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Overpaid Busy CEOs in Travel and Leisure Firms: Evidence from U.S.A

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ABSTRACT

This study investigates the impact of CEO busyness (i.e., holding multiple directorships) on CEO compensation for a U.S. sample of publicly traded Travel and Leisure firms. The research employs a sample of 58 companies listed on the S&P 1500 covering the period spanning between 2006 and 2019. Analyses are conducted on an unbalanced panel of 343 firm-year observations using the traditional pooled Ordinary Least-Square (OLS) model with robust standard errors. The findings indicate that multiple CEO directorships (or busyness) are critical to CEO compensation. Specifically, there is a significant and negative association between busy CEOs and their compensation. In other words, the result implies that busy CEOs, i.e., those holding multiple directorships in several firms, are likely to be offered a lower compensation package than their non-busy counterparts. Furthermore, additional analyses show that such a negative CEO busyness-compensation relationship is weaker for larger firms. The results are robust across different estimation models and alternative proxies for CEO busyness.

Keywords: CEO busyness, CEO directorships, CEO compensation, Travel and leisure firms.

Introduction

A busy director is generally defined as an independent director holding multiple directorships, i.e., present on three or more boards (Fich & Shivdasani, 2012). In contrast, a board of directors is deemed as busy if it contains over fifty percent of busy directors (Field *et al.*, 2013). Concerns about busy directors are not new, and the literature has devoted increasing efforts to studying the characteristics of busy boards and/or busy directors and their influences on corporate outcomes (Field *et al*., 2013).

Busy directors are often criticized for not dedicating enough time to their monitoring duties due to board appointments in other companies, leading to weak corporate governance (Saleh *et al*., 2020). However, some researchers argue that busy directors exhibit expertise, networks, experiences, and valuable information through their board appointments in other companies (Arioğlu & Kaya, 2015). Holding multiple board seats across multiple companies also benefits reputation and networks, contributing to corporate performance and risk control. The ongoing debate on busyness governance is thought to have diverse influences on various corporate outcomes, with CEO compensation being the main subject studied.

Most director's compensation packages contain five essential components: salary, annual bonus, payouts from long-term incentive plans, restricted option grants, and restricted stock grants (Ford, 2019). To the best of the authors' knowledge, most of the research focuses on the compensation of busy directors (Ferris *et al.,* 2018) or busy boards (Ferris *et al.,* 2020; Trinh *et al.,* 2020a). However, there is limited research on the busyness of CEOs who play a significant role in corporations.

A CEO is an expert director who makes crucial decisions, manages operations, and serves as the primary communication point between the board and shareholders. They can lead a significant economy and potentially affect

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the course of countries and regions worldwide. CEO compensation packages are criticized for being too high and not linked to organizational performance. Therefore, they deserve fair compensation for their dedication.

Extensive research on CEO characteristics has explored their impact on corporate policies and outcomes. e.g., CEO age (Serfling, 2014), CEO gender (Rekker *et al.*, 2014), CEO duality (Teti *et al*., 2017), CEO performance (Trinh *et al*., 2020b), the relationship between corporate governance and CEO compensation (Jaiswall & Bhattacharyya, 2016), etc. Moreover, few studies have explored the influence of CEO busyness on CEO compensation. Saleh *et al*. (2020) used nonfinancial firms listed on the Palestine Security Exchange (PSE) to examine the influence of board multiple directorships and CEO characteristics on firm performance. This paper focuses solely on the busyness CEO aspect.

The COVID-19 pandemic has significantly impacted the global economy, leading to financial crises and difficulties for many companies. Academic researchers and market participants focus on firms' financial strength through effective corporate policies. A skilled, professional, and competent CEO is crucial for sustainable financial strength. Shareholders are encouraged to offer CEOs fair and incentivized compensation packages to motivate their work capacity and maximize shareholder wealth. However, overpaying CEOs can deteriorate the firm's 'last line.' The COVID-19 pandemic significantly impacted the tourism and hospitality industries, leading to a decline in demand for entertainment and tourism by 60-80% (OECD, 2020). To cope, some companies implemented wage cuts. In the U.S., travel and hospitality accounted for 14.8% of global tourists' market share. The effectiveness of these companies relies heavily on their marketing strategies. This research examines whether busy CEOs are overpaid in U.S. travel and leisure companies.

This study investigates the impact of CEO busyness on their compensation. Using data from the U.S. stock market between 2006 and 2019, the study found a significant negative correlation between CEO busyness and compensation. The research, which included 58 companies covering an unbalanced panel of 343 firm-year observations, found that busy CEOs with multiple positions negatively affected their oversight quality. They struggled to focus on supervising and running the company, leading to reduced effectiveness as advisors and monitors. The study also examined the effect of firm size on the busyness-compensation nexus of U.S. Travel and Leisure companies and suggested best practices based on the findings. The findings will make recommendations for improving CEO compensation and overall performance.

The structure of the study is organized as follows: The introduction part formulates the problem, the introduction of CEO busyness and CEO compensation, and the research objectives. Next is about Literature Review and hypothesis development, Research Methodology, data collection, and analysis. Then describes the main findings, and finally, a brief conclusion and recommendation, and limitations.

Literature Review

Theoreticaltical Background

This study is based on 3 main theoretical backgrounds: Upper Echelon Theory, Resource Dependence Theory, and Agency Theory.

The Upper Echelon Theory

The upper-echelon theory suggests that the characteristics of top senior managers, such as demographic, socioeconomic, and attitudinal factors, can influence organizational decisions (Hambrick & Mason, 1984). Research supports this theory, showing a strong relationship between personal traits of top management and corporate outcomes (Swilley, 2015). The current study aims to understand the 'busyness' characteristic of firm CEOs, as their constructs are critical in shaping organizational decisions and strategies, ultimately affecting firm outcomes.

The Resource Dependency Theory

The Resource Dependency Theory (RDT) identifies different characteristics of a busy CEO based on their association with CEO compensation. Introduced by Pfeffer and Salancik in 1978, RDT emphasizes the role of management layers in accessing company resources. Directors play a crucial role in securing resources through their relationships with external environments, while managers offer resources through their channels, such as information, skills, and access to major actors.

In addition, CEOs are employees and resources of companies, allowing firms to utilize their personal resources for growth. Busy CEOs, with more networks, experiences, and expertise, can benefit firms more than non-busy CEOs. However, they may also face the loss of intangible resources like time and effort, which can be detrimental. As these resources can either benefit or damage the company, CEOs may require higher or lower compensation.

The Agency Theory

The agency theory describes the potential conflicts between the principal and agent, and those conflicts occur when they have different self-interests in the presence of information asymmetry. The agency theory is crucial in understanding CEO compensation, as it is linked to conflicts between CEOs and shareholders. CEOs can exploit company resources due to their tendencies and self-interest. Overpaying CEOs can lead to shareholder wealth loss. The theory also suggests that holding equity in companies increases CEOs' willingness to embrace shareholder interests (Jensen & Meckling, 1976). Therefore, fair pay or a combination of incentive packages is crucial for a firm's strength and survival.

Literature Review: Busyness and Firm Outcomes

Several studies have investigated the effects of board busyness on firm outcomes. However, the findings remain inconclusive, with positive effects, adverse effects, and non-significant effects observed.

On the positive side, studies of Trinh *et al*. (2020a, 2020b) enhance the firm's outcomes, e.g., firm performance, cost of debt, risk-taking, etc. These studies explained that 'busyness' might add value to firms through the increased network, experiences, and skills of senior executives and boards. This is consistent with the resource-dependent theory explained.

On the other hand, contradictory results are revealed by the studies of Saleh *et al*. (2020), Fich and Shivdasani (2005), and Harymawan *et al*. (2019). They argue that busyness leads to distractions and reduces the time and effort devoted to assigned tasks, and thus lowers efficiency in performance and operation. Furthermore, some do not report significant influences of boards and/or CEOs' busyness on those firms' outcomes. No prior study has studied the influence of CEO busyness on CEO compensation through a thorough literature review. The following section will explain the development of our hypothesis on the potential linkage of these two constructs.

CEO Busyness and CEO Compensation: Hypothesis Development

Building on Resource Dependence Theory, busy CEOs with multiple directorships may possess valuable personal resources such as higher experiences, skills, networks, expertise, and private resources that contribute positively to firm outcomes such as better performance, better cost of debt financing, or lower risk-taking (Elyasiani & Zhang, 2015; Trinh *et al*., 2020). These CEOs can be seen as firms' resources of resources, enhancing their bargaining power and potentially negotiating higher compensation packages. Additionally, busy CEOs who work in multiple companies may compare salaries across different companies, potentially leading to job moves if compensation is not fairly paid. Therefore, paying CEOs more may enhance their work satisfaction and retain them, attracting higher pay.

The literature suggests a contradictory link between CEO busyness and CEO compensation. According to the Resource Dependence Theory, busy CEOs can lose intangible resources, such as time and effort, leading to negative impacts on firms, such as lower efficiency, performance, risk-taking, revenue, and stockholder wealth (Brown *et al.*, 2016; Harymawan *et al*., 2019; Saleh *et al*., 2020). This could harm the efficiency of remuneration, as the performance sensitivity of compensation is lower. Additionally, busy CEOs may prioritize their wealth over shareholders', as compensation is a share of shareholders' income. As CEOs work in multiple companies, they may accept lower salaries, further highlighting the negative association between CEO busyness and compensation.

Due to contradictory predictions of the CEO busyness-compensation association, the study develops a non-directional hypothesis as follows:

Hypothesis: There is a statistically significant association between CEO busyness and CEO compensation.

CEO Compensation in the Tourism and Leisure Sector

Unlike previous studies, this study explores the relationship between corporate governance mechanisms and senior management salaries in the tourism sector. It reveals that hospitality companies face issues of agency due to governance and ownership issues (Oak & Iyengar, 2009; Guillet *et al*., 2012). Lower governance control mechanisms

and conflicts of interest between property ownership and management can lead to agency problems. Human resources are crucial in this sector and tend to focus on short-term decisions (Abrate & Viglia, 2016; Kim *et al.*, 2016).

The tourism industry in the U.S., which employs a significant portion of the American population, contributed 7.8 million jobs in 2018 and nearly $1.1 trillion to the GDP (the U.S. Department of Commerce, 2019). The industry's long-term success relies heavily on top executives' strategic decisions and the industry's executive payment structure. The effectiveness of marketing strategies is crucial for a company's success, and paying attention to the industry's executive payment structure is necessary to design and recommend appropriate compensation packages for top executives.

The SARS-CoV-2 outbreak in 2020 led to wage cuts for executives (Richards, 2020) in the tourism and hospitality industries, and some companies reinstated base salaries to retain and promote their executives (Borden, 2020). However, the operator's compensation is too generous and lax for long-term goals. The upheaval caused by the pandemic presents an opportunity for a fair reassessment of top executives' compensation. The gender pay gap is more significant in the tourism sector than in manufacturing (Skalpe, 2007), with female CEOs working in small tourism. This research aims to fill this literature gap and provide a more focused discussion on travel agencies and leisure in the U.S.

Materials and Methods

Empirical Models and Variable Measurements

For secondary data, the study uses the quantitative technique, with an unbalanced panel sample drawn from 2006-2019. This study investigates the influence of CEO activity on CEO remuneration in major and publicly traded enterprises in the tourist and leisure sectors, using a larger number of salary observations. The study investigates the hypotheses using the classic pooled Ordinary Least-Square (OLS) model with robust standard errors. The model is as follows:

$$\textbf{\textit{Comp/TA}}_{it} = \beta_0 + \beta_1 \textit{\#CEO directorships}_{it} + \beta_2 \text{CEO Age}_{it} + \beta_3 \text{CEO Gender}_{it} + \beta_4 \text{CEO Qualification}_{it} + \beta_5 \text{Audit independence}_{it} + \beta_6 \text{Ex-Com/TA}_{it} + \beta_7 \text{Board independence}_{it} + \beta_8 \text{Chair-CEO duality}_{it} + \beta_9 \%\text{female executives}_{it} + \beta_{10} \text{LogAge}_{it} + \beta_{11} \text{Sale/TA}_{it} + \beta_{12} \text{ROA}_{it} + \text{Year dummies} + \varepsilon_{it} \quad (1)$$

Table 1 presents the definition and measurements of all variables used in this study.

Table 1. Variable measurements

	Description
Comp/TA	CEO compensation scaled by total assets
#CEO directorships	The number of CEO directorships
Busy CEO dummy (3)	Dummy variable, taking the value of 1 if the number of CEO directorships is at least 3, and 0 otherwise
Busy CEO dummy 2)	Dummy variable, taking the value of 1 if the number of CEO directorships is at least 3, and 0 otherwise
CEO Age	The difference between CEO's birth year and the observed year, in the natural logarithm form
CEO Gender	Dummy variable, taking the value of 1 if the CEO is female, and 0 otherwise
CEO Qualification	Dummy variable, taking the value of 1 if the CEO obtained a Ph.D. degree, and 0 otherwise
Audit independence	The proportion of independent audit directors to total audit directors serving on the audit committee
Ex-Com/TA	Top senior executive compensation scaled by total assets
Board independence	The proportion of independent directors to the total number of directors serving on the board of directors
Chair-CEO duality	Dummy variable, taking the value of 1 if the Chair and the CEO are the same person, and 0 otherwise

%female executives	The proportion of female executive directors to the total number of directors serving on the board of directors
LogAge	The difference between the firm's established year and the observed year, in the natural logarithm form
Sales/TA	Total sales scaled by total assets
ROA	Net income scaled by total assets

Data Collection

The study has collected the data from different sources. Corporate governance data such as independent directors, board-related information, busy CEOs, and CEO compensation are hand-collected through firms' annual reports, Bloomberg databases, Exec Pay databases, and Salary databases. The financial and accounting variables are obtained from Bloomberg, and its missing data is fulfilled by firms' annual reports. The research exploits a comprehensive sample of listed travel and leisure firms traded in the US stock market (*S&P 1500*) between 2006 and 2019. The initial sample comprises a total of 58 companies, accordingly covering a balanced panel of 812 firm-year observations. The research applies a criterion on data that (1) uses companies having full data availability of at least three consecutive years (0 observation) and (2) excludes the firm-year observations with missing data (469 firm-year observations), and as a result, the ultimate unbalanced panel sample includes 343 firm-year observations (58 companies; 2006-2019).

Results and Discussion

Diagnostic Tests

Before running statistical regressions, this study ran diagnostic tests to detect issues such as Autocorrelation, Multicollinearity, and Heteroscedasticity.

First, Autocorrelation

This study used the Wooldridge test for autocorrelation in panel data. The result indicates strong evidence against the null hypothesis at the 5% significance level (p-value is 0.0188 < 0.05); therefore, the null hypothesis is rejected, and the alternative hypothesis is accepted accordingly. We conclude that there is evidence for the autocorrelation issue, which should be addressed by using a robust standard error function in the model of OLS later.

Second, Heteroscedasticity

The study has tested and detected the heteroscedastic issue for the main and full regression models. This is evident by the p-value of 0.000 (<1%) through the Breusch-Pagan/Cook-Weisberg test for heteroskedasticity with the following null hypothesis: "Constant variance*."* Again, a robust standard error function of OLS could solve this problem.

Third, Multicollinearity

This study has used variance inflation factor (VIF) and a correlation matrix to detect this issue. In this part, only VIF results are reported, and all individual VIFs are significantly less than 10, implying no serious multicollinearity problem.

Descriptive Statistics

Table 2 reports descriptive statistics of all dependent and independent variables employed in this study.

Table 2. Descriptive statistics

	N	**mean**	**p50**	**sd**	**min**	**max**	**p1**	**p99**
Comp/TA	690	2.700	1.368	4.170	0	38.905	0	23.041
#CEO directorships	775	1.276	1	0.546	1	3	1	3
Busy CEO dummy (3)	812	0.047	0	0.211	0	1	0	1
Busy CEO dummy 2)	812	0.217	0	0.412	0	1	0	1
CEO Age	806	1.861	1.7482	0.421	1.556	3.305	1.591	3.304

CEO Gender	779	0.945	1	0.229	0	1	0	1
CEO Qualification	812	0.091	0	0.288	0	1	0	1
Audit independence	450	98.972	100	5.663	25	100	75	100
Ex-Com/TA	412	8.055	2.780	14.572	0.033	113.270	0.129	81.168
Board independence	448	43.205	46.150	23.719	0	90	0	87.5
Chair-CEO duality	448	0.641	1	0.480	0	1	0	1
%female executives	448	12.928	12.500	11.883	0	50	0	44.440
LogAge	662	2.461	2.708	0.924	0	3.829	0	3.807
Sales/TA	744	3.617	0.388	18.304	0	404.040	0	71.497
ROA	812	4.048	5.345	41.535	-1103.780	161.450	-34.640	34.610

We checked the Pearson correlation matrix among all independent variables used in the empirical models. As all significant coefficients between pairs of variables are much less than 0.8, we can conclude that there are no serious multicollinearity problems.

Stepwise Analysis: Busy CEOs and their Compensation

Table 3 presents the traditional ordinary least square (OLS) regression results for the effect of CEO busyness on their compensation. With the stepwise multivariate analysis, the twelve regressions from regression models (1) to (12) vary depending on different control variables that are added.

Regarding control variables, the coefficients of the audit independence levels are statistically and significantly negative at the 1% level of significance, which indicates that more independent directors on the board are related to a lower level of CEO compensation. This result is in line with the study of Lynch and Williams (2012), indicating a negative relationship between CEO compensation and board independence. The negative link between board independence and compensation payout is in the same vein as the finding of McGuinness *et al*. (2015). Among all the model specifications, the coefficients of top senior executive compensation scaled by total assets are statistically and significantly positive at the 1% level of significance. The finding implies a robust positive linkage between top senior executive compensation and compensation paid to the CEO. This is in line with the findings of previous studies such as Gabaix and Landier (2008) and Ryan and Wiggins (2004).

Moreover, the research finds a negative and significant relationship between the percentage of female executives on board and CEO compensation. According to agency theory and prior empirical literature (Hartmann & Hayes, 2017; Nightingale, 2019), female executives tend to get lower compensation than male executives. Finally, the results show that the sales over assets ratio has a significant and positive impact on the compensation payment, which explains that firms with more sales tend to pay higher compensation to CEOs. The finding is in line with the results of Chen *et al*. (2017).

Alternative Proxies for Busy CEOs

The study next conducts sensitivity tests for the main models by replacing the busy CEO measure with two alternative ones: the busy CEO dummy (3) and the busy CEO dummy (2). The former takes the value of one if the number of CEO directorships is at least 3 and zero otherwise, while the latter takes the value of one if the number of CEO directorships is at least 2 and zero otherwise. These tests aim to check if the negative impacts of CEO busyness on their compensation vary when using different measures for CEO busyness.

Table 4 shows that Busy CEO dummy (3) (Model 2: βBusy CEO dummy (3) = -0.657) and Busy CEO dummy (2) (Model 4: βBusy CEO dummy (2) = -1.157) have a negative and substantial impact on Comp/TA. This finding suggests that organizations with busy CEOs see a considerable decline in CEO remuneration. As a result, our core measure of CEO workload is solid, and our research story is consistent. Control variables such as audit independence, board independence, and % female executives remain statistically and substantially negative at the 1% level of significance, whereas Ex-Com/TA and Sales/TA witnessed significant positive changes. The results are identical to those indicated in **Table 3**.

Table 3. Stepwise analysis: Busy CEOs and their compensation

VARIABLES	(1) Comp/TA	(2) Comp/TA	(3) Comp/TA	(4) Comp/TA	(5) Comp/TA	(6) Comp/TA	(7) Comp/TA	(8) Comp/TA	(9) Comp/TA	(10) Comp/TA	(11) Comp/TA	(12) Comp/TA
#CEO directorships	-1.374*** (0.000)	-1.390*** (0.000)	-1.385*** (0.000)	-1.382*** (0.000)	-0.803*** (0.000)	-0.654*** (0.000)	-0.674*** (0.000)	-0.678*** (0.000)	-0.696*** (0.000)	-0.727*** (0.000)	-0.727*** (0.000)	-0.727*** (0.000)
CEO Age		-0.130 (0.872)	-0.089 (0.913)	-0.087 (0.915)	0.485 (0.616)	0.066 (0.949)	0.096 (0.926)	0.101 (0.922)	0.023 (0.982)	-0.006 (0.996)	0.078 (0.944)	0.086 (0.939)
CEO Gender			-0.937 (0.156)	-0.928 (0.184)	-1.770* (0.056)	-0.828 (0.324)	-0.886 (0.286)	-0.866 (0.283)	-0.874 (0.276)	-0.574 (0.531)	-0.622 (0.492)	-0.621 (0.492)
CEO Qualification				0.038 (0.956)	-0.453 (0.408)	-0.088 (0.865)	-0.081 (0.875)	-0.082 (0.874)	-0.067 (0.895)	-0.017 (0.976)	0.023 (0.968)	0.026 (0.964)
Audit independence					-0.033* (0.054)	-0.038** (0.017)	-0.039** (0.016)	-0.039** (0.016)	-0.038** (0.019)	-0.038** (0.044)	-0.039** (0.037)	-0.039** (0.037)
Ex-Com/TA						0.063*** (0.000)	0.062*** (0.000)	0.063*** (0.000)	0.062*** (0.000)	0.076*** (0.000)	0.071*** (0.000)	0.071*** (0.000)
Board independence							-0.007 (0.196)	-0.008 (0.195)	-0.007 (0.228)	-0.013** (0.034)	-0.015** (0.013)	-0.015** (0.013)
Chair-CEO duality								-0.083 (0.748)	-0.082 (0.750)	-0.005 (0.984)	-0.055 (0.845)	-0.048 (0.864)
%female executives									-0.016 (0.137)	-0.024* (0.054)	-0.022* (0.071)	-0.022* (0.073)
LogAge										-0.147 (0.215)	-0.160 (0.177)	-0.161 (0.175)
Sales/TA											0.017*** (0.002)	0.017*** (0.002)
ROA												-0.005 (0.828)

Constant	4.277*** (0.000)	4.559*** (0.004)	5.370*** (0.001)	5.349*** (0.002)	6.494** (0.014)	5.797** (0.024)	6.224** (0.014)	6.252** (0.015)	6.487** (0.011)	6.585** (0.013)	6.641** (0.012)	6.673** (0.011)
Year fixed effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	688	682	682	682	383	380	380	380	380	343	343	343
R-squared	0.050	0.050	0.053	0.053	0.115	0.205	0.209	0.210	0.214	0.246	0.264	0.264
Wald Chi 2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

***, **, * denotes the significant levels of 1%, 5% and 10%

Table 4. Alternative proxies for busy CEOs

VARIABLES	**(1) Comp/TA**	**(2) Comp/TA**	**(3) Comp/TA**	**(4) Comp/TA**
Busy CEO dummy (3)	-1.882*** (0.000)	-0.657* (0.064)		
Busy CEO dummy (2)			-1.878*** (0.000)	-1.157*** (0.000)
CEO Age		0.137 (0.904)		0.062 (0.956)
CEO Gender		-0.526 (0.564)		-0.682 (0.451)
CEO Qualification		0.205 (0.718)		-0.022 (0.970)
Audit independence		-0.041** (0.024)		-0.036** (0.045)
Ex-Com/TA		0.073*** (0.000)		0.071*** (0.000)
Board independence		-0.014** (0.021)		-0.015** (0.012)
Chair-CEO duality		-0.020 (0.943)		-0.053 (0.849)
%female executives		-0.020* (0.094)		-0.022* (0.073)
LogAge		-0.069 (0.538)		-0.199 (0.101)
Sales/TA		0.017*** (0.002)		0.017*** (0.002)
ROA		-0.004 (0.851)		-0.006 (0.807)
Constant	2.596*** (0.000)	5.401** (0.033)	2.865*** (0.000)	5.971** (0.020)
Year fixed effect	Yes	Yes	Yes	Yes

Observations	690	343	690	343
R-squared	0.027	0.246	0.052	0.271

***, **, * denotes the significant levels of 1%, 5% and 10%

The Effect of Firm Size on Busyness-Compensation Nexus

Previous empirical studies have found a significant correlation between CEO salaries and firm size. Kostiuk (1990) points out that an increase in firm size due to acquisitions leads to changes in wages and bonuses. Wright *et al.* (2002) also stated that the CEO's income elasticity of firm size found evidence of a decline in income for top executives (Ingle *et al*., 2023; Kulkarni *et al*., 2023; Marconcini *et al*., 2023; Shaheen *et al*., 2023). However, other researchers find the opposite argument when looking at the relationship between the percentage change in executive compensation and the percentage change in organizational size. They identify changes in an executive's salary and bonus that are not significantly related to the organization's size (Hill *et al*., 2016). Therefore, the study will next describe the effect of firm size on the relationship between busyness and compensation **(Table 5)** through the generation of a new control variable for firm size (*LogTA*), defined as the natural logarithm of total assets and its interaction with *#CEO directorships*. The study finds a positive sign of the interaction term between CEO busyness and *LogTA*, which is opposite to the coefficient sign of the original variables. This implies that the negative impacts of CEO busyness on their compensation are diminished within larger firms. This could be because multiple directorships of a CEO are also a part of their reputation, which has a positive effect on the firm's reputation, so larger companies may be willing to pay a higher amount of compensation for busy CEOs, relatively compared to their smaller counterparts (Zuev, 2022).

Table 5. The effect of firm size on busyness-compensation nexus

VARIABLES	**(1)** **Comp/TA**	**(2)** **Comp/TA**
#CEO directorships	-15.148*** (0.000)	-8.340*** (0.003)
LogTA	-2.459*** (0.000)	-1.650*** (0.000)
#CEO directorships*LogTA	0.915*** (0.000)	0.493*** (0.004)
CEO Age		-0.057 (0.958)
CEO Gender		-0.053 (0.948)
CEO Qualification		0.011 (0.982)
Audit independence		-0.032** (0.046)
Ex-Com/TA		0.019 (0.214)
Board independence		-0.010* (0.079)
Chair-CEO duality		-0.224 (0.388)
%female executives		-0.016 (0.129)
LogAge		-0.035 (0.750)
Sales/TA		0.008** (0.016)

ROA		0.015 (0.507)
Constant	40.798*** (0.000)	31.355*** (0.000)
Year fixed effect	Yes	Yes
Observations	688	343
R-squared	0.320	0.407
Wald Chi 2	0.000	0.000

***, **, * denotes the significant levels of 1%, 5% and 10%.

Robustness Check: Using One-Year Lag Values of Independent Variables

In this robustness check section, the study retests the association between CEO activity and CEO compensation while accounting for potential endogeneity issues. The study builds a model with the same collection of independent variables as in **Table 3**, but with a one-year delay, since this strategy uses explanatory variable values from the past. **Table 6** shows that the key conclusions from **Table 3** have remained essentially unchanged. Specifically, the busy CEO variable has a negative correlation with CEO compensation. As a result, the findings are resilient to endogeneity difficulties.

Table 6. Robustness check: Using one-year lag values of independent variables

VARIABLES	**(1)** **Comp/TA t**
#CEO directorships t-1	-0.476*** (0.006)
CEO Age t-1	1.463 (0.222)
CEO Gender t-1	-0.016 (0.975)
CEO Qualification t-1	0.235 (0.676)
Audit independence t-1	-0.039* (0.072)
Ex-Com/TA t-1	0.083*** (0.000)
Board independence t-1	-0.005 (0.293)
Chair-CEO duality t-1	-0.168 (0.540)
%female executives t-1	0.004 (0.732)
LogAge t-1	-0.291* (0.071)
Sales/TA t-1	0.012*** (0.000)
ROA t-1	0.029 (0.335)

Constant	3.700 (0.224)
Year fixed effect	Yes
Observations	312
R-squared	0.326
Wald Chi 2	0.000

***, **, * denotes the significant levels of 1%, 5% and 10%.

Discussion, Recommendation and Limitations

Discussion

The study reveals that CEOs with multiple directorships are negatively impacted by their compensation. It supports the hypothesis that firms with CEOs with higher directorships pay lower compensation levels. Economically, an increase in CEO directorships by 1% results in a decrease in compensation by 0.727%. This is due to the diminished effectiveness of CEOs' work and duties, which can affect their time commitment, attention, and efforts in completing legal and moral responsibilities. Additionally, the negative impacts of CEO busyness on compensation are diminished within larger firms, as busy CEOs can increase the firm's networking and reputation, leading to higher compensation (Enwa *et al*., 2022; İlhan *et al*., 2022; Mobeen & Dawood, 2022; Zhang *et al*., 2022; Burghate & Mundada, 2023; Tabassum *et al*., 2023).

Recommendation

The findings of this study have significant recommendations for the US Travel and Leisure companies and other stakeholders within this sector and country (Abdelmuhsin *et al*., 2022; Ruchin *et al*., 2022; Turlaev *et al*., 2022).

First, the negative CEO busyness-compensation nexus suggests that firms within the tourism sector should consider the CEO busyness function in deciding on or redesigning their future compensation structure. More broadly, in future corporate governance mechanism reforms, particularly towards compensation structure, firms are recommended to include directorships of CEOs in their recruitment policy and compensation packages.

Second, CEOs may have to accept lower payments if they accept additional jobs outside their “home” company. They also need to be aware that taking outside jobs may affect their quality and capacity to fulfill their responsibilities; as a result, their “home” business may not appreciate this. They also should consider taking multiple directorships only when they feel to cope well with all of their commitments. This is important to maintain their reputation in the labor market.

Third, investors in this industry may consider the busyness function of CEOs to legitimize their low compensation package. This means a lower payment for the CEO does not necessarily mean that the company’s financial health is not strong (Atalayin *et al*., 2024; Chauhan & Angadi, 2024; Galea-Holhoș *et al*., 2024; Samaranayake *et al*., 2024; Shaiba *et al*., 2024; Varoneckaitė *et al*., 2024)

Limitations

Although this study has produced solid results, it still has some limitations. First, the data collected from the S&P1500 stock market from 2006 to 2019 seem to be biased since they depend much on the historically successful companies and include the economic crisis in 2007-2009. Second, the study tests only the U.S. market, which can lack the necessary data to transfer the results to other industries. Furthermore, qualitative research with interview data may deliver insights into the story about CEO compensation and their busyness.

Conclusion

This study investigates the relationship between CEOs’ busyness function and their compensation through a sample of U.S. Travel and Leisure listed firms in the U.S. stock market between 2006 and 2019. The results initially reveal that CEOs’ busyness is negatively associated with their compensation, possibly because firms undervalued their capacity to fulfill duties and responsibilities due to time and effort limits in efficiently managing the operations of the

"home" company. This shows that busy CEOs are underpaid but not overpaid. The study further finds that such negative effects of CEO busyness on their compensation are likely to be diminished within larger firms compared to their smaller peers. This can be justified by the argument that multiple directorships of a CEO play an essential role in enhancing their reputation, which has, in turn, a positive influence on the firm's reputation; thereby, larger firms tend to be willing to pay higher compensation to busy CEOs.

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