Overview and Drivers of Executive Pay in Emerging Markets Evidence from Chile

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Abstract

Research on executive compensation has been mainly developed in advanced economies. Therefore, providing evidence from emerging economies is relevant, as these economies often exhibit particular characteristics, such as a high concentration of ownership. This study employs an empirical approach to identify performance variables and their effects on executive team compensation. The sample includes 34 non-financial firms from 2005 to 2022. Among the most relevant findings, it is noted that regulations are general and lack the detail needed for stakeholders to make informed decisions. Compensation is delivered in different currencies, meaning the financial literacy of the reader becomes a barrier. Female participation on boards has increased in the last five years—still limited, but progress has been made, as with the presence of independent directors. It was found that financial performance, specifically Return on Assets (ROA), is the main determinant of executive pay. This supports the view of compensation contracts as a mechanism to align the interests of principals and agents.

Keywords: Executive compensation, emerging economy, agency theory, pay for performance.

1. Introduction

The literature on executive compensation has developed around the search for determinants that explain pay levels. This remains an unresolved issue and is often described as a puzzle. Various theories have been proposed, including those related to corporate performance (Jensen & Meckling, 1976), sources of power (Finkelstein, 1992), and exogenous factors (Bizjak et al., 2022; Wang et al., 2021; Gibbons & Murphy, 1990), in an effort to explain the high levels of executive compensation and their determinants.

The most extensively studied approach is the agency problem, which may cause misalignments within organizations regarding incentives, aiming to align the interests of principals and agents—a concern raised in corporate governance studies since Jensen and Meckling (1976). Shleifer and Vishny (1997) present agency problems as a core aspect of the contractual view of the firm. Coase (1937) suggests that principals should have the right to control their agents' work, with this control being the defining feature of the relationship. The agency problem is primarily based on the separation between ownership and management, resulting in conflicts between control and ownership.

Studies on executive compensation theories have mostly been conducted in developed economies (Bouteska et al., 2024; Pei, 2024; Hu & Xie, 2024; Keller & Olney, 2021; Morse et al., 2011; Beck et al., 2020; Core et al., 1999), with very limited evidence from emerging markets. Most research in emerging markets has focused on Asian countries. Oehmichen (2018) summarizes the literature on Asian Emerging Markets (AEM), noting their rapidly evolving institutional environments, which make corporate governance in these regions particularly interesting.

Emerging markets offer a unique but underdeveloped source of evidence. In Brazil, studies suggest a high concentration of ownership and control. Less than 4% of Brazilian firms follow good governance practices, yet those that do show significantly higher asset performance (Da Silva & Leal, 2005). Regulatory reforms in emerging economies have also been of interest. Ding et al. (2010) found that prior to implementing new corporate laws, supervisory boards did not

influence executive compensation, but their role became significant afterward. Board size and meeting frequency affect total executive compensation and pay-for-performance sensitivity.

Investor protection and financial market regulation are deeply embedded in each country's legal framework and legal origins (La Porta et al., 1998, 2000). National legislation may play a key role in simplifying conglomerate structures, increasing transparency, and reducing the risk of resource expropriation from minority shareholders (Lefort & Walker, 2000).

In this context, studying Chile as an emerging economy is relevant due to the limited existing evidence and the country's sustained economic growth, political stability, and solid financial system (Vallina-Hernández et al., 2022), which contrasts with the instability found in some Asian emerging markets.

In Chile's emerging market, a high concentration of ownership exists (Vallina-Hernández et al., 2022; Espinoza, 2009). Sources of power, such as ownership, may be relevant, as firms are often run by relatives of the founders, raising concerns about the managerial competence of executives.

Additionally, some Chilean firms listed on the IPSA index have high market capitalization—comparable to major U.S. firms. According to Forbes Global 2000 (2019), eight Chilean firms were included, with Falabella ranked 695th. Falabella can be compared to large U.S. retail corporations, indicating the international relevance of some Chilean companies. However, information on executive compensation in emerging markets remains difficult to access, particularly in firms with large shareholders (Fan et al., 2011).

The main objectives of this research are to analyze and provide evidence on the characteristics of the executive compensation system in Chile's emerging market and to address the following research questions:

- What are the characteristics of the executive compensation system in Chile's emerging market?
- Is executive compensation influenced by corporate performance?

The structure of this paper is as follows: introduction, literature review, sample, sample analysis, hypotheses, empirical results, discussion, and conclusions.

2. Theoretical Framework

Agency theory suggests the existence of a contractual relationship between company owners and managers (Lundberg, 2022). When the agency contract is executed by shareholders, executives exert effort to maximize the company's performance and provide shareholders with a stable flow of dividends (Jensen & Meckling, 1976). Research on executive compensation has been developed mainly in developed economies (Hu & Xie, 2024; Kayani & Ganm, 2022; Adu et al., 2022; Morse et al., 2011). Therefore, there is very limited evidence from emerging economies. The importance of developing evidence from markets with different conditions has been a less explored line of research (Kato & Kubo, 2006).

On the other hand, managerial power theory has been the least developed in the literature (Li et al., 2024; Hlaing & Stapleton, 2022; Chiu et al., 2016; Grabke-Rundell & Gómez-Mejía, 2002). Executive power within companies could be related to the ability to manipulate compensation contracts, many of which are not publicly disclosed and may change over time. Chief Executive Officers (CEOs) with greater power within the firm may exert pressure to obtain higher compensation (Morse et al., 2011). CEO pay in companies is the result of a negotiation between the executive and the company's board of directors, through which the forces of supply and demand operating in the labor market take concrete form (Shaw, 2006).

In emerging countries, changes in governance regulatory systems have garnered interest from researchers due to their relevance in these economies. According to Ding et al. (2010), it is important to study changes in corporate law and examine whether they improve board monitoring of executive compensation. The authors found evidence that before the new corporate law, supervisory boards did not influence executive compensation, although their role became significant afterwards. Both board size and meeting frequency affect

total executive compensation, and the size of the supervisory board also influences pay-performance sensitivity.

Ownership concentration and conglomerates have been studied around the world (Arora & Singh, 2023). La Porta et al. (1999) suggest that ownership concentration is a consequence of poor legal protection for shareholders. In countries with weak shareholder protection, even large firms tend to have controlling shareholders.

In Latin American emerging markets, Gallego and Larraín (2012) studied CEO compensation and its relationship between majority shareholders and company managers. Among their findings, they highlight that family business ownership leads to higher CEO remuneration. Emerging markets often have companies with high ownership concentration. For example, family businesses in Turkey contribute over 90% to the country's economy. Therefore, family firms are exposed to a type II agency problem, where the main conflict is between the controlling shareholder and minority shareholders. It has been found that family firms reduce the effectiveness of independent directors in monitoring income management (Adıgüzel, 2013).

In Brazil's economy, evidence suggests a high degree of ownership and control concentration. Results indicate that fewer than 4% of Brazilian firms follow good corporate governance practices and that firms with better governance perform significantly better in terms of return on assets (Da Silva & Leal, 2005). In Chile's emerging market, a similar phenomenon of high family ownership concentration also exists (Majluf et al., 1998; Lefort & Walker, 2000; Espinoza, 2009).

Thus, characterizing compensation systems in emerging countries provides an opportunity to understand their context, payment structures, and legislation, given their distinguishing features compared to developed countries. In recent years, executive compensation has gained great importance in the business and financial world globally (Urzúa, F., 2009). Particularly in emerging markets such as Chile, there has been growing concern regarding the design and implementation of executive compensation systems.

In the Chilean market, executive compensation systems have been relatively conservative compared to other emerging markets. This is partly due to Chilean business culture, which tends to value

stability and continuity—reflected in the compensation systems used. Generally, executive compensation systems in Chile fall into two main categories: fixed and variable compensation. Fixed compensation includes base salary, social benefits, and other components agreed upon in advance between the company and the executive.

Meanwhile, variable compensation is divided into three main components: bonuses, stock options, and equity participation plans (Berman et al., 2013). Bonuses are the most common form of variable compensation in Chile and are granted based on previously agreed-upon objectives between the company and the executive. Stock options are less common in the Chilean market, as companies are usually reluctant to dilute their capital. Lastly, equity participation plans are also uncommon in Chile, although some companies have begun implementing them in recent years.

In terms of compensation system structure, there is a trend in Chile toward simplifying and making objective definitions and performance evaluations more transparent. Companies also tend to set upper limits for variable compensation and establish a proportion between fixed and variable pay that aligns with their specific needs. Thus, executive compensation systems in Chile are characterized by conservatism and a focus on company stability and continuity. Nevertheless, there has been some progress in implementing more flexible and performance-oriented systems.

It is important to note that while executive compensation systems in Chile have certain strengths, there are also weaknesses and challenges to consider. First, one observed weakness is the lack of transparency in defining objectives and evaluating executive performance (Bravo, 2020). This can lead to mistrust and frustration among employees and shareholders, as compensation decisions may not be clearly understood. Second, a misalignment between executive interests and shareholder interests can be another weakness. In some cases, executive goals may not be clearly tied to the company's performance in terms of value creation for shareholders.

Finally, a major challenge for executive compensation systems in Chile is ensuring fairness and justice in reward allocation. It is crucial that compensation systems are perceived as fair by all employees and shareholders to avoid conflicts and promote executive motivation

and commitment. In summary, executive compensation systems in the Chilean market face certain weaknesses and challenges that must be addressed to ensure their effectiveness and alignment with shareholder and overall corporate interests. Transparency, alignment, flexibility, and fairness are key elements to consider in the design and implementation of these systems.

3. Database and Method

3.1. Database

Regarding the database to be analyzed, it is important to highlight that it is novel, as it was manually compiled from the annual reports of the companies. These reports were downloaded from the Financial Market Commission (CMF), and the section on key executives and the board of directors was reviewed to extract each piece of data. Annual reports are submitted by companies to the CMF, the regulatory body whose main objectives include ensuring the proper functioning, development, and stability of the financial market, as well as ensuring that individuals or entities under its supervision comply with the laws, regulations, statutes, and other applicable provisions.

3.2. Data Collection

A total of 545 annual reports from 34 non-financial companies were reviewed. These companies were listed on the Selective Stock Price Index (IPSA), which includes the most actively traded companies in the country prior to changes in its composition. The sample period covers the years 2005 to 2022. This period was selected based on data availability, and it also includes significant economic and pandemic-related shocks that impacted various industries. The remaining financial information of the companies was extracted from the Refinitiv Eikon database.

3.3. Analyzed Companies

Figure 1 below details the companies included in the analyzed sample and the different industries to which they belong.

Figure 1: Companies in the Sample by Industry.

Materials Industry	**Industrial Services**
Cap SA	Besalco SA
Empresas CMPC SA	Compañía Sud Americana de Vapores SA
Masisa SA	LATAM Airlines Group SA
Sociedad Química y Minera de Chile SA	SalfaCorp SA
Consumer Industry	Sociedad Matriz SAAM SA
Cencosud SA	Properties
Coca Cola Embonor SA	Parque Arauco SA
Compañía Cervecerías Unidas SA	Technology Industry
Embotelladora Andina SA	Empresa Nacional de Telecomunicaciones SA
Empresas La Polar SA	Sonda SA
Forus SA	Services Industry
Ripley Corp SA	AES Gener SA
SACI Falabella	Aguas Andinas SA
Vina Concha y Toro SA	Inversiones Aguas Metropolitanas SA
Sigdo Koppers SA	Colbun SA
Energy Industry	Enel Americas SA
Antarchile SA	Enel Chile SA
Empresas Copec SA	Enel Generación Chile SA
Financial Industry	Engie Energía Chile SA
Inversiones la Construcción SA	
Sociedad de Inversiones Oro Blanco SA	

4. Analysis of the Sample and Results

First, a descriptive analysis was carried out on the executive compensation system of the companies and their boards. For this

analysis, the sample of 34 companies reviewed over a span of 18 years was used. Additionally, an analysis of the regulations and frameworks governing the companies will be conducted in order to understand how they provide their public information.

4.1. Analysis of the Executive Team

The executive team of the companies is defined as: "any individual who has the ability to determine the objectives, plan, direct, or control the upper management of business operations or the strategic policy of the entity, either alone or together with others," according to Law 18045.

Next, a descriptive statistical analysis of the compensation system of the executive team from the 34 companies will be presented. The information obtained is shown in Table 1:

Table 1: Descriptive Statistics of the Executive Compensation of the Companies.

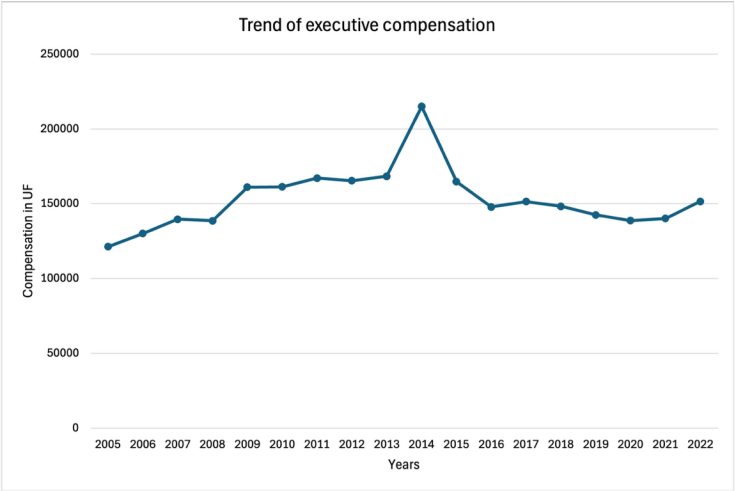
Variable	Obs.	Average	Std. Dev.	Min.	Max.
Total Compensation Executive Team (MM CLP)	545	3804	3991	33	28445
Number of Executive Team Members	545	23	37	1	246

Number of Executive Team Members
Source: Own elaboration.

The companies provide the total compensation amount for the executive team of each company (including the CEO, CFO, among others), who are responsible for making the key decisions.

To analyze the trend in average executive compensation, the compensation amounts were converted into Unidad de Fomento (UF) (the Unidad de Fomento is a system used to express adjustability, i.e., the updated value of a currency, depending on inflation) in order to compare the amounts across years. This is represented in Figure n°2.

Figure 2: Average Compensation of Key Executives.



Sources: Own elaboration. Amounts expressed in UF of the year.

In Figure 2, it can be observed that between the years 2005 and 2022, the compensation amounts for the executive team increased each year, including during the 2018 subprime crisis and the economic slowdown due to the 2020 pandemic. The average annual compensation amount for the entire period was 152978 UF.

The year with the highest compensation amount was 2014, with an annual average of 215037 UF. From 2015 onwards, a significant decrease can be seen, and in the last 8 years, compensations have remained at similar levels. Therefore, it appears that companies have shown a trend toward moderating the amounts of executive compensation over time.

A more detailed analysis of the characteristics of the companies was then conducted. This is represented in Table 2, where the executive compensation details (extracted from the annual reports) by industry are shown, along with some company characteristics.

Table 2: Company Characteristics by Industry.

Industry	Number of Companies	Average Compensation (Million CLP)	Average Total Assets (Million CLP)	Average ROA (%)	Average Returns (%)
Materials	4	4761	5877852380	4.6	18.5
Consumer	10	4812	3036256073145	6.0	11.8
Energy	2	1197	19640649291	4.5	7.9
Financial	2	904	3731482948672	4.7	21.4
Industrial	5	3367	363182636382	3.5	12.6
Properties	1	3453	1645628049938	4.3	19.7
Technology	2	7107	1843305880371	5.9	4.6
Services	8	2664	1607484485227	5.0	9.2
Average				4.8	13.2

Source: Own elaboration.

From the previous table, it is highlighted that the average returns are 13.2%, and the average ROA is 4.8% at the index level. The industries with the greatest representation in the sample are: consumer, services, and industrial.

4.2. Board of Directors Analysis

According to law 18046, in Article 31 it is stated that the management of the corporation must be exercised by a board of directors elected by the shareholders' meeting. Regarding their compensation, Article 33 states that: "The bylaws must determine whether or not the directors will be remunerated for their functions and, if so, the amount of the remuneration will be set annually by the ordinary shareholders' meeting. The annual report submitted by the open joint-stock companies to the ordinary shareholders' meeting must include all remuneration received by the directors from the company during the respective period, including those derived from functions or positions other than their directorship, or for concepts such as representation expenses, travel allowances, royalties, and, in general, any other stipend. These special remunerations must be presented in detail and separately in the report, with those that are not monetary being valued." During the review of the companies' annual reports, available data regarding the compensation of the board of directors was extracted, which is analyzed in the following section (see Table. 3).

Table 3: Statistical summary of board of directors' information.

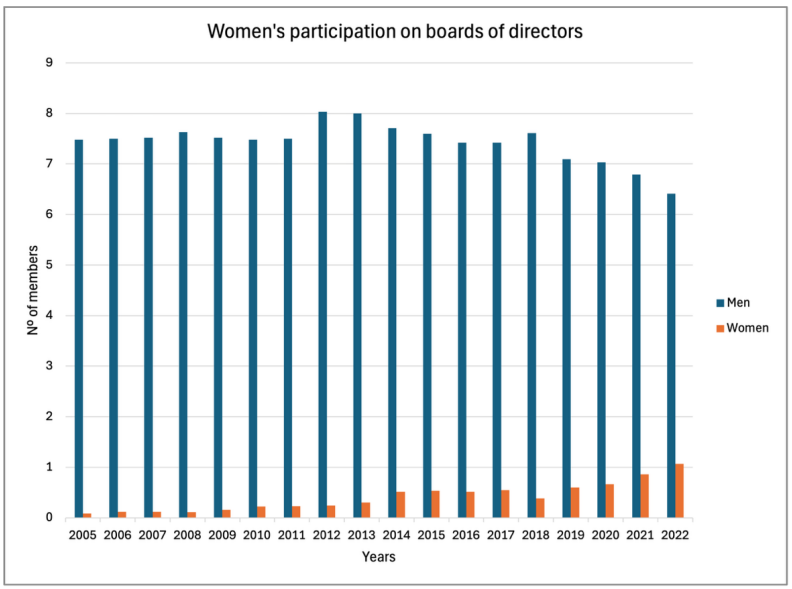
Variable	Obs.	Average	Desv. Est.	Min.	Max.
Board Size	510	7.84	1.49	3	14
Number of men on the board	510	7.42	1.54	3	14
Number of women on the board	510	0.42	0.69	0	5
Number of independent directors	510	0.77	1.12	0	7
Board compensation (MM CLP)	510	635	615	1.42	6038

Source: Own elaboration

The compensation amounts for the board of directors have an average of MM$635 in the sample. The average size of the boards in the companies is 7.8 people.

Among the directors, there is a clear gender bias, with males being predominant in the boards, comprising 94.7% of the total members. The participation of women in the boards is minimal, though this has changed in recent years. Boards have begun a process of gender diversity, gaining more momentum in recent years (see Figure 3).

Figure 3: Inclusion of Women in the Boards of Directors.

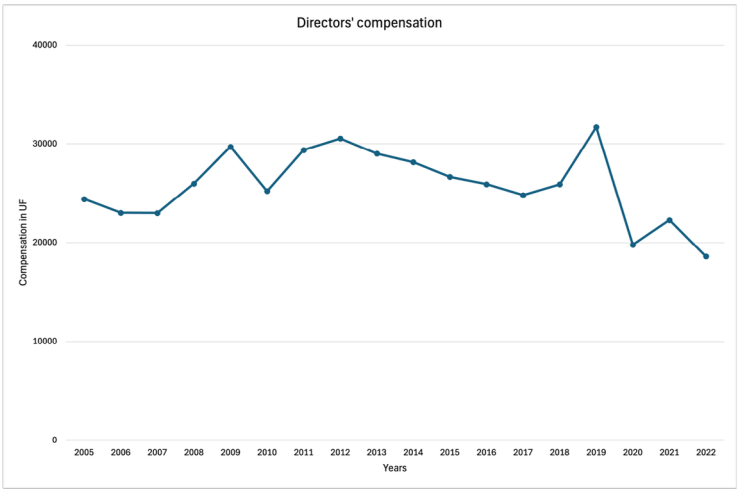


Source: Own elaboration

In Figure 3, it can be observed that since 2009, there has been a more active participation of women in boards of directors. This participation has steadily increased over the years, as shown. While the participation of women is still in its early stages (close to 5% of the total board members), their progress in recent years is noteworthy.

Regarding board compensation, these amounts are determined in the ordinary shareholders' meeting. Therefore, analyzing its evolution over time is interesting because shareholders approve the board's compensation amounts, and with a high concentration of ownership, it is the majority shareholders who have the most voting power. To observe the trend, we examine the trend over time of average board compensation amounts, which will be analyzed in UF (see Figure 4).

Figure 4: Trend of Board Compensation.

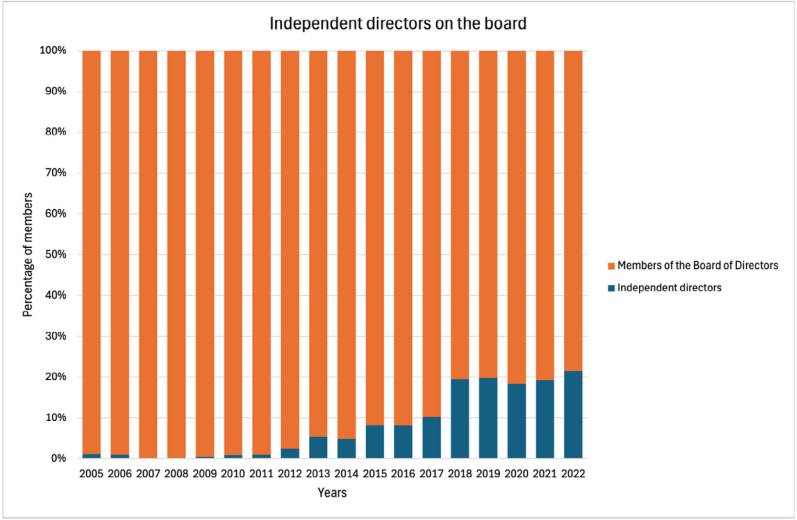


Source: Own elaboration

In Figure 4, it can be seen that the trend of compensation amounts has been stable throughout the studied period, except for the economic crisis periods of 2008-2009 and the social crisis and pandemic of 2019-2020.

Independent directors play an important role within boards, as they protect the interests and wealth of minority shareholders, contributing through their monitoring role within companies. Figure 5 shows the trend over time of independent directors.

Figure 5: Trend of Independent Directors on the Board.



Source: Own elaboration

On average, companies have 0.7 independent directors during the entire period, with a positive increasing trend since 2010. A significant increase in independent directors started in 2018, reaching 20% of the total. This trend shift may be a result of the modification of Article 50 bis of Law 18046 in 2009, which incorporated the requirement that public companies must appoint at least one independent director and a board committee when meeting the market value requirements set by this article.

4.3. Development of Hypotheses

Considering agency theory, we will study the impact of company performance (in financial and market terms) on the compensation of top executives. As mentioned previously, one of the novel aspects of this study is the use of a new data set from an emerging market, which is often difficult to access regarding executive compensation information. Additionally, these markets feature a high concentration of ownership. This research contributes to the literature by providing evidence from the agency theory perspective, which has provided inconclusive findings in this area. To this end, the following hypotheses will be tested:

H1: The financial performance of the company is positively associated with the level of executive compensation.

H2: The market performance of the company is positively associated with the level of executive compensation.

It is expected that the greater the level of effort from the executive team, the better the company's performance will be, measured in financial terms and market value. This effort would be rewarded with a higher level of compensation.

4.4. Methodology and Results of the Empirical Research

To address the research question regarding whether executives are compensated for their management skills (corporate performance), the following estimation model was considered. The model developed to test hypotheses H1 and H2 is an adaptation of Ozkan's (2011) work and is as follows:

Equation 1:

$$WTMT_{it} = \beta_0 + \beta_1 PERFIN_{it} + \beta_2 PERMARK_{it} + \beta_3 BOARD_{it} + \beta_4 INDBOARD_{it} + \beta_5 WBOARD + controls + \varepsilon_{it}$$

Where:

- WTMT is the total compensation of the executive team for company *i* in year *t*.
- PERFIN is the ROA profitability index for company *i* in year *t*.
- PERMARK is the stock return index for company *i* in year *t*.
- BOARD is the board size of company *i* in year *t*.
- INDBOARD is the number of independent directors on the board of company *i* in year *t*.
- WBOARD is the number of women on the board of company *i* in year *t*.
- Controls are control variables, including size and debt.
- ε is the error term.

From the perspective of agency theory, where compensation contracts are a mechanism to align the interests of the principal and

agent, the results of our research suggest that corporate performance variables have a significant impact on the level of executive compensation. The results of the empirical model used are shown in Table 4.

Table 4: Regression of Executive Compensation and Corporate Performance

Variables	**M1**	**M2**	**M3**
ROA	2,527***		3,087***
Returns	(892.5)		(899.7)
Board Size		-251.0*	-371.5**
Independent Directors		(152.1)	(159.5)
Women on the Board	11,055***	10,500***	10,895***
Size	(4,087)	(3,968)	(4,046)
Debt	-16,504	-17,586*	-17,512*
Constant	(10,339)	(10,149)	(10,258)
ROA	5,342	3,511	5,430
Returns	(10,240)	(10,213)	(10,273)
Board Size	14,865***	16,898***	14,062***
Independent Directors	(5,422)	(5,105)	(5,400)
Women on the Board	223,601***	174,233***	225,169***
Size	(41,716)	(37,165)	(41,838)
Debt	-213,121***	-196,269***	-204,929***
	(54,184)	(54,831)	(54,155)
Observations	541	541	541
Year Fixed Effect	Yes	Yes	Yes
R-squared	0.123	0.117	0.131

The model eq.1: Executive Compensation and Corporate Performance, dependent variable: Executive Compensation. Standard errors are in parentheses, with year fixed effects.

Independent Variables in the Regressions:

ROA (Return on Assets), Returns (company returns), Board Size (number of board members), Independent Directors (number of independent directors), Women on the Board (number of women on the board), Size = log (total assets), Debt = debt-to-equity ratio. The time period is from 2005 to 2022. Significance notation: *** $p<0.01$, ** $p<0.05$, * $p<0.1$.

Findings:

One key finding is that the ROA corporate performance variable is significant (0.01) with a positive sign (when the performance variable is considered separately in M1). Later, when all variables are considered together (M3), the ROA variable remains significant and maintains its positive sign. This suggests that higher financial performance, as measured by ROA, is associated with higher executive compensation. This result supports our hypothesis H1, which proposes that greater executive effort is rewarded with higher pay.

On the other hand, when considering the market performance variable (returns), regression M2 shows a weak negative significance ($p<0.1$). This result suggests the rejection of hypothesis H2. It implies that in the Chilean market, executive compensation contracts are more strongly tied to financial performance than market performance.

The corporate governance variable, board size, is significant ($p<0.01$) with a positive sign, indicating that larger boards are associated with higher executive compensation. This could be because companies with more assets have a higher number of shareholder representatives on the board, which translates into higher pay for the executives managing those assets.

The variables of independent directors and women on the board are not significant in the model, so there is no evidence that these corporate governance characteristics influence executive compensation levels. This finding could indicate the absence of agency problem type 1, and perhaps an agency problem type 2 exists, where the conflict is between different types of shareholders (controlling and minority shareholders). Agency problem type 2 is related to countries with weak investor protection and markets with high ownership concentration, such as Chile.

Finally, company size and debt ratio were controlled for in the model. Of these variables, size ($p<0.01$) and debt ($p<0.01$) are significant with a positive sign, aligning with previous evidence. This suggests that larger company size and higher debt levels are associated with higher executive pay.

5. Discussion

This article focuses on answering the following research questions:

- What are the characteristics of the executive compensation system in the emerging market of Chile?
- Is the level of executive compensation influenced by corporate performance?

In emerging markets with large shareholders, access to executive compensation data is limited (Fan et al., 2011), which is why a new database was developed to provide evidence on the compensation structure in the Chilean market. Executive compensation systems in Chile have been a topic of discussion and debate in recent years, both among employees, shareholders, and experts in business management and finance.

Key findings include that during the subprime economic crisis period, executive compensation did not decrease, nor did it during the 2019 pandemic period. This raises questions about whether this is due to an effort to retain executive talent or possibly weak corporate governance. While regulations in the financial market in Chile require companies to report total executive compensation, the reported amounts are aggregated and do not disclose details by role. This situation reveals that, on one hand, some argue that executive compensation systems in Chile are too conservative and not aligned with global trends in remuneration. According to this perspective, Chilean companies may be losing talent and leadership capability by not offering more attractive and competitive compensation packages.

Another point of discussion concerns transparency and fairness in reward allocation. Some argue that Chilean companies should be more transparent in defining objectives and assessing performance to avoid conflicts and demotivation among employees and shareholders (Makdisse et al., 2022).

In conclusion, both the analysis and the database created offer the possibility of further exploration into executive compensation systems in the Chilean emerging market. Different theoretical approaches such as managerial power theory (Finkelstein, 1992) and relative performance pay theory (Gibbons & Murphy, 1990) could be applied to answer new research questions related to executive compensation.

6. Conclusions

A characterization of the executive compensation system has been provided through a detailed descriptive analysis of executive compensation, board compensation, and committee compensation. Additionally, an empirical model offers evidence of the corporate performance variables that influence executive compensation in the Chilean emerging market, where access to compensation data is limited.

Firstly, the Chilean executive compensation market is characterized by relatively general regulations on declared compensation. The amounts are reported only in aggregate, with no detailed breakdown for roles like CEO or CFO. The regulations specify that total compensation must be disclosed, but do not clarify reporting in terms of currency (e.g., UF, dollars, or CLP) or units (e.g., millions, thousands, etc.), creating potential transparency barriers.

Secondly, only 28% of companies report a breakdown of their compensation structure (fixed and variable separately). Furthermore, a small 3.4% of companies report compensation provided in the form of stock options to executives.

Thirdly, when examining executive compensation during the economic crisis of 2008-2009 and the 2019-2020 pandemic, compensation remained unchanged despite deteriorating macroeconomic indicators (e.g., economic growth slowdown, rising unemployment). This raises questions about whether the reasons could be related to retaining executive talent or weak corporate governance.

Additionally, there has been a gradual increase in the inclusion of women on boards, as well as an increase in the number of independent directors since 2012. Independent directors safeguard minority investors' interests.

In terms of variables influencing compensation, financial performance (ROA) is significant and positively impacts executive pay. This suggests that higher executive effort leads to higher pay, and managing larger assets and higher debt levels is similarly rewarded. These findings align with agency theory, using compensation as a mechanism to align the principal-agent expectations.

Limitations and Future Research Directions

Regarding limitations, the sample size should be expanded to better understand the phenomenon from a more generalized perspective. It would also be beneficial to include data from other emerging countries for comparative purposes, helping to better understand executive compensation systems across different contexts (Harjanti & Farhan, 2022; Ferry et al., 2021; Dias et al., 2020; Sheikh et al., 2017).

As a future research direction, the database created offers the potential for deeper investigation into executive compensation systems in the Chilean emerging market. Different theoretical approaches such as managerial power theory (Finkelstein, 1992) and relative performance pay theory (Gibbons & Murphy, 1990) could help answer new questions related to executive compensation in emerging markets.

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