

**DETERMINANTS OF CEO PAY: AN EXAMINATION OF THE HADRAMI  
CHARITABLE FOUNDATIONS**



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I certify that any help received in preparing this thesis and all the sources used have been acknowledged.



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## ABSTRACT

Although the nonprofit sector is enormous, corporate governance, particularly the role of CEO pay, has received very little attention in this sector. This study is examining CEO pay in Hadrami nonprofit organizations. For this purpose, this study uses firm characteristics (sector of the organization and organizational size) and CEO characteristics (CEO's qualifications, CEO's experience, CEO duality, and CEO's tenure) to examine the impact on CEO pay. A web-based questionnaire was considered an appropriate method for this study. The sample was selected from nonprofit organizations listed on Ministry of Labor and Social Affairs that operate in Hadramout (90 charitable foundations). A total of 57 CEOs responded to the questionnaire, generating a 63.33% response rate. Using multiple regression analysis, the results of this study indicate that the size of organization and CEO's qualifications have significant influence on CEO pay. Other variables namely, sector of the organization, CEO's experience, CEO duality, and CEO's tenure have no significant impact on CEO pay.

**Keywords:** Hadramout, nonprofit organizations, CEO, CEO pay, governance.

## ABSTRAK

Walaupun sektor bukan keuntungan adalah sangat besar, tadbir urus korporat terutamanya peranan gaji Ketua Pegawai Eksekutif (CEO), tidak mendapat banyak perhatian.. Kajian ini mengkaji gaji CEO dalam organisasi di Hadramout tidak berorientasikan keuntungan di Hadramout. Untuk tujuan ini, kajian ini menggunakan ciri-ciri firma (sektor dan saiz organisasi) dan ciri-ciri CEO (kelayakan, pengalaman, CEO dualiti, dan tempoh berkhidmat di organisasi) untuk mengkaji kesan ke atas gaji CEO. Soal selidik yang berasaskan web dianggap sebagai kaedah yang sesuai bagi kajian ini. Sampel kajian dipilih daripada organisasi tidak berorientasikan keuntungan yang disenaraikan di Kementerian Buruh dan Hal Ehwal Sosial yang beroperasi di Hadramout (90 organisasi bukan untung). Seramai 57 CEO menjawab borang kaji selidik, menandakan kadar respon sebanyak 63.33%. Menggunakan analisis regresi berganda, hasil kajian ini menunjukkan bahawa saiz organisasi dan kelayakan CEO mempunyai pengaruh yang besar ke atas gaji CEO. Pembolehubah lain iaitu, sektor organisasi, pengalaman CEO, CEO dualiti, dan tempoh perkhidmatan CEO tidak mempunyai kesan yang besar ke atas gaji CEO.

Kata kunci: Hadramout , organisasi bukan untung , Ketua Pegawai Eksekutif, Gaji Ketua Pegawai Eksekutif, tadbir urus.

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**Ameen Ali Ahmed Bin Afif**

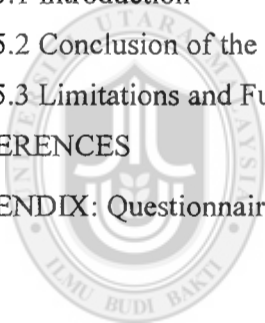
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## LIST OF ABBREVIATIONS

Abbreviation	Description of Abbreviation
CEO	Chief Executive Officer.
HRITC	Human Rights Information & Training Center.
CSO	Civil Society Organization.
USAID	United States Agency for International DevelopmentEast and North Africa.
BFOS	Benevolent Fund for Outstanding Students.
HEHD	Hadramout Establishment for Human Development.
AFD	Al-Awn Foundation for Development.
MoLSA	Ministry of Labor and Social Affairs.
SPSS	Statistical Package for Social Science.
CEOPAY	CEO Pay.
SECTOR	Sector of the Organization.
SIZE	Organizational Size.
DUAL	CEO Duality.
TENURE	CEO Tenure.
QUAL	CEO's Qualifications.
AGE	CEO's Experience.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

Corporate Governance is at the heart of how entities are managed (Mudabeti, 2014). According to Ahmed (2012), corporate governance is a system designed to ensure that the operations of entities are done efficiently and effectively on behalf of stakeholders. The practical importance of corporate governance is increasing day by day. Efficient and effective practices of corporate governance rules and high-quality protection of stakeholders would attract more investments (for profit organizations) and donors (for non-profit organizations).

Agency theory is usually used to describe the structure of wage in organizations (Conyon, 2006; Klein, 2010). According to Jensen and Meckling (1976), both the owner (principal) and the chief executive officer (agent) seek to maximize their interest and therefore they will not act in the best interest for each other. They also suggest some methods which are used by owners to control or monitor the executives' actions such as the establishment of incentive compensation system, formal control systems and auditing. Laiho (2011) indicated that the conflict of interest between the principal and the agent will generate agency costs. Agency cost is one of the significant concepts in corporate governance (Tariq, 2010) which occurs due to the separation between ownership and management (Jensen & Meckling, 1976). However, it could be complicated to evaluate the agent's actions by limiting to agency theory only (Tariq, 2010) especially in not-for-profit organizations which they have wide objectives, a broad range of stakeholders and complexities in assessing the performance (Bawden, 2008). That is why it would be very important

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