Incentives in Motion:
How CEO Pay Evolves Across Tenure

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Abstract

This study revisits the relationship between CEO compensation and tenure using a substantially larger dataset than prior research, enabling a detailed examination of annual trends and the composition of pay packages. We find robust evidence that total compensation increases with tenure, particularly for externally appointed CEOs and in cases of significant board turnover—patterns consistent with theories of growing CEO bargaining power and board alignment. However, not all components follow the same trajectory: while equity grants tend to taper over time, accumulated holdings increase, enhancing pay-performance sensitivity. Our findings suggest that CEO compensation is best understood as a dynamic negotiation shaped by evolving power dynamics, strategic uncertainty, and external scrutiny. By highlighting how compensation structures shift across tenure, we offer new insights into the interplay between incentive design, governance, and executive agency.

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CEO compensation emerges from a tug of war between the board of directors and the CEO. On one side, the board seeks to craft pay packages that attract and retain top talent while aligning CEO incentives with shareholder interests (the "shareholder value" perspective). On the other side, CEOs aim to secure compensation arrangements that maximize their personal utility, possibly at the detriment of shareholder value (the "rent extraction" view).

The tension endures throughout a CEO's tenure, but the balance of power and strategic priorities shifts over time. At the outset, uncertainty surrounds the new CEO's capabilities and the strategic direction ahead (Pan, Wang, and Weisbach, 2015). In this early phase, the board emphasizes long-term alignment between performance outcomes and compensation. Meanwhile, the CEO, still unproven, lacks the political capital to negotiate aggressively. As time progresses, however, the CEO's influence grows (Hermalin and Weisbach, 1998), enhancing their bargaining power and enabling them to extract more favorable compensation terms.

A third set of actors—regulators, proxy advisors, activist investors, and the media—also play a critical role in shaping executive pay. These stakeholders often focus on fairness and the optics of compensation, placing pressure on firms to emphasize performance-based pay structures. As a result, both executives and boards become increasingly attuned to how compensation packages are perceived externally.

This dynamic framework of compensation negotiation gives rise to several testable predictions. First, CEO compensation is expected to increase with tenure as the executive demonstrates competence and accumulates political capital. This effect is likely to be

more pronounced for externally appointed CEOs, who typically begin with limited internal leverage. The effect should also be stronger when there is significant board turnover that coincides with the CEO's appointment, as directors appointed by the CEO have greater allegiance to the CEO and may be more deferential or sympathetic towards the CEO, especially if they were appointed under the CEO's influence or search (Coles, Daniel, and Naveen, 2014).

Second, boards are likely to rely heavily on stock and option grants early in the tenure to align incentives as the strategic course is set. This reliance should be especially pronounced for external hires who typically lack preexisting equity stakes. Since equity awards typically vest over multiple years, the need for additional equity grants should diminish over time, leading to a tapering of such awards in later years. One might even expect that newly appointed CEOs would get a large grant upfront followed by several years of no grants, such as when UnitedHealth appointed its new CEO in 2025.[1] However, while one-time, front-loaded grants might seem natural, compensation consultants note that many CEOs prefer annual "overlapping grants." This approach creates multiple relevant performance periods and diversifies the strike prices of their options (and the stock values of stock grants)—similar to dollar-cost averaging for investors—and reflects the recognition that their ability to consistently drive the stock price upward is limited.

A substantial body of research has explored cross-sectional variation in CEO compensation, consistently finding that pay increases with firm size and performance (e.g.,

[1] In May 2025, UnitedHealth announced that its new CEO would get a pay package worth $61 million, comprised of a $1 million annual salary, no annual bonus, and stock options worth $60 million. The announcement also emphasized that no further equity would be granted for at least three years.

Edmans, Gabaix, and Jenter, 2019; Graham, Kim, and Leary, 2020). However, patterns in compensation across CEO tenure remain less definitive. While studies such as Cremers and Palia (2014), Edmans, Gabaix, and Jenter (2019), and Graham, Kim, and Leary (2020) report a positive relationship between tenure and total compensation, others—including Gibbons and Murphy (1992) and Custodio, Ferreira, and Matos (2013)—present evidence suggesting that compensation may decline as tenure increases. The literature on equity-based pay is more limited. Custodio, Ferreira, and Matos (2013) find no significant relationship between tenure and the level of equity compensation, though they do observe a negative association between tenure and the proportion of total pay awarded in equity.

We revisit the relationship between CEO compensation and tenure using a novel dataset of executive compensation (Equilar) that includes granular details on over 5000 firms from 2006-2023. The results in a substantially larger sample than used in prior studies, enabling us to analyze yearly trends observe changes in plan design year-over-year in both total pay and disaggregated compensation components. This approach reveals nuanced patterns in compensation dynamics. After controlling for firm and industry-by-year fixed effects, we find robust evidence that total compensation rises with CEO tenure. This effect is especially pronounced among externally hired CEOs, aligning with the prediction of Hermalin and Weisbach (1998) that a CEO's bargaining power grows with time in office and consistent with the findings of Cziraki and Jenter (2021). Furthermore, the trend is amplified when substantial board turnover coincides with the CEO's appointment, suggesting that newly appointed directors may reward the CEO out of a sense of gratitude (Coles, Daniel, and Naveen, 2014).

Not all pay components follow this upward trajectory. In fact, many CEOs—particularly those hired externally—receive a large one-time package in their first year which typically includes a signing bonus and substantial equity grants. These initial awards are frequently structured, at least in part, as *make-whole* compensation to offset forfeited compensation from a prior employer. We find that equity-based compensation—stock and options— makes up nearly half of total pay in a CEO's first year (Table 2 Panel B: 32.5% stock + 16.9% options = 49.4%). After this initial spike, equity grants are more modest and consistent in subsequent years. This front-loading is even more pronounced larger for externally hired CEOs: we find they receive 14.7 percentage points more of their total pay in equity than internally promoted CEOs in year 1 (Table 4 Panel B: 8.8% options + 5.9% stock). These patterns highlight how firms use up-front equity to attract external talent and align incentives from the outset. Despite the tapering off equity grants, equity-based compensation accumulates and vests over several years increasing the overall sensitivity of the CEO's portfolio to firm performance. On average, stock and option holdings grow through year 6, at which point annual exercises begin to offset new grants and overall exposure plateaus.

We contribute to the executive compensation literature by illuminating how CEO pay evolves over the course of a tenure—a dimension often overlooked in prior research. While existing studies acknowledge the inherent tension between boards seeking to align incentives and CEOs aiming to maximize personal utility, they largely treat this tension as static. Our findings reveal that this dynamic shifts meaningfully over time. Early in a CEO's tenure, uncertainty about performance and limited internal influence constrain rent

extraction, prompting boards to emphasize long-term, equity-based incentives. As tenure progresses, CEOs accumulate political capital and bargaining power, enabling them to negotiate more favorable terms.

Our analysis also highlights the role of equity grant timing and structure. Contrary to the notion of large, one-time equity awards at the outset, we find that many CEOs—particularly those who are risk-averse—prefer equity compensation to be distributed over time. This approach diversifies the strike prices of their options and reflects a pragmatic view of their ability to consistently drive stock performance.

By leveraging a substantially larger dataset than prior studies, we are able to disaggregate compensation components and track their evolution annually. We show that total compensation tends to rise with tenure, especially for externally appointed CEOs and in cases of significant board turnover—patterns consistent with theories of increasing CEO influence and board alignment. Importantly, we demonstrate that not all components follow the same trajectory: while equity awards taper, accumulated holdings continue to grow, increasing the CEO's exposure to firm performance.

Taken together, our findings underscore that a CEO's annual compensation cannot be fully understood in isolation. It must be interpreted in the context of tenure, prior pay, and the evolving balance of power between the CEO, the board, and external stakeholders.

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Figures

Figure 1: CEO Compensation: Incentive Mix Changes Following CEO Transitions

This figure plots the evolution of CEO compensation over tenure. The left y-axis reports average total compensation in thousands of U.S. dollars. The right y-axis displays the percentage share of total compensation represented by each component: base salary, bonus, stock awards, option awards, and other compensation. The black solid line shows total compensation levels, while the component shares are represented by colored lines with distinct patterns.

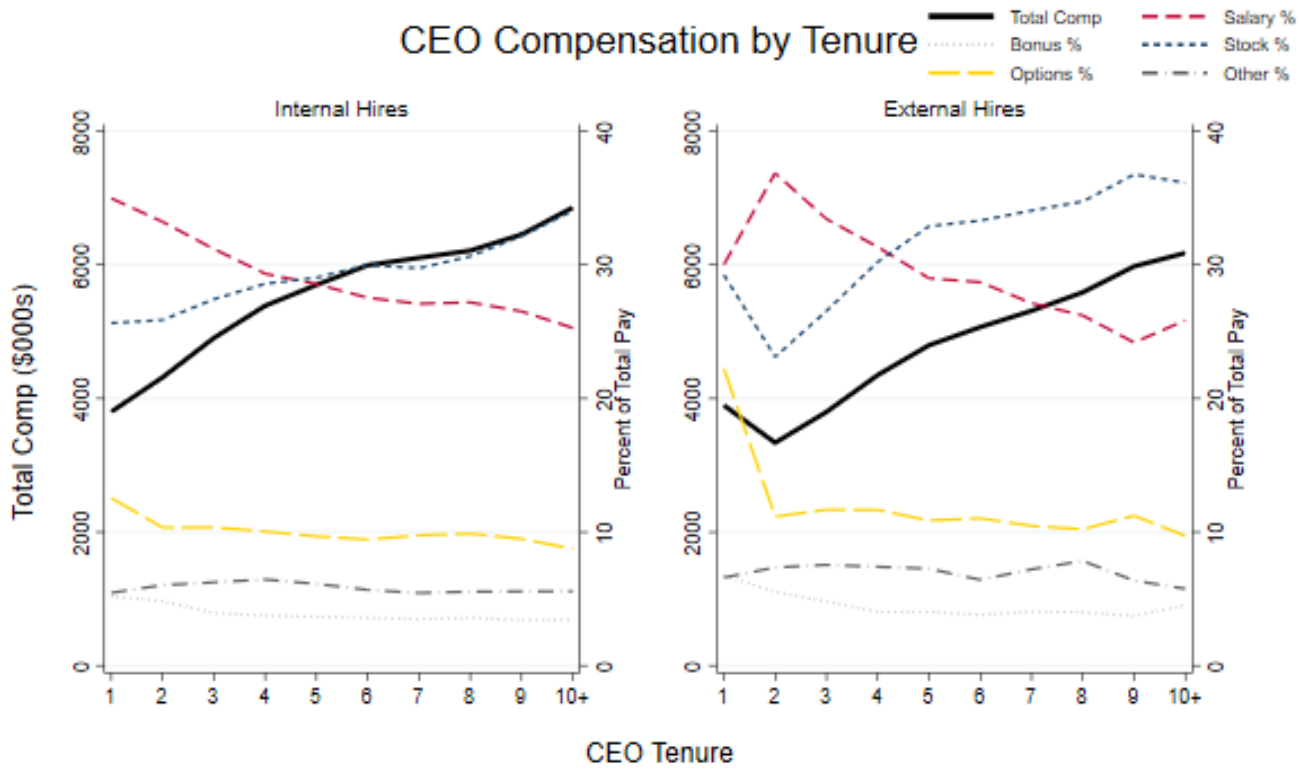


Figure 2: Effect of Tenure on CEO Compensation

This figure reports estimated coefficients from Table 2 Panel A. Each model includes firm and year#industry fixed effects. All dependent variables are calculated as ln(1+x), winsorized at the 1st and 99th percentile. In each regression, the omitted category is the CEO's first year in the role (tenure=1).

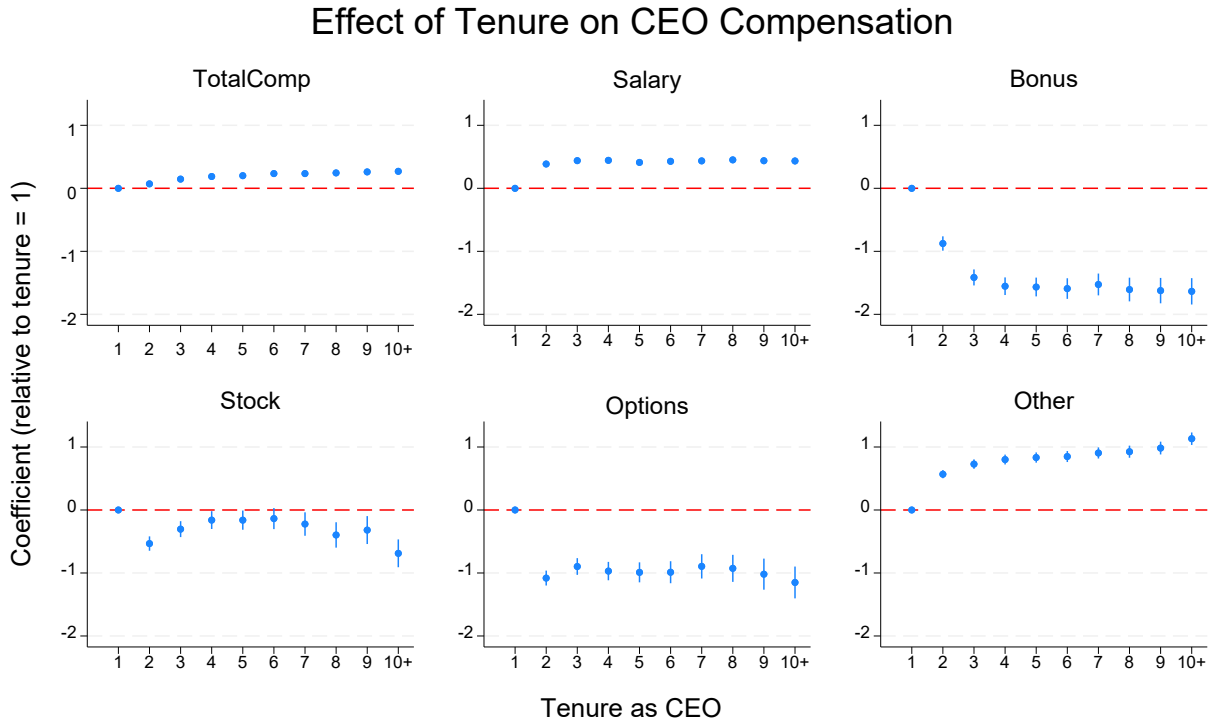
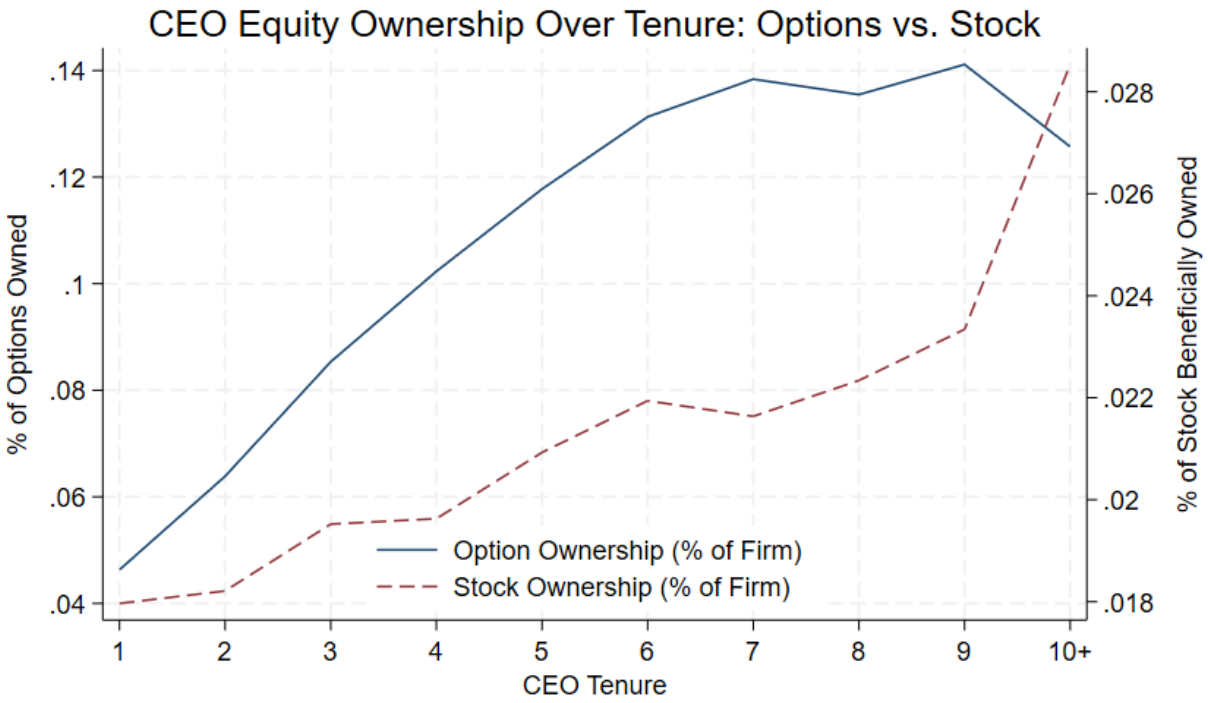


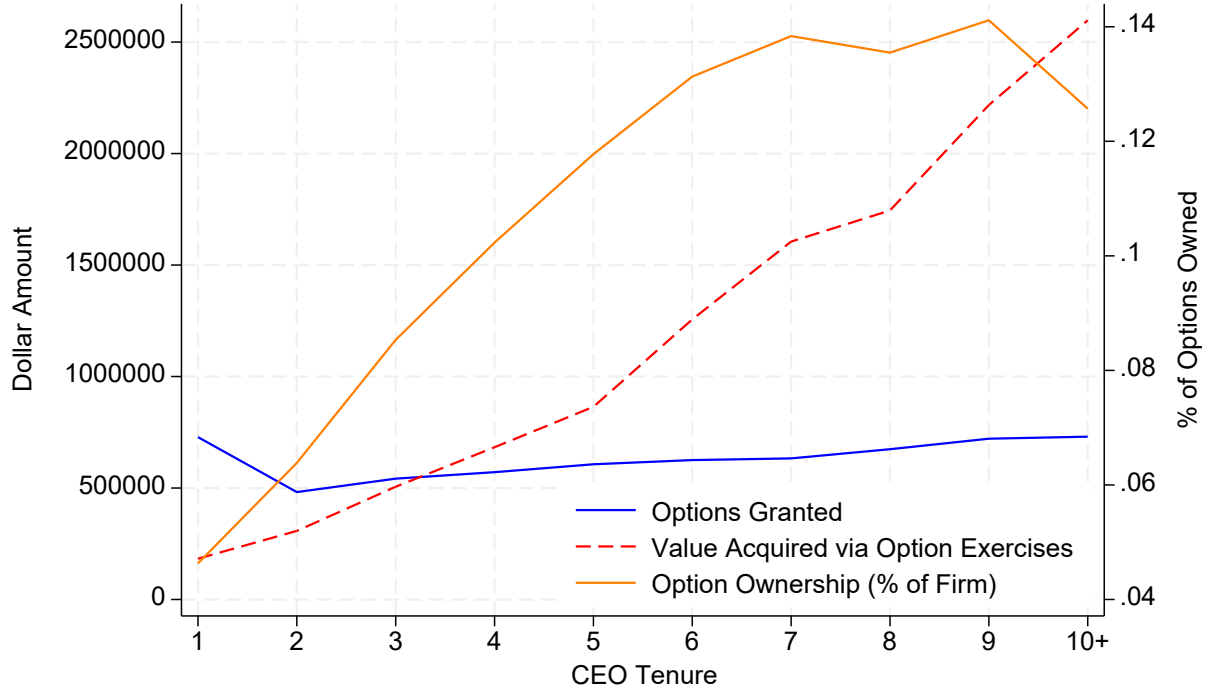
Figure 3: Equity Portfolio Holdings over CEO Tenure

This figure illustrates the equity portfolio holdings by years of CEO tenure. Panel A reports the percentage of stock and options outstanding at the firm level held by the CEO. Panel B and C report stock and option dynamics, respectively, while displaying the various components. Panel B focuses on *options*, showing the average dollar value of options granted, the value realized through option exercises, and the percentage of the firm's outstanding options held by the CEO. Panel C focuses on *stock-related holdings*, displaying the log dollar amount of stock granted, time-based holdings, and performance-based holdings, alongside the percentage of company shares beneficially owned. All variables are averaged within each tenure year, highlighting how both equity compensation and ownership evolve over the course of a CEO's time in office.

Panel A: Options and Stock Portfolio Holdings



Panel B: Option Portfolio Dynamics



Panel C: Stock Portfolio Dynamics

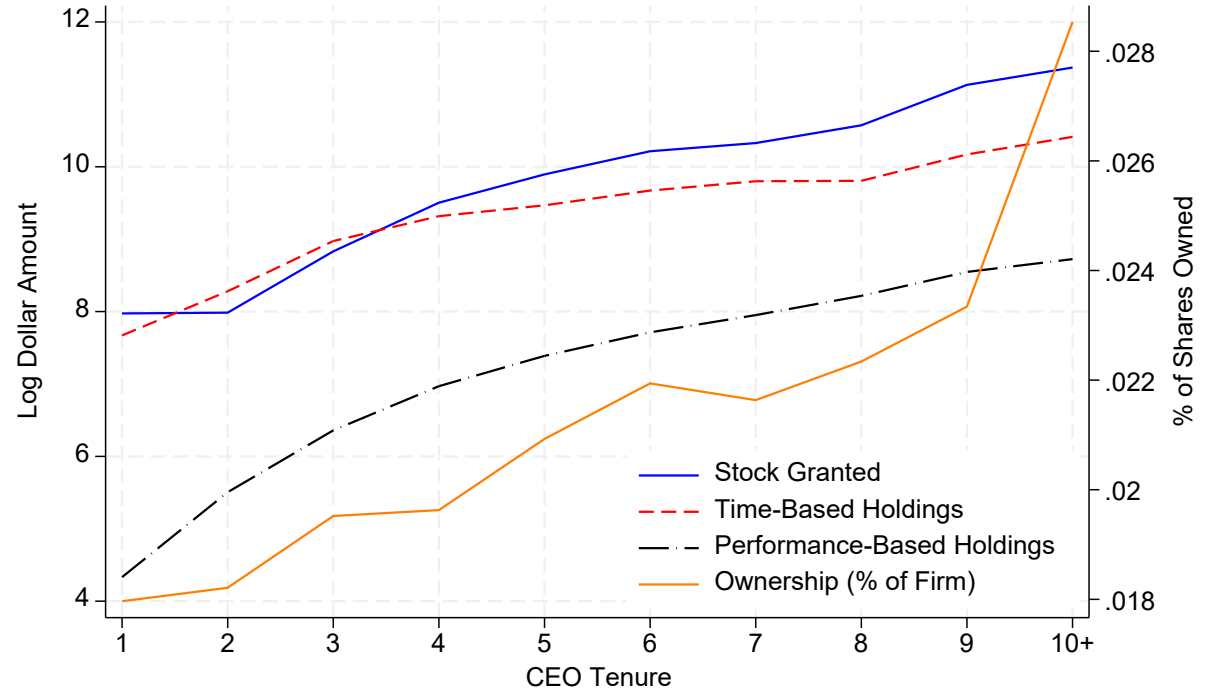
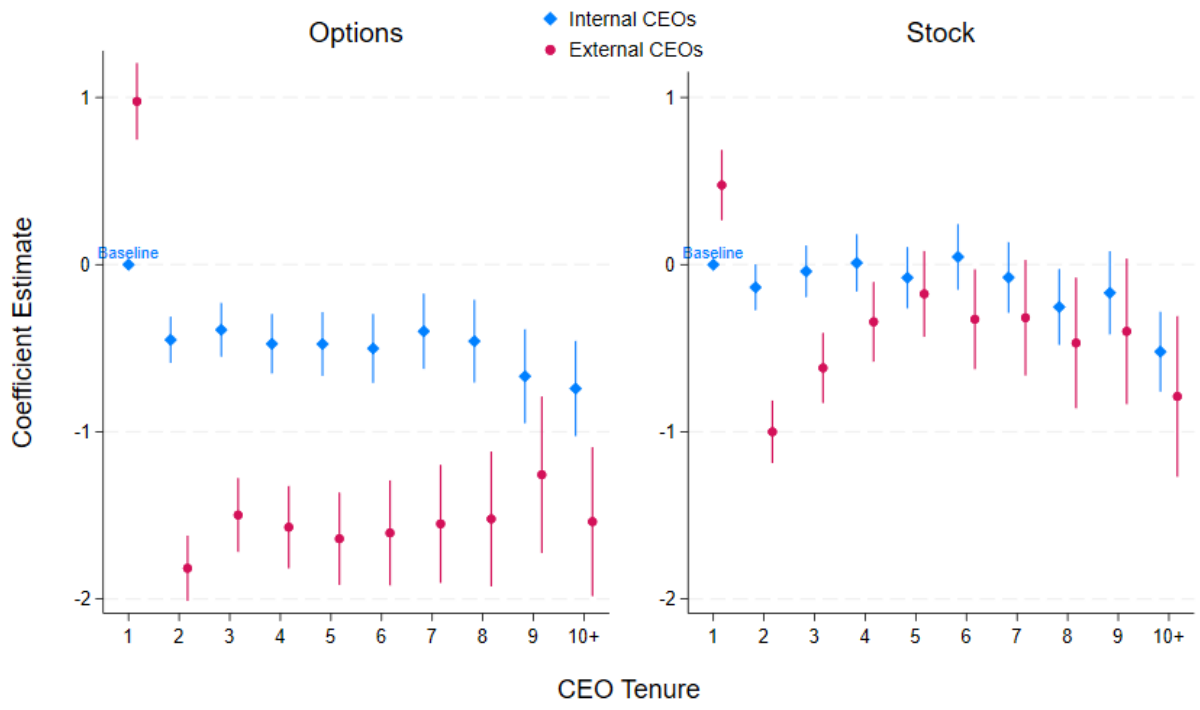


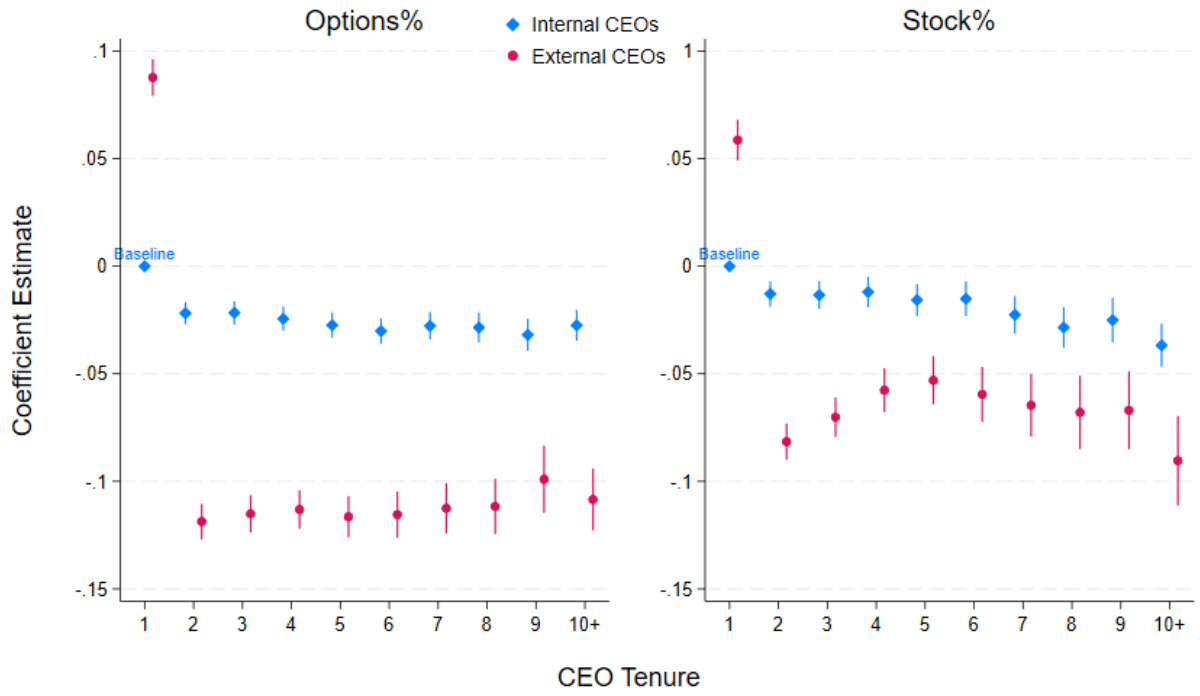
Figure 4: Evolution of CEO Annual Pay over Tenure: Internal vs External Hires

This figure illustrates the evolution of option awards and stock grants separately for internally hired vs externally hired CEOs. External hires are defined as those who did not previously serve in a C-Suite role at the same firm. Panel A displays coefficients from Table 4 Panel A (columns 4 and 5), while Panel B corresponds to Table 4 Panel B (columns 1 and 2). Panel C and D present analogous results for total compensation, bonus, and all other pay compensation. All regressions include firm and industry-by-year fixed effects with robust standard errors clustered by firm. The reference group is the first year of CEO tenure for an internal hire. Thus, each coefficient should be interpreted relative to the reported constants.

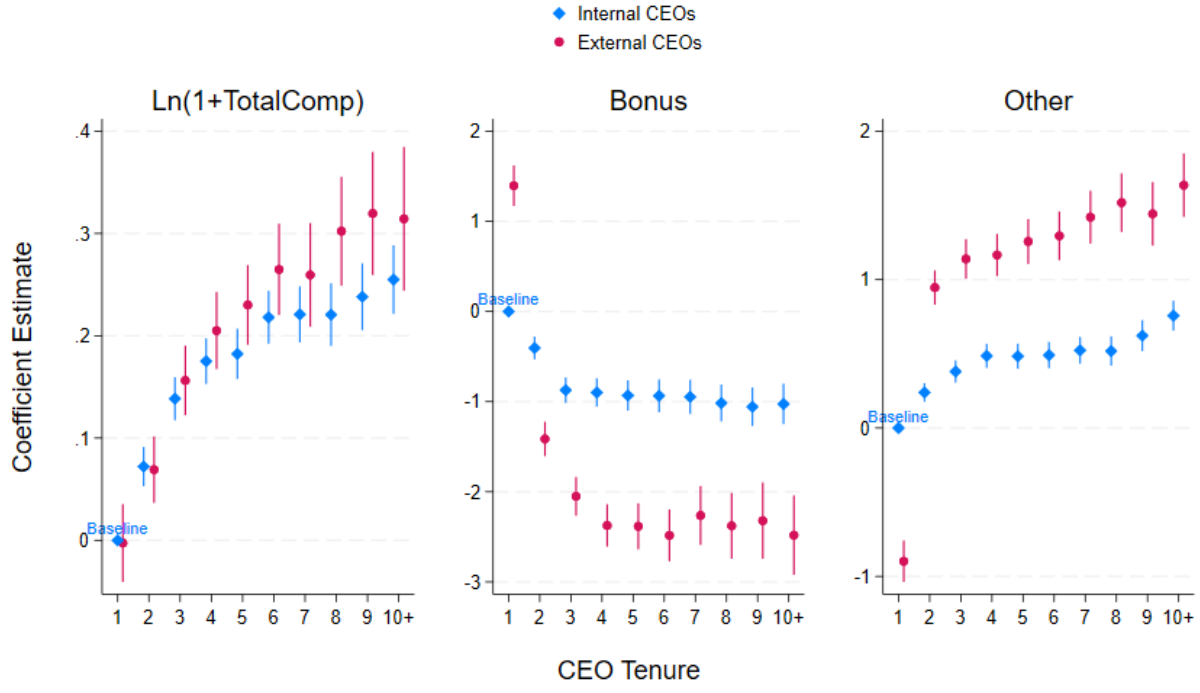
Panel A: Levels of Option Awards and Stock Grants



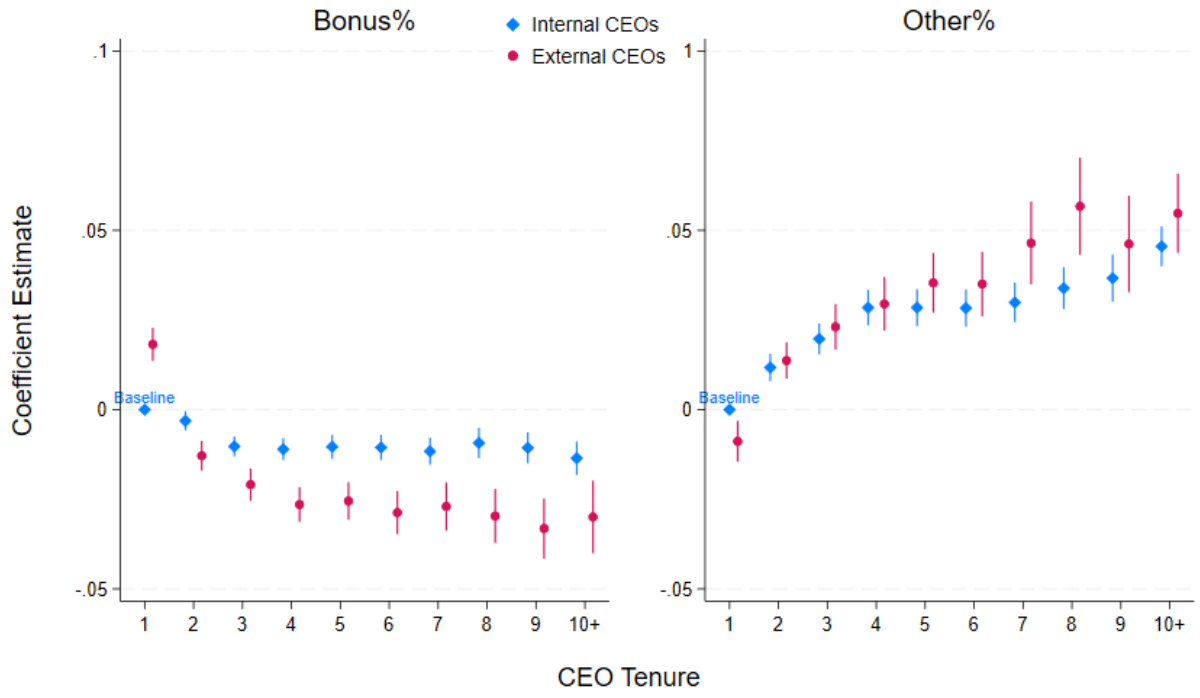
Panel B: Share of Total Compensation in Options Awards and Stock Grants



Panel C: Total Pay, Bonus, and All Other Compensation



Panel D: Percent of Total Pay in Bonus and All Other Compensation



Tables

Table 1
Effect of CEO Tenure on Compensation
Panel A: Annual Compensation Levels

	(1) Total Pay	(2) Salary	(3) Bonus	(4) Stock	(5) Options	(6) Other
Tenure = 1	0.000	0.000	0.000	0.000	0.000	0.000
	(.)	(.)	(.)	(.)	(.)	(.)
Tenure = 2	0.164***	0.340***	-0.511***	-0.088	-0.395***	0.483***
	(17.36)	(22.04)	(-9.65)	(-1.62)	(-6.81)	(15.04)
Tenure = 3	0.199***	0.417***	-1.079***	0.137**	-0.291***	0.642***
	(20.48)	(23.17)	(-18.16)	(2.27)	(-4.62)	(17.39)
Tenure = 4	0.231***	0.407***	-1.256***	0.389***	-0.377***	0.795***
	(22.03)	(20.45)	(-19.28)	(5.76)	(-5.50)	(20.17)
Tenure = 5	0.260***	0.385***	-1.292***	0.438***	-0.400***	0.834***
	(23.66)	(17.68)	(-18.55)	(6.02)	(-5.48)	(20.06)
Tenure = 6	0.282***	0.407***	-1.204***	0.401***	-0.497***	0.877***
	(23.60)	(17.38)	(-15.86)	(5.11)	(-6.27)	(19.94)
Tenure = 7	0.291***	0.413***	-1.291***	0.226***	-0.584***	0.899***
	(22.88)	(16.33)	(-16.05)	(2.66)	(-6.80)	(19.67)
Tenure = 8	0.294***	0.438***	-1.285***	-0.160*	-0.678***	0.949***
	(22.22)	(18.46)	(-15.40)	(-1.83)	(-7.60)	(19.83)
Tenure = 9	0.304***	0.415***	-1.288***	-0.136	-0.677***	1.037***
	(21.78)	(15.69)	(-14.32)	(-1.39)	(-6.62)	(20.61)
Tenure = 10+	0.299***	0.392***	-1.325***	-0.534***	-0.867***	1.103***
	(19.90)	(13.03)	(-14.70)	(-5.46)	(-8.42)	(21.02)
Constant	14.250***	12.490***	4.193***	7.516***	5.275***	8.620***
	(1865.94)	(843.23)	(94.18)	(169.41)	(113.84)	(308.64)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry#Year FE	Yes	Yes	Yes	Yes	Yes	Yes
R2	0.763	0.584	0.442	0.602	0.517	0.650
Observations	94047	94047	94046	94047	94047	94035

Controls include firm and year#industry FE. All dependent variables are calculated as ln(1+x), winsorized at the 1st and 99th percentile. The baseline case is the first year as CEO with the firm. Robust t-statistics adjusted for firm-level clustering are in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively.

Panel B: Share of Total Compensation

	(1) Salary %	(2) Bonus %	(3) Stock %	(4) Option %	(5) Other %
Tenure = 1	0.000	0.000	0.000	0.000	0.000
	(.)	(.)	(.)	(.)	(.)
Tenure = 2	0.006**	-0.006***	-0.022***	-0.032***	0.008***
	(2.32)	(-5.09)	(-8.94)	(-12.69)	(5.56)
Tenure = 3	0.003	-0.015***	-0.018***	-0.034***	0.014***
	(1.13)	(-11.55)	(-7.09)	(-13.53)	(7.70)
Tenure = 4	-0.004	-0.017***	-0.011***	-0.040***	0.023***
	(-1.57)	(-12.66)	(-4.00)	(-15.15)	(11.64)
Tenure = 5	-0.007**	-0.017***	-0.009***	-0.043***	0.024***
	(-2.25)	(-11.77)	(-3.08)	(-16.02)	(11.60)
Tenure = 6	-0.008**	-0.016***	-0.013***	-0.047***	0.027***
	(-2.53)	(-9.76)	(-3.92)	(-16.72)	(11.93)
Tenure = 7	-0.007**	-0.019***	-0.019***	-0.049***	0.030***
	(-2.20)	(-10.72)	(-5.38)	(-16.48)	(12.29)
Tenure = 8	-0.005	-0.018***	-0.030***	-0.049***	0.033***
	(-1.52)	(-9.78)	(-8.26)	(-16.58)	(12.88)
Tenure = 9	-0.010***	-0.017***	-0.032***	-0.049***	0.035***
	(-2.69)	(-8.84)	(-7.98)	(-14.43)	(13.64)
Tenure = 10+	0.000	-0.018***	-0.044***	-0.051***	0.044***
	(0.12)	(-9.17)	(-11.05)	(-15.77)	(19.52)
Constant	0.353***	0.065***	0.253***	0.156***	0.045***
	(184.58)	(68.29)	(129.80)	(84.59)	(37.71)
Firm FE	Yes	Yes	Yes	Yes	Yes
Industry#Year FE	Yes	Yes	Yes	Yes	Yes
R2	0.611	0.439	0.567	0.460	0.296
Observations	94047	94047	94047	94047	94047

Controls include firm and year#industry FE. All dependent variables are percentages of total compensation, winsorized at the 1st and 99th percentile. The baseline case is the first year as CEO with the firm. Robust t-statistics adjusted for firm-level clustering are in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively.

Table 2
Effect of CEO Tenure on Compensation- CEOs Promoted During Sample
Panel A: Annual Compensation Levels

	(1) Total Pay	(2) Salary	(3) Bonus	(4) Stock	(5) Options	(6) Other
Tenure = 1	0.000	0.000	0.000	0.000	0.000	0.000
	(.)	(.)	(.)	(.)	(.)	(.)
Tenure = 2	0.071***	0.386***	-0.876***	-0.533***	-1.080***	0.568***
	(6.34)	(20.34)	(-12.67)	(-7.69)	(-15.03)	(14.66)
Tenure = 3	0.146***	0.439***	-1.414***	-0.304***	-0.897***	0.729***
	(12.21)	(20.07)	(-18.29)	(-3.96)	(-11.14)	(16.18)
Tenure = 4	0.188***	0.444***	-1.554***	-0.161*	-0.970***	0.801***
	(14.54)	(19.28)	(-18.30)	(-1.87)	(-10.96)	(16.84)
Tenure = 5	0.201***	0.411***	-1.566***	-0.161*	-0.989***	0.832***
	(14.78)	(16.70)	(-17.30)	(-1.74)	(-10.27)	(16.87)
Tenure = 6	0.234***	0.429***	-1.591***	-0.136	-0.988***	0.848***
	(15.86)	(16.09)	(-16.03)	(-1.34)	(-9.31)	(16.00)
Tenure = 7	0.234***	0.436***	-1.526***	-0.223**	-0.895***	0.905***
	(14.73)	(15.95)	(-14.50)	(-1.98)	(-7.63)	(16.86)
Tenure = 8	0.245***	0.451***	-1.606***	-0.396***	-0.926***	0.925***
	(14.03)	(17.66)	(-14.07)	(-3.23)	(-7.11)	(15.86)
Tenure = 9	0.261***	0.438***	-1.624***	-0.319**	-1.019***	0.983***
	(14.12)	(15.39)	(-13.28)	(-2.37)	(-6.80)	(15.99)
Tenure = 10+	0.270***	0.434***	-1.635***	-0.688***	-1.150***	1.132***
	(13.73)	(14.57)	(-12.88)	(-5.13)	(-7.50)	(18.85)
Constant	14.580***	12.664***	4.082***	9.617***	5.997***	9.258***
	(1617.98)	(798.75)	(72.35)	(176.21)	(102.68)	(289.70)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry#Year FE	Yes	Yes	Yes	Yes	Yes	Yes
R2	0.778	0.572	0.453	0.616	0.563	0.619
Observations	48703	48703	48703	48703	48703	48694

Controls include firm and year#industry FE. All dependent variables are calculated as ln(1+x), winsorized at the 1st and 99th percentile. The baseline case is the first year as CEO with the firm. Robust t-statistics adjusted for firm-level clustering are in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively.

Panel B: Share of Total Compensation

	(1) Salary %	(2) Bonus %	(3) Stock %	(4) Options %	(5) Other %
Tenure = 1	0.000	0.000	0.000	0.000	0.000
	(.)	(.)	(.)	(.)	(.)
Tenure = 2	0.036***	-0.008***	-0.045***	-0.067***	0.013***
	(12.40)	(-5.19)	(-14.27)	(-22.67)	(6.73)
Tenure = 3	0.023***	-0.015***	-0.039***	-0.064***	0.021***
	(7.48)	(-9.63)	(-11.82)	(-20.97)	(9.31)
Tenure = 4	0.015***	-0.018***	-0.033***	-0.065***	0.029***
	(4.65)	(-10.54)	(-9.11)	(-20.56)	(11.11)
Tenure = 5	0.013***	-0.017***	-0.034***	-0.067***	0.031***
	(3.85)	(-9.34)	(-8.81)	(-20.66)	(11.25)
Tenure = 6	0.010***	-0.018***	-0.036***	-0.069***	0.031***
	(2.69)	(-9.10)	(-8.50)	(-19.89)	(10.90)
Tenure = 7	0.010**	-0.018***	-0.043***	-0.066***	0.036***
	(2.47)	(-8.57)	(-9.11)	(-17.92)	(11.10)
Tenure = 8	0.009**	-0.017***	-0.049***	-0.066***	0.041***
	(2.06)	(-7.26)	(-9.28)	(-16.77)	(11.69)
Tenure = 9	0.006	-0.019***	-0.046***	-0.066***	0.040***
	(1.25)	(-7.64)	(-8.12)	(-15.02)	(10.78)
Tenure = 10+	0.011**	-0.021***	-0.061***	-0.065***	0.049***
	(2.38)	(-7.63)	(-10.59)	(-15.32)	(15.37)
Constant	0.288***	0.057***	0.325***	0.169***	0.040***
	(133.16)	(48.97)	(132.56)	(77.18)	(27.12)
Firm FE	Yes	Yes	Yes	Yes	Yes
Industry#Year FE	Yes	Yes	Yes	Yes	Yes
R2	0.617	0.462	0.593	0.493	0.271
Observations	48703	48703	48703	48703	48703

Controls include firm and year#industry FE. All dependent variables are percentages of total compensation, winsorized at the 1st and 99th percentile. The baseline case is the first year as CEO with the firm. Robust t-statistics adjusted for firm-level clustering are in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively.

Table 3
Effect of CEO Tenure on Portfolio Equity Holdings

	(1) Stock	(2) Stock %	(3) Options %	(4) Options %
Tenure = 1	0.000	0.000	0.000	0.000
	(.)	(.)	(.)	(.)
Tenure = 2	0.252***	0.002***	0.025***	0.018***
	(4.31)	(3.56)	(15.06)	(14.78)
Tenure = 3	0.483***	0.004***	0.043***	0.039***
	(6.66)	(6.46)	(18.88)	(21.15)
Tenure = 4	0.497***	0.006***	0.057***	0.057***
	(5.89)	(8.28)	(20.74)	(25.11)
Tenure = 5	0.315***	0.008***	0.074***	0.074***
	(3.32)	(9.33)	(22.33)	(26.36)
Tenure = 6	0.351***	0.009***	0.088***	0.087***
	(3.39)	(9.55)	(22.58)	(25.83)
Tenure = 7	0.300***	0.009***	0.095***	0.094***
	(2.66)	(9.28)	(21.55)	(24.86)
Tenure = 8	0.172	0.009***	0.097***	0.092***
	(1.37)	(8.99)	(19.32)	(22.00)
Tenure = 9	0.223*	0.010***	0.098***	0.097***
	(1.65)	(8.34)	(17.15)	(20.13)
Tenure = 10+	-0.041	0.012***	0.083***	0.079***
	(-0.29)	(8.42)	(13.35)	(16.05)
Constant	10.380***	0.015***	0.103***	0.046***
	(191.35)	(28.22)	(53.07)	(29.34)
Firm FE	Yes	Yes	Yes	Yes
Industry#Year FE	Yes	Yes	Yes	Yes
R2	0.642	0.692	0.503	0.454
Observations	48703	48703	48703	48703

Controls include firm and year#industry FE. The dependent variables in the first two columns capture CEO stock holdings, while those in the next two columns reflect CEO option holdings. The dependent variables are defined as: the (Ln 1+) Value of time-based restricted stock and performance-based stock; % of total shares held; % of total options relative to firm's outstanding options; and % of options exercisable within 60 days relative to firm's outstanding options. The variables in columns (1) and (3) come from the Outstanding Equity Awards table; the measures in (2) and (4) come from the Security Ownership of Certain Beneficial Owners and Management table. In each regression, the baseline category corresponds to the CEO's first year in the role at the firm. Robust t-statistics adjusted for firm-level clustering are in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively.

Table 4
Internal vs External Hires
Panel A: Annual Compensation Levels

	(1) Total Pay	(2) Salary	(3) Bonus	(4) Stock	(5) Options	(6) Other
External Hire	-0.003	-0.764***	1.395***	0.476***	0.976***	-0.898***
	(-0.11)	(-14.18)	(10.20)	(3.71)	(7.01)	(-10.60)
Internal: Tenure = 2	0.072***	0.076***	-0.405***	-0.136	-0.450***	0.240***
	(6.20)	(4.59)	(-5.26)	(-1.63)	(-5.34)	(6.32)
Internal: Tenure = 3	0.138***	0.122***	-0.873***	-0.040	-0.390***	0.381***
	(10.79)	(5.99)	(-10.19)	(-0.43)	(-3.98)	(8.39)
Internal: Tenure = 4	0.175***	0.125***	-0.899***	0.010	-0.474***	0.486***
	(12.92)	(5.64)	(-9.42)	(0.10)	(-4.38)	(9.86)
Internal: Tenure = 5	0.182***	0.123***	-0.932***	-0.078	-0.475***	0.483***
	(12.19)	(5.20)	(-9.10)	(-0.70)	(-4.09)	(9.39)
Internal: Tenure = 6	0.218***	0.136***	-0.936***	0.046	-0.501***	0.491***
	(13.90)	(5.11)	(-8.46)	(0.39)	(-4.01)	(9.14)
Internal: Tenure = 7	0.221***	0.163***	-0.948***	-0.077	-0.399***	0.523***
	(13.27)	(6.34)	(-8.19)	(-0.60)	(-2.91)	(9.57)
Internal: Tenure = 8	0.221***	0.154***	-1.016***	-0.253*	-0.458***	0.518***
	(11.87)	(5.69)	(-8.17)	(-1.84)	(-3.04)	(8.64)
Internal: Tenure = 9	0.238***	0.145***	-1.057***	-0.169	-0.668***	0.622***
	(12.01)	(4.99)	(-8.13)	(-1.11)	(-3.90)	(9.84)
Internal: Tenure = 10+	0.255***	0.121***	-1.026***	-0.521***	-0.741***	0.757***
	(12.48)	(3.94)	(-7.52)	(-3.58)	(-4.28)	(12.33)
External: Tenure = 2	0.069***	0.744***	-1.414***	-1.000***	-1.816***	0.946***
	(3.50)	(20.85)	(-12.18)	(-8.80)	(-15.30)	(13.47)
External: Tenure = 3	0.156***	0.815***	-2.051***	-0.618***	-1.498***	1.139***
	(7.56)	(20.40)	(-15.66)	(-4.84)	(-11.14)	(13.97)
External: Tenure = 4	0.205***	0.831***	-2.374***	-0.342**	-1.571***	1.165***
	(8.95)	(18.64)	(-16.60)	(-2.36)	(-10.48)	(13.50)
External: Tenure = 5	0.230***	0.750***	-2.383***	-0.175	-1.639***	1.257***
	(9.72)	(14.98)	(-15.35)	(-1.12)	(-9.75)	(13.68)
External: Tenure = 6	0.265***	0.777***	-2.484***	-0.327*	-1.605***	1.294***
	(9.77)	(13.47)	(-14.21)	(-1.80)	(-8.41)	(12.97)
External: Tenure = 7	0.259***	0.732***	-2.263***	-0.318	-1.550***	1.421***
	(8.43)	(10.49)	(-11.38)	(-1.51)	(-7.22)	(13.14)
External: Tenure = 8	0.302***	0.810***	-2.378***	-0.469**	-1.521***	1.518***
	(9.34)	(13.31)	(-10.71)	(-1.97)	(-6.21)	(12.66)
External: Tenure = 9	0.320***	0.776***	-2.321***	-0.399	-1.257***	1.443***
	(8.73)	(10.75)	(-9.01)	(-1.51)	(-4.42)	(11.09)
External: Tenure = 10+	0.314***	0.836***	-2.482***	-0.788***	-1.537***	1.636***
	(7.36)	(10.54)	(-9.27)	(-2.70)	(-5.67)	(12.59)
Constant	14.582***	13.007***	3.455***	9.399***	5.546***	9.660***
	(1317.09)	(562.52)	(49.93)	(130.70)	(74.11)	(239.37)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes

Industry#Year FE	Yes	Yes	Yes	Yes	Yes	Yes
R2	0.778	0.579	0.456	0.616	0.564	0.622
Observations	48703	48703	48703	48703	48703	48694

Controls include firm and year#industry FE. The dependent variables in the first two columns capture CEO stock holdings, while those in the next two columns reflect CEO option holdings. All dependent variables are calculated as ln(1+x), winsorized at the 1st and 99th percentile. In each regression, the baseline category corresponds to an internally hired CEO's first year in the role at the firm. Robust t-statistics adjusted for firm-level clustering are in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively.

Panel B: Percentages of Compensation Components and Portfolio Equity Holdings

	(1)	(2)	(3)	(4)	(5)	(6)
	Annual Awards				Portfolio Holdings	
	Options %	Stock %	Bonus %	Other %	Options %	Stock %
External Hire	0.088***	0.059***	0.018***	-0.009**	-0.033***	-0.006***
	(16.84)	(10.19)	(6.52)	(-2.55)	(-9.78)	(-3.89)
Internal: Tenure = 2	-0.022***	-0.013***	-0.003*	0.012***	0.013***	0.001
	(-7.05)	(-3.55)	(-1.94)	(5.13)	(8.12)	(0.98)
Internal: Tenure = 3	-0.022***	-0.013***	-0.010***	0.020***	0.028***	0.002**
	(-6.60)	(-3.38)	(-6.05)	(7.47)	(13.31)	(2.33)
Internal: Tenure = 4	-0.024***	-0.012***	-0.011***	0.028***	0.041***	0.003***
	(-7.15)	(-2.77)	(-5.95)	(9.43)	(15.51)	(3.47)
Internal: Tenure = 5	-0.027***	-0.016***	-0.010***	0.028***	0.054***	0.004***
	(-7.73)	(-3.48)	(-5.12)	(9.14)	(17.14)	(4.70)
Internal: Tenure = 6	-0.030***	-0.015***	-0.011***	0.028***	0.066***	0.005***
	(-8.34)	(-3.09)	(-4.92)	(8.96)	(17.80)	(5.42)
Internal: Tenure = 7	-0.028***	-0.023***	-0.012***	0.030***	0.074***	0.006***
	(-7.16)	(-4.27)	(-5.05)	(8.94)	(17.86)	(6.05)
Internal: Tenure = 8	-0.028***	-0.028***	-0.009***	0.034***	0.072***	0.007***
	(-6.77)	(-4.94)	(-3.62)	(9.52)	(15.87)	(5.89)
Internal: Tenure = 9	-0.032***	-0.025***	-0.011***	0.037***	0.076***	0.008***
	(-7.03)	(-3.97)	(-4.04)	(9.15)	(14.87)	(5.54)
Internal: Tenure = 10+	-0.027***	-0.037***	-0.014***	0.046***	0.064***	0.009***
	(-6.29)	(-6.03)	(-4.77)	(13.50)	(11.95)	(6.55)
External: Tenure = 2	-0.119***	-0.082***	-0.013***	0.014***	0.023***	0.003***
	(-23.69)	(-15.86)	(-5.10)	(4.44)	(12.74)	(4.24)
External: Tenure = 3	-0.115***	-0.070***	-0.021***	0.023***	0.052***	0.006***
	(-22.04)	(-12.55)	(-7.64)	(5.97)	(16.85)	(6.55)
External: Tenure = 4	-0.113***	-0.058***	-0.026***	0.029***	0.079***	0.009***
	(-20.77)	(-9.30)	(-8.98)	(6.49)	(19.73)	(8.48)
External: Tenure = 5	-0.116***	-0.053***	-0.025***	0.035***	0.102***	0.013***
	(-20.04)	(-7.80)	(-8.01)	(7.01)	(20.22)	(9.56)
External: Tenure = 6	-0.115***	-0.060***	-0.029***	0.035***	0.120***	0.014***
	(-17.67)	(-7.69)	(-7.83)	(6.39)	(18.37)	(9.37)
External: Tenure = 7	-0.113***	-0.065***	-0.027***	0.046***	0.127***	0.012***
	(-15.91)	(-7.30)	(-6.64)	(6.62)	(16.53)	(7.85)
External: Tenure = 8	-0.112***	-0.068***	-0.030***	0.057***	0.127***	0.012***
	(-14.33)	(-6.58)	(-6.47)	(6.89)	(14.28)	(8.21)
External: Tenure = 9	-0.099***	-0.067***	-0.033***	0.046***	0.135***	0.014***
	(-10.44)	(-6.09)	(-6.50)	(5.64)	(12.59)	(7.12)
External: Tenure = 10+	-0.108***	-0.090***	-0.030***	0.055***	0.098***	0.014***
	(-12.39)	(-7.15)	(-4.87)	(8.16)	(9.01)	(5.31)
Constant	0.129***	0.298***	0.049***	0.043***	0.060***	0.018***
	(52.04)	(95.89)	(35.20)	(23.61)	(29.31)	(22.79)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry#Year FE	Yes	Yes	Yes	Yes	Yes	Yes

R2	0.502	0.594	0.463	0.272	0.458	0.693
Observations	48703	48703	48703	48703	48703	48703

Controls include firm and year#industry FE. The first four columns report results where the dependent variables are compensation components of annual awards; the last two columns dependent variables measure the % of total shares held by the CEO relative to total shares outstanding and % of total options held by the CEO relative to firm's outstanding options (measured using the Security Ownership of Certain Beneficial Owners and Management table). In each regression, the baseline category corresponds to an internally hired CEO's first year in the role at the firm. Robust t-statistics adjusted for firm-level clustering are in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively.

Table 5
CEO Compensation and Board Turnover

	(1) Total Pay	(2) Total Pay
High Turnover	-0.034	-0.123
	(-0.48)	(-1.02)
Low Turnover: Tenure = 2	-0.003	-0.009
	(-0.13)	(-0.35)
Low Turnover: Tenure = 3	0.059**	0.070**
	(2.04)	(2.53)
Low Turnover: Tenure = 4	0.071**	0.080***
	(2.20)	(2.59)
Low Turnover: Tenure = 5	0.098***	0.095***
	(2.69)	(2.74)
Low Turnover: Tenure = 6	0.088**	0.098**
	(2.15)	(2.46)
Low Turnover: Tenure = 7	0.065	0.072
	(1.39)	(1.59)
Low Turnover: Tenure = 8	0.121**	0.132***
	(2.37)	(2.66)
Low Turnover: Tenure = 9	0.090	0.105*
	(1.56)	(1.89)
Low Turnover: Tenure = 10+	0.035	0.056
	(0.51)	(0.84)
High Turnover: Tenure = 2	-0.020	0.000
	(-0.38)	(0.00)
High Turnover: Tenure = 3	0.111*	0.050
	(1.90)	(0.48)
High Turnover: Tenure = 4	0.130**	0.102
	(2.13)	(0.91)
High Turnover: Tenure = 5	0.138**	0.241*
	(2.00)	(1.91)
High Turnover: Tenure = 6	0.249***	0.374**
	(2.96)	(2.48)
High Turnover: Tenure = 7	0.238***	0.433***
	(2.66)	(2.98)
High Turnover: Tenure = 8	0.294***	0.402***
	(2.80)	(2.63)
High Turnover: Tenure = 9	0.413***	0.754***
	(3.52)	(3.50)
High Turnover: Tenure = 10+	0.381**	0.661**
	(2.56)	(2.53)
Constant	14.602***	14.605***
	(551.02)	(615.64)
Firm FE	Yes	Yes
Industry#Year FE	Yes	Yes

R2	0.727	0.727
Observations	13267	13267

Controls include firm and year#industry FE. The dependent variable is the natural log of total CEO pay, winsorized at the 1st and 99th percentile. This sample includes only externally hired CEOs. High Turnover equals one if the CEO's first year coincides with board turnover in the top quartile (column 1) or top decile (column 2) of the distribution. Turnover is measured symmetrically as the number of directors who join or leave the board, divided by the total number who serve in either the current or prior year, capturing the extent to which the CEO reshapes the board upon arrival. In each regression, the omitted category corresponds to an externally hired CEO's first year in the role. Robust t-statistics adjusted for firm-level clustering are in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively.