

SUMMARY

Christopher Yergan, Class of 2009

The research project I worked on this summer aimed to study the targets or performance standards that are used in bonus plans for executives in companies. Since bonuses are not guaranteed, they constitute variable pay in that executives are paid more when the company performs well on performance measures such as earnings per share, revenue or cash flow. These performance targets, or the point at which the executives of a company will earn their target bonus, constitute the expected results of the company.

The reason these performance targets are worth researching today is that executive compensation has become a major cause of controversy and a substantial expense to many large businesses. Furthermore, the SEC did not require disclosure of these figures until December 2006, making it a relatively unexplored research topic. In order to collect data on the established targets and annual fiscal results of companies, my primary responsibility was to explore corporate proxy statements filed with the SEC, searching for the section detailing what the performance target was, and whether the company reported results below, at, or above the target. This data was then recorded in excel.

The next step of the research process involved collecting data from the Wharton Research Data Services, or WRDS. WRDS is an extensive database of all publicly published data on companies, which was used to supplement the data collected from SEC filings. By having so much information on each company, a wide array of factors will be able to be controlled for in the final analysis of the data, leading to the most precise and significant findings possible.

Working on this research project was a valuable experience in several important ways. I became familiar with data sources like WRDS and SEC filings, while at the same time gaining experience with statistical software like Stata and Excel and gaining insight into the factors which determine executive compensation, all of which will prove useful in my future endeavors. The SRO program was a valuable experience, which will give me useful skills regardless of the field I decide to go into after graduation.