overarching framework. The remaining evidence aligned naturally with five primary incentive modes—salary, equity, perks, pay gap, and power—exhibiting considerable variation in how these constructs were operationalised and in the outcomes reported.

Executive Salary and Corporate Performance [1 Article]

[Haque and Ntim \(2020\)](#) observed that higher executive compensation linked to ESG incentives corresponded with stronger performance on process-oriented carbon measures and a closer connection between these measures and market value, while showing limited impact on actual emissions reductions. This pattern suggests that capital markets tended to reward visible processes rather than substantive environmental outcomes, reflecting governance structures that emphasise disclosure over tangible results.

Executive Equity and Corporate Performance [10 Article]

The relationship between executive equity incentives and corporate performance is examined across ten studies, encompassing contexts such as mergers and acquisitions, governance arrangements, vesting structures, contract intensity, green and non-green innovation, operational outcomes, and behavioural moderators. The following provides a concise narrative synthesis of each study. [Amewu and Paul Alagidede \(2021\)](#) found that executive compensation surrounding mergers in African markets exhibited weak and inconsistent associations with post-merger operating and market performance, indicating that higher pay did not reliably translate into value creation. This pattern suggested that agency problems and uneven governance undermined incentive alignment during merger waves.

[Bhagat and Bolton \(2019\)](#) reported that director and board ownership positively correlated with future accounting performance, whereas the relationship with stock returns was weak. These findings imply that straightforward ownership alignment among overseers can enhance monitoring and operating efficiency relative to more complex, index-based governance measures. [Lerner & Wulf \(2007\)](#) observed that equity subject to performance conditions and extended vesting periods increased research intensity and patent output, while restrictive return-on-equity thresholds discouraged innovation. The evidence indicates that longer vesting horizons promote exploratory activity, whereas rigid accounting targets induce managerial myopia that limits creative engagement. [Ma and Wang \(2022\)](#) demonstrated that the performance effects of equity incentives depended on the type and source of shares, with restricted stock exhibiting stronger impacts than options or repurchases. These findings suggest that agency costs and risk inducement are sensitive to the specific contractual design and the economic origin of equity instruments.

[Mazouz and Zhao \(2019\)](#) found that long-term equity incentives fostered corporate innovation, with the effect strengthened under credible market discipline, such as takeover threats, and weakened by anti-takeover protections. This pattern highlights the complementarity between internal incentives and external governance mechanisms in sustaining exploratory activity that enhances firm value. [Qiao et al. \(2023\)](#) indicated that longer validity periods of equity plans improved subsequent operational

performance, whereas higher incentive intensity was associated with weaker outcomes, and the average effect of restricted stock was not significant. These results suggest that the structure and timing of equity incentives are more critical than their magnitude alone, and excessive intensity can produce distortions.

Zhai et al. (2022) observed that greater executive stock incentives promoted green innovation, particularly in firms facing less stringent external constraints, with no detectable adverse impact on financial performance. The findings imply that, when governance complements are present, equity alignment can effectively channel resources toward environmentally beneficial projects. Tang et al. (2022) documented an inverted U-shaped relationship between the intensity of equity incentives and performance, moderated by managerial aspiration levels: aspiration deficits strengthened the relationship, while aspiration surpluses weakened it. This trend indicates that behavioural reference points shape managerial responses to equity stakes, and overly high incentive intensity may hinder performance.

Wu et al. (2022) provided causal evidence that executive equity incentive plans enhanced green innovation, with effects concentrated on restricted stock and amplified in high environmental risk contexts, without negatively affecting financial outcomes. This suggests that well-structured equity schemes can simultaneously deliver environmental and economic benefits when risk-taking is effectively guided and monitored. Luo et al. (2013) demonstrated that corporate social responsibility fully mediated the positive association between executive equity incentives and innovation performance, implying that equity alignment operates by strengthening stakeholder engagement, thereby enabling collaborative capabilities that facilitate innovation.

Executive Perks and Corporate Performance [6 Article]

The relationship between executive perks and corporate performance is examined across six studies, addressing policy interventions, external monitoring, informal institutions, sectoral transformation, and the distinction between functional and excessive perks. A brief narrative summary of each study follows.

Bae et al. (2024) found that an administrative pay cap in Chinese state-owned enterprises reduced the sensitivity of pay to performance and prompted compensation to shift toward executive perks, which was subsequently associated with a decline in firm performance. This pattern suggests that blunt regulatory interventions can trigger substitution effects that increase agency costs. Chen et al. (2022) reported a negative association between perks and performance, noting that foreign ownership mitigated excessive perks and enhanced operating outcomes through stronger external oversight. These findings imply that cross border investors can import governance discipline that limits private benefit extraction. Shi et al. (2022) observed that the anti-corruption campaign in state owned enterprises reduced perks and increased market value, with

an inverted U-shaped relationship indicating that excessive perks were detrimental. This evidence suggests that eliminating hidden benefits can enhance firm valuation, even if short term accounting outcomes are temporarily softened. [Su and Jiang \(2023\)](#) demonstrated that higher levels of regional social trust were linked to lower perk consumption, reduced tunnelling, and higher asset turnover. This indicates that informal institutional mechanisms can substitute for formal monitoring in restraining agency costs.

[Sulich & Zema, \(2018\)](#) showed that moderate on-the-job consumption supported sustainable development, whereas excessive consumption was harmful. These effects were more pronounced in state owned enterprises, and the negative impact of overuse was mitigated by internal control and anti-corruption measures. The results suggest that limited functional perks can ease organisational frictions, whereas overuse diminishes firm value. [Luo et al. \(2013\)](#) examined listed media companies and found that cash compensation alone did not predict value creation, whereas equity incentives and perks exerted positive effects within appropriate thresholds, which disappeared once these thresholds were exceeded. This pattern implies that the design and calibration of perks, rather than their absolute level, are critical during periods of organisational transformation and upgrading.

Executive Pay Gap and Corporate Performance [9 Article]

The relationship between executives' pay gaps and corporate performance is examined across nine studies, encompassing dimensions such as innovation efficiency, systemic risk, cultural governance, multilayer tournament structures, and disclosure quality. The following provides a brief narrative summary of each study.

[Mishra \(2020\)](#) found that a wider CEO-to-employee pay gap reduced research and development efficiency and weakened the positive effect of employee pay growth on converting research into revenue. This suggests that perceived pay unfairness undermines collaboration and diminishes innovation productivity. [Wang and Lin \(2024\)](#) reported inverted U-shaped relationships between pay dispersion and innovation, with internal and management gaps typically showing only the rising portion, whereas external gaps exhibited a full inverted U. These patterns indicate that moderate pay dispersion can incentivise effort, but excessive dispersion impairs cooperation and knowledge sharing.

[Tan et al. \(2024\)](#) observed that the internal pay gap among top management followed an inverted U-shaped relation with innovation, while the executive-to-employee gap correlated positively with innovation. Tenure diversity moderated the curvature, implying that variation in career stages interacts with pay dispersion to shape incentives and team dynamics. [Li and Chen \(2024\)](#) documented that larger internal executive pay gaps within top teams heightened environmental, social, and governance greenwashing, consistent with greater risk taking and impression

management. This suggests that steep hierarchical pay structures may prioritise optics over substantive disclosure.

Nguyen et al. (2025) found that industry-wide external pay gaps increased systemic risk by raising correlations with peer portfolios and exposure to financial crashes in banks. The results imply that tournament forces in external labour markets can amplify correlated risk-taking behaviour. Ahn et al. (2025) showed that upper-level prize spreads, combined with credible promotion probabilities, strengthened the positive association between vertical pay disparities and future accounting performance. This indicates that tournaments are effective when rewards are substantial and the likelihood of success is perceived as realistic. Xie et al. (2023) reported that stronger Confucian cultural norms reduced external pay gaps and improved economic efficiency, particularly where formal institutional monitoring was weak. This evidence suggests that cultural frameworks can act as substitutes for formal governance mechanisms in limiting excessive pay dispersion.

Ye et al. (2022) found that boards chaired by former chief executives expanded the executive-to-employee pay gap, and that this enlargement reduced future accounting performance, especially under weak monitoring. The findings imply that concentrated board power can distort internal pay structures to the detriment of operational outcomes. Li et al. (2019) observed that larger internal pay gaps between managers and employees increased patent output via inventor promotion pathways and additional research investment, with instrumental variable analyses supporting causal inference. This indicates that well-signalled tournaments can accelerate innovative output when promotion channels are credible.

Executive Power and Corporate Performance [13 Article]

The relationship between executive power and corporate performance is examined across thirteen studies, encompassing earnings quality, productivity, banking outcomes, investment efficiency, innovation, cost dynamics, risk management, and green governance within varied institutional contexts. The following provides a concise narrative overview of each study.

Hemdan and Khan (2023) found that greater chief executive power reduced earnings quality, although board independence and a critical mass mitigated this effect. This suggests that concentrated authority weakens reporting discipline unless counterbalanced by effective board oversight. Breit et al. (2019) reported that stronger chief executive power was associated with higher labour productivity through improved operational efficiency and tighter cost control, indicating that concentrated authority can accelerate decisions when monitoring is credible. Ting et al. (2017) observed that multiple sources of chief executive power enhanced Chinese bank profitability, risk taking quality, and lending outcomes, while stronger boards moderated some of these benefits, suggesting that power and oversight require careful

calibration in regulated sectors.

Haynes et al. (2019) showed that powerful chief executives could harm performance, but board monitoring and the Sarbanes-Oxley regime reduced this negative impact. This implies that internal and external governance mechanisms can redirect executive discretion away from value-reducing actions. Huang and Qiu (2023) found that executive power in state-owned enterprises lowered investment efficiency, with equity concentration and independent directors attenuating the losses. This pattern suggests that authority without sufficient discipline fosters overinvestment and misallocation. Humphery-Jenner et al. (2022) documented that following governance enhancements under stock exchange rules such as Sarbanes-Oxley, firms led by powerful chief executives increased research and development, produced more valuable patents, and improved overall performance. The findings indicate that robust governance can channel strong leadership into value-creating initiatives.

Liu et al. (2021) reported a positive relationship between chief executive power and performance, mediated by innovation strategy and moderated by ownership concentration. This suggests that power can be productive when ownership structures provide high-powered monitoring and support innovation execution. Saiyed et al. (2023) observed that executive power positively correlated with corporate performance, and that entrepreneurial orientation related non-linearly to performance, with chief executive power shaping this relationship. The evidence implies that strong leadership can amplify benefits when exploration is disciplined, but may accelerate overreach if risk appetite exceeds capability. Chen et al. (2021) found that higher managerial power reduced corporate tax avoidance in Chinese firms, consistent with reputational and regulatory considerations. This suggests that powerful leaders may restrain aggressive reporting under heightened stakeholder scrutiny.

Vitanova (2021) noted that executive power increased leader overconfidence, which, when properly identified, was associated with higher firm performance. This indicates that a bounded level of confidence can enhance value when selection and governance are effective. Khan and Gull (2025) reported that more powerful chief executives improved green input–output efficiency, with the effect amplified by stronger corporate social responsibility awareness, suggesting that authority can accelerate green transformation when social responsibility is internalised. Daryaei et al. (2021) found that executive power increased cost stickiness, whereas employee stock ownership plans mitigated this adverse effect, implying that dispersed authority over costs creates inertia unless employee incentives align adjustments with demand which showed that executive power positively correlated with corporate performance, and that enhanced environmental, social, and governance performance reduced firm risk, with the risk reduction effect being stronger under greater executive power. This pattern indicates that powerful leaders can magnify the protective effects of credible responsibility practices.

Overall, the literature indicates that executive incentives constitute a central focus across diverse streams of corporate governance research. Prior studies primarily examine compensation policy design, contractual mechanisms, organisational and monitoring challenges, and board and investor decision processes for calibrating incentives. The evidence is systematically organised around five incentive categories—salary, equity, perks, pay gaps, and power. Table 3 summarises the principal roles and typical effects of each incentive category on market-based, accounting, and real outcomes based on the reviewed studies.

Table 3: Summary of Review Literature Information

Author	Year	Title	Region	Incentive	IV	DV	Empirical Result
Haque & Ntim	2020	Executive Compensation, Sustainable Compensation Policy, Carbon Performance and Market Value	Europe	Salary	Ln (Fixed Pay + Variable Pay)	Market Value	Positive
Amewu & Alagide	2021	Mergers, Executive Compensation and Firm Performance: The Case of Africa	Africa	Equity	Executive Compensation (Cash, Equity, Options, Total)	Accounting Performance	Null to Weak Negative Across Measures
Bhagat & Bolton	2019	Corporate Governance and Firm Performance: The Sequel	USA	Equity	Director and Board Ownership	Accounting Performance	Positive
Lerner & Wulf	2007	Innovation and incentives: Evidence from corporate R&D	USA	Equity	Equity Incentive Dummy	Innovation Performance	Positive
Ma & Wang	2022	Equity Incentive Model, Source of Subject Matter and Enterprise Performance: Modification Effect Based on Equity Incentive Intensity	China	Equity	Equity Incentive Model	Accounting Performance	Inverted U
Mazouz & Zhao	2019	CEO Incentives, Takeover Protection and Corporate Innovation	USA	Equity	CEO's Stock Options	Innovation Performance	Positive
Qiao et al.	2023	Equity Incentive Contract Characteristics and Company Operational Performance—An Empirical Study of Chinese Listed Companies	China	Equity	Equity Incentive Contract	Operational Performance	Positive for Contract Validity, Negative for Contract Intensity
Zhai et al.	2022	Does better environmental, social, and governance induce better corporate green innovation: The mediating role of financing constraints	China	Equity	ESG	Green Innovation	Positive
Tang et al.	2022	How Can the Sustainable Motivational Effect of Equity Incentives on Corporate Performance	China	Equity	Executives Shares/Total Share	Corporate Performance	Inverted U

		Be Exploited?—A Study Based on the Moderating Effect of Aspiration Level				ncc	
Wu et al.	2022	Good for the Firm, Good for the Society? Causal Evidence of the Impact of Equity Incentives on a Firm's Green Investment	China	Equity	Equity Incentive Plans (Stock & Options)	Green Innovation	Positive
Siwendu & Ambe	2024	A Systematic Literature Review on Transparency in Executive Remuneration Disclosures and Their Determinants.	China	Equity	Executives Shares/Total Share	Innovation Performance	Positive
Bae et al.	2024	Restricting CEO Pay Backfires: Evidence from China	China	Perks	Sum of Expenses for Travel, Business Entertainment, Overseas Training, Board Meetings, Company Cars and Meetings	Firm Performance	Negative
Chen et al.	2022	Foreign Ownership and Corporate Excess Perks	China	Perks	Excess Perks Regression Model	Operational Efficiency	Negative
Shi et al.	2022	Getting Implicit Incentives Right in SOEs: Research on Executive Perks in China's Anti-Corruption Movement	China	Perks	Excess Perks Regression Model	Firm Value	Inverted U
Su & Jiang	2023	Does Social Trust Restrict Dual Agency Costs? Evidence from China	China	Perks	Perk/Sales Revenue	Asset Turnover	Positive
Luo et al.	2013	The monitoring role of media on executive compensation.	China	Pay Gap	Salary	Media	Inverted U
Mishra	2020	Does corporate R&D drive industry pay gap?	China	Pay Gap	CEO Pay/Non-Executive Employee Pay	R&D Efficiency	Negative
Wang & Lin	2024	Pay Structure and Firm Technological Innovation: Comparative Research Based on Three Pay Gaps	China	Pay Gap	Internal & External Gaps (Lagged Two- and Three-Year Average Pay Gaps)	Innovation Performance	Inverted U
Tan et al.	2024	Impact of Pay Gap on Innovation Performance: The Moderating Role of TMT Tenure Diversity	China	Pay Gap	$\ln(\text{Executive} - (\text{Top3Executive})/2)$; $\ln(\text{Top3Executive}/3 - \text{Employee}/\text{No. Employee})$	Innovation Performance	Inverted U for Top Manager Team Internal Gap. Positive for Executive-Employee Gap

Li & Chen	2024	Executive Pay Gap and Corporate ESG Greenwashing	China	Pay Gap	Ln(Top3/3-(Total-Top3/No.Executive-3))	ESG Greenwashing	Positive
Nguyen et al.	2025	Industry Tournament Incentives and the US Financial Systemic Risk	USA	Pay Gap	Ln(1+IndGap)	Systemic Risk	Positive
Ahn et al.	2025	Dissecting Corporate Tournaments: Multi-Layered Structures and Firm Performance	Korea	Pay Gap	Vertical Prize Spread and Promotion	Accounting Performance	Positive
Xie et al.	2023	Confucian Culture and the External Pay Gap	China	Pay Gap	Average Pay/ Industry Average of Pay	Economic Efficiency	Negative
Ye et al.	2022	Former CEO Director and Executive–Employee Pay Gap	China	Pay Gap	Average Pay/Average Employee Pay	Future Accounting Performance	Negative
Li et al.	2019	Technology directors and firm innovation	China	Pay Gap	Research and Development	Firm Innovation	Positive
Dalia Ali Mostafa et al.	2023	CEO Power, Corporate Governance Mechanisms and Earnings Quality	Egypt	Power	CEO Duality, Tenure, Ownership, Ties	Earnings Quality	Negative
Breit et al.	2019	CEO Power and Labour Productivity	USA	Power	CEO Power Index	Labor Productivity	Positive
Ting et al.	2017	CEO power and its effect on performance and governance: Evidence from Chinese banks	China	Power	Structural, Ownership, Expert, Prestige Power Dummy	Profitability and Lending Quality	Positive
Haynes et al.	2019	Figureheads or Potentates? CEO Power and Board Oversight in the Context of Sarbanes–Oxley	USA	Power	Structural, Ownership, Expert, Prestige Power Dummy	Firm Performance	Negative
Huang & Qiu	2023	The Power Influence of Executives and Corporate Investment Efficiency: Empirical Evidence from Chinese State-Owned Enterprises	China	Power	Executive Power Index	Investment Efficiency	Negative
Humphery-Jenner et al.	2022	Powerful CEOs and Corporate Governance	USA	Power	Founder, Duality, Tenure, Ownership Dummy	Innovation and Firm Value	Positive
Liu et al.	2021	A Research on CEO Power and Corporate Performance Model Based on Data Analysis	China	Power	Structural, Ownership, Expert, Prestige Power Dummy	Firm Performance	Positive

Saiyed et al.	2023	Entrepreneurial Orientation, CEO Power and Firm Performance: An Upper Echelons Theory Perspective	India	Power	Structural, Ownership, Expert, Prestige Power Dummy	Firm Performance	Positive/Moderating of Entrepreneurial Orientation and Performance
Vitanova	2021	Nurturing Overconfidence: The Relationship Between Leader Power, Overconfidence and Firm Performance	USA	Power	Leader Power Index	Firm Performance	Positive
Khan et al.	2025	CEO Power and Corporate Environmental Sustainability: An Examination of Waste Management Practices	China	Power	CEO Power	Corporate Environment Sustainability	Positive
Daryaei et al.	2021	Management characteristics and cost stickiness: an examination based on agency theory	Iran	Power	Cost Stickiness	Firm's Management Characteristics	Positive
Chen et al.	2021	The Political Dynamics of Corporate Tax Avoidance: The Chinese Experience	China	Power	Leadership	Tax Avoidance	Negative
Sulich & Zema,	2018	Green jobs, a new measure of public management and sustainable development	Poland	Pay Gap	Labor Market	Green Jobs	Positive
Aben et al.	2021	Managing information asymmetry in public-private relationships undergoing a digital transformation: the role of contractual and relational governance	Netherlands	Power	Public private relationship	Digital Transformation and governance	Positive

METHODOLOGY

This study adopts a structured narrative review based exclusively on secondary evidence drawn from published journal articles, with no reliance on primary data collection. The approach follows the structured narrative review methodology outlined by [Paré et al. \(2015\)](#), which is particularly well suited to research domains that are loosely bounded and examined by diverse scholarly communities across multiple disciplines ([Wong et al., 2013](#)). Given the breadth and fragmentation of the literature, a fully comprehensive systematic review would be impractical, and an alternative synthesis strategy is therefore warranted ([Snyder, 2019](#)).

A structured narrative review enables the orderly organisation of existing empirical findings, supports reflection on current trajectories and emerging directions, and facilitates the identification of dominant research themes ([Jodlbauer et al., 2023](#)). In the present context, executive incentives and corporate performance constitute

multifaceted constructs, outcome indicators vary across market based, accounting based, and real measures, empirical identification approaches differ widely, and reported effects are highly sensitive to institutional and organisational settings. These characteristics constrain the level of comparability required for a PRISMA style synthesis unless the scope of inquiry is excessively restricted. In response, this study employs a theory informed structured narrative approach that accommodates heterogeneity while allowing for meaningful integration of evidence.

Search Sources and Strategy

This article applies a structured narrative review organised into three sequential stages adapted from (Jodlbauer et al., 2023). The first stage, construct development, draws on established theory and prior practice to specify thematic constructs that connect executive incentives with corporate performance, and to define five incentive categories that informed the formulation of search strings.

The second stage, identification and appraisal, involved the use of predefined search strings in Google Scholar to locate potential studies, followed by manual screening of the retrieved records. Scopus indexing was then verified for each candidate, and only journal articles indexed in Scopus were retained. Screening proceeded from titles and abstracts to full text assessment, accompanied by a quality appraisal based on prespecified inclusion criteria, with non-compliant studies excluded from further consideration. The third stage, targeted synthesis, consisted of detailed analysis within each of the five incentive mechanisms and refinement of the final evidence set to ensure both relevance and analytical accuracy. The overall research process is summarised in [Figure 1](#) through a flowchart representation.

We implemented a three-stage structured narrative review following the framework proposed by (Jodlbauer et al., 2023). In the first stage, key constructs were specified and five incentive categories were established to structure the development of search strings. The second stage focused on evidence identification and appraisal, involving initial discovery, verification of Scopus indexing, screening of titles and abstracts, full text assessment, and quality evaluation based on predefined eligibility criteria, with studies failing to satisfy these requirements excluded from further analysis. The third stage comprised targeted synthesis, in which the retained studies were systematically coded and findings were organised according to incentive mode and outcome domain.

The resulting evidence base includes thirty-nine studies. The selected time horizon from 2019 to 2025 captures the most recent scholarship in corporate finance and financial economics on executive incentives, reflecting ongoing changes in executive remuneration structures and governance arrangements over this period.

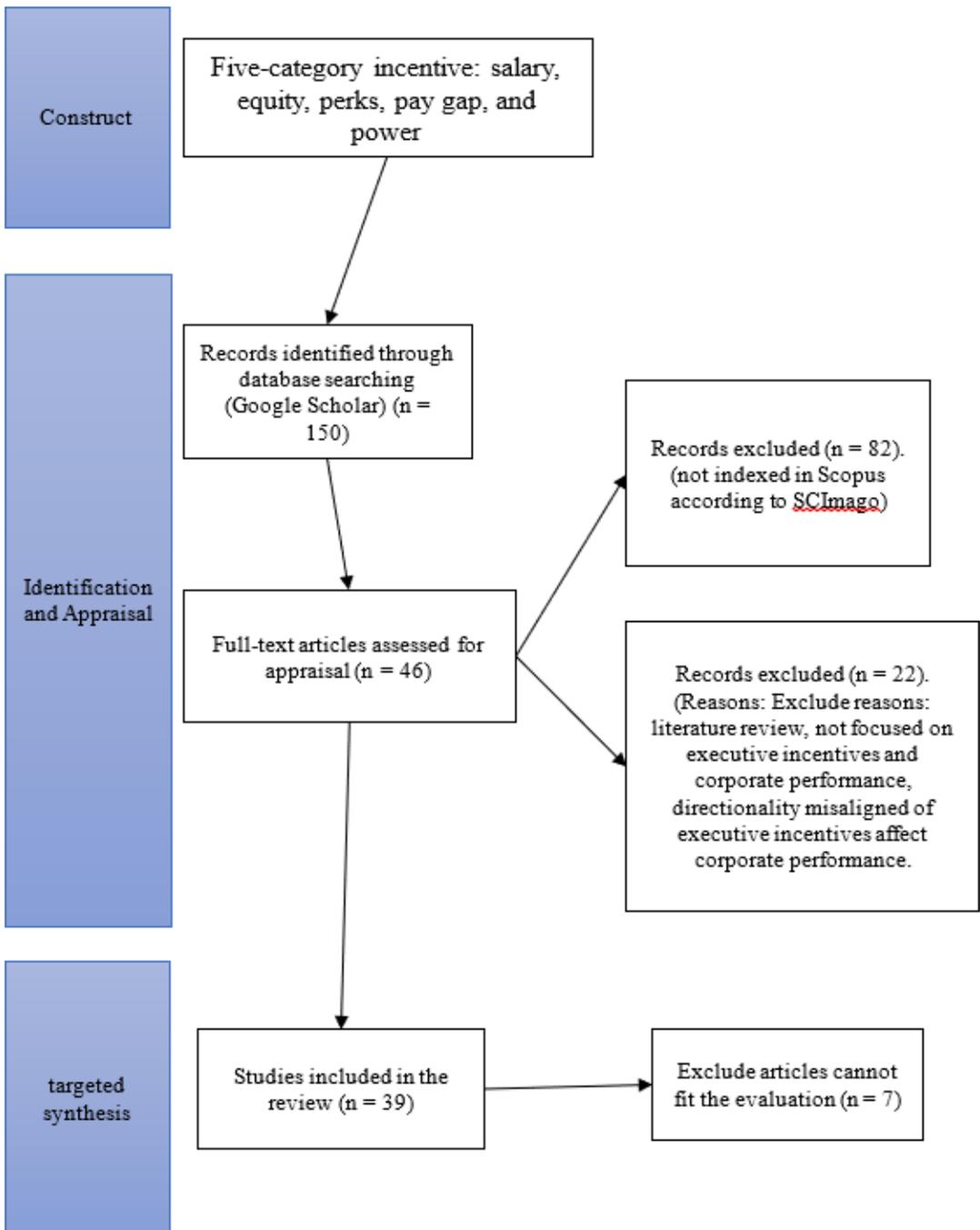


Figure 1: Research Flowchart (Authors' Compilation).

Construct

The search terms used in the retrieval process were developed on the basis of established literature. In line with prior research, executive incentives were classified

into five categories: salary incentives, equity incentives (Murphy, 2011), perk related incentives (Yermack, 2006), pay gaps (Kale et al., 2009), and managerial power (Weisbach, 2007). Each of these incentive categories was examined in relation to corporate performance outcomes. While no single review has jointly integrated all five categories, each represents a well-established strand within the broader executive compensation literature (Bebchuk & Fried, 2006; Jensen & Meckling, 2019; Lazear & Rosen, 1981). The eligibility window for study identification spanned publications from 2019 to 2025. This temporal boundary follows guidance from the business and management literature review methodology, which recommends prioritising recent contributions to capture contemporary developments in the field (Snyder, 2019). The specific search strings employed are reported in Table 1.

Table 1: Search Strings

Database	Block	Keywords Used
Google Scholar	Salary	("executive compensation" OR "CEO pay" OR salary OR bonus)
	Equity	("equity incentive" OR "stock option*" OR "restricted stock" OR "share-based pay")
	Perks	(perk OR perquisite OR "on-the-job consumption" OR "private benefits")
	Pay Gap	("pay gap" OR "pay dispersion" OR "wage inequality" OR "prize spread" OR "tournament incentive*")
	Power	("CEO power" OR "managerial power" OR duality OR "political connection" OR "ownership power")
	Performance	AND ("corporate performance" OR "firm performance" OR ROA OR ROE OR "Tobin's q" OR "firm value" OR "stock return*" OR "innovation performance" OR patent* OR "R&D intensity" OR ESG)

Identification and Appraisal

This review used Google Scholar as the primary source for study discovery, supplemented by journal index verification to ensure that retained articles were included in recognised bibliographic databases. Google Scholar is increasingly adopted in management and business reviews due to its extensive coverage across publishers and inclusion of grey literature (Bramer et al., 2017; Gusenbauer & Haddaway, 2020). At the same time, its opaque ranking algorithms and limited control over search queries necessitate transparent reporting and the use of complementary validation procedures. In response, searches were initially conducted in Google Scholar and subsequently cross checked against Scopus prior to formal screening (Mengist et al., 2020). Google Scholar therefore functioned as the main discovery platform. The initial search returned 150 records, which were manually reviewed by the authors using iteratively refined keyword combinations and relevance assessments based on titles and abstracts (search date: 15 July 2025).

Following the retrieval stage, the literature was filtered using four screening criteria. First, to ensure quality, consistency, and traceability of evidence, only articles

published in journals indexed in Scopus were retained. Journal inclusion was verified using the SCImago Journal & Country Rank database, and studies published in non-indexed outlets were excluded. This procedure relies on Scopus journal level metrics and facilitates transparency and comparability in the audit of the evidence base (Mengist et al., 2020). As a result, 82 articles were removed at this stage. Second, the review focuses exclusively on primary empirical studies, leading to the exclusion of secondary sources such as review articles. Third, full text articles that did not explicitly define executive incentive structures were excluded. Studies were required to operationalise at least one incentive category, namely salary, equity, perks, pay gap, or power, and to link this construct to firm level outcomes. Contributions that failed to define an incentive construct were excluded. This operational focus, grounded in agency theory, tournament theory, and executive power theory, ensures sustained attention to the central mechanisms connecting incentives with performance. Fourth, given that the research question examines whether incentives influence performance, studies treating executive compensation as the dependent variable and corporate performance as the independent variable were excluded, as such designs analyse how performance affects pay rather than the reverse. Maintaining this distinction preserves conceptual clarity between independent and dependent variables (Snyder, 2019). This final criterion resulted in the exclusion of a further 22 articles. The full set of inclusion and exclusion criteria is reported in Table 2.

Table 2: Inclusion and Exclusion Criteria

Criteria	Inclusion	Exclusion
Source Quality	Scopus-Indexed Journals (Verified via SCImago at Screening)	Journals not Indexed in Scopus (Per SCImago at Screening)
Evidence Type	Primary Empirical Studies with Original Data	Secondary Evidence: Literature Reviews
Research Result	Clearly Relationship Between Incentive Constructs and Firm-Level Outcomes	Incentive Constructs and Firm-Level Outcomes not Defined
Directionality	Models Examining Incentives Affect Performance	Models of Performance Affect Pay

Targeted Synthesis

In the targeted synthesis stage, five incentive categories were delineated, namely salary, equity, perks, pay gap, and power. Detailed analyses were then undertaken within each category, with classifications and interpretations refined iteratively to enhance analytical precision and substantive relevance. The Results section reports the narrative synthesis structured around these incentive groupings. After completion of the integrated appraisal process, a total of thirty-nine studies remained in the final evidence base. The overall research process is illustrated in Figure 1 through a flowchart.

Data Analysis

In this phase, the included studies were systematically evaluated and analysed, with

attention concentrated on evidence directly addressing the research questions. Relevant data were initially extracted from titles and abstracts and subsequently verified against the full texts using a standardised extraction form. The analytical procedure followed the approaches outlined by [Lozano-Reina and Sánchez-Marín \(2020\)](#) and [Jodlbauer et al. \(2023\)](#) and was conducted in two stages. The first stage involved a descriptive synthesis of the evidence, while the second stage comprised a narrative synthesis structured according to the five incentive categories and across firm level outcome measures.

RESULTS

The results are presented according to principal corporate finance outcomes, encompassing market performance, accounting performance, innovation, risk taking, and investment efficiency.

Descriptive Analysis

This section presents both the descriptive and narrative synthesis. The review, encompassing thirty-nine studies, examined the influence of executive incentives on corporate performance. Overall, the volume of relevant publications experienced a marked increase beginning in 2019, followed by a gradual decline through 2024. Between 2019 and 2023, there was a steady expansion of scholarly attention to the relationship between executive incentives and corporate performance. However, this trend did not persist, with only four studies published in 2024, signalling a notable reduction in research activity on the topic. In [figure 2](#), the annual publication pattern indicates a persistent lack of sustained investment and systematic development in this research area, characterised by intermittent bursts of focus and structural gaps. Furthermore, the high concentration of studies originating from China and the United States may limit the generalisability of the findings, particularly to small open economies and other emerging markets.

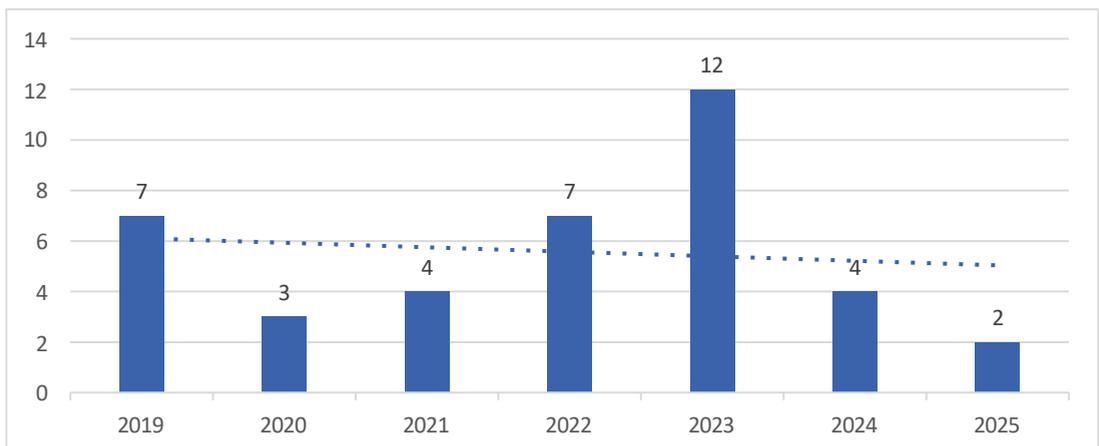


Figure 2: Distribution of Publication Years (Authors' Compilation).

The majority of the reviewed articles originated from China (n=26), followed by the United States (n=8). Additional studies were conducted in Europe, India, Korea, Egypt, and other parts of Africa. The prominence of Chinese studies may be attributed to government initiatives in 2006, 2008, 2014, and 2016, which implemented equity incentive programmes for listed firms and salary reforms for state owned enterprises, creating clear policy interventions and institutional variation (Qiao et al., 2023). Similarly, the concentration of research in the United States is unsurprising, as reforms in corporate governance and regulatory frameworks were initially developed in Europe and the USA, with other regions largely adopting these foundational approaches (Siwendu & Ambe, 2024). The geographic distribution of the reviewed research is summarised in Figure 3.

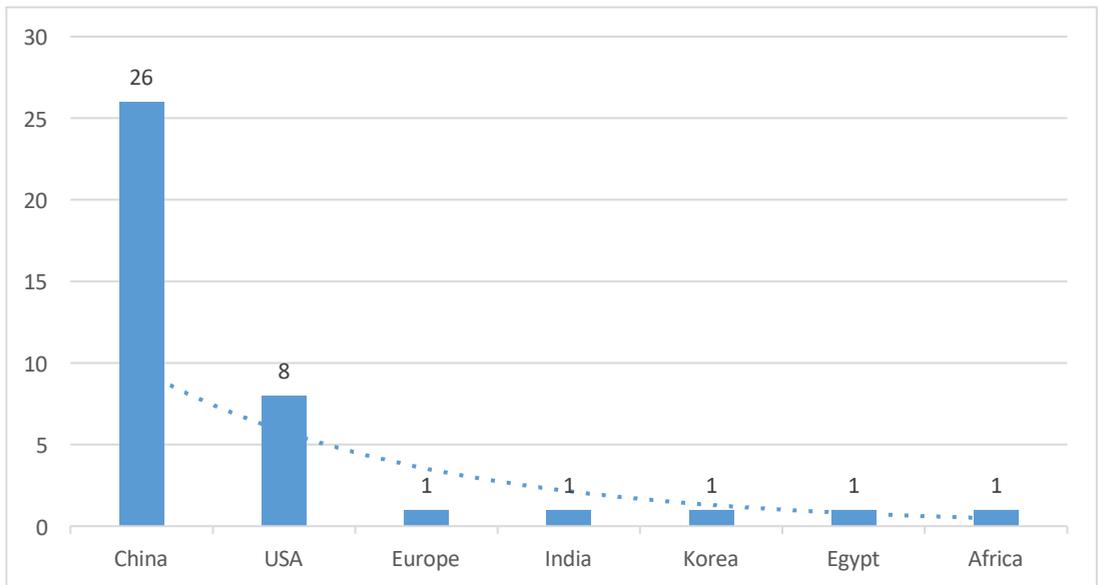


Figure 3: Distribution of Literature by Country (Authors' Compilation).

DISCUSSION

Overall

The discussion develops a narrative synthesis of the evidence base, which comprises thirty-nine studies. Publication activity rose from 2019, peaked in 2023, and then declined sharply in 2024, reflecting episodic research attention and structural gaps in the field. The literature is heavily concentrated in China and the United States, with China providing the largest share of studies due to distinct policy interventions in executive pay and equity incentives. Agency theory underpins approximately half of the empirical work, while tournament theory and managerial power theory each account for a smaller but significant portion, and other theoretical perspectives exert a limited influence. Within this framework, process-aligned compensation can enhance market recognition without necessarily producing substantive outcomes, highlighting

the need for disclosure to be paired with outcome verification and robust oversight (Haque & Ntim, 2020; Humphery-Jenner et al., 2022). Evidence regarding incentive alignment, risk-taking, innovation, and capital allocation underscores the importance of designing pay structures that promote market efficiency and long-term value creation.

The literature clusters around five incentive modes, each exhibiting heterogeneous outcomes. Within the salary domain, compensation can influence firm valuation by focusing managerial attention on process, although its impact on substantive outcomes is often limited (Haque & Ntim, 2020). For equity incentives, positive associations with innovation and firm value are observed when designs extend managerial horizons and incorporate mechanisms to verify results (Lerner & Wulf, 2007). In the perks domain, findings typically display non-linear effects, where moderate and well-monitored benefits may be tolerable, but excessive perks are detrimental (Shi et al., 2022). In the pay-gap domain, tournament benefits emerge when prize spreads align with credible mobility opportunities (Ahn et al., 2025), yet very wide or externally benchmarked gaps frequently generate efficiency losses or heightened risk exposure (Mishra, 2020). Within the power domain, concentrated authority can undermine performance in weakly monitored environments (Hemdan & Khan, 2023), whereas disciplined discretion under strong governance correlates with higher productivity and improved innovation outcomes (Humphery-Jenner et al., 2022).

Overall, the evidence highlights that poorly calibrated incentive structures may contribute to systemic risk or capital misallocation, emphasising the necessity of carefully designed compensation mechanisms to support both financial stability and value creation.

Interpretation by Incentive Mode

Salary

Salary primarily functions as income protection rather than a direct driver of firm value. Process-linked pay can influence corporate outcomes, emphasising the importance of outcome verification to prevent mere symbolic compliance (Haque & Ntim, 2020).

Equity

The effectiveness of equity incentives is determined by design and governance rather than absolute size. Longer vesting periods and outcome-verified equity enhance research effort and patenting (Lerner & Wulf, 2007). Contract validity improves operational performance, whereas excessive intensity can induce managerial myopia (Qiao et al., 2023). Intensity often follows an inverted U-shaped relationship with performance, reflecting aspiration effects (Tang et al., 2022). The type and source of equity are also critical, as restricted stock generally outperforms options and

repurchases reinforce restricted stock effects (Ma & Wang, 2022). Well-identified studies further demonstrate that equity promotes green innovation without impairing financial results, particularly when measurement is credible and environmental risk is high (Zhai et al., 2022; Wu et al., 2022).

Perks

Perquisites range from functional to extractive. Blunt pay caps can shift compensation toward private benefits, reducing pay–performance sensitivity and lowering firm performance (Bae et al., 2024). Conversely, foreign ownership and anti-corruption enforcement mitigate excess perks and enhance valuation, highlighting the non-linear costs of overuse (Chen et al., 2022; Shi et al., 2022). Social trust also suppresses perks and tunnelling while improving asset turnover, suggesting that only carefully specified and monitored benefits are justifiable (Su & Jiang, 2023).

Pay Gap

Vertical pay dispersion exhibits context-dependent, often non-linear effects. Wider CEO-to-employee gaps reduce R&D efficiency, whereas moderate internal gaps can stimulate innovation (Mishra, 2020; Wang & Lin, 2024). Tournament benefits emerge when prize spreads align with credible promotion probabilities, while large external gaps increase systemic risk (Ahn et al., 2025; Nguyen et al., 2025). Cultural compression enhances efficiency, and governance preventing engineered dispersion safeguards future performance (Xie et al., 2023; Ye et al., 2022). Pay dispersion can also boost patent output via inventor promotion when advancement pathways are credible, though excessive gaps elevate greenwashing risks (Li & Chen, 2024; Li et al., 2019).

Power

Executive power has dual effects. Weak challenge undermines earnings quality and investment efficiency, whereas strong oversight channels discretion into higher productivity, improved innovation, and more efficient green input–output outcomes (Breit et al., 2019; Hemdan & Khan, 2023; Khan & Gull, 2025). Governance shocks that strengthen board independence direct powerful leaders toward R&D and valuable patents, and complementary mechanisms, such as employee stock ownership, mitigate cost stickiness (Humphery-Jenner et al., 2022). Responsible leadership reduces risk more effectively under higher CEO power, while overconfidence induced by power is beneficial only when bounded by independent review (Vitanova, 2021).

Theoretical Contributions

First, this article clarifies agency theory, emphasising that the structure of contracts and verifiability of outcomes matter more than absolute pay levels. Longer vesting periods coupled with clear, auditable targets reliably guide managers toward

exploration and high-quality outputs (Lerner & Wulf, 2007). Evidence also indicates a non-linear pattern: as incentive intensity increases, incremental gains diminish and may even become detrimental, signalling a shift from alignment toward short-termism (Qiao et al., 2023). Additionally, process-oriented pay can boost market valuation without producing substantive improvements, underscoring the need for disclosures to be tied to measurable results to avoid symbolic compliance (Haque & Ntim, 2020).

Second, the article refines tournament theory, showing that incentives are effective only when prize spreads are moderate and promotion opportunities are credible (Wang & Lin, 2024). Within multi-tiered hierarchies, upper-level pay differentials impact subsequent performance only if promotion probabilities are realistic (Ahn et al., 2025). However, industry-wide tournaments in finance increase correlated risk, suggesting macro-prudential constraints on dispersion-based incentives (Nguyen et al., 2025). Third, the study sharpens managerial power theory by distinguishing disciplined discretion from unchecked authority. Executive power diminishes value when boards fail to challenge it, yet it enhances productivity and innovation under enforceable oversight (Hemdan & Khan, 2023). Power-induced overconfidence can improve performance, but only when independent review restrains excess (Vitanova, 2021).

Fourth, a perks-substitution mechanism is identified. Blunt pay caps can shift compensation toward private benefits, weakening pay-performance sensitivity, whereas external monitoring and anti-corruption measures limit excess and restore efficiency (Bae et al., 2024). Informal institutions also play a role: higher social trust reduces perks and tunnelling, complementing formal governance systems {Su, 2023 #56}. Fifth, the article integrates stakeholder and sustainability perspectives into incentive design. Credibly measured equity incentives enhance green innovation without compromising financial performance, linking longer horizons to environmental outcomes (Wu et al., 2022). In contrast, wider pay gaps within top teams can intensify greenwashing, highlighting ethical and disclosure risks inherent in incentive structures (Li & Chen, 2024). These theoretical refinements to agency theory, tournament theory, and managerial power theory constitute a significant contribution to financial economics and corporate finance, providing a structured framework for future empirical research.

Collectively, these insights present a coherent account: incentives generate value when horizons are extended and results verified, when tournaments are appropriately calibrated and mobility is credible, and when discretion is coupled with enforceable oversight. Institutional and cultural contexts further delineate the effective scope of each mechanism (Mazouz & Zhao, 2019; Xie et al., 2023). Future empirical research could examine whether the non-linear relationship between incentive intensity and performance observed in equity schemes persists across industries and institutional environments.

Practical Implications

Building on the findings of this review, we provide actionable guidance for boards and compensation committees. Equity awards should be structured with longer vesting periods and explicitly linked to verifiable outcome metrics, promoting sustained innovation while limiting the risks of short-termism. Incentive intensity should be carefully calibrated, with restricted stock preferred over other instruments to reinforce alignment without undermining efficiency (Ma & Wang, 2022). Salary, by contrast, functions primarily as a protective income mechanism rather than a direct driver of firm value, and any sustainability-related components must be tied to measurable results to prevent mere symbolic adherence (Amewu & Paul Alagidede, 2021; Haque & Ntim, 2020). These insights extend beyond boards to regulators, institutional investors, and policymakers responsible for designing and monitoring executive pay.

Policy levers such as disclosure requirements, say-on-pay votes, and pay-ratio mandates can leverage these findings to structure compensation frameworks that support long-term performance. Regarding perquisites, blunt limitations may inadvertently shift rewards toward private benefits, eroding pay-performance sensitivity; instead, firms should rely on external monitoring and anti-corruption mechanisms to ensure that benefits remain narrow, functional, and fully auditable (Bae et al., 2024; Chen et al., 2022; Shi et al., 2022). In terms of pay dispersion, moderate internal gaps coupled with credible promotion pathways encourage innovation, whereas excessively wide CEO-to-employee disparities can reduce R&D efficiency (Chan et al., 2020; Wang & Lin, 2024). Finally, executive discretion achieves value only when complemented by enforceable oversight: independent boards and ownership structures can channel managerial power toward productive outcomes, whereas weak checks degrade earnings quality and investment efficiency (Hemdan & Khan, 2023; Humphery-Jenner et al., 2022).

Limitations

This article has several limitations. The evidence base is heavily concentrated in China and the United States, which restricts the generalisability of the findings to other institutional contexts and smaller open economies. The temporal distribution of publications is uneven, likely reflecting policy interventions and shifting research priorities. Due to variations in measurement approaches and overlapping study samples, a narrative synthesis was adopted rather than a meta-analytic approach, meaning that effect sizes should be interpreted with caution. Additionally, the reliance on English and Chinese sources and indexed journals may have excluded relevant studies published in other languages or non-indexed outlets, further constraining the comprehensiveness of the review.

Future Research

First, the majority of existing studies focus on one or two incentive levers in isolation, whereas firms typically implement portfolios that integrate salary, equity, perks, pay gaps, and managerial power. Future research should therefore adopt a holistic, systems-oriented perspective, examining incentives jointly to uncover complementarities, substitution effects, and potential non-linear interactions within a unified compensation framework. Second, the relationship between incentives and performance is context-dependent rather than universal, consistently influenced by third-party contingencies such as reporting quality, board oversight, disclosure design, external monitoring, regulatory enforcement, social trust, and cultural norms (Chen et al., 2022; Ting et al., 2017; Haque & Ntim, 2020; Hemdan & Khan, 2023; Mazouz & Zhao, 2019; Shi et al., 2022; Su & Jiang, 2023; Xie et al., 2023). Future studies should move beyond singular causal assertions and develop explicit moderator models that specify under which conditions, in which settings, and for which actors incentive portfolios generate value. Methodologically, researchers could employ advanced empirical strategies, including quasi-experimental designs, difference-in-differences approaches, instrumental variables, or natural experiments, to strengthen identification and address causality challenges in the study of executive incentives.

CONCLUSION

This review integrates evidence across the five incentive categories and should be interpreted in light of the review's design and search parameters. It synthesises findings from thirty-nine empirical studies examining executive incentives and corporate performance, organised around the five modes of salary, equity, perks, pay gap, and power. Three key patterns emerge. First, the structure of incentives is more consequential than their magnitude: longer horizons, verifiable targets, and robust governance consistently produce superior outcomes. Second, the effects of incentives are mechanism-specific and frequently nonlinear. Moderate equity with extended vesting periods enhances both market and real performance, whereas short horizons or excessively high intensity can foster myopia and opportunistic timing. Perquisites that are transparent and functionally justified facilitate coordination, while opaque or excessive perks are associated with private benefits and weaker results. Similarly, moderate pay gaps can encourage effort, whereas very wide gaps undermine collaboration. Executive power contributes to value creation only when supported by independent oversight. The practical implications are clear. Firms should extend equity horizons, implement clawback and malus provisions, and enforce transparency requirements for perks. Pay gap policies should target moderate levels and be linked to credible promotion pathways. Boards and audit mechanisms must be strengthened proportionally to the discretion afforded to executives. The current evidence base is uneven in terms of geography, methodology, and focus, with many studies examining individual levers rather than comprehensive portfolios. Future research should

broaden geographic representation, exploit regulatory shocks and quasi-experimental designs, and report effect sizes on tangible outcomes such as innovation, resilience, and environmental or social performance alongside traditional market metrics. Overall, executive incentives enhance performance when structured with long-term, verifiable, and well-governed mechanisms, but they can be detrimental when short-term, opaque, or weakly monitored.

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