Essay on accounting executive compensation

Business, Company

For big corporations, hiring consultants and executive officers appear to be a common practice. In this article, we will discuss whether these two practices are indeed necessary in order for a business to have sustainable bursts in growth or if they are just nothing but mere expenses that can be removed from the budget statement. The issue whether it is really needed and ethical for executive officers of a company to consult a financial consultant whenever they think they should receive a pay raise continues to spark debates in different corporate sectors.

The truth is that the executive officers are one of the highest paying, if not the highest paying job positions in any particular company and just like normal employees in the junior, senior, and entry levels of employment, their compensation increase after every a few years or even months. The main question or issue here is by how large a percentage and who decides whether their pay will increase and by how much. Most executive officers seek the services of consultants whenever they think they need a compensation raise.

However, according to The Economist that would be like asking a barber shop whether an individual needs a haircut. The consultant would in almost any instance say yes to that question. There have been reported cases of executive officers paying their consultants just so they can get formal and official recommendations for a compensation raise. This, according to the article from The Economist was reported by the American Securities and Exchange Commission.

The article discussed three tests and what they found out from such tests is that firms that hire compensation consultants paid their executive officers (i.

e. CEOs 7. 5% more on average than those that did not—which suggest that hiring of compensation consultants is indeed being used as a justification device for higher executive pay .