Which Came First- The Chicken Or The Egg? Unravelling The Performance-Remuneration Causality Conundrum In JSE-Listed Firms

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**Abstract**

**Purpose**

The study investigated the alignment of executive directors’ remuneration with firm performance, as required by King IV, Principle 14, that emphasises fair and responsible remuneration of executives, to support the achievement of strategic objectives. The study aimed to determine whether executive remuneration is fair and reasonable by examining its relationship with firm performance and its effectiveness in motivating executives to enhance firm performance.

**Design/methodology/approach**

The study employed Granger causality tests and panel regression analyses, to explore the causal relationships between executive directors’ remuneration and both market-based and accounting-based performance metrics.

**Findings**

The findings revealed a bidirectional causal relationship between executive directors’ remuneration and market-based performance metrics, and a unidirectional causal relationship between executive remuneration and accounting-based performance metrics. These results provided insights into the performance management philosophy of JSE-listed firms.

**Research limitations/implications**

The study findings are important towards informing strategy and policy advancement. However, the study was limited by its focus on an emerging market setting of JSE-listed firms, limiting the generalisability of findings to other contexts, such as advanced markets.

**Originality/value**

This study was the first to focus on the causal inferences in the context of JSE-listed firms. The study contributes to the literature on executive remuneration by providing empirical evidence of the causal relationships between remuneration and firm performance. It underscores the importance of aligning executive remuneration with firm performance, to meet the standards set by King IV, and offers practical insights for stakeholders involved in governance and compensation practices.

**Keywords**

Executive remuneration, Performance, King IV, JSE-listed firms, Market