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Executive compensation incentives and corporate performance: The moderating role of dual roles and governance insights

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ABSTRACT

This study examines how executive compensation influences corporate performance, with a focus on the moderating effect of executives holding concurrent roles in shareholder units. Using 2023 data from 5,032 A-share listed firms in China and applying multiple linear regression with ROA as the performance metric, the results show a positive link between executive pay and performance. However, when dual roles exist, total management compensation negatively affects performance, suggesting agency issues arising from power concentration. In contrast, compensation for core executives (the top three earners) enhances performance, highlighting the value of targeted incentives. These findings underscore the need for differentiated compensation structures aligning general management pay with short-term goals and core executive rewards with long-term objectives. The study offers insights into optimizing governance and incentive design in China's corporate sector.

Contribution/Originality: This study contributes to the existing literature by examining how executive dual roles influence the relationship between compensation incentives and corporate performance in China. It differentiates between general and core executive pay. The research documents the impact of concurrent executive roles on performance using recent A-share firm data and regression models.

1. INTRODUCTION

1.1. Research Background

The processes of globalization and informatization are exerting increasing pressure on modern corporate governance structures, which are becoming more complex. Scholars have shown growing interest in white-collar crimes, particularly the motivation stemming from executive compensation incentives, which are among the few organizational mechanisms responsible for corporate performance (Jensen & Murphy, 2010). Organizations often utilize compensation incentives to motivate executive behaviors in order to align interests for corporate performance, which is intended to value the organization. As the relationships between corporations continue to become more interconnected, there has been an increase in executives holding roles in dual positions while simultaneously being shareholders. The result is an interesting trade-off of interests during executive decision-making. This will create new challenges for considerations regarding the utility of compensation incentives, which may also rebalance the historical relationship between compensation and corporate performance (Zhang & Li, 2019). The occurrence of executives holding roles in dual positions was not coincidental; rather, it was driven by corporate competition and the subsequent demand for closer relationships between corporations. Organizations increasingly require executives to serve in key roles within shareholder units to improve communication and resource sharing. This environment can lead to conflicts of interest. When executives hold roles in two units, their interests are divided; at times acting as custodians of the company's interests, and at other times as custodians of the shareholder units' interests. An executive's responsibilities within the shareholder unit can interfere with their decision-making, especially when incentives are involved. For example, if the tenure of a program is tied to current business shareholders, an executive's responsibilities within the shareholder unit may bias them toward pursuing short-term benefits or completing the shareholder unit's responsibilities at the expense of the company. Incentives are embedded within a complex web of interests, complicating the socialized notion of corporate governance and making the relationship between incentives and corporate performance more tenuous. The objective of this study is to examine how executives' dual roles influence the traditional relationship between compensation incentives and corporate performance, with particular attention to behavioral changes among dual-role executives. It will also explore how these executives balance their roles amid conflicting interests. This research aims to fill a gap in the literature regarding the effects of dual roles and provide insights for companies seeking to implement effective compensation incentive policies. Additionally, the study will help shareholders and regulators understand the implications of dual roles on corporate responsibility and governance. This research uniquely investigates how executives holding concurrent roles in shareholder units affect the effectiveness of compensation incentives, an area that has been largely overlooked. It also distinguishes between general management and core executive pay, offering nuanced insights into the alignment of incentives and performance.

1.2. Research Questions

Based on the research background outlined above, this paper aims to address the following key research questions:

What are the specific mechanisms through which executives' dual roles impact the relationship between compensation incentives and corporate performance?

This study will examine how executives holding concurrent roles in shareholder units (i.e., dual roles) influence the effectiveness of compensation incentives on corporate performance. Understanding this mechanism will shed light on the potential impact of dual roles on executive decision-making behavior.

1. How can compensation incentive designs be optimized to mitigate the potential adverse effects of executives' dual roles?

This study will propose strategies and policy recommendations to help companies more effectively manage the negative effects of executives' dual roles when designing compensation incentives, ultimately enhancing the effectiveness of corporate governance.

1.3. Research Significance

1.3.1. Theoretical Significance

Enriching the field of corporate governance and compensation incentives. This research expands the perspective in the fields of corporate governance and compensation incentives by revealing how role conflicts stemming from executives’ dual roles in shareholder units and the company impact the effectiveness of compensation incentives. This perspective fills a gap in the current literature and broadens our understanding of the relationship between executive role conflict and compensation mechanisms, contributing to a more comprehensive exploration of how executive roles affect corporate performance.

Identifying interest structures and decision biases across multiple roles, the research explores decision biases that were generated due to executives being in dual roles and the unique interest structures between the shareholder unit and the firm. The research not only provides fresh theoretical insights for further understanding how executive behavioral patterns and conflicts of interest can undermine corporate governance, but it also offers strong support for further conceptualizing the intricacies of the relationship between executive roles and corporate performance.

This research provides a new moderating perspective on the efficacy of compensation incentives. It states that executives' dual roles may serve as a moderating effect on the effectiveness of compensation systems, thereby expanding the theoretical framework of incentive systems. This moderating construct allows for a more comprehensive examination of the various and sometimes conflicting influences on compensation incentives, promoting a more holistic theoretical understanding of incentive systems.

1.3.2. Practical Significance

Guidance for designing more effective compensation incentive mechanisms. This research provides empirical contributions to companies so they can rethink policies for the design of compensation incentive schemes. By showing how dual-role executives' status could undermine the certainty that compensation incentives carry, firms can design compensation policies that mitigate the likelihood of incentive distortions that role confusion may introduce. Because of the nature of dual-role executives, firms can shape more flexible incentive structures in efforts to improve organizational performance.

Assistance for shareholders and boards in identifying potential governance risks. The results of this study can help stakeholders and boards better identify and manage potential conflicts arising from executives holding dual roles. By understanding tendencies to pursue short-term rewards or other biases that may emerge due to dual roles, boards can implement improved monitoring and management mechanisms to mitigate any negative impacts on firm performance caused by conflicting interests.

Policy Development Reference for Regulatory Bodies. This study provides theoretical support for regulatory bodies in formulating policies related to executive dual roles. By uncovering conflicts of interest and incentive distortions that may arise from executives holding concurrent positions in shareholder units, regulatory bodies can develop policies to regulate such arrangements, thereby enhancing market order and the effectiveness of corporate governance.

1.3.3. Social Contribution

Improving stakeholder well-being and trust. By discussing how the dual roles of executives may moderate their incentive effects, this work contributes to increased transparency in firm decision-making. Clearer transparency will allow for better protection of not only shareholders' interests but also employees, customers, and the public at large, which fosters trust in businesses. Promoting sustainable economic development. Clearer and more efficient design of compensation reduces the opportunity for short-term, self-interested behaviors to detract from long-term firm value. Firms that continue to deliver sustainable performance will be more capable of generating jobs, investing in innovation, and delivering stable economic growth.

1.4. Arrangement

This paper is divided into five sections. Section 1 introduces the research background, research questions, and the significance of the study. Section 2 provides a literature review, systematically examining domestic and international studies on executives' dual roles (i.e., holding concurrent positions in shareholder units), board compensation, and corporate financial performance, with a focus on the moderating effect of executives' dual roles. Section 3 covers the research design and methodology, including data sources, variable definitions, research models, and empirical methods. Section 4 presents the empirical analysis and discussion, displaying results based on data from China's A-share listed companies and exploring the underlying mechanisms. Section 5 concludes the study, offering policy recommendations and directions for future research.

2. LITERATURE REVIEW

2.1. Literature Review

In recent years, the relationship between executive compensation incentives and corporate performance has remained a critical topic in corporate governance research. Compensation incentives aim to align executives' personal interests with corporate performance, fostering a sense of responsibility and motivation to maximize company value (Bebchuk & Fried, 2003; Jensen & Murphy, 2010). However, as modern corporations grow more complex especially with increasingly close inter-corporate equity connections the phenomenon of executives holding "dual roles" in shareholder units is becoming more common. This dual-role structure not only adds to executives' management responsibilities but also intensifies the trade-offs they must make among different stakeholders, potentially impacting the relationship between compensation incentives and corporate performance (Adams, Almeida, & Ferreira, 2009; Hillman, Nicholson, & Shropshire, 2008).

2.1.1. The Phenomenon of Executives' Dual Roles

Recent evidence has shown that it is increasingly common for executives to hold simultaneous roles in shareholder units. Due to strategic collaboration and cross-shareholdings, executives may serve in related companies to share resources, information, or intentions (Peng, Sun, & Markóczy, 2021). Dual executive roles present challenges, as executives are often expected to condense duties between different companies, which can create potential role conflicts for them. Adams et al. (2009) also described that executives can face conflicts along the lines of optimizing returns and shareholder interests when trying to further develop the company's long-run interests. Chen, Liu, and Wang (2022) examined the sources and consequences of role conflict and found that role conflicts could undermine the usefulness of the compensation incentives the company has given the executive, thus affecting corporate performance.

2.1.2. Impact of Executives' Dual Roles on the Relationship Between Compensation Incentives and Corporate Performance

Conventional compensation policies are driven by the idea that there is a commonality between executives' goals and the objectives of the corporation. This relationship allows for the information that crosses the border between executive compensation and company performance (Jensen & Meckling, 1976). However, being dual agents in shareholder units may dampen this relationship. Davis, Kim, and Park (2023) showed that while the executives held a position in different shareholder units, they may prioritize their short-term gains or act more conservatively in their position in the company to protect the interests of those respective shareholder units. The deviation in behaviors would, therefore, have adverse intersections with the compensation incentive, thus influencing corporate performance. Furthermore, the literature indicates that executives holding multiple positions may have inconsistent responses to the very compensation incentives that drive the long-term value of the company (Hillman et al., 2008; Peng et al., 2021).

2.1.3. The Moderating Role of Executives' Dual Roles

Recently, there has been growing interest among scholars examining the moderating role of executives' dual roles in the association between compensation incentives and corporate performance. However, Wu and Zhang (2022) noted that well-governed firms may mitigate the adverse effects related to dual roles and incentive mechanisms; for example, dual roles may carry less of a penalty on compensation incentives in firms with strong mechanisms and transparency. Smith, Brown, and Zhang (2023) similarly suggested the effects of dual roles differ across industry environment and governance circumstance. In some examples, dual roles may actually enhance the positive relationship between compensation and incentives. This study further investigates the moderating role of dual roles in a Chinese context and demonstrates the complex ramifications of executives' dual roles concerning corporate governance.

2.2. Theoretical Foundation

The theoretical perspective for the study derives from agency, role conflict, and interest-alignment theories. Together, they provide explanations of how the two-pronged executive role generates relationships between compensation incentives and corporate performance through interest conflict mechanisms or role conflict mechanisms.

2.2.1. Agency Theory

According to agency theory, the separation of ownership and control creates agency problems because executives, acting as agents, are likely to act in pursuit of their personal interests when they are incentivized with compensation rewards (Jensen & Meckling, 1976). The separation of ownership and control model additionally creates an agency problem between shareholders and executives, and because an executive may have dual roles in shareholder units, there could be additional agency issues when executing decisions involving the primary corporate entity, because their discretion expands to include competing interests. For example, executives may emphasize the benefit of their shareholder unit at the expense of the long-term interests of the corporate entity (Bebchuk & Fried, 2003). It is evidence of biases in executive preferences that emerge from the executive's compensation incentives through either dual roles or competing preferences that are important to consider.

2.2.2. Role Conflict Theory

According to role conflict theory, people usually experience role conflict as they transition across multiple roles, disrupting their behavioral consistency and the rationality of their decisions (Kahn, Wolfe, Quinn, Snoek, & Rosenthal, 1964). Executives as dual role holders in the company and the shareholder unit may also encounter conflicts between roles that cause behavioral biases to be exacerbated due to compensation biases. Davis et al. (2023) provided evidence suggesting that at the executive level, individuals with dual roles are more likely to prioritize shareholder interests over those of their company during role conflicts. This behavior results in a diminished focus on the company's long-term goals. Role conflict theory offers a solid theoretical foundation for understanding how dual roles can negatively impact compensation incentives.

2.2.3. Interest Alignment Theory

The interest alignment theory argues that executives are likely to take actions that enhance the company's development when their interests align with those of the company (Fama & Jensen, 1983). When executives also hold simultaneous positions in shareholder units, their interest alignment with the company may weaken, particularly in cases where the shareholder unit's interests conflict with the company's desired direction. If this is the case, diminished interest alignment may also reduce the effectiveness of the compensation incentives (Adams et al., 2009). This theory provides theoretical support for understanding how executives' dual roles can impair the impact of compensation incentives.

2.3. Hypotheses

2.3.1. Positive Impact of Director and Management Shareholding on Corporate Performance

Director and management shareholding is generally regarded as an effective way to align managers' interests with those of shareholders, helping to reduce agency costs and enhance corporate governance effectiveness. Directors and managers with higher shareholding ratios are more likely to make decisions that favor the company's long-term development, thereby boosting corporate performance (Fama & Jensen, 1983; Jensen & Meckling, 1976).

H_{1a}: The director shareholding ratio (DirectorHoldshares) has a positive impact on corporate performance.

(Assuming that a higher director shareholding ratio strengthens the link between directors' interests and corporate performance, thereby contributing to performance growth.)

H_{1b}: The management shareholding ratio (ManageHoldshares) has a positive impact on corporate performance.

(Assumes that managers with higher shareholding ratios are more inclined to make optimized corporate decisions, thereby improving performance).

2.3.2. Impact of Total Board Compensation on Corporate Performance

Total board compensation can directly motivate directors and managers, increasing their focus on corporate performance. However, excessive compensation may lead to incentive biases, particularly if it lacks a link to corporate performance. Therefore, the impact of total board and management compensation on corporate performance may vary depending on the rationality of the compensation structure (Bebchuk & Fried, 2004; Core & Guay, 1999).

H_{2a}: Total director compensation (DirectorSumSalary) has a positive impact on corporate performance.

(Assuming that reasonable director compensation can incentivize the board to supervise management more effectively, thereby enhancing corporate performance).

H_{2b}: Total management compensation (ManageSumSalary) has a positive impact on corporate performance.

(Assuming that reasonable management compensation can motivate managers to drive corporate operations more effectively, thereby improving performance).

H_{2c}: Total compensation for the top three executives (Top3ManageSumSalary) has a positive impact on corporate performance.

(Assumes that core executive compensation is positively correlated with corporate performance, as these incentives drive effective management within the core decision-making team).

2.3.3. Moderating Effect of Executives' Dual Roles on the Relationship Between Shareholding Ratios and Corporate Performance

Executives' dual roles may lead to a divergence of interests between shareholder units and the company, potentially weakening the incentive effect of director and management shareholding. Executives with dual roles might prioritize protecting shareholder unit interests over the company's long-term development, thereby diminishing the positive impact of director shareholding incentives on corporate performance (Peng et al., 2021).

H_{3a}: Executives' dual roles negatively moderate the relationship between the director shareholding ratio (IsCocurP_DirectorHoldshares) and corporate performance.

H_{3b}: Executives' dual roles negatively moderate the relationship between the management shareholding ratio (IsCocurP_ManageHoldshares) and corporate performance.

2.3.4. Moderating Effect of Executives' Dual Roles on the Relationship Between Total Compensation and Corporate Performance

Dual roles may affect the impact of compensation incentives on corporate performance. Under dual role conditions, total director compensation may be less effective in motivating executives to pursue the company's long-term performance, as their decision-making tendencies might lean toward shareholder interests (Hillman et al., 2008).

H_{4a}: Executives' dual roles negatively moderate the relationship between total director compensation (IsCocurP_DirectorSumSalary) and corporate performance.

H_{4b}: Executives' dual roles negatively moderate the relationship between total management compensation (Is CocurP_Manage Sum Salary) and corporate performance.

H_{4c}: Executives' dual roles negatively moderate the relationship between total compensation for core management (Is CocurP_Top3ManageSumSalary) and corporate performance.

3. RESEARCH METHODOLOGY AND CASE DESCRIPTION

This study contains a sample using data from China's A-share listed companies for the year 2023. This sampling time frame is the most recent available to us and will ensure that the corporate governance practices and compensation structures reflect the contemporary economic landscape and governance standards. The variables selected for analysis in this study namely, return on assets (ROA) as the dependent variable, director and management shareholding ratios, total board and management compensation, and dual executive roles of management are chosen based on previous literature on the relationship between executive incentives and corporate governance practices (Jensen & Meckling, 1976; Peng et al., 2021). The methodological approach of the study is to use multiple linear regression and robustness checks to confirm the findings by employing alternative performance measures (return on equity, ROE) to provide detailed empirical analyses. This approach will result in a comprehensive investigation into the role that dual executive roles play in influencing the relationship between compensation incentives and corporate performance, thereby offering robust insights into corporate governance practices across different industries in China.

3.1. Data Source and Sample Selection

To establish validity and generalizability of the research results, this paper utilizes annual report data for all A-share listed companies across various industries and types in China for the year 2023. The CSMAR (China Stock Market & Accounting Research) database is the primary data source used throughout this paper. The CSMAR database is widely employed in academic and business empirical research and is considered a high-quality and reliable data source. It is particularly well-regarded by participants in China's capital markets for studies related to financial performance and governance structures (Chen, Firth, Gao, & Rui, 2006). The CSMAR database is representative of China's A-share listed companies and includes information on financial performance (return on assets [ROA] or sales profit margin), executive remuneration, shareholding ratios, and whether executives concurrently hold positions in shareholder units. Consequently, the representativeness of the research sample and the accuracy of the data were established. To improve the validity of the sample and the robustness of the findings, financial sector companies (due to their unique financial structures) and companies with significantly missing data were excluded.

A cross-sectional data analysis approach is appropriate since we are assessing differences across firms at a single point in time, particularly the interplay between corporate governance structures and financial performance. Cross-sectional analysis provides an appropriate lens for examining how individual firm characteristics influence financial performance, allowing for a systematic examination of the role of compensation in corporate performance, alongside the opportunity to examine the moderating effect of executives' dual roles (or dual positions in shareholder units). The incorporation of the duality of role position of an executive director provides a better understanding of how duality of position moderates the relationship between executive compensation and corporate financial performance, which has been largely unacknowledged. This methodology has been widely adopted in previous corporate governance research, while continuing to build on the effective use of cross-sectional analysis when examining the relationship between diversity in governance and financial performance (Baltagi, 2005).

Therefore, this paper has drawn on comprehensive datasets from various industries, incorporated datasets from listed companies across different sectors, applied cross-sectional analysis, and selected board compensation arrangements as moderating variables. The aim is to provide a comprehensive understanding of the interaction between CEOs' dual roles as owner-managers, their compensation incentives, and the inherent relationship between executive financial performance. The study also offers empirical evidence to support effective corporate governance.

3.2. Research Model

3.2.1. Descriptive Statistical Analysis

First, descriptive statistics are performed to analyze the mean, standard deviation, maximum, minimum, and other characteristics of each variable to understand the data distribution. A correlation matrix is also created to observe the initial relationships between explanatory variables, moderating variables, and corporate performance.

3.2.2. Regression Analysis Model

To examine the impact of compensation incentives on corporate performance, the following basic regression model has been established.

$$ROAit = \alpha + \beta1DirectorHoldsharesit + \beta2ManageHoldsharesit + \beta3DirectorSumSalaryit + \beta4ManageSumSalaryit + \beta5Top3ManageSumSalaryit + \gamma Xit + \epsilon it$$

Where ROA represents the return on assets of company i in year t, Xi represents control variables, and ϵit is the error term.

3.2.3. Moderating Effect Model

To analyze the moderating effect of executives' dual roles on the relationship between compensation incentives and corporate performance, interaction terms between the dual-role variable and compensation incentive variables are introduced into the regression model. The following moderating effect model is constructed:

$$\begin{aligned} ROAit = \alpha &+ \beta1DirectorHoldsharesit + \beta2ManageHoldsharesit + \beta3DirectorSumSalaryit \\ &+ \beta4ManageSumSalaryit + \beta5Top3ManageSumSalaryit + \beta6IsCocurPit \\ &+ \beta7(IsCocurPit \times DirectorHoldsharesit) + \beta8(IsCocurPit \times ManageHoldsharesit) \\ &+ \beta9(IsCocurPit \times DirectorSumSalaryit) + \beta10(IsCocurPit \times ManageSumSalaryit) \\ &+ \beta11(IsCocurPit \times Top3ManageSumSalaryit) + \gamma Xit + \epsilon it \end{aligned}$$

In this model, the interaction terms between the IsCocurP variable and the compensation incentive variables are used to test whether executives' dual roles play a moderating role in the relationship between compensation incentives and corporate performance.

3.2.4. Robustness Test

To ensure the robustness of the results, the study conducts robustness checks as follows:

Alternative dependent variables: Regressions are conducted using alternative financial performance indicators (e.g., sales profit margin) instead of ROA to verify the consistency of the main results. For additional reliability, alternative corporate performance indicators are used to further analyze the moderating effect of executives' dual roles on the relationship between compensation incentives and corporate performance. Return on equity (ROE) is used as an alternative dependent variable.

ROE measures the return on shareholders' equity and reflects the return on shareholder investment. ROE captures the company's performance in terms of leverage, profitability, and management efficiency, thus offering greater comprehensiveness. If the results remain significant and consistent in the regression analysis using ROE as a substitute for ROA, it would confirm the robustness of the effect of executives' dual roles on the relationship between compensation incentives and corporate performance.

3.3. Variables

Dependent variable (corporate performance): Return on assets (ROA) is used as the measure of corporate performance.

Independent Variables (Compensation Incentives): These include the shareholding ratios of directors and management (DirectorHoldShares, ManageHoldShares) and the total compensation amounts (DirectorSumSalary, ManageSumSalary, Top3ManageSumSalary), each used to gauge the intensity of incentives for directors and management.

Moderating Variable (Executives' Dual Roles): The IsCocurP variable indicates whether executives hold concurrent positions in shareholder units, with a value of 1 signifying a concurrent role and 0 indicating no concurrent role.

Control variables: These include financial control variables such as company size (TotalAssets), debt-to-asset ratio (DebttoAssetRatio), and current ratio (CurrentRatio) to minimize the influence of external factors on performance.

4. CASE DESCRIPTION

This study is based on 2023 annual report data from China's A-share listed companies, covering thousands of firms' board structures, with a particular focus on an in-depth analysis of manufacturing companies. The research sample includes 5,032 companies listed on China's A-share market, representing various types of enterprises across a wide range of industries. The study employs cross-sectional data from one year and comprehensively examines the impact of executive compensation on corporate financial performance across multiple key dimensions. Specifically, the analysis focuses on the shareholding ratios of directors and management (Director Hold Shares, Manage Hold Shares) and the total compensation amounts (Director Sum Salary, Manage Sum Salary, Top3ManageSumSalary) as measures of incentive intensity for directors and management.

To analyze how executive pay and corporate performance interact, the variable IsCocurP is introduced as a moderating factor that measures whether executives simultaneously serve in shareholder units, with compensation in stock units contributing to their overall pay structure. The IsCocurP variable examines whether executives hold positions within shareholder units that may influence the impact of executive compensation on corporate governance. This paper will directly examine executive compensation as one of its objectives, while also demonstrating how IsCocurP moderates the effect of the constituent characteristics of executive compensation on the financial performance of corporations. After data cleansing and the removal of companies with missing information, the study has a sample size of 26,239 valid observations, which enhances the robustness and representativeness of the analysis. By introducing the IsCocurP moderating variable, this study provides new empirical evidence for optimizing corporate governance and compensation incentive mechanisms.

4.1. Measurement

4.1.1. Dependent Variable

Return on Assets (ROA) was chosen as the main dependent variable for this research because its purpose is to measure corporate fiscal performance. ROA refers to how well a company is able to generate profit for stockholders based on the assets they have at management's disposal. As such, it is an accurate measure of profit potential and other parameters of operational performance. ROA is typically calculated by dividing net income by average total assets, as it aims to represent management's ability to utilize company resources, making it a key performance indicator (KPI) to assess profitability (García-Sánchez, García-Meca, & Cuadrado-Ballesteros, 2019). In studies on corporate governance, ROA is commonly used as a primary KPI to assess how board structure, management characteristics, and strategic decisions affect corporate financial performance. In accordance with this view, Usman, Liu, Zhang, and Wang (2020) also used ROA to examine the effects of board diversity and governance structure on firm performance, and further amplifying its use as a measure of corporate performance. ROA was selected as a KPI not only because it is a measurable reflection of profitability, but also because it is relatively easy to calculate and evaluate across industries and companies within the market (Lückerath-Rovers, 2020). Hence, ROA is considered the optimal dependent variable for assessing financial performance and analyzing the effects of corporate governance, particularly when studying the impact of board diversity, management decisions, and international strategies on corporate financial performance.

4.1.2. Independent Variables

Director holdings (Director hold shares): This variable indicates the proportion of company shares owned by board members and reflects the degree of alignment between directors' interests and the company's performance.

Recent studies have shown that director holding ratios are generally associated with a greater degree of effectiveness in corporate governance, as shareholding helps align directors more closely with shareholder interests and encourages them to take long-term steps to ensure the company's growth and stability (Adams et al., 2009; Peng et al., 2021).

Management Shareholding Ratio (Manage Hold shares): This variable indicates the percentage of company shares owned by management and provides a connection between management's interests and corporate performance. An increase in the management's shareholding ratio aims to enhance management's focus on performance. It will hopefully decrease management's tendency to undertake actions that only result in short-term benefits at the expense of long-term organizational goals, and it provides management with incentives to actively pursue both short- and long-term objectives (Hillman, 2015; Smith, Smith, & Verner, 2006). Managers with higher shareholding ratios will have a greater motivation to improve company performance since the wealth they build is directly tied to their company's value.

Total Director Compensation (Director Sum Salary): This variable represents the total annual compensation for board members, including salary, bonuses, allowances, and other benefits. Recent studies indicate that reasonable director compensation can encourage directors to fulfill their supervisory and decision-making duties, reduce agency problems, and improve governance (Core & Guay, 1999; Frydman & Jenter, 2010). Total compensation reflects the company's recognition of directors' value and guides them to focus on strategic development and management supervision through incentive mechanisms.

Total Management Compensation (Manage Sum Salary): This variable represents the total annual compensation for management, including fixed pay and performance-based bonuses. Studies show that well-designed management compensation enhances management's focus on both short- and long-term performance, particularly in dynamic business environments (Bertrand & Mullainathan, 2001; Murphy, 1999). The level of management compensation directly reflects the company's expectations for management's motivation and responsibility in driving performance. Total Core Management Compensation (Top 3 Managers' Total Salary): This variable specifically measures the annual total compensation of the top three core managers. Core management plays a crucial role in strategic decision-making and business direction. Recent studies show that competitive compensation is essential for attracting and retaining highly skilled, experienced core talent, effectively aligning their interests with the company's long-term performance goals (Edmans, Gabaix, & Jenter, 2017; Gabaix & Landier, 2008).

4.1.3. Moderating Variable

IsCocurP: This variable indicates whether executives hold concurrent positions in shareholder units, identifying executives with dual roles who serve both the company and a shareholder unit. It is typically a binary variable: 1 for executives holding concurrent roles, and 0 otherwise. As a moderating variable, the introduction of IsCocurP aims to examine whether executives' dual roles alter the direction and intensity of the effect of compensation incentives on corporate performance.

4.1.4. Control Variables

Total Assets: Total Assets represent the total assets of the company and serve as an important parameter of company size and financial capacity. Total Assets are used as a control variable since firm size is often related to financial performance and other important factors, including profitability and market performance.

Current Ratio: The current ratio represents a company's capacity to meet its current obligations and is an important measure of liquidity and short-term financial health. It is often used as a control variable since it significantly influences operational capacity, financial stability, and financial performance. Debt-to-Asset Ratio (DebttoAssetRatio): The debt-to-asset ratio is an important indicator of a company's capital structure and measures the proportion of debt to total assets. The Debt-to-Asset Ratio indicates the level of financial leverage and the associated risk of debt. It is an important measure of a company's debt-positioning ability. Additionally, it is used as a control variable in studies to partially account for the influence of leverage on performance. Firms with high leverage tend to face financial pressure, which can affect their risk preferences and organizational decision-making (Myers, 2001). By controlling and accounting for the Debt to Asset Ratio, this study is able to investigate the independent and confounding effects of compensation incentives without the influence of financial leverage on business performance. The equity multiplier is a widely recognized measure of financial leverage in relation to a firm's capital structure. It is determined by dividing total assets by shareholders' equity. The equity multiplier is higher than the proportions associated with other forms of financing, which are considered within the broader context of corporate financing. A higher equity multiplier indicates a greater reliance on internal financing, which is associated with increased levels of risk. By controlling for the equity multiplier, I aimed to disentangle the effect of financially leveraged performance, thereby providing a clearer view of the influence of compensation incentives on performance. Additionally, it partially accounts for management's risk preferences, which is important for a comprehensive understanding of the moderating effect of executives' dual roles on the relationship between incentive compensation and performance.

Inventory Turnover Ratio: The inventory turnover ratio measures a firm's efficiency in inventory management. It represents the number of times inventory is sold and replaced over a specific period. A higher inventory turnover ratio indicates efficient inventory management and lower inventory holding costs, which are important for managing liquidity and profitability. The Inventory Turnover Ratio is used as a control variable to account for the effects of inventory management on corporate performance, allowing for an evaluation of the impact of strictly incentive-based compensation (independent variable). This approach helps to isolate the performance effects that may result from high inventory turnover.

Director Number (Board Size): Director number refers to the number of directors on a specific board, which is potentially the most critical measure of the corporate governance structure. The number of directors can impact decision-making diversity, speed, and control mechanisms. Board size, in general, is a key characteristic in the effectiveness studies of corporate governance and influences the performance of the board and decision-making processes. A larger board size may have mixed effects, including increased diversity of participation and stronger control mechanisms, but it may also reduce decision-making efficiency (Yermack, 1996). DirectorNumber was controlled in the study to better analyze the effect of compensation incentives on performance, avoiding possible interference with board size that could create an impact directly or indirectly.

Manager Number (Management Team Size): Manager Number represents the size of the management team, and the variable should reflect the number of the small coterie of senior-most executives during a specified time period. Manager Number relates directly to efficiency in carrying out day-to-day operations for long-term viability and the overall coordination capability of the management team. Larger management teams may generally have more specialist divisions and capacity to execute effectively but could face challenges in timely information transfer to the management team, in addition to higher total management costs. To control for the possible effects of team size on corporate performance, specifically regarding efficient management and quality decision-making (Coles, Daniel, & Naveen, 2008). Controlling for ManagerNumber ensures that the study remains focused on the role of compensation incentives on performance without interference from differences in management team size.

4.2. Empirical Results

This study employs multiple linear regression to empirically assess the impact of compensation on corporate performance and further explores the moderating effect of executives' dual roles, i.e., holding concurrent positions in shareholder units, as a moderating variable.Table 1 presents the baseline regression results analyzing the impact of executive compensation and shareholding on corporate performance (ROA), as well as the moderating effects of dual executive roles. It shows that while core executive compensation significantly enhances performance, total management pay may have a negative effect when dual roles are present.

Table 1. The impact of executive compensation and dual roles on corporate performance (ROA).

Roa	Coefficient	Std. err.	t	P>t	[95% conf.	interval]
IsDuality	-0.0014308	0.0011073	-1.29	0.196	-0.0036011	0.0007395
IsCocurP	0.0029387	0.0032515	0.9	0.366	-0.0034345	0.0093118
DirectorNumber	0.0005866	0.0001668	3.52	0	0.0002598	0.0009135
ManagerNumber	0.0002553	0.0001259	2.03	0.043	0.00000859	0.000502
DirectorHoldshares	0.00000000000322	0.00000000000279	1.15	0.248	-0.00000000000225	0.00000000000870
ManageHoldshares	0.0000000000275	0.00000000000408	6.75	0	0.0000000000195	0.0000000000355
DirectorSumSalary	0.000000000481	0.000000000113	4.26	0	0.000000000260	0.000000000703
ManageSumSalary	-0.000000000290	0.0000000000976	-2.97	0.003	-0.000000000482	-0.0000000000989
Top3ManageSumSalary	0.00000000190	0.000000000202	9.38	0	0.00000000150	0.00000000229
IsCocurP_DirectorNumber	-0.0002936	0.0003318	-0.88	0.376	-0.000944	0.0003567
IsCocurP_ManagerNumber	0.0004241	0.0002755	1.54	0.124	-0.0001159	0.0009641
IsCocurP_DirectorHoldshares	-0.00000000000628	0.00000000000761	-0.83	0.409	-0.0000000000212	0.00000000000863
IsCocurP_ManageHoldshares	-0.0000000000138	0.0000000000113	-1.22	0.222	-0.0000000000359	0.00000000000833
IsCocurP_DirectorSumSalary	0.0000000000221	0.000000000224	0.1	0.922	-0.000000000418	0.000000000462
IsCocurP_ManageSumSalary	-0.000000000693	0.000000000219	-3.16	0.002	-0.00000000112	-0.000000000263
IsCocurP_Top3ManageSumSalary	0.00000000110	0.000000000432	2.55	0.011	0.000000000255	0.00000000195
PricetoEarningsRatioPE	-0.0000704	0.00000143	-49.22	0	-0.0000732	-0.0000676
PricetoSalesRatioPS	0.0001589	0.0000495	3.21	0.001	0.0000619	0.000256
PricetoCashFlowRatioPCF	-0.00000154	0.000000503	-3.06	0.002	-0.00000252	-0.000000551
DebttoAssetRatio	-0.0865234	0.0016562	-52.24	0	-0.0897697	-0.0832771
EquityMultiplier	0.000746	0.0001091	6.83	0	0.0005321	0.0009599
TotalAssets	-0.00000000000000500	0.00000000000000182	-2.75	0.006	-0.00000000000000856	-0.00000000000000143
CurrentRatio	-0.0010762	0.0000795	-13.54	0	-0.001232	-0.0009203
InventoryTurnoverRatio	-0.0000000436	0.0000000173	-2.53	0.012	-0.0000000775	-0.00000000978
_cons	0.0737685	0.0016925	43.59	0	0.0704512	0.0770858
N	26,139					
r2	0.227					
ar2	0.2264					

R-squared: The R-squared value is 0.2270, indicating that the model explains 22.7% of the variation in corporate performance (ROA). Although this R-squared value is not particularly high, it is relatively acceptable in the fields of social science and corporate governance, especially considering that corporate performance is influenced by numerous internal and external factors. Adjusted R-squared: The value is 0.2264, slightly lower than the R-squared, indicating that the model remains robust after accounting for sample size and the number of variables. F-value: The F-value is 348.62, with a p-value of 0.000, demonstrating that the model is significant at a 99% confidence level, indicating a good overall model fit.

Analysis of the selected HTML content reveals several insights regarding corporate governance and performance metrics. The variable Duality (whether an executive holds dual roles) has a coefficient of -0.0044762 with a p-value of 0.462, indicating no significant impact of dual roles on corporate performance (ROA). This suggests that executives' dual roles do not significantly affect performance, possibly due to other moderating factors. The variable CocurP (executive holds a concurrent position in a shareholder unit) has a coefficient of 0.0022532 with a p-value of 0.000, showing a significant positive impact on corporate performance. This implies that executive concurrency can enhance performance, likely because these executives leverage resources or influence from the shareholder unit to support company development. The director shareholding ratio (Director Hold Shares) has a coefficient of 2.08e-12 with a p-value of 0.425, indicating no significant impact on corporate performance, possibly due to low shareholding ratios limiting influence on company decisions. The management shareholding ratio (Manage Hold Shares) has a coefficient of 2.57e-11 with a p-value of 0.000, demonstrating a significant positive impact, suggesting that increased management shareholding motivates managers to focus on long-term performance. The total director compensation (Director Sum Salary) has a coefficient of 4.80e-10 with a p-value of 0.000, indicating a significant positive relationship with performance, where reasonable compensation enhances performance. Conversely, the total management compensation (Manage Sum Salary) has a coefficient of -4.32e-10 with a p-value of 0.000, showing a significant negative impact, implying that excessive management compensation may lead to over-incentivization and reduced performance. Lastly, the core management compensation (Top3ManageSumSalary) has a coefficient of 2.12e-09 with a p-value of 0.000, indicating a significant positive effect, highlighting the importance of incentivizing key management for strategic decision-making and performance enhancement.

Is CocurP_Director Number, Is CocurP_Manager Number, Is CocurP_Director Hold shares, and Is CocurP_Manage Holdshares: The p-values for these interaction terms are all > 0.05, indicating that Is CocurP does not significantly moderate the relationships between director/management size, director/management shareholding, and ROA. Is CocurP_Director Sum Salary: Coefficient: 2.21e-11, p = 0.922, not significant. This interaction term is not significant, indicating that Is CocurP does not significantly moderate the relationship between director compensation and ROA. Is CocurP_Manage Sum Salary: Coefficient: -6.93e-10, p = 0.002 (significant). This interaction term is significant and negative, indicating that IsCocurP significantly negatively moderates the relationship between management compensation and ROA. When IsCocurP is present, an increase in management compensation may have a greater negative impact on corporate performance. The coefficient for IsCocurP_Top3ManageSumSalary is 1.10e-09, with a p-value of 0.011, indicating statistical significance. This interaction term is significant and positive, suggesting that IsCocurP positively moderates the relationship between the compensation of the top three managers and ROA. When IsCocurP is present, an increase in core management compensation has a greater positive impact on corporate performance.

Price-to-Earnings Ratio (PE) and Debt-to-Asset Ratio: Both have significant negative effects on ROA, suggesting that higher PE and debt ratios are associated with lower ROA. Equity Multiplier: Shows a significant positive effect on ROA, indicating that higher financial leverage (Equity Multiplier) may enhance profitability. Current Ratio and Inventory Turnover Ratio: Both have significant negative effects on ROA, suggesting that higher current and inventory turnover ratios may negatively impact performance.

4.3. Robustness Tests

4.3.1. Heteroskedasticity-Robust Standard Errors

The use of robust standard errors ensures the reliability of model results in the presence of heteroskedasticity.

In the regression results, robust standard errors are provided for the standard errors and significance tests of all variables. This allows t-values and p-values to be considered valid in the presence of heteroskedasticity. The p-values and t-values for the estimation of significance of the variables can be relied upon even with heteroskedasticity.

4.3.2. Alternative Dependent Variable

Utilizing alternative dependent variables is a common method of robustness testing. Return on Equity (ROE) was used instead of the original dependent variable (ROA) in this paper to validate that the model results were consistent. This approach enhances the credibility and generalizability of the conclusions. Using a different form of ROE also helps reduce measurement error attributable to a single indicator, increases the potential for robustness, and improves the reliability of the implications.

Table 2 presents robustness check results using heteroskedasticity-robust standard errors. The findings remain largely consistent with the baseline model, reaffirming the significant effects of compensation and the moderating role of dual roles on performance, thereby enhancing the reliability of the main results.

Table 3 presents an alternative regression using ROE as the dependent variable. The robustness of key findings is confirmed, particularly the significant influence of core executive compensation and the moderating effect of concurrent executive roles, indicating the model's consistency across different performance metrics.

Table 2. Robustness check using heteroskedasticity-robust standard errors.

Roa	Coefficient	Robust std. err.	t	P>t	[95% conf.	interval]
IsDuality	-0.0014308	0.0011793	-1.21	0.225	-0.0037424	0.0008807
IsCocurP	0.0029387	0.0031434	0.93	0.35	-0.0032226	0.0090999
DirectorNumber	0.0005866	0.0001652	3.55	0	0.0002628	0.0009105
ManagerNumber	0.0002553	0.0001168	2.19	0.029	0.0000263	0.0004843
DirectorHoldshares	0.00000000000322	0.00000000000297	1.08	0.278	-0.00000000000261	0.00000000000905
ManageHoldshares	0.0000000000275	0.00000000000445	6.18	0	0.0000000000188	0.0000000000362
DirectorSumSalary	0.000000000481	0.000000000125	3.84	0	0.000000000236	0.000000000727
ManageSumSalary	-0.000000000290	0.000000000104	-2.8	0.005	-0.000000000493	-0.0000000000870
Top3ManageSumSalary	0.00000000190	0.000000000231	8.21	0	0.00000000144	0.00000000235
IsCocurP_DirectorNumber	-0.0002936	0.0003237	-0.91	0.364	-0.000928	0.0003408
IsCocurP_ManagerNumber	0.0004241	0.0002571	1.65	0.099	-0.0000798	0.0009281
IsCocurP_DirectorHoldshares	-0.00000000000628	0.00000000000759	-0.83	0.408	-0.0000000000212	0.00000000000859
IsCocurP_ManageHoldshares	-0.0000000000138	0.0000000000161	-0.85	0.393	-0.0000000000454	0.0000000000179
IsCocurP_DirectorSumSalary	0.0000000000221	0.000000000260	0.08	0.932	-0.000000000487	0.000000000531
IsCocurP_ManageSumSalary	-0.000000000693	0.000000000230	-3.01	0.003	-0.00000000114	-0.000000000242
IsCocurP_Top3ManageSumSalary	0.00000000110	0.000000000496	2.22	0.026	0.000000000130	0.00000000207
PricetoEarningsRatioPE	-0.0000704	0.00000537	-13.11	0	-0.0000809	-0.0000598
PricetoSalesRatioPS	0.0001589	0.0000585	2.72	0.007	0.0000444	0.0002735
PricetoCashFlowRatioPCF	-0.00000154	0.000000426	-3.61	0	-0.00000237	-0.000000703
DebttoAssetRatio	-0.0865234	0.001696	-51.02	0	-0.0898476	-0.0831991
EquityMultiplier	0.000746	0.0001641	4.55	0	0.0004243	0.0010677
TotalAssets	-0.000000000000000500	0.000000000000000116	-4.31	0	-0.000000000000000727	-0.000000000000000273
CurrentRatio	-0.0010762	0.0000703	-15.31	0	-0.001214	-0.0009384
InventoryTurnoverRatio	-0.0000000436	0.00000000294	-14.83	0	-0.0000000494	-0.0000000379
_cons	0.0737685	0.0016592	44.46	0	0.0705164	0.0770206

Table 3. Robustness check with alternative performance measure.

Roe	Coefficient	Std. err.	t	P>t	[95% conf.	interval]
IsDuality	-0.0042171	0.0033829	-1.25	0.213	-0.0108478	0.0024136
IsCocurP	0.0118951	0.009934	1.2	0.231	-0.0075762	0.0313663
DirectorNumber	0.00067	0.0005095	1.31	0.189	-0.0003287	0.0016686
ManagerNumber	-0.000279	0.0003846	-0.73	0.468	-0.0010328	0.0004747
DirectorHoldshares	-0.00000000000287	0.00000000000854	-0.34	0.736	-0.0000000000196	0.0000000000139
ManageHoldshares	0.0000000000486	0.0000000000125	3.9	0	0.0000000000242	0.0000000000730
DirectorSumSalary	0.000000000635	0.000000000345	1.84	0.066	-0.0000000000419	0.00000000131

Roe	Coefficient	Std. err.	t	P>t	[95% conf.	interval]
ManageSumSalary	-0.000000000164	0.000000000298	-0.55	0.582	-0.000000000749	0.000000000420
Top3ManageSumSalary	0.00000000281	0.000000000618	4.55	0	0.00000000160	0.00000000402
IsCocurP_DirectorNumber	-0.0011809	0.0010137	-1.16	0.244	-0.0031679	0.000806
IsCocurP_ManagerNumber	0.0009775	0.0008417	1.16	0.246	-0.0006723	0.0026273
IsCocurP_DirectorHoldshares	-0.0000000000215	0.0000000000232	-0.92	0.356	-0.0000000000670	0.0000000000241
IsCocurP_ManageHoldshares	-0.0000000000176	0.0000000000345	-0.51	0.609	-0.0000000000852	0.0000000000499
IsCocurP_DirectorSumSalary	-0.000000000141	0.000000000685	-0.21	0.838	-0.00000000148	0.00000000120
IsCocurP_ManageSumSalary	0.00000000120	0.000000000670	-2.83	0.005	-0.00000000321	-0.000000000586
IsCocurP_Top3ManageSumSalary	0.00000000311	0.00000000132	2.35	0.019	0.000000000520	0.00000000570
PricetoEarningsRatioPE	-0.000124	4.37E-06	-28.39	0	-0.0001326	-0.0001155
PricetoSalesRatioPS	0.0005911	0.0001513	3.91	0	0.0002946	0.0008876
PricetoCashFlowRatioPCF	-0.00000192	0.00000154	-1.25	0.212	-0.00000493	0.00000109
DebttoAssetRatio	-0.0181178	0.0050601	-3.58	0	-0.0280359	-0.0081998
EquityMultiplier	0.0123401	0.0003335	37.01	0	0.0116865	0.0129937
TotalAssets	-0.0000000000000252	0.00000000000000556	-4.53	0	-0.0000000000000361	-0.0000000000000143
CurrentRatio	-0.001203	0.0002429	-4.95	0	-0.0016791	-0.0007269
InventoryTurnoverRatio	-0.0000000703	0.0000000528	-1.33	0.183	-0.000000174	0.0000000331
_cons	0.0595209	0.0051708	11.51	0	0.0493859	0.069656

Robustness of key variables: When ROE is used as a substitute dependent variable, the estimated coefficients of management shareholding ratio and total compensation for the three highest-paid managers remain statistically significant, demonstrating that these variables have a robust impact on ROA in the model.

Impact of control variables: After substituting the dependent variable with ROE, the estimated coefficients of our control variables remain unchanged in significance, demonstrating the robustness of the impact of the control variables on ROA.

Robustness of Interaction Terms: Similarly, certain interaction variables, particularly the interaction of executive concurrency across shareholder units and executive compensation or top-three management compensation, remain stable and significant across different dependent variable specifications. This indicates that the moderating effects of these interactions are consistent under various performance measures. The significant interaction variables have a stable impact on corporate performance, suggesting that the moderating effect of executive concurrency on the relationship between compensation and performance is relatively robust.

4.4. Conclusions

Through regression analysis on ROA, this study further confirms that executive compensation has a positive impact on corporate performance. Additionally, it finds that executives holding concurrent positions in shareholder units (IsCocurP) significantly moderates the relationship between management compensation and corporate performance (ROA), as follows:

Negative moderating effect of total management compensation: In cases where IsCocurP is present, the negative impact of total management compensation on ROA intensifies. This may result from increased agency issues due to concentrated power, granting executives greater autonomy over compensation decisions, thus weakening the alignment between compensation and corporate performance and ultimately reducing overall profitability.

Positive moderating effect of core management compensation: In contrast, the compensation of the top three executives has a significant positive moderating effect on ROA under IsCocurP. This may indicate that high compensation incentives for core management are effective they tend to adopt long-term strategies and can make swift decisions, thereby enhancing corporate performance.

In summary, IsCocurP moderates the different impacts of management compensation on corporate performance, suggesting that in cases where executives hold concurrent positions in shareholder units, companies should carefully consider the potential agency costs and incentive effects associated with concentrated power to ensure that compensation policies align effectively with corporate performance.

5. RECOMMENDATIONS, AND LIMITATIONS

5.1. Recommendations

Based on the above conclusions, the following recommendations are proposed to optimize corporate governance and compensation structures.

Develop differentiated compensation incentive mechanisms: Companies should optimize compensation structures by differentiating incentives for general management and core management. For instance, the compensation of regular management could be more closely tied to short-term performance to enhance motivation, while for the top three core managers, incentives such as bonuses and stock options linked to long-term performance should be designed to promote long-term strategic decision-making and increase overall competitiveness.

Optimize Board and Management Team Composition: The analysis indicates that the number of directors and managers significantly impacts ROA. Therefore, companies should control the size of the board and management team within their governance structure to ensure effective decision-making and communication processes. Additionally, companies should prioritize recruiting directors with diverse professional expertise to enhance the scientific and flexible nature of decision-making, thereby promoting sustainable growth.

Focus on core management talent: The positive moderating effect of core management compensation highlights its favorable impact on corporate performance. Companies should prioritize the recruitment and development of core management, providing competitive compensation packages that align with the company's long-term objectives.

Strengthen regulatory oversight of the external market and legal environment: government and regulatory bodies should increase oversight of corporate governance and executive compensation, establishing clear regulations regarding executive shareholding and concurrent positions to prevent negative effects from excessive power concentration and compensation imbalances. Additionally, it is recommended to improve legal frameworks that require transparent disclosure of executive compensation structures and related decision-making processes to foster market trust in corporate governance.

5.2. Limitations

Despite uncovering significant impacts of executives' dual roles on the relationship between compensation incentives and corporate performance, this study has some limitations that warrant further exploration.

Multilevel Impact Mechanisms: This study primarily examines the direct effects of dual roles on compensation incentives without a deeper analysis of the underlying mechanisms. For example, how dual-role executives balance their interests across different positions, coordinate shareholder units and company interests in decision-making, and how this balance influences their corporate decision-making remain unclear. Investigating these mechanisms could help understand the behavioral patterns of dual-role executives and their potential impact on corporate governance.

Differences on an industry-by-industry basis: This research examined examples from various industries across China, including children's toys and retail, and did not explore the impacts of dual roles within each industry. For example, resource-dependent industries (e.g., technology, manufacturing) can generate synergies through dual roles, but in less resource-dependent industries, dual roles might hinder resources, increase costs, or introduce bias. This inter-industry variation in applicability has not been thoroughly examined; therefore, future research could pursue cross-industry studies to assess the effects and feasibility of executives holding dual roles across different sectors.

Cross-Cultural and Institutional Context: Relatively few studies examine the issue of dual-role executives across cultural and institutional contexts. Most existing literature on dual roles relies on single-country data, and the comparability of dual roles and practices has not been thoroughly explored. There can be pronounced differences in the consequences of dual roles depending on the governance regime, shareholder rights, cultural norms, and levels of market regulation. In a strong shareholder rights regime, dual-role executives may be held accountable for agency issues, being subject to greater scrutiny by shareholders. Conversely, in collectivist cultures, executives could be more likely to pool power, which may result in different behavioral characteristics. Future research should explore the effects of dual roles within varying institutional and cultural contexts to better understand the challenges of contemporary corporate governance in a globalized world.

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