

The Ombudsman: The “Wicked” Environment of CEO Pay

Robin M. Hogarth, Gueorgui I. Kolev

Published Online: 6 Dec 2013 | <https://doi.org/10.1287/inte.2013.0708>

Abstract

We applaud Jacquart and Armstrong’s systematic, evidence-based review of the contentious issue of CEO remuneration. We augment their analysis. First, we highlight the lack of demonstrated validity of unaided expert judgment to set CEO remuneration. The settings in which such judgments are made do not facilitate learning through experience and are subject to many biases. In particular, we briefly describe our empirical study that demonstrates illusory correlation in the form of a relationship between golfing ability and CEO remuneration, which does not mirror CEO performance. Second, we provide an analysis of data that shows that boards of directors are unable to accurately predict future performance of CEOs when determining remuneration packages. Third, we advocate the use of systematic methods in setting CEO remuneration.

[< Previous](#)
[Back to Top](#)
[Next >](#)


Volume 43, Issue 6

November-December 2013

Pages 503-616

Article Information

INFORMS site uses cookies to store information on your computer. Some are essential to make our site work; Others help us improve the user experience. By using this site, you consent to the placement of these cookies. Please read our [Privacy Statement](#) to learn more.

[Agree](#)

Metrics

Downloaded 15 times in the past 12 months

Cited 6 times

Information

Published Online: December 06, 2013

Copyright © 2013, INFORMS

Cite as

Robin M. Hogarth, Gueorgui I. Kolev (2013) The Ombudsman: The “Wicked” Environment of CEO Pay. Interfaces 43(6):596-598.

<https://doi.org/10.1287/inte.2013.0708>

Keywords

- CEO compensation
- CEO performance
- decision rules
- behavioral biases
- illusory correlation
- CEO golfers

Acknowledgments

The authors thank Scott Armstrong and Philippe Jacquart for their useful suggestions. In addition, Hogarth recognizes the financial support of the Spanish Ministerio de Economía y Competitividad [Grant EC02012-35545].

PDF download



Sign Up for INFORMS Publications Updates and News

INFORMS site uses cookies to store information on your computer. Some are essential to make our site work; Others help us improve the user experience. By using this site, you consent to the placement of these cookies. Please read our [Privacy Statement](#) to learn more.

SIGN UP

Agree



The Institute for Operations Research and the Management Sciences

5521 Research Park Drive, Suite 200
Catonsville, MD 21228 USA

phone 1 443-757-3500

phone 2 800-4INFORMS (800-446-3676)

fax 443-757-3515

email informs@informs.org

Get the Latest Updates

[Discover INFORMS](#)

[Explore OR & Analytics](#)

[Get Involved](#)

[Impact](#)

[Join Us](#)

[Recognizing Excellence](#)

[Professional Development](#)

[Resource Center](#)

[Meetings & Conferences](#)

[Publications](#)

[About INFORMS](#)

[Communities](#)

[PubsOnLine](#)

[2024 INFORMS/ALIO/ASOCIO International Conference](#)

[Certified Analytics Professional](#)

[Career Center](#)

[INFORMS Connect](#)

Copyright 2024 INFORMS. All Rights Reserved

[INFORMS Code of Conduct](#) | [Terms of Use](#) | [Privacy](#) | [Contact INFORMS](#) | [Sitemap](#)

Follow INFORMS on:  [Twitter](#)  [Facebook](#)  [LinkedIn](#)

INFORMS site uses cookies to store information on your computer. Some are essential to make our site work; Others help us improve the user experience. By using this site, you consent to the placement of these cookies. Please read our [Privacy Statement](#) to learn more.

Agree