

ABSTRACT

Executive compensation is a reward given to board of directors who act as agent of the firm for the work that have been done to the firm. Executive compensation is expected to align the interest of principal and agent, reduce agency problems and motivate board of directors for a better work. The amount of director's compensation is based on evaluation process that have been done by board of commissioners, which is influenced by their characteristics which include proportion of independent commissioners, board size, board commissioner's compensation, board commissioner's tenure, and board commissioner's share ownership. In addition to board commissioner's characteristics, CEO tenure also expected to affect the amount of executive compensation. This study aims to give evidence that board commissioner's characteristics and CEO tenure have an important role for the firm to determine the quality of evaluation that effect to establish board of director's compensation, which suit the work that have been done.

The population in this study are all firms publicly listed on the Indonesia Stock Exchange (IDX) 2010-2014. Samples were selected based on predetermined criteria which include firms that reveal information of board director's compensation and have complete data sets. The number of companies in the research samples were 52 companies or 260 final observations. Regression analysis is used as a main analysis tool.

The results of this study find that board commissioner's compensation and CEO tenure give a positive and significant effect on board director's compensation. However, this study doesn't find evidence that proportion of independent commissioners, board commissioner's size, board commissioner's tenure and board commissioner's share ownership affect the total compensation of board directors.

Keywords : corporate governance, board of directors, compensation, board commissioner's characteristics.