

Topic: Optimal executive compensation in the presence of career concerns

When making their operating and strategic decisions, managers typically face career concerns. They try to increase their reputation in the external labor market and chooses actions to signal talent to potential employers. Intuitively, such career concerns have ambiguous effects. They might discipline managers to take the right actions and induce costly effort. But they might also reward undesirable decisions such as earnings management. The literature shows that firms can use two important instruments to avoid detrimental effects of managers' career concerns. First, they can design incentive contracts that correct dysfunctional effects of career concerns. Second, firms can decide if and how information about a manager's ability is disclosed to the public and thereby affect the information environment.

This thesis summarizes the relevant empirical and theoretical literature on the interplay of management controls and managers' career concerns. Based on the theoretical models of Autrey, Dikolli and Newman (2007, 2010) and Arya and Mittendorf (2011), the author explores the optimal design of incentives contracts in the presence of career concerns and highlights how the results depend on a firm's disclosure environment. The focus of the thesis is a detailed presentation of the theoretical results, including all relevant proofs, as well as the interpretation and comparison of the main findings.

Ausgangsliteratur

- › Autrey, R. L., S. S. Dikolli, and D. P. Newman (2007). Career concerns and mandated disclosure. *Journal of Accounting and Public Policy*, 26, pp. 527-554. <https://doi.org/10.1016/j.jaccpubpol.2007.08.002>
- › Autrey, R. L., S. S. Dikolli, and D. P. Newman (2010). Performance measure aggregation, career incentives, and explicit incentives. *Journal of Management Accounting Research*, 22, pp. 115-131. <https://doi.org/10.2308/jmar.2010.22.1.115>
- › Arya, A., and B. Mittendorf (2011). The benefits of aggregate performance metrics in the presence of career concerns. *Management Science*, 57, pp. 1424-1437. <https://doi.org/10.1287/mnsc.1110.1363>

Bewerbungsprozess

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