Paying For Advice: The Role of the Remuneration Consultant in UK Listed Companies

Ruth Bender

Paper presented to the 5th Workshop on Corporate Governance, EIASM, Brussels, November 2008.

The use of remuneration consultants to advise on executive pay is ubiquitous amongst larger listed companies, and has attracted academics to consider how their work impacts upon the structure of pay plans. This paper adds to that literature, extending it by taking a qualitative approach and providing a rich context to the interaction between consultants, executives and remuneration committees.

Using interview data with protagonists in the remuneration-setting decisions in a dozen FTSE 350 companies, the research looks at how and why such consultants are appointed, and examines their role.

It finds that they have several functions, both explicit and implicit. Acting as experts, they provide advice and recommendations in an increasingly technical area; model the implications of suggested plans; implement the chosen plans; provide an education in remuneration-related matters to committee members; and liaise on their behalf with institutional investors. Additionally, they provide proprietary survey data on pay in comparator companies, on which the remuneration committee can base its decisions. In doing so, they influence the choice of comparators, and thus the level of pay.

Another function of the consultant is to legitimise the committee's decisions in an area which is often contentious. However, this ability to legitimise relies to some extent on the consultants' independence from the board and the committee. This can be at odds with a growing public belief that they are influenced by company executives, and not totally independent. This is one reason why companies employ several different consultants.

The use of impression management techniques by remuneration consultants is also considered, as this impacts upon the work they obtain, and the way in which their value is perceived.

Correspondence Details

Dr Ruth Bender
Cranfield School of Management
Cranfield
Bedfordshire
MK43 0AL
United Kingdom
Phone +44 (0) 1234 751122
Fax +44 (0) 1234 751806
Email r.bender@cranfield.ac.uk

Paying For Advice: The Role of the Remuneration Consultant in UK Listed Companies

Ruth Bender (Cranfield School of Management)

1. Introduction

Remuneration consultants have an important role in advising remuneration committees on the determination of executive pay[1] decisions of listed companies. Their work encompasses the supply of data on pay in comparator companies, advice on the choice and design of remuneration plans, modelling the implications of the suggested plans, preparation of plan documentation, implementation of the selected plans, and liaison with institutional shareholders. They are acknowledged experts in their field. However, they are viewed with suspicion by some elements of the community who see the potential for a conflict of interest, as pay packages that are not acceptable to the company's executives may lose them future assignments.

Although several studies of executive remuneration have considered aspects of the work of the consultant, until recently few have examined it specifically. Regulatory developments have changed this. In the UK, the introduction of the Directors' Remuneration Report Regulations (DRRR) (DTI, 2002) meant that listed companies, since 2003, have had to disclose details of remuneration committee advisors. The Securities and Exchange Commission introduced USA requirements for disclosure in the Compensation Discussion and Analysis (CD&A) in 2006. This availability of data appears to have stirred academic interest in the work of consultants.

A number of recent papers have considered the activities of compensation consultants in the UK and USA. This paper adds to that literature. It provides new insights by taking a qualitative approach, using interview data to examine how remuneration consultants act and why they are used in selected UK companies. This gives rich detail, showing some of the attitudes behind the words used by companies in their remuneration reports and by consultants in their publications.

[1] The terms 'pay', 'remuneration' and 'compensation' are used interchangeably in this paper, and – unless otherwise indicated – encompass cash, share options and equity-based pay. A firm of consultants may advise a company on all of these elements, or on just one or two of them. Advice on pension schemes is often done by separate firms of actuaries, and is not specifically discussed in this paper.

In doing so, this research provides some background and context to the quantitative papers that are appearing in this field, and can inform practice in an area which is increasingly contentious.

The structure of this paper is as follows. The next section sets out a brief review of prior research on the role of the remuneration consultant, and relates it to that management consultants in general. This is followed in section 3 by an explanation of the research approach adopted for this work. The findings of the work are discussed in Section 4, and the final section summarises the work.

2. Review of Prior Research

Many academic and professional papers have acknowledged the important role played by consultants in the remuneration-setting decisions of large companies. Four main themes underlie much of the research in this area:

a) The use of consultants as informed experts, providing survey data for peer comparisons, and advice on plan structuring;

b) The link between the use of consultants and the level and structure of executive pay;

c) The use of consultants to confer legitimacy on the remuneration committee's decisions; and

d) The potential for conflicts of interest between the consultants and the remuneration committee.

These are considered below, following which the activities of the remuneration consultant are set in the context of the general literature on management consultants, particularly that relating to impression management.

a. The consultant as an expert

Providing 'market' data

There is no obvious answer to the question 'how much should we pay the executives?'. By custom and practice, pay is set in line with a self-defined 'market', which is determined by reference to a group of peer companies (Bender, 2007). Although for some businesses the human resources (HR) personnel collect these comparator data, in most instances this work is done by, or with the aid of, remuneration consultants, providing both generic pay surveys and surveys specifically tailored to needs (Bender, 2004; Main et al., 2007).

Several authors have commented upon the use of these pay surveys, rarely favourably. Two issues arise: the impact of the choice of comparators, and the impact of surveys themselves on the general level of executive compensation.

As regards the comparators used in the surveys, Gomez-Mejia and Wiseman (1997: 327) referred to, "a cottage industry of consultants that specializes in conducting surveys to measure a wide range of CEO compensation statistics". They suggested that although this is a widespread practice, not much is known about the use of such "competitive market going rates". A decade later, Ogden and Watson (2008) commented that the choice of comparators is perhaps the most difficult problem that confronts the remuneration committee. Bebchuk and Fried (2004: 38) point out that directors rely heavily on the input of the consultants in this, and that those consultants have great discretion in framing the issues and presenting the data to the remuneration committee.

The selection of peers is crucial to the end result. An example of using inappropriate comparators can be seen in the choice by the New York Stock Exchange (NYSE), using data from three sets of consultants, to benchmark the salary of Richard Grasso, its CEO, against the largest US financial companies such as Citigroup, AIG and Fannie Mae. Although NYSE was indeed a financial company, its scale was smaller and its business model less risky than those comparators and, in hindsight, this was considered to be an improper selection of peers, resulting in excessive compensation (Postelnicu and Boland, 2003).

However, even if the comparators are not obviously inappropriate, they can still be misleading. For example, Bender (2007) refers to a 'benchmarking merry-go-round', where each company chooses a slightly different industry for its comparators, with the result that companies unwittingly end up with a benchmark far outside their own sector.

Regardless of the validity of the comparators, surveys themselves are widely seen as a cause of ever-increasing levels of executive pay. Nearly 20 years ago, Patton suggested that the surveys were the main source of executive pay inflation, with companies choosing to pay at or above the average of the surveyed range:

> *"After inflation itself, the compensation survey may well be the most important ingredient in rising executive compensation, for it lends itself to often well-meaning actions that lead to unwarranted compensation increases." (Patton, 1991: 47)*

In a UK context, Ezzamel and Watson (1998) confirmed this view of pay ratcheting upwards, with a focus on the upper half of the distribution, as did Conyon et al. (2000). Likewise, Murphy (1999) stated:

> *"… since salaries below the 50th percentile are often labeled "below market" while those between the 50th and 75th are considered "competitive," the surveys have contributed to a "ratchet" effect in base salary levels."*

Nonetheless, no other way has been found to determine executive pay, and the use of consultants to advise on peer groups and gather supporting data is ubiquitous. (Bender, 2004; Conyon et al., 2000, 2006).

Advising on plan design

The wider literature on the role of the consultant discusses their role as experts, providing a knowledge base over and above that possessed by the company internally (Clark and Salaman, 1996). This is evidenced in the way in which remuneration consultants advise on plan design, displaying their technical knowledge of the different types of plan that are possible, their market knowledge of what is acceptable, and their experience of successfully implementing plans.

The consultants do more than reflect the body of knowledge surrounding executive pay: they also help to create it. The practices they follow are promulgated around the various companies they advise, until often they become seen as 'best' practice (Finkelstein and Hambrick, 1996). Lee and Pennings discuss this for consultancy in general:

> *"As external consultants or internal experts, professionals may play an important role in trend setting and legitimizing new templates". (2002: 149)*

This is borne out in an interview reported by Conyon et al. (2000: 488), in which they quote a director discussing how consultants promote their plans to several companies, until they become the industry norm. Such practices reflect normative isomorphism (DiMaggio and Powell, 1983).

b. Remuneration consultants and the level and structure of executive pay

In recent years, several researchers have examined the influence of remuneration consultants on the level and structure of executive pay, in particular considering whether the use of consultants is reflected in the nature of the plans adopted. The main issues addressed are the level and structure of pay, and the impact of the consultants' other work for the company.

Allowing for differences in approach, the results of these papers are similar. It is well known that company size is correlated to levels of executive pay and, as would be expected, it is mostly the larger, more complex companies which employ consultants. However, research shows that even allowing for this, the use of compensation consultants does correlate to higher pay levels for the CEO (Armstrong et al., 2008; Conyon, 2008; Conyon et al., 2006; Murphy and Sandino, 2008). Also, Conyon (2008) and Murphy and Sandino (2008) find that companies using consultants tend to use more equity-based incentives in their pay packages.[2]

There is much anecdotal evidence for the theory that a conflict of interest arises from consultants' other work for the client, and their desire to retain their appointment (for example, Plender 2007). A House of Representatives committee (Waxman, 2007) did conclude that "[c]ompensation consultant conflicts of interest are pervasive", and recommended that the consultant retained by the board should not perform other work for the company. However, most published academic research does not evidence this. Conyon (2008) finds little evidence that the consultants' other roles have an impact on the level or structure of executive pay. Nor do Armstrong et al. (2008), or Murphy and Sandino (2008). Cadman, Carter and Hillegeist (2008) conclude that the potential conflict of interest between the company and the consultant is not a primary driver of excessive CEO pay.

[2] This could be because companies seeking to use equity-based plans need to employ consultants to advise and implement them, or it could be because the consultants' default setting is to use complex, equity-based plans.

Many companies use several different compensation consultants. Minhat (2008), in a study of FTSE 350 firms, found that the use of multiple consultants was associated with higher CEO pay, and that there was some evidence that a consulting firm's market share was positively related to the client CEOs' pay levels. She concluded that competition among pay consultants had the unintended consequence of an upward ratcheting of the overall level of CEO pay. This finding is consistent with that of Murphy and Sandino (2008) who, in a US sample, found that companies using three or more consultants paid almost 25% more to their CEOs than companies using just one consultant. Murphy and Sandino hypothesised that using a number of consultants justifies, or legitimises the higher pay. Their carefully-worded conclusion states that their results, "…are consistent with the possibility that (at least some) firms seek the advice of as many consultants as is necessary to justify high levels of CEO pay" (Murphy and Sandino, 2008: 26).

c. Using consultants to confer legitimacy

The non-executives on a remuneration committee are in an invidious position, having to work in a collegiate manner with the executives in a unitary board structure, but also having a responsibility for monitoring governance and determining the executives' pay. Many observers accuse them of being too close to the executives, and thus, consciously or unconsciously, biased in favour of high awards (Main and Johnston, 1993; Main et al., 1995). Murphy (1999:2518) suggests that this is an unconscious bias, but that "[f]aced with a range of market data on competitive pay levels, committees tend to error on the high side."

One important role for the consultant is as an independent party to the decision, providing impartial advice and thus conferring legitimacy on the committee's decisions (Suchman, 1995). Such a role is discussed by, amongst others, Finkelstein and Hambrick (1988), Gomez-Mejia and Wiseman (1997), Wade et al. (1997), and Ezzamel and Watson (2002).

A useful illustration of how consultants are used to legitimise pay decisions was given by Wade et al. (1997), who examined the written reports of a sample of US compensation committees to determine how they justified their compensation choices to the shareholders. They found that the use of consultants was frequently the mechanism adopted, getting external validation to legitimise the decisions. This is in line with a comment made by Barkema and Gomez-Mejia (1998), who refer to “judgments of the committee members, legitimized by the opinions of external consultants”. In a situation where the decision cannot be proved to be ‘right’, such legitimation is valuable to boards.

d. The potential for conflict of interest

Although consultants appear to confer legitimacy due to their independence, the situation is fraught with the potential for conflicts of interest. The consultants advise the remuneration committee, but often they are also advising the executives, in whose grant there is the possibility of further fee-paying work. Indeed, they may also be providing other services to the company and its executives, which have the potential to produce much higher fees, which means more is at risk. There is a perception that these conflicts can shade their judgements. As Robert Monks stated, somewhat pointedly:

> *"A critical question of corporate legitimacy is whether CEOs set their own pay. 'Best practice' has decreed an elaborate 'ritual' through which the board of directors creates a Compensation Committee consisting entirely of 'independent' directors. ... Likewise, when the independent members of the Compensation Committee appoint an independent executive compensation consultant to assist them, one need suspend disbelief as to the appetite of personal service organizations to bring unwelcome advice to their clients." (1998: 137)*

Two papers by authors with a consulting background confirm the difficulties caused by this conflict. Hodak (2004) suggests that the retention of consultants depends on whether the plan they devised has paid out, regardless of performance. And Liberman (2002) quotes a CEO’s comment, “The basic goal of compensation consultants is to justify whatever it is the CEO wants to make”.

Finkelstein and Hambrick (1988) and Conyon et al. (2000) also commented on the potential for conflict of interest. In their work, the latter found that the remuneration committee did not normally hire its own advisers, but used the company’s. Picking up on this, the ICGN[3] committee (2002) suggested that this could compromise their independence, and contaminate the advice given to the directors. They suggested that in order to safeguard against such conflicts

[3] International Committee for Corporate Governance

affecting the consultants' judgement, the remuneration committee should have the final say over their appointment.

Not surprisingly, evidence given to the Waxman committee (Waxman, 2007) by the consulting firms emphasised their independence. It was reported:

> *Representatives of two of the consultancies, Towers Perrin and Hewitt Associates, testified that they have clear internal divisions separating employees who deal with compensation committees from those who work with executives and management. The two firms are "diversified" companies, offering both executive pay advisement and other services such as human resources management. (Riskmetrics, 2007)*

In the UK, the use of separate consultants has become more common practice since the implementation of the DRRR, which demand disclosure, *inter alia*, of the names of consultants advising the remuneration committee, the nature of their involvement, and whether or not the consultants were appointed by the committee.

The research summarised earlier, which examined the reality behind this potential for a conflict of interest, does not evidence a conflict of interest being associated with higher pay awards.

e. Impression management

In the wider literature on management consultancy, there is a thread of papers discussing consultancy as impression management. Here, the argument is that consultancy delivers an intangible, which is notoriously difficult for the client to assess. Hence proxies are used to assess the value of what is being bought, and what has been received. Such signals include the consultant's reputation and client base, the words they use to describe their expertise, and their appearance and presentations. Clark (1995), Clark and Salaman (1998), and Kipping (2002) are amongst several authors who point out that the consultant's reputation serves as a quality control mechanism, and is used by clients as a signal to show that they (the clients) are trying to adopt 'best practice'. Anecdotal evidence suggests that reputation is a strong factor in helping companies choose between consultants. Fincham and Evans (1999) discuss how consultants use glossy pamphlets with superb graphics to demonstrate the quality of their underlying product. And reputation is enhanced by displaying an extensive blue chip client base and network, which is a symbol of quality (Kipping, 2002; Legge, 2002).

3. Research Approach

This paper arose from a study into how executive directors' pay was determined in selected FTSE 350 companies. The work was interview-based, with the interviewees representing CEOs, remuneration committee chairs and members, and HR professionals from 12 companies in all, together with five of the consultants advising those companies. Table 1 sets out some information about the corporate interviewees.

Table 1 Company interviewees by role

	Company interviewees							
Co.	**HR professional**	**Remn Committee chairman**	**NED**	**CEO**	**Company secretary**	**Company chairman**	**Consultant**	**Total**
1	2	1	1	1			1	**6**
2	1	1	1	1			1	**5**
3	1							**1**
4	1	1		1				**3**
5	1		1		1	1	1	**5**
6	2							**2**
7	1	1	2	1	1		1	**7**
8	1						1	**2**
9	1							**1**
10	1							**1**
11					1			**1**
12		1						**1**
Total	**12**	**5**	**5**	**4**	**3**	**1**	**5**	**35**

The sample of companies was initially selected from the PricewaterhouseCoopers Corporate register, identifying FTSE 350 companies which appeared to be in compliance with all relevant aspects of the Combined Code (2000), and which appeared to the author to present an interesting context for study. Companies were contacted by telephone to seek their involvement in the project; Companies 1-6 joined the study through this approach. This process of finding research participants proved to be slow, and Companies 7-10 were contacted through a network of remuneration professionals identified by one of the early interviewees. Interviews were conducted at Companies 11 and 12 following a conference presentation by the author of some of the research results.

Additionally, interviews were conducted with an institutional representative, head-hunters, a group of remuneration professionals, and a focus group brought together to discuss the results of the research. In all, 40 individual and group interviews were conducted, between 2001 and 2003. The interviews, which lasted on average one hour, were taped and transcribed.

Remuneration committees were far more circumspect about making available their documentation than they were about arranging interviews. Nevertheless, documentation such as remuneration committee meeting minutes and consultants' reports was received for five of the companies. Apart from one very anodyne set of minutes, emailed to the researcher, these documents were all reviewed on the companies' premises, often whilst accompanied by company personnel. Also reviewed were financial statements (which included the published remuneration reports) for all companies for the preceding, current and immediately subsequent years.

The interview transcripts and company documents were analysed using NVivo to manage the data. These documents were coded to reflect what was happening in the companies, and the theoretical perspectives that this reflected.

4. Findings

In this section the findings from interviews concerning the role of the consultants in the remuneration-setting decision are set against the summary of prior research, and accented using narrative taken from the websites of some of the UK's main remuneration consultants (based on the analysis by Conyon et al., 2006)[4].

All but one of the 12 companies participating in this research used remuneration consultants. Five of them used just one consultant to advise on the plans, and another five used two

[4] The websites cited in this report are: New Bridge Street Consultants http://www.nbsc.co.uk/ accessed 30th July 2007; Towers Perrin http://www.towersperrin.com/tp/jsp/masterbrand_lobby.jsp accessed 30th July 2007; Watson Wyatt http://www.watsonwyatt.com/europe/ accessed 30th July 2007.

consultants; one firm used ‘a variety of consultants’.[5][6]   This level of use of consultants is in line with the findings of Conyon et al. (2006) in the UK, and of Murphy and Sandino (2008) in the USA.

The research approach, using semi-structured interviews, does not lend itself to statistical analysis of the results. Table 2 sets out the range of responses and practices discussed by the participants.

Table 2   Range of practices discussed by participants

Tenure of the consultants	One company used different consultants each time; some had changed within the last 2-3 years; several had kept the same advisors for “quite a few years”.
Use of consultants to liaise with the institutional investors	Of the 11 companies using consultants, five used them to liaise with the institutions and one used the consultants to draft a letter that went out in the remuneration committee chairman’s name. When the consultants were liaising with the institutions, this was generally (but not always) done together with the remuneration committee chairman and/or the HR director.
Use of consultants to help write the committee’s published remuneration report	In three of the companies, the remuneration committee asked the consultants to provide significant input to the remuneration report.
Were the consultants appointed by the committee or by the executive (i.e. HR function)?	A wide range of practices. In one case, the process was controlled by the remuneration committee, with minimal involvement of executives. In several companies the appointment appeared to have arisen with input from the non-executives and the executives. In two companies the decision had been made by the HR function with minimal committee involvement.

a.   How companies choose their consultants

There was no common thread to how the consultants had been engaged, other than the fact that the consultants’ reputation was very important, and personal recommendations, for example from a board member who had worked with them before, were an advantage.

[5] This relates to using consultants for advice on plans, rather than for survey data on comparator pay levels; companies used several sources for the latter. The interviews were conducted before the Directors’ Remuneration Report Regulations (2002) came into force, so it was not possible to confirm from published data the exact numbers of consultants used.
[6] The protagonists in the company that did not use consultants felt quite strongly about this, and their views are discussed towards the end of this paper.

In some cases the selection was a matter for the remuneration committee, with little input from the executives, although the HR director may have made recommendations for the shortlist. In others, it was apparent that the HR professional had chosen the consultants, regardless of whether they were nominally 'the committee's consultants'. The following quotes illustrate the range of approaches, starting with a management-driven process.

> *We were invited by [HR director and manager]. One doesn't always know the background to this but we had done a lot of work for [Committee chair's other company] for about 15 years … So I suspect, although I have no way of knowing, that that helped us to win the project. (Consultant)*

Here, the appointment was made via the HR function, although all of the parties interviewed were of the opinion that the relationship with the committee chair had been an advantage in getting appointed.

Such personal relationships were mentioned in several of the interviews, for example that the consultants had acted for another company known by the NEDs, or because the parties knew the consultants from attending seminars, etc. Given the findings of Conyon et al. (2006) that this is a fragmented industry dominated by a few remuneration consultants, it is not surprising that the major consultancies are known by many of the decision-makers.

In the case above, no mention was made of any shortlist or beauty parade in the consultant appointment process. This differed totally from the process in another company, where the committee made the decision to change advisors due to the longevity of the previous appointment and their closeness to management. HR professionals made suggestions, but then stood back from the process:

> *And the committee's just changed its external advisers. They did that really without our help. We set up the beauty contest and the process, but they made those decisions on their own. Paradoxically they asked at the last minute if we were going to be involved. We said that we never envisaged that we would be responsible for selecting your external advisers. (HR professional)*

This was at variance with the comments made by the HR director of another company, who had himself made the appointment because "the remuneration committee aren't the remotest bit interested".

One point to note here is that the majority of the interviews were carried out between late 2001 and early 2003, a time when the remuneration landscape in the UK was changing and, in particular, there was a drive that more rigour should be evidenced in the process.[7] The effect of these changes is captured in the following long quote, which shows how in one company a decision had been made to involve the committee more.

> *Well, essentially, historically the company has tended to put forward a proposal to the remuneration committee to say 'look, we're going to work with [consultant] on this, is that OK? Any objections?'. But we've actually got a project that we are about to start now, and we've agreed a new process whereby although we still basically review and go through the tender process, the chairman of the remuneration committee is also involved and actually would sign the engagement letter. So we actually have moved from it being largely company-driven to it being a genuine joint appointment. And I think it's fair to say it's a joint appointment. And if anything, we can say that the remuneration committee had the right of veto. So if [chairman of the remuneration committee] did not like the firm or the individual lead consultant, then we would abide by his wishes and have to re-tender again. (HR professional)*

It is worth pointing out that although this company could legitimately state in its report that the appointment was the committee's decision, this is qualitatively different from the example given earlier, where the committee was in control of the process. (In fact, a review of the following year's financial statements shows the remuneration report as stating that the consultants were appointed by the company, not specifically the committee.)

In making the appointments, the characteristics desired by companies in their remuneration consultants include their expertise and legitimacy in the corporate world. Although legitimacy for the consultants themselves demands that the plans are be acceptable, and therefore recognisable to their clients and to the rest of the corporate world (Sturdy, 1997), consultants also need to demonstrate their ability to match their solutions specifically to the needs of the

[7] Actually, it is difficult to think of a time in the last decade when it has not been true to say 'the remuneration landscape in the UK was changing'.

company. In one case a consultant appointment was made because the committee and HR professional were dissatisfied with the output from the previous consultant, which was seen to be insufficiently tailored to that business context.

b. The consultant as an expert and source of data

The role of the consultant as an expert is twofold. Firstly, and obviously, they need a level of expertise in order to be able to provide the advice that their clients seek. Additionally, they need to *appear* as experts in order to influence potential clients to employ them, and to manage the expectations and impressions of existing clients. Both of these attributes are discussed in this section.

Given that pay is benchmarked against ‘the market’, an evident and important role for the consultants is as a source of data on that market. Although UK regulation on executive pay means that much comparator information is publicly available, using consultant-generated data has two main advantages. Firstly, it outsources a mundane task, freeing up the time of the HR professional who otherwise would have to look at many individual sets of financial statements for the underlying numbers. And secondly, the consultants’ proprietary data are more up-to-date than the financial statements would be, and are more detailed. However, they are also more expensive, so companies often mix and match self-generated data with publicly-available survey data with consultants’ data acquired for a fee.

It is common for companies to use more than one consultancy as a source of data, even if they only have one consultant providing plan advice. The reason for this is twofold. Firstly, they get more data to inform their decisions. And secondly, clients differentiate the consultants’ offerings, with different firms perceived to have different strengths.

> *But the advantage of board pay … is that a lot of the information is in the public domain. However, the advantage of using some of the more up-to-date surveys rather than just the annual report data is that although you're not going to get it company-specific you are going to get it up-to-date. So we take part and subscribe to surveys by [three consultancy firms named]. So we have a variety of in-house data from those companies that we use. And then we very often use the consultants then to verify some of that for us.   (HR professional)*

[Names two consultancies.]. They're now working together, because they both have slightly different advantages and together it would be perfect. [Consultant 1] do a massive amount of factual, it is just tables of facts for every company. And they do a separate report on the [sector], drawn from the same base and split that again into quoted and unquoted. And so that's based on the reports that are produced. Whereas [Consultant 2] go deeper into that; but it's only a subset. So it's a subset deeper. And there's others that touch both of those. But between those two, having done reports on both of those two, again the remuneration committee gets quite a broad insight. (HR professional)

Although the committees made use of the consultants' data, it is important to understand that they were aware of the potential flaws and biases. Comments were made to the effect that surveys were driving up executive pay levels, and in this respect individuals also discussed their impressions that some consultants were always slightly ahead of the others in the figures they produced. The following quotes are illustrative.

You get these reports from the consultants saying 'look, the median salaries are now so much, and you are below it, and therefore you've got to go up to the median level or whatever you want to be. And then of course you say 'yes, of course, everybody does that, it just goes on and up and up'. And so … you always need to look at those sort of arguments very sceptically. (NED)

These surveys are all indicative of what's going on in the market place; and in lots of ways they can be mechanisms for upping the ante. (HR professional)

And by the way, one of them - and I'm not going to say which - is a firm that I think never ceases to give information that you are underpaying. That's their stock in trade. (Committee chair)

The committee chair who made that last comment added that his committee could 'see through' that advice and so they still used those consultants for data supply. This is an important point: the consultants do not make the decision on the pay plans, they merely advise. Several of the consultants emphasised that, of which the following is representative.

But the ultimate decision is that of the company. It's the company that makes the offer of employment. It's the company that will reach its own decision, taking whatever advice it may get to take, the advice may come from the remuneration consultant. (Consultant)

The company receives advice, but then has to choose what to do with it. One of the marks of a consultancy assignment is that one gets the views of that consultant, or that firm, and their approach may differ from others in the field, or indeed may change from assignment to assignment (Viswesvaran and, Barrick, 1992). One consultant was very open about the potential for differences between practices:

> *But in exactly that same situation another consultant may have slightly different views, because to a degree we all carry some of our personal baggage with us, whether we admit to it or not. (Consultant)*

This can be seen in the way in which the consultancy assignments are approached by the firms. They will set out the range of remuneration in comparator companies (having themselves been very influential in the selection of those comparators, which in one instance were said by the HR professional to reflect the data that were available rather than a detailed analysis of the situation), and will show whether the target executive is at, above or below median. But they do not make the decision as to what action to take; sometimes they do not even make a recommendation, but let the data speak for themselves. And it is for the companies to control the process, not the consultants. Companies can choose how best to use their advisors:

> *And we're not a company that is very good anyway at using consultants by and large. So we didn't [in the past] use consultants at all, we used the [names of two consultancies] surveys, and made our own recommendations, and I went along and presented those recommendations. This time for this particular review we're using [consultancy]. … And we're using them very specifically, not to review basic salaries, but to review the structure of the package and to make recommendations with regard to these two areas that I mentioned, as to how we deal with that. You know, if you're taking something away from people, do you compensate them and so on. So they're working with us. We don't anticipate that they'll be at this meeting. The new chairman is not desperately keen to involve them in the meeting unless it's absolutely essential and he'd expect us to be on top of the numbers and the thinking. (HR professional)*

The comment about the chairman expecting the HR professionals to be on top of the numbers and the thinking was reflected more broadly in a lot of the interviews. Although consultants are useful, employing them was not seen as lessening the responsibilities of the HR professionals to the remuneration committee, nor of the committee to the investor community. Advice is proffered; it need not be taken.

> *They [the remuneration committee] believe, and we believe, that we should own our own remuneration. It should be our fault if there is anything wrong with it rather than blaming somebody else for it. The idea that you get somebody else to frank it and therefore it's okay implies a lack of knowledge and a lack of responsibility; a terminal lack in my view. … if …anything went wrong, it's me that would get blamed. And quite right too. I couldn't hide behind consultants. I'm regarded, I hope I'm regarded, as a remuneration expert. If I use consultants, I'm using them rather than they're using me. Therefore it's still my responsibility. (HR professional)*

We have now moved onto the other activity of consultants: as well as the supply of survey data, they also provide valuable expertise, both on the design and implementation of remuneration plans, and on their likely acceptability to the institutional shareholders. Expertise in both of these areas is important to their clients.

> *Well, that was the recommendation of the consultant based on some research they'd done and current best practice in those types of schemes. (Committee Chair)*

> *And [Consultancy], particularly when we want to get across some of the technical issues, and where they can give assurance that other companies are doing similar schemes - 'this is nothing unusual, nothing to be alarmed about' - they play the 'don't frighten the horses role', I think. (Company secretary)*

In review of the websites of some of the prominent consultancies, this knowledge and expertise is highlighted, as shown in the examples below.

Figure 1 Consultants' narrative on their expertise

We support these disciplines with extensive compensation data capabilities for competitive benchmarking though our Global Compensation Databases and Executive Compensation Resources Online [Towers Perrin]

Using Watson Wyatt's proprietary long-term incentive valuation methodology, Present Economic Value (PEV), to place an appropriate value on long-term incentives… [Watson Wyatt]

We complement our consultancy services with our unique database and continuous research programme [New Bridge Street Consultants]

In particular, we have produced a modified Black-Scholes valuation model in order to value share option and long-term incentive grants. [New Bridge Street Consultants]

In parading their expertise to the world, the consultants are conducting an impression management exercise, positioning themselves as an attractive source of advice. Their proprietary databases of pay statistics are backed up by their many published surveys and reports, together with seminars they run for the corporate and institutional communities. These activities combine to set them in people's minds as competent advisors. This is reinforced by the status of their client lists: a blue-chip client base is another indicator of quality. The requirements of the DRRR (2002) mean that the name of the consultancy firm(s) advising each company is now public knowledge, but in case there were any doubt, many consultants publish details of selected clients in their marketing literature or on their websites.

Consultants will also run tailored seminars for their clients, for example an annual update on relevant plan- and market-related matters. Again, this reinforces their position as experts, as well as providing a valued service.

However, it is rare in the world of business for anything to be unequivocally good. And one downside of this expertise is the inevitability that consultants, having designed a sophisticated plan or a good way to work, will package and commoditise it, perhaps trying to sell it to clients without sufficient tailoring to their own contexts. An instance has already been mentioned illustrating a situation where the consultants had been changed due to the client's dissatisfaction with this process. More generally, the following quote sums up the views of many interviewees on the flair and originality displayed by the consultants in plan design:

> *And anyway, we were disappointed. I think probably the reason is that in fact these remuneration consultants are a herd, just like the investment community are a herd, and there is not actually very much original thought around. (Committee Chair)*

c. The consultant as an intermediary

An important role for the consultants, and one that reflects their role as an expert, is in liaising between the remuneration committee and the institutional shareholders and their representative bodies such as the ABI (Association of British Insurers) and NAPF (National Association of Pension Funds). In all of the companies which used consultants, the consultants had a part to play in this dialogue, orchestrating what was said, and/or participating. They might advise on which shareholders should be addressed directly, and which through the ABI; they might draft letters for the chair of the remuneration committee to send, or, indeed, send the letters under their own name; and they might collate the responses on behalf of the company.

> *In relation to the long-term plans, which is what shareholders currently focus on because they have to vote on them, once we've decided on the type of plan and the conditions with the company, we would then go and talk to investors. This is before the formal shareholders circular is posted. We would either do that ourselves, or we would prepare a letter for the company to write, and then we would get involved behind the scenes and liaise through the Association of British Insurers. (Consultant)*

This was often done because it was felt by the companies (and by the consultants) that the consultants were more expert at 'handling' the institutions.

Another reason for using the consultants as the liaison was because the consultants were the ones who had the expert knowledge about the plans; both the detail of the plans are their acceptability in the marketplace.

> *Another institution came up with some very technical questions about EPS versus total value, total shareholder value as targets. And we just felt we needed [consultant] to produce a few pie charts showing how many people accepted EPS versus total shareholder value. (Committee Chair)*

> *You're holding, actually, all the cards. One, you understand the arrangement better. You understand what each party doesn't know, and you are able to piece it together. Whereas if both parties on both sides had more knowledge to start off with, they would be able to talk more readily. But remn co chairmen, it's one of the things they do, and they are not experts in the whole thing. And therefore the conversation doesn't go... you're not talking at the right level to start off with, so how can you cover the breadth if you haven't got enough knowledge? Whereas the consultants can go from here to there easily. The institutions don't understand what you're actually giving them. So you actually have to take them through what you're giving them. (Consultant)*

Indeed, the appointment of consultant sometimes related to how experienced they were with institutional liaison.

> *[Consultant] are well-respected by the institutions, which is one of the reasons we would always be very keen to work with them. So we started the process with the institutional investors through [consultant] early on in designing the scheme. So we wrote to all our major investors with the outline of the scheme, asking for their views. Through [name],*

> *particularly, at [consultant], who managed a lot of the initial investor reactions… (HR Professional)*

Many of the consultants referred to the shareholding institutions in material on their websites:

Figure 2 Consultants' narrative on institutional shareholders

Institutional shareholders have strong views on executive remuneration and are prepared to vote against resolutions on remuneration at general meetings. You need to take their views into account when designing remuneration packages. [New Bridge Street Consultants] *Major investors are increasingly flexing their muscles and govern* [Watson Wyatt]

The sub-text of this is that mis-reading the institutional shareholder's mind could cause problems for the committee, and that these consultants have particular expertise in this area. This reading ties in with the literature on consultancy, which suggests that consultants reinforce management uncertainty and insecurity, and then sell their services as providing reassurance against these anxieties (Sturdy, 1997).

At least one consultant referred at interview specifically to their prowess in this area as an advantage is getting and keeping clients.

> *I genuinely believe that we know the views of investors than any other firm you'll come across. (Consultant)*

However, it must be pointed out that although this role is relished by the consultants, and often useful to the companies, the shareholders and their representative bodies expressed a clear preference to talk to the committee members themselves rather than passing everything through consultants.

> *It's mostly us [who do the liaison]. But it is changing. There is a pressure from the institutions that they want to see the company, really, rather than us. Which in some ways I understand. … That dynamic is changing. (Consultant)*

> *The company can put forward the chairman of the committee, the HR professional or the consultants. At different stages in the process, each could be acceptable. But for the set piece meeting when they are explaining to [us] what they are proposing to do, that should*

be led by the remuneration committee chairman. And it's good if the chairman can come without the consultants: it looks better. (Institutional representative)

d. The consultant as a legitimating device

As stated earlier, one of the roles of the consultant is to provide legitimacy for the decisions of the remuneration committee. This was evidenced in several ways during the interviews.

In some instances, interviewees took the view that although it was not compulsory to employ consultants, it was seen as highly desirable:

> *Because what we understand, what I understand, is that in due course, the way the DTI*[8] *is going, the DTI will expect that you have taken some outside views on salaries. And therefore there's no point any longer in saying I'm not going to do that, it's a waste of money. I think that one of the criteria which we're told will come out with the DTI paper is that they will insist that you have taken some formal benchmarking exercises in arriving at salaries, so that's what we've done. (NED)*

> *I think it was two years ago, in the light of corporate governance issues generally, I was very concerned about our remuneration committee having its own specific and independent advice. So it was my suggestion that we have a beauty parade and we actually appoint a consultant to the remuneration committee. (HR professional)*

> *You have to use consultants to value things. Because people expect an outside independent valuation. (HR professional)*

Other participants were anxious to highlight to the researcher the probity of their processes, evidenced by the involvement of consultants:

> *[Our committee] would never have a meeting to discuss directors' or senior managers' pay without surveys or consultants' documentation, to which it would pay close attention. (NED)*

Some were very blunt about the use of consultants as a legitimising exercise:

---

[8] Department of Trade and Industry. Now renamed BERR, the Department for Business, Enterprise and Regulatory Reform

> *But I do think, there is no doubt that part of this process is a covering of the back. It allows the board to say that it has consulted with consultants. (NED)*

Interestingly, in two companies the HR professionals felt that the presence of consultants was also useful to legitimise their own recommendations to the remuneration committee, in that the committee would give more credence to those recommendations because of the authority conferred by the consultants.

> *We'd obviously have to get the consultants on board. I think if they're saying this is a perfectly good idea then we tend to have the committee saying, well fine. (HR professional)*

> *Because in the end we realised that anything that went to the remuneration committee, if it had the sign off of the external advisers, for want of a better phrase, it stood a better chance of getting through the remuneration committee. (HR professional)*

Overall, consultants seemed to play an important part in legitimising decisions, both internally and externally, and the ability to confer legitimacy featured in the consultant selection process.

Nonetheless, as discussed in the next section, this element of legitimacy may be on the wane.

e. Conflicts of interest and the appointment of more than one consultant

As discussed earlier, many companies use more than one consultant as a source of data on market norms. Some also use different consultants for different parts of the package, choosing, for example, one firm to advise on pensions and another for the rest of the package. However, although it is not universal practice, it has become more common to see companies using separate consultancies to advise management and the remuneration committee on the overall plan: both giving their views on the same matters. One obvious reason for this is the potential, discussed earlier in this paper, for 'capture' of a consultant serving management, who have the ability to award considerable fee-earning work. Although it is not borne out in recent academic research, press comment often highlights this view; for example Plender (2007) refers to remuneration consultants as "an unregulated and conflicted bunch".

The potential for the consultants to suffer conflicts of interest was acknowledged by the consultants themselves.

> *And, you know, obviously people put pressure on you to change different elements of the report.... I think that's when it does make a difference who we're reporting to. If we're reporting to the executive team or we're reporting to the remuneration committee. (Consultant)*

> *We have been involved in situations where the executive team is trying to put a bit of pressure on to you, and in the end something has been put forward to the remuneration committee but it may not have our name on it, in the sense that we then don't feel that that fully represents our views. Whether the remuneration committee is aware of that is another point, because, you know, in some cases we don't see [the committee]. (Consultant)*

> *But yes you do come across difficulties between the execs who have appointed you or the remuneration committee who have appointed you. And that's when you've got to know who appointed you. Because at the end of the day if there is a conflict, you've got to go back to the people who appointed you and say look I cannot advise both of you. (Consultant)*

One instance in particular was raised with regard to conflicts of interest – a comment made by more than one consultant that if a plan 'goes wrong' (i.e. does not pay out enough) then the consultant's appointment may be terminated. They are treated as a scapegoat – as one consultant put it, "you're identified with failure". An example of this in the USA, discussed by Murphy and Sandino (2008: 25), was Countrywide Financial, which ended its relationship with consultants who did not recommend a very high level of pay for the CEO and eventually brought in a consultant who made a more generous proposal.

Interviews with consultants on this potential conflict of interest produce mixed results. Some did acknowledging this potential problem, but stressed that they remained conscious of the fact that the committee, not management, was their client, and their advice was given in that context. They commented that their respect for their own professional reputations would not let them give partisan advice.

> *I think what is important is the independence of an adviser to a remuneration committee. And that independence is important. It's important to the committee, and it's important to all of the other interested parties, including the executive population. Including*

shareholders, whether they be private shareholders or institutional shareholders. I think there are also some pressures on consultants to maintain that position of independence. I have a kind of shorthand way of describing it. If you provide advice to a committee, that advice should be such that if it were published, you as a consultant would be able to defend it. (Consultant)

It is worth noting, in passing, that the same argument of professionalism and reputation has previously been used by the credit rating agencies, and by firms of auditors. Evidence to the US House of Representatives oversight committee has shown that the credit rating agencies succumbed to the pressures of the conflict (Beattie 2008). The events surrounding Enron indicated that at least one of the large auditing firms also acted inappropriately (Brown and Dugan, 2002).

Various views were expressed on the pros and cons of employing separate consultants for management and the committee. Some companies had had multiple consultants for a number of years, and took it as the norm.

…it's part of our core corporate governance policy that the remn co will be independently advised. I've not observed any point scoring. (Company secretary)

Other companies had brought in a dual structure, as they saw it as emerging best practice, and one which legitimised the advice they were getting.

We've brought [Consultant 2] in because we'd always used [Consultant 1]. And we wanted to make sure that, from the remuneration committee's perspective, they felt ownership of the research being undertaken, and that it wasn't, if you like, a management tool. I don't think there was any suspicion of that, it was just a question of wanting to put them in the position of... (Company secretary)

However, some companies – and some consultants – saw the idea of two consultants as an unnecessary expense, and one with the potential for conflict, as the consultants played off against each other.

Now in that sort of frame of mind you don't say across the table to [CEO] 'you've got your independent advisers, and I've got mine'. You say, and this is how it would come about, and I hope it never did because it would suggest crisis, by which time the independence of the consultants, whatever area it's in, would be irrelevant. You say 'we don't trust you … and we don't trust you and your colleagues to give us the right information'. That would be *the point in time where I think a resignation would be a swifter way of bringing the crisis to a head than saying please bring in [consultants] to review this on our behalf because we don't like you working with whoever else it is. (Committee Chair)*

Not really, no, I don't believe it does work. Provided that whatever adviser is being used is a professional adviser, the advice that is being given - notwithstanding the comments of some institutions - will actually be well thought out, professional, and therefore the added value that another adviser can provide in terms of reviewing that will tend to be relatively limited. And it will be more matters of opinion rather than fundamentally saying 'okay, this is wrong'. (Consultant)

I think if you've got consultants who've got integrity, it's probably a waste of money. (Consultant)

Having said this, as one consultant pointed out, "Having separate advisers is good for the industry!"

f. An argument against the use of consultants

In the introduction to this section, it was stated that 11 of the 12 case companies used consultants to advise on plans. One did not. It is worth discussing the arguments presented in support of this view.

This company was served by a very experienced HR professional. His thesis was that in order to design an appropriate plan, the designer needed a good understanding both of plans, and of the company's particular context and culture. Given his background, he believed that he was more than able to match the consultants in knowledge of plans. And, quite reasonably, he argued that his knowledge of the company had to be deeper than any external consultant could obtain. Thus he saw little point in appointing external advisors.

I'm horrified when a lot of companies introduce new share schemes, and the discussions with shareholders are led by consultants. … But they ought to know the scheme. That's what I mean. We would expect that we'd invent the scheme, not the consultants. It's an appalling thought to me to have a consultant to invent schemes for me. How could I keep my self-respect if that happened? That's what I can't understand really, the way other companies do it. Because with most consultants you will get their pet scheme. How do you *know if that's going to be any good for you? You want your own scheme. (HR professional)*

This view was supported in the interview with the chair of his company's remuneration committee (at which the HR professional was also present), who commented that the matter was discussed with the committee annually, but that they saw no benefit in using such advisors. A review of the company's financial statements in the two years following the interview date showed that consultants had since been appointed, but that their role was specifically stated as being one of verification rather than advice.

5. Summary

This paper adds to the growing literature examining the role of the remuneration consultant. Unlike other papers, which focus on statistical data to evaluate relationships between the use of consultants and the plans adopted, this research takes a qualitative approach. Interviews were conducted with the protagonists in the remuneration-setting decision in a selection of FTSE350 companies to determine why and how consultants are used, and what they do. The paper shows that there are several clearly-distinguishable roles for the consultant.

One function of the consultant is to act as an expert, providing proprietary data against which companies can benchmark pay, and giving insight and advice into the possibilities open for plan design and implementation. In the data they produce they will influence the choice of comparators, which itself impacts the level of pay. They also bring to bear their knowledge of plans, and of what is currently acceptable to the market.

The consultants also have a role to play in liaising with the institutions. The perceived advantage of this is that they have more experience in dealing with the institutions, and so can argue the case more effectively than could the company representatives on their own. Also, they can bring to bear a lot of technical knowledge in their explanations. Nevertheless, in some cases the shareholders would prefer to see more of the committee members and less of their advisors.

Another aspect of the consultants' work is seen to legitimise the decisions of the remuneration committee by providing an element of independence. However, this is tempered by the clear potential (acknowledged, but not evidenced in academic research) for a conflict of interest between their duties to the committee and their desire to satisfy the executives.

The limitations of the study must be acknowledged. The work reflects a series of interviews conducted during 2001-2003. Over the period of the interviews, the regulatory framework in the UK changed considerable: in particular, the Department of Trade and Industry brought in the Directors' Remuneration Report Regulations (2002). Each of these could have an impact on the way in which companies relate to their consultants. One impact of the DRRR is that companies have to disclose details of the consultants and advisors used, which almost inevitably will lead to changes in practice. Thus, were this research to be conducted today, some differences would be expected.

It is also worth noting – an observation, rather than a limitation – that the work reflects interviews at 12 specific companies and is not generalisable, nor was it ever intended so to be. It provides rich data in a certain context, to be used by other researchers to inform their own work.

Acknowledgement

The financial support of the P D Leake Trust (a charity associated with the ICAEW) is gratefully acknowledged. The Centre for Business Performance manages all grant applications.

References

Armstrong, C.S., Ittner, C.D. and Larcker, D.F. (2008). *Economic Characteristics, Corporate Governance, and the Influence of Compensation Consultants on Executive Pay Levels* http://ssrn.com/abstract=1145548 12th June.

Barkema, H.G. and Gomez-Mejia, L.R. (1998). Managerial Compensation and Firm Performance: a General Research Framework. *Academy of Management Journal*, 41(2), 135-145.

Beattie, A. (2008). Rating bodies 'broke bond of trust', *Financial Times*, 23rd October.

Bebchuk, L.A. and Fried, J.M. (2004). *Pay without Performance: The Unfulfilled Promise of Executive Compensation*, Cambridge, Mass: Harvard University Press.

Bender, R. (2004). *The Determination of Directors' Remuneration in UK Listed Companies*. Briefing published by the Centre for Business Performance, London: ICAEW. www.icaew.co.uk/cbp

Bender, R. (2007). *The Platonic Remuneration Committee*. Presented at the 5th International Conference on Corporate Governance, Birmingham, 2nd July 2007

Brown, K., Dugan, I.J. (2002). Arthur Andersen's Fall From Grace Is a Sad Tale of Greed and Miscues, *Wall Street Journal*, 7th July.

Cadman, B.D., Carter, M.E. and Hillegeist, S.A. (2008). *The Role and Effect of Compensation Consultants on CEO Pay* http://ssrn.com/abstract=1103682 March.

Clark, T. (1995). *Managing Consultants: Consultancy as the Management of Impressions*, Open University Press.

Clark, T. and Salaman, G. (1996) The Management Guru as Organizational Witchdoctor, *Organization*, 3(1), 85-107.

Clark, T. and Salaman, G. (1998). Telling Tales: Management Gurus' Narratives and the Construction of Managerial Identity, *Journal of Management Studies*, 35(2), 137-161.

Conyon, M.J. (2008). *Compensation Consultants and Executive Pay: Evidence from the United States and the United Kingdom* http://ssrn.com/abstract=1106729 ,May.

Conyon, M.J., Peck, S.I. and Sadler, G.V. (2006)..*Compensation Consultants and Executive Pay*, working paper, May 19th.

Conyon, M.J., Peck, S.I., Read, L.E. and Sadler, G.V. (2000). The Structure of Executive Compensation Contracts: UK Evidence. *Long Range Planning*, 33(4), 478-503.

Department of Trade and Industry. (2002). *Statutory Instrument 2002 No. 1986: The Directors' Remuneration Report Regulations 2002*, London, DTI.

DiMaggio, P.J. and Powell, W.W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields, *American Sociological Review*, 48, 147-160.

Ezzamel, M. and Watson, R. (1998). Market Comparison Earnings and the Bidding-Up of Executive Cash Compensation: Evidence from the United Kingdom. *Academy of Management Journal*, 41(2), 221-231.

Ezzamel, M. and Watson, R. (2002). Pay Comparability Across and Within UK Boards: An Empirical Analysis of the Cash Pay Awards to CEOs and Other Board Members. *Journal of Management Studies*, 39(2), 207-232.

Fincham, R. and Evans, M. (1999) The Consultants' Offensive: Reengineering - from Fad to Technique, *New Technology, Work and Employment*, 14(1), 32-44.

Finkelstein, S. and Hambrick, D.C. (1988). Chief Executive Compensation: A Synthesis and Reconciliation. *Strategic Management Journal*, 9(6), 543-558.

Finkelstein, S. and Hambrick, D.C. (1996). *Strategic Leadership: Top Executives and Their Effects on Organization, s* St Paul: West Publishing Company.

Gomez-Mejia, L.R. and Wiseman, R.M. (1997). Reframing Executive Compensation: an Assessment and Outlook. *Journal of Management*, 23(3), 291-374.

Hodak, M. (2004). Alignment Exposed: How CEOs are Paid, and What Their Shareholders Get for It, *Journal of Applied Corporate Finance*, 16(2/3), 111-121.

International Corporate Governance Network (2002). *Executive Remuneration – the Caucus Race?*, ICGN, http://www.icgn.org/documents/remunerationreport.htm accessed 4 11 03

Kipping, M. (2002). Trapped in Their Wave: The Evolution of Management Consultancies, In: *Critical Consulting*, edited by T. Clark and R. Fincham, Oxford: Blackwell.

Lee, K. and Pennings , J.M. (2002). Mimicry and the Market: Adoption of a New Organizational Form, *Academy of Management Journal*, 45(1), 144-162.

Legge, K. (2002). On Knowledge, Business Consultants and the Selling of Total Quality Management, In: *Critical Consulting*, edited by T. Clark and R. Fincham, Oxford: Blackwell.

Liberman, V. (2002). It's Not Our Fault – Usually, *Across the Board*..

Main, B.G.M. and Johnston, J. (1993). Remuneration Committees and Corporate Governance, Accounting and Business Research, 23(91a), 351-362

Main, B.G.M., Jackson, C., Pymm, J, and Wright, V. (2008). The Remuneration Committee and Strategic Human Resource Management. *Corporate Governance: An International Review*, 16(3), 225-238.

Main, B.G.M., O'Reilly, C.A.III and Wade, J. (1995). The CEO, the Board of Directors and Executive Compensation: Economic and Psychological Perspectives. *Industrial and Corporate Change*, 4(2), 293-332.

Minhat, M. (2008). *The Role of Compensation Consultant in Executive Pay Governance*, paper presented at the British Accounting Association conference, April,

Monks, R.A.G. (1998). Executive and Director Compensation - 1984 REDUX, *Corporate Governance: An International Review*, 6(3), 135-139.

Murphy, K.J. (1999). Executive Compensation. In: *Handbook of Labor Economics, Volume 3B*, edited by Ashenfelter, O. and Card, D., Elsevier: Amsterdam.

Murphy, K.J. and Sandino, T. (2008). *Executive Pay and 'Independent' Compensation Consultants* http://ssrn.com/abstract=1148991 June 20.

Ogden, S. and Watson, R. (2008). Executive pay and the search for legitimacy: An investigation into how UK Remuneration Committees use corporate performance comparisons in long-term incentive pay decisions. *Human Relations*, 61(5), 711-739.

Patton, A. (1991). Those Million-Dollar-a-Year Executives. In: *Executive Compensation, A Strategic Guide for the 1990s*, edited by Foulkes, F.K., Boston, Harvard Business School Press.

Plender, J. (2007). It Pays to Simplify Boardroom Compensation, *Financial Times*, 5th January.

Postelnicu, A. and Boland, V. (2003). NYSE directors had doubts on Grasso pay, *Financial Times*, 11th September.

Riskmetrics (2007). Pay Consultant Concerns Debated Submitted by: L. Reed Walton, Publications 7th Dec 2007
http://blog.riskmetrics.com/2007/12/pay_consultant_concerns_debate.html

Sturdy, A. (1997). The Consultancy Process An Insecure Business?, *Journal of Management Studies*, 34(3), 389-413.

Suchman, M.C. (1995). Managing Legitimacy: Strategic and Institutional Approaches. *Academy of Management Review*, 20(3), 571-610.

Viswesvaran, C. and Barrick, M.R. (1992). Decision-Making Effects on Compensation Surveys: Implications for Market Wages, Journal of Applied Psychology, 77(5), 588-597.

Wade, J.B., Porac, J.F. and Pollock, T.G. (1997). Worth, Words, and the Justification of Executive Pay, *Journal of Organizational Behavior*, 18, 641-664.

Waxman, Henry A. (et al.). (2007). *Executive Pay: Conflicts Of Interest Among Compensation Consultants*, United States House of Representatives Committee On Oversight And Government Reform Majority Staff, December.