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Remuneration Structure and Corporate Entrepreneurship: A UK Study

Satirenjit Kaur Johl[1], Alistair Bruce[2] & Martin Binks[2]

[1] Management & Humanities Department, Universiti Teknologi Petronas, Malaysia

[2] The University of Nottingham, United Kingdom

Correspondence: Satirenjit Kaur Johl, Department of Management & Humanities, Universiti Teknologi Petronas, Malaysia. E-mail: satire@petronas.com.my

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Abstract

This purpose of this paper is to investigate the effect of remuneration structure and corporate entrepreneurship. To reconcile the inconsistencies and non-conclusive findings from previous studies this study developed two propositions to test: the relationship of Executive Stock Option (ESO) and corporate entrepreneurship and the use of performance criteria in awarding bonuses to executives and entrepreneurial activities. Using the mixed method approach this study selected the top 100 companies in the U.K for the quantitative study and six cases were selected for the case studies. The findings indicated that there is no relationship between Executive Stock Option (ESO) and corporate entrepreneurship activities. However, the finding was partially supported in the use of performance criteria in awarding bonuses to executives and entrepreneurial activities.

Keywords: corporate governance, corporate entrepreneurship, remuneration structure, triangulation, executive stock option, bonus

1. Introduction

It is the general trend for today's organisations to offer executive stock options (ESO), bonuses and long term incentive plan to create a greater sense of belonging towards the organisation. Remuneration packages for executives are considered as one of the important aspects to attract the best employee for a particular job. It is considered one of the ways to reduce agency problems (Garen, 1994, Walsh and Steward, 1990, Hambrick and Snow, 1989) whereby the interests of shareholder and management are aligned. The Combined Code 1998 and the Revised Combined Code 2003 recommended that in order to avoid a conflict of interests, the board is required to set up a remuneration committee consisting of independent non-executive directors in order to make recommendations on the framework of executive remuneration and to determine, on their behalf, the specific remuneration packages for each of the executive directors. The board needs to form a remuneration committee, which consists of mainly non-executive directors to control executive pay and shareholders interests. This is because directors would face direct conflicts of interest when setting their own remuneration. Also, this has lead to a debate whether offering such incentives would increase entrepreneurial activities in firms.

The primary purpose of this study is to provide empirical evidence on the impact of remuneration structure towards corporate entrepreneurship among FTSE 100 companies in the U.K. Specifically, this study investigates the impact of corporate governance internal control mechanisms i.e. remuneration structure on entrepreneurial activities and seeks to determine whether they have been affected (adversely or otherwise) by the mandatory requirements of corporate governance.

The paper is built upon this contribution and structured as follows. The second section provides the review of the previous literature on remuneration structure and its impact on firms. The third section develops the research propositions based upon the theoretical and previous findings. The fourth section discusses on the research design employed for the study and fifth section discusses the analysis and findings of the study. Finally, the paper concludes and suggests on the future avenues for research.

2. Literature Review

Currently, organizations are required by law to disclose the amount of salary, fees and bonuses awarded to board members in the company. However, the amount of disclosure made by companies is still very questionable. The

amount of salary or fees paid to boards of executives varies dependent on their duties and skills compared to the market and job weight. Bonuses, which comprise an annual performance incentive paid to executives, are calculated on the performance of the organization against targets agreed with the remuneration committee for the year. It is recognized that individual performance is a material factor in the performance of the organization as a whole and needs to be rewarded effectively. Assumptions cannot be made that the employees will continue to improve. Therefore, it is important to strike the right balance, having agreed and robust measures in place and appraising performance against agreed evaluation and criteria.

Ross (1973) and Garen (1994) were among the first to recognize executive compensation and its impact towards the principal agency theory. Both have offered an appropriate and persuasive framework for the study of executive compensation and its effect (Bruce & Buck, 1997). Also, this has reduced the principal agency conflict (agency cost) by aligning the interest of the corporate principal and agent (Bruce & Buck, 1997).

In the 1990s, ESO gained popularity in the U.K. and it is now regarded as a standard component reward in the executive remuneration packages. However, one of the problems that it continues to face is over the disclosure level of the ESO schemes. This is in line with Forker's (1992) argument, where he finds that there is a poor quality of disclosed information on share option schemes, which could create opportunistic behaviour among executives. The presence of audit committees or Non Executive Directors (NED) has failed to realign the executive director's behaviour with its shareholders. Later, the Association of British Insurers (ABI) and the National Association of Pension Funds (NAPF) made efforts to establish the code of best practice in the operation of ESO schemes. This is an indication that there has been an abuse of ESO schemes by the early adopters of such schemes (Bruce & Buck, 1997).

Another concern of ESO schemes is that it can provide executives with a vehicle for opportunistic and self-serving behaviour (Forker, 1992; Bruce & Buck, 1997). Business Week (2002) found that many boards spent too much time and energy on compensation rather than assuring the integrity of the company's financial reporting systems. Also, it is found that too many boards consist of current and former CEOs who have a vested interest in maintaining and developing a system that is beneficial to them. Enron is an apposite example of a system in crisis. Their executives were interested in stock option wealth, opposed to outside advisers and had an uninvolved board. As a result, the board's control was inadequate and failed to take account of the information that was given to it (Solomon & Solomon, 2004).

In addition, Conyon et al., (1995) identified three key requirements that companies need to practice: greater transparency of details of ESO award; enhanced independence of remuneration committees and the establishment of an effective mechanism of regulatory control.

3. Propositions Development

Employees are considered to be the most important asset in an organisation and they play a crucial role in ensuring the success of the organisation. Therefore, it is important to create a remuneration structure that would constantly motivate employees to continue to have a high commitment level towards the organisation, which is considered to be one of the driving forces in creating an entrepreneurial organisation.

There has been on going debate as to how executives are able to increase entrepreneurial activities in an organisation. Some researchers have found that executives were viewed as being more interested in improving the company's short-term performance rather than maximising long-term value in the organisation (Jacob, 1991; Zahra et al., 2000). This would engender executives having more opportunistic behaviour by supporting projects that would increase their own wealth (Wright et al., 1996) and discourage them from supporting corporate entrepreneurship activities, which would be a long-term effort (Zahra et al., 2000). Short et al., (2000) suggested that remuneration packages should be formulated in such a way that it would be possible to enhance a director's incentives and attempt to reduce the reluctance of directors to undertake risky activities.

As observed above, remuneration packages consist of three elements, the first element comprises of base pay, which includes fee, salary and any bonuses. The second element would be additional benefits which include perquisites, pension rights and compensation agreements and the last element would be executive stock options and Long Term Investment Plans (LTIPs) that are offered to executive directors in the company.

To encourage corporate entrepreneurship in an organisation requires the remuneration structure to be formulated in a way that is able to motivate corporate entrepreneurship in a company. There are various opinions on how Executive Stock Option (ESO) and annual bonuses may affect the building of an entrepreneurial organisation and these may be in conflict with recommendations of good governance.

3.1 Executive Stock Options (ESO)

Since the 1980s in the U.K, ESO has become a normal pay component for organisations wishing to promote a greater sense of belonging towards the organisation. This approach is considered to increase the organisation's performance. Encouraging employees to be entrepreneurial by providing them with a stake in the company may create a greater sense of commitment towards the organisation. Jenkin & Seiler (1990) found that one of the ways to encourage managerial support for corporate entrepreneurship was to increase managers' ownership stakes in the company. They believed that increasing executive ownership would make an executive's wealth more dependent upon their company's long-term performance. Hence, this would give executives the incentive to pursue long-term projects. This was in line with the agency theory (Jensen & Meckling, 1976) where it was suggested that managerial support for corporate entrepreneurship would increase when the interests of owner and managers were more closely aligned.

In addition, providing stock ownership may empower managers to initiate and champion corporate entrepreneurship activities such as innovation and venturing (Finkelstein & D'Aveni, 1994; Zahra et al., 2000). These initiatives may help to increase the long-term value of the firm. Therefore, it was important to closely align executives and shareholders wealth which would increase the pursuit of innovation and domestic and international ventures.

On the other hand, Coughlan and Schmidt (1985) argued that there was a positive relationship between the real rate of change in an executive salary plus bonus and stock price performance. However, their result failed to identify the significant relationship between sales growth and performance. A longitudinal study conducted by Murphy (1985) on 461 individuals in 72 firms from 1964 to 1981 used a much more comprehensive pay variable (including the value of stock options) and the results indicated strong support for pay performance and sales growth. The earlier research has not employed a very comprehensive measure of remuneration to explore the relationship between total board remuneration and company performance. However, Main et al., (1996) took this step where they incorporated data on all ESO awards and exercises for executive in 59 of the largest U.K companies during the 1980s, which generated results that indicated a significantly greater sensitivity of pay to performance. This result held not only for boards as a whole but also for the highest paid director and chief executive where the result indicated a 10% increase in shareholder wealth could increase 8.94% for the highest paid director and 7.2% for chief executives (Bruce & Buck, 1997).

Taylor (2001) believed that providing executives with incentives on share options would tie senior managers' future pay directly to their success in raising the companies share prices. Due to these incentives managers began to follow the investment bankers' approach whereby they restructured their operations, divested or closed under-performing businesses, introduced major cost-reduction programmes, closed older factories and outsourced any activities which suppliers could carry out at a lower cost. This approach allowed many companies to become successful.

On the other hand, Lambert et al., (1989) argued that there could be a negative impact of ESO schemes on the level of corporate dividends. They used a sample of 221 large U.S firms and a dividend expectation model and found a significant decline in dividend levels following ESO scheme inception (Bruce & Buck, 1997).

In addition, Bruce & Buck (1997) raised concerns over the type of performance related remuneration awarded to directors particularly ESO, which seemed to be regarded as a standard component of the remuneration package where stock option was automatically awarded. As a result of concern over the ESO, the Greenbury Report (1995) recommended the introduction of the Long Term Incentive Plan (LTIP), which involved awarding shares subject to specific company targets. However, this scheme raised concerns in terms of the lack of stringent performance targets adopted by companies and the complexity of schemes adopted which caused difficulties for shareholders attempting to assess the cost of such schemes. Furthermore, an incentive which was contractual and bureaucratic tended to be unfriendly towards innovation efforts, which was crucial for encouraging entrepreneurship in the organisation (Short et al., 2000). Also, Short et al., (2000) found that firms that were improving the correlation between performance and remuneration probably resulted in companies adopting remuneration packages which did not provide incentives for directors to undertake risky actions, which might have had a negative implication on encouraging entrepreneurial activities in the organisation.

Similarly, Bruce and Buck (1997) discovered that the behaviour of executives whose remuneration was predominantly independent of corporate performance and shareholder wealth was possibly characterised in terms of facing greater risk aversion, shorter time horizons in appraising decisions and diminished effort (Bruce & Buck, 1997).

In addition, Jacob (1991) recognized that careerism and short-term based reward systems might discourage

executives from pursing corporate entrepreneurship. This was due to executives not being able to diversify their risk as investors and some entrepreneurial activities involve a high probability of failure which could affect the company's short-term performance and lower executive compensation. Furthermore, entrepreneurial failures could damage the executives' reputation and increase their risk of unemployment, which may induce managerial risk aversion (Zahra, 1996).

Based upon the above conflicting issues of ESO on corporate entrepreneurship activities, there are some researchers who believe that ESO may create a greater sense of belonging towards an organisation, which might increase corporate entrepreneurship activities in the organisation. On the other hand, there are researchers who disagree that ESO is able to increase corporate entrepreneurship whose remuneration was predominantly independent of corporate performance and shareholder wealth was possibly characterised in terms of facing greater risk aversion. This paper investigates this conflicting issue as to whether offering ESO would have a relationship with corporate entrepreneurship. The following proposition is stated as:

***P1a:* There is a positive association between offering Executive Stock Options (ESO) and corporate entrepreneurial activities.**

***P1b:* There is a negative association between offering Executive Stock Options (ESO) and corporate entrepreneurial activities.**

3.2 Annual Bonus

Annual bonuses are awarded to executives with the intention of motivating them to perform better and to align their interests with those of shareholders. In the late 1970s only 8% of companies were found to award annual bonuses to their top executives but by the 1990s almost all companies had some form of annual bonus scheme for their executives (Conyon et al., 1995).

Later the Combined Code (July, 2003) emphasised the need for remuneration committees to consider whether their directors were eligible to receive annual bonuses and whether bonuses should be based upon performance conditions that were relevant and designed to enhance shareholder value. Various attempts have been made by researchers to investigate the relationship between pay elements and performance. Early attempts indicated there was no clear link between pay and performance. This can be seen in one of the earliest attempt made by Lewellen (1968) and Lewellen and Huntsman (1970). Their findings indicated that performance and pay relationship had no effect when incorporated as a long-term remuneration instrument. Furthermore, there are researchers who found that firm size, as the major determinant of executive reward and profit, contributed towards marginal improvement (Cosh, 1975, Meeks and Whittington, 1975).

Later, McKnight's (1996) study subdivided total pay into salary and annual bonuses and findings indicated there was a link between annual bonus awards and performance. Aggarwal and Samwick (1996) showed that relative performance evaluation might have implications for managers' competitive behaviour. This provides an indication that through linking performance criteria with the award of an annual bonus it is possible to motivate executives to venture into entrepreneurial activities.

On the other hand, researchers have expressed doubts about the relationship between performance and pay, on whether executive pay awards were justified based on their firm's performance (Conyon and Leech, 1994). They further stressed that boards were generally failing in their attempt to design remuneration structure schemes which properly aligned the interest of the executives with those of the shareholders (Gregg et al., 1993). Annual bonuses are normally awarded on a yearly basis and are known to be a short-term pay component that may affect inculcating corporate entrepreneurship in the organisation which is a long-term effort. Furthermore, annual bonuses that are based on financial results have been criticized for promoting an over emphasis on short-term accounting returns and discouraging long-term investments (Kaplan and Norton 1992, Bushman et al., 1996) such as corporate entrepreneurship.

Based upon the above conflicting issues on the annual bonus, there are some researchers who believe that annual bonuses are able to motivate executives to increase corporate entrepreneurship activities in the organisation. On the other hand, there are researchers who find that offering annual bonuses may encourage executives to be short-term focused since they would be more interested in increasing the profit levels of the organisation which provide a negative impact on corporate entrepreneurship which is a long-term effort. This study investigates the conflicting issue as to whether offering annual bonuses would have an impact towards corporate entrepreneurship. The following proposition is stated as:

***P2a:* There is a positive association between the use of performance criteria in awarding annual bonuses to executives and entrepreneurial activities.**

***P2b*: There is a negative association between the use of performance criteria in awarding annual bonuses to executives and entrepreneurial activities**.

4. Research Design

Data for this study was gathered from the top 100 companies in U.K which consist of financial and non-financial companies. A mixed method approach was used in gathering data which is from surveys, interviews and secondary data to detect the effect of remuneration structure towards corporate entrepreneurship activities in firms. The study had a response rate of 42 companies (26 service companies and 16 non service companies).

In conducting this study two indexes were developed to measure the corporate entrepreneurship and corporate governance levels of the companies. The corporate entrepreneurship index was adapted from the previous measurements developed by Morris (1996) and Kuratko et al. (1990, 1997). Opinions from experts were obtained to validate the index. As for the Corporate Governance Index data was collected from annual reports to measure the governance level of the firms. Also, opinions from the industry experts were obtained in ensuring the reliability and validity of the instrument whereby three main groups of experts were selected to represent the areas of remuneration, board and institutional shareholders which were the New Bridge Street Consultant (NBSC), Egon Zehnder International (PRO: NED) Association of British Insurers (ABI) & Universities Superannuation Scheme (USS).

In addition, this study conducted six case studies to triangulate the quantitative results. The selection of the six cases was conducted through the development of a score graph (figure 1.0). The score graph plots the score of the 42 companies on the corporate governance and corporate entrepreneurship level. This approach is used in selecting 4 companies that are situated at the extreme ends and 2 located closest to the centre point (a total of 6 companies interviewed). The purpose of selecting companies from different quadrants is to analyse the similarities and differences of opinion on issues pertaining to remuneration structure with corporate entrepreneurship.

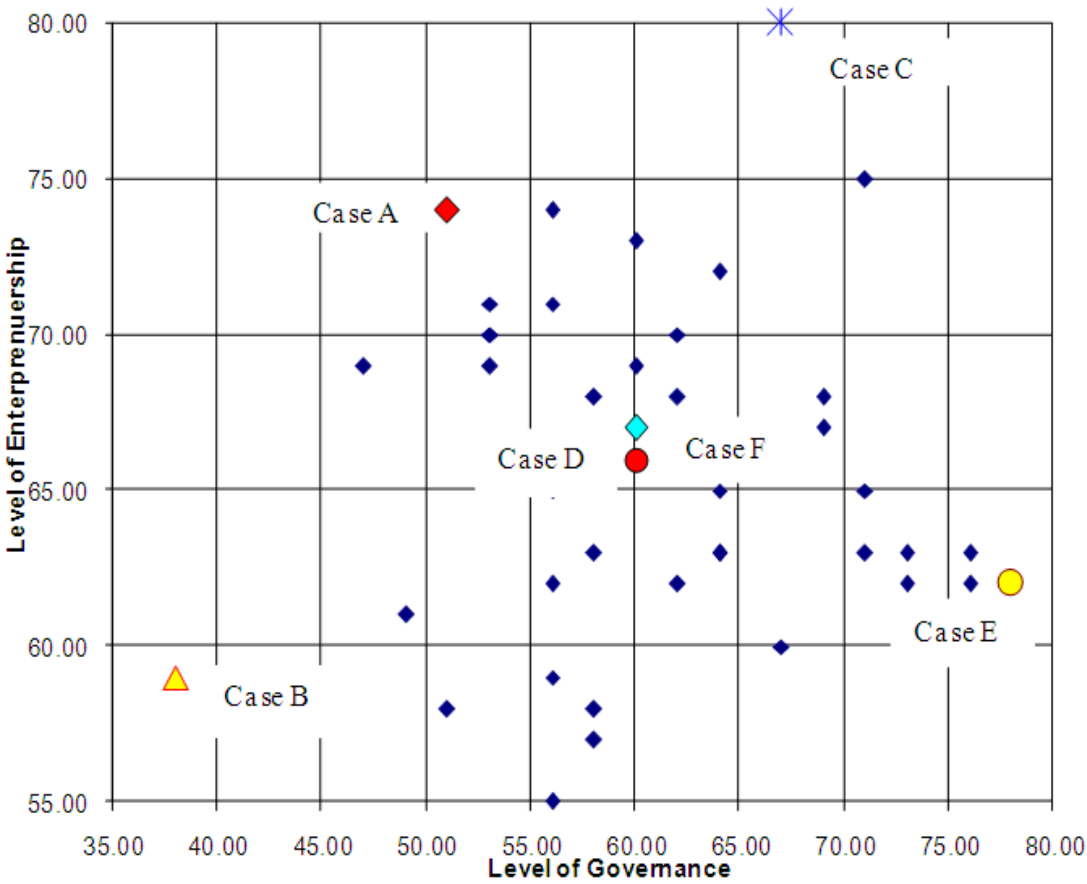

Figure 1. Score graph

5. Analysis and Findings

5.1 Correlation Analysis: Executive Stock Option

This study used the bivariate correlation analysis which is found to be appropriate based on the nature of the study and its limited sample size (refer Table 1).

Table 1. Bivariate correlation analysis result

	Detail Bonus Criteria	Share Option
Entrepreneurship Level		
Pearson Correlation	.311*	-.122
Sig. (2-tailed)	.045	.442
N	42	42

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2- tailed).

The bivariate correlation analysis indicated no apparent association between Executive Stock Option (ESO) and Corporate Entrepreneurship. Therefore, proposition 1a has been rejected. However, the above propositions were explored further using interviews in order to verify this statement and to examine the underlying issues about whether ESO has a negative impact on corporate entrepreneurship.

5.2 Interview Analysis: Executive Stock Options

The interview that were conducted on the six companies indicated that respondents from Companies B, C and E confirmed that there is no relationship between offering Executive Stock Option and Corporate Entrepreneurship but Companies A, D and F were neutral in their views (Table 2).

Table 2. The relationship between offering executive stock option (ESO) and corporate entrepreneurship

In your opinion do executive stock options reduce or increase corporate entrepreneurship activities? If increase or decrease why?	Case
Neutral	A, D & F
Insignificant	B, C & E

Companies B, C and E perceived that offering ESOs to executives would not reduce but instead could stimulate corporate entrepreneurship activities within the firm. Company B felt that most of the companies were now moving towards performance shares, which were indicative for long-term performance rather than being offered as options. This would result in executives becoming more long-term focused which would then encourage the inculcation of entrepreneurial activities within the firm. In addition, Company C found that the existence of ESO was seen as a source of encouragement to the individual to make the business more successful. Also, this company stressed that it would very much depend upon the individual's objectives as to whether they would want to be successful and, as such, it would be their achievements that would allow them to reap the benefits. Similarly, Company E discovered that ESO would encourage employees to venture into more risky activities and this would assist in stimulating entrepreneurial activities within the firm. The following quotes illustrate these points:

Case B: "… In theory it should not have an effect because stock options in many companies are now moving towards awarding performance shares rather than just options".

Case B: "… we have a policy of encouraging our executives to own shares and they have stock option where they should be aimed towards increasing the long-term performance of the company, and because most of them won't just be around for a 3 year period but will be expected to work with the organisation a lot longer, even though their stock options may mature in 3 years time. And they will be offered options every year and they ought to be looking for the success of the companies as far as 6 or 7 years out".

Case C: "… I think they are there as an encouragement to make the business successful".

Case C: "… It all depends on the objective of the person who wants to be successful. It is their achievements that will make them get their bonuses".

Case D: "… it could cause people to go towards more risky activities and perhaps increase on corporate entrepreneurship activities. I think there is an element change risk and entrepreneurship going on together. So, I think, yes, it will encourage corporate entrepreneurship".

On the other hand, Company A, D and F felt the effects of ESO would very much depend on how it had been structured. If the stock options were offered without being tied to performance criteria, then the company faced the risk that executives would tend to maximize short-term gains. But if it had been well structured and based upon performance criteria that was appropriate to the business, it could then help to drive the business forward, which was seen as beneficial to the firm. Companies that rewarded long-term performance would encourage corporate entrepreneurial activities, as it tended to be on a long-term basis. The following quotes illustrate these points:

Case A: "… I think it a lot depends on how it is structured. If it is purely an option that has no performance criteria than it will be at a risk where people will be looking to maximize the short-term gains. But if it has been well structured, based on performance criteria that is appropriate to the business, which is based on driving the business forward, then. I think it will then be beneficial".

Case D: "… The design of the stock option scheme is very important, that is the key thing. If you reward short-term performance then you will drive people to take short-term positions. If you reward long-term performance, then they will take long-term positions. Since entrepreneurial activities tend to be long-term in nature then you have to reward for long-term performance".

Case D: "… Executives' stock options have the capability to massively increase or massively decrease entrepreneurship depending on how it is done".

Case F: "… Yes, it does increase but it depends on how it has been structured and it has to be more for a long-term then that would encourage corporate entrepreneurship.

In summary, the findings did not meet with this study's expectation that ESO was considered to provide negative implications towards enterprise development of the business. Half of the companies found ESO would not create negative consequences towards enterprise activities and the other half of the companies were neutral in their views.

5.3 Correlation Analysis: Annual Bonus

The results, using bivariate correlation analysis, indicated that there was a significant relationship at the 5% level between detailed bonus criteria and corporate entrepreneurship. To verify the above statements interviews were conducted to obtain further details about whether performance criteria in awarding annual bonuses would be likely to increase entrepreneurial activities.

5.4 Interview Analysis: Executive Stock Options

The interview findings uncovers the underlying details about whether practising performance criteria in awarding annual bonuses to executives is able to increase entrepreneurial activities in the firm. Most of the companies agreed that it would stimulate enterprise activities except for Companies C and E (Table 3).

Table 3. The relationship between practising performance criteria in awarding annual bonus and entrepreneurial activities

In your opinion would applying performance criteria in awarding annual bonuses be able to increase activities in the organisation? If yes or no why?	Case
Significant	A, B, D & F
Insignificant	C & E

Companies A and F strongly believed it would be able to incentivise executives but it would depend very much on how the bonus criteria had been structured. Company F practiced individual performance criteria, where part of the annual bonus structure evaluated whether the individual possessed the ability to be entrepreneurial. This would then encourage individuals to be entrepreneurial and stimulate enterprise activities within the company. Likewise, Company B found individuals would be motivated if they knew that they were being evaluated on certain elements and this would encourage them to work towards it, which would then encourage entrepreneurial

activities. In addition, it was important how the targets had been set and they had to be linked explicitly which would then help to enhance the value of the company.

In addition, Company D stressed that the best approach in designing bonuses would be based on a long-term incentive plan, as this would align the long-term interests of the shareholders. This company felt that the evaluation of an individual's performance was considered to be judgmental and it would depend upon what approach had been used. The company avoided using solely qualitative performance evaluation approaches. The company stressed that there was no corporate-wide performance appraisal or categories of people who were appraised the same way across groups, but it would change according to the different divisions and in different countries. The following quotes illustrate these points:

Case A: "… The way we are starting to structure is profit based 100% and it is different compared to before, where it used to be profit based for the directors. Now we are starting to look at the individual performance as well and a part of it looking at his/her entrepreneurial ship and it is being awarded in the bonus structure".

Case A: "… We have performance criteria built into the bonus whether you have the ability to be entrepreneurial needs to be part of the performance criteria. So that has a weighting in terms of the bonus, which seems to encourage. You do have to be very careful in terms of how you structure them. I think we have one of the best remuneration structures".

Case B: "… in terms of bonus if people knew that certain elements were going to be looked into, and entrepreneurial activities would, then certainly increase depends on how you define target, because you have to link the bonus with explicit targets and also it will have to increase the value of the company".

Case D: "… If performance criteria are applied to entrepreneurial activities, then it will be able to".

Case D: "… If you have an individual manager whose annual bonuses is solely dictated by his managers appraisal in his performance in a year, and then that depends on how his manager applies it and what are the factors he uses to judge".

Case D: "… based on share price then you end up in a short-term … of situation. If you based it on a long-term share price where you have a long incentive plan, then it is probably the best way of aligning it towards the long-term interest of the shareholders".

Case F: "… I guess … the key thing is making sure the criteria. … focuses on the economics of profit, which means people focus on both that is the top line and assets base and the economics of that. So, I think generally yes, but make sure you have got the right criteria in place".

On the other hand, Companies C and E, both categorized as being highly governed, found practising performance criteria in awarding annual bonus did not increase enterprise activities in the firm. Company C revealed there was no link between practising performance criteria in awarding annual bonus and corporate entrepreneurship activities in the firm. They were seen as two separate entities. The company believed it would very much depend on the individual's achievements in order to obtain their bonuses.

In addition, Company E discovered that it was difficult to determine the performance criteria for bonuses. This company believed that the annual bonus system, with a heavier governance mechanistic approach, would not be able to increase corporate entrepreneurship activities. This was due to governance tending to seek for audit in everything which would be relatively easy to specify but in reality was affected in many different ways. It was found that performance evaluation would very much depend on the judgment of the manager/boss. The mechanistic approach of evaluating bonuses was seen as inhibiting entrepreneurial activities as it would encourage individuals to work within a rigidity that had been defined. The following quotes illustrate these points:

Case C: "…It all depends on the objective of the person who wants to be successful. It is their achievements that will make them get their bonuses".

Case E: "… I think this seems a very, very difficult area because I don't think anybody knows the right answer to this. It is very much of the inside company measures and stock market to consider and one of the difficulties of both of these is how the stock options work and network".

Case E: "… the tendency of governance would want to seek for audit of rules in everything and there are some things where it would be great, you can specify brilliant rules but if it affects them in a different ways.

Case E: "…I feel that being pushed down in a mechanistic approach, which is not the right way to run the business, and also ultimately inhibits entrepreneurship".

The findings on annual bonuses largely supported this study's expectation that practising performance criteria in awarding annual bonuses to executives would stimulate enterprise activities, as they would be motivated to perform their tasks. Also, there was an interesting indication from the two companies that did not agree with the above proposition who were categorized as being highly governed which showed they believed awarding annual bonuses was considered to be subjective and might encourage individuals to work within a rigidity that has been defined.

6. Conclusion and Future Research Area

The interview findings on ESO did not indicate a clear consensus since half of the respondents found that it would not reduce corporate entrepreneurship activities and the other half were neutral in their views. The findings indicated that the impact of offering ESO would very much depend on how it had been structured. If it was structured on a short-term basis then executives would tend to maximize short-term gains and this would encourage them to take short-term positions (Jacob, 1991). On the other hand, ESO that was designed for long-term performance would encourage those corporate entrepreneurial activities that tended to have long-term pay back period. Also, the quantitative results did not indicate any significant result as to whether offering ESO to executives would reduce corporate entrepreneurship activities.

In respect of annual bonuses, the interview results indicated that most of the respondents found that practicing performance criteria in awarding annual bonuses to executives increased entrepreneurial activities. This result conformed to this study's proposition that linking performance criteria to the awarding of annual bonus would motivate executives to venture into entrepreneurial activities (Mc Knight, 1996; Aggarwal & Samwick, 1996). In addition, the quantitative findings revealed similar results. A summary of the qualitative and quantitative findings are shown in table 4.

Table 4. Qualitative and quantitative results in relation with the proposition development

Propositions	Company A	Company B	**Qualitative** Company C	**Result** Company D	Company E	Company F	**Quantitative Result**
P5a: There is a relationship between predominance of institutional block holders and corporate entrepreneurship;	Insignificant	Insignificant	Significant	Neutral	Significant	Significant	Partially supported
P6a: There is a relationship between offering Executive Stock Options (ESO) and corporate entrepreneurial activities;	Neutral	Insignificant	Insignificant	Neutral	Insignificant	Neutral	Insignificant
P7a: There is a relationship between the use of performance criteria in awarding annual bonuses to executives and entrepreneurial activities;	Significant	Significant	Insignificant	Significant	Insignificant	Significant	Partially Supported

This study focused on the impact of remuneration structure specifically on ESO and bonus towards corporate entrepreneurship. There are other additional areas within the internal control mechanisms area that could be further explored particularly concerning its implication towards enterprise activities i.e. the role of Long Term Incentive Plan on enterprise activities; the different classification of institutional shareholders and the implications for entrepreneurialism.

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