Do executive remuneration decision-makers know what's going on? The gap between independence and institutional contexts

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The final, published version in Journal of Organizational Effectiveness: People and Performance, DOI 10.1108/JOEPP-08-2022-0219, 2022 is available at:

https://doi.org/10.1108/JOEPP-08-2022-0219

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Abstract

Purpose: Drawing on institutional theory, this study analyses the regulation of executive remuneration as espoused in UK codified corporate governance principles, focusing on sources of advice to decision-makers, the nature of the advice sought and given, and interaction of those involved in the process.

Design/methodology/approach: A qualitative research design was used. Data were assembled from interviewing non-executive board/remuneration committee members; institutional investors; external remuneration consultants; and internal HR/reward specialists. Results were analysed in accordance with the Gioia technique.

Findings: Tensions inherent in the interpretation of corporate governance codes are illustrated. Emphasis on independent advice combined with constraints on decision-makers' capacity to navigate the nuances of a complex field and reputational concerns risks standardised instead of bespoke remuneration approaches aligned with corporate contexts.

Practical implications: There is a role for internal HR advisors to add value through their potential to reduce the gap within remuneration committees between institutional contexts and independent decision-making, facilitating more strategic human resource management inspired executive remuneration.

Originality/value: Application of institutional theory indicates the relevance of balancing external with internal sources to secure advice that is horizontally and vertically aligned within an organisation to meet the letter and spirit of corporate governance norms. Extending the explanatory power of institutional theory, care is needed though not to overlook the normative underpinnings of professional advisors' own value sets.

Key words: Remuneration committee; Corporate governance codes; Executive remuneration; Institutional theory; Qualitative data

Introduction

Executive remuneration (hereafter top pay) is a contested phenomenon known for attracting outrage (Bebchuk and Fried, 2003). The UK's codified corporate governance principle is that the process of determining top pay must be independent of corporate management (FRC, 2018). There is also an expectation that top pay should be designed, consistent with the strategic human resource management (SHRM) imperative (Jotabá *et al.*, 2022; Main *et al.*, 2008) to secure competitive advantage, implying alignment with organisational specificities (Hiekkanen *et al*., 2013). Yet, the social actors involved in top pay determination and sanctioning – independent non-executive directors (NEDs) and institutional investors – and the independent consultants who advise them (Ogden and Watson, 2012) operate at arms-length. This can limit organisationally-nuanced decision-making capacity (Pepper and Gore, 2015) and lead to prioritisation of risk mitigation to reduce/eliminate external censure likely to harm personal reputations (Bebchuk *et al*., 2017).

There is an extensive quantitatively informed top pay literature (e.g., Aggarwal, 2008; Bertrand, 2009; Core *et al*., 2003; Edmans and Gabaix, 2009; Frydman and Jenter, 2010). However, such context-free analyses dominating the field of inquiry have had only modest success in explaining egregious top pay awards (Edmans *et al.*, 2017). Statistical results from these investigations have tended to be limited to identifying correlation between the size of top pay levels and organisational size. However, inferences from more recent analysis (e.g., Edmans and Gabaix, 2016) imply positive impact by executives on "shareholder value" if controls are introduced to account for "the specifics of the CEO setting" (Edmans and Gabaix, 2016, p.1233). This suggests the need for qualitative insights into the operation of the board committee known as the remuneration committee (Remco) (Main *et al*., 2008, 2011). To understand why optimal risk sharing between executive managers and shareholders may fall short when top pay contracts are specified (Edmans *et al.*, 2021), we aim to illuminate UK top pay decision-making drawing qualitatively on a range of relevant voices. We set out to interview not only Remco members in large UK publicly quoted companies but also their external specialist consultants (Goh and Gupta, 2010) and in-house HR professionals (Martindale, 2014), as well as representatives of the shareholders to whom they report (Janakiraman *et al.*, 2010). Attending to contextual specificities suggests to us the merits of adopting institutional theory to shape the focus for investigation and to inform analysis of empirical findings. We examine three linked aspects of Remco-related activity: the role of independent consultants (Ogden and Watson, 2012); the role of HR specialists internal to the organisation (Main *et al.*, 2008); and Remco members' views on their interaction with top pay recipients (Edmans *et al.*, 2021). Flowing from this we set out the following three research propositions (RP):

RP1: Executive pay decision-making can benefit from context-informed interaction between pay consultants and Remco members.

RP2: The HR function can contribute context-specific intelligence to aid Remco decision-making.

RP3: Contextual information drawn from interactions with key management personnel can help to frame Remco decision-making.

Our paper addresses the following empirical research question:

- What can be distilled from dialogue with relevant internal and external organisational actors about Remco-related operations to illuminate top pay decision-making processes and outcomes within independent corporate governance institutional settings?

Issues surfaced in our qualitative data analysis – set out following the three propositions above – help to extend institutional theory to incorporate the implications of "fetishizing independence" (Rodrigues, 2008, p.7) when applying top pay regulatory codes.

Problematising codified corporate governance and independent top pay forums

Regulatory focus has been on prohibiting economic rent extraction by corporate executives in the form of escalating pay levels (Aguinis *et al.*, 2018; CIPD, 2021). Pay gaps viewed as unjust also risk internal organisational negativity, harmful to corporate performance (Amore and Garofalo, 2021; Hambrick, 2018). These concerns underscore emphasis in the UK Corporate Governance Code that top pay regulation needs to be mindful of stakeholders other than company shareholders alone (FRC, 2018).

Although research on company board composition is “far from unanimous” as to what is “proper” (Marra, 2021, p.569), codified corporate governance has shifted the balance of power from executives (Pfeffer and Salancik, 2003) to prioritise independent perspectives. In the UK, Remco membership is expressly reserved to NEDs (Companies Act, 2006; FRC, 2014, 2018). In discharging their functions, codified principles have long emphasised that top pay decision-makers should solicit “outside advice” (Greenbury, 1995, 4.17). Independent consultants are thus hired to provide specialist input, for example external benchmarking data (Conyon *et al.*, 2009; Jochem *et al*., 2021; Ogden and Watson, 2012; Wang and Johnson, 2012). Remco members are directed to exercise independent judgement when evaluating such advice, as well as when receiving views from executive directors and other internal company sources (FRC, 2018). Notwithstanding this, reflection is needed on the operationalisation of independence in the context of top pay determination.

Looking externally to the UK, for the Australian Stock Exchange, independence means “independence from management and free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement” (Kang *et al*., 2007, p.197). In the USA, federal law via the Sarbanes-Oxley Act, 2002, is consistent with the Australian view: outsider status is conferred by a lack of ties to the corporation and its management.

However, contrasting notions of independence have been highlighted: the emphasis under a legal definition applicable to companies incorporating in the State of Delaware makes independence situational. The logic is that, as the nature of conflicting interests may differ in different contexts, the focus of influence from which directors are to be insulated varies as well (Rodrigues, 2008). A refined definition of independence may address possible conflicts such as, for example, perceived interests and norms varying between top pay decision-makers and the executive management team as interpreted by reference to corporate governance criteria necessary to legitimate a decision-maker's continued tenure in their current or possible future role.

In the case of independence among professional services' advisors such as pay consultants, a clue as to what is intended may be found in longstanding guidance applicable to financial auditors. The debate has been over whether audit firms should also supply non-audit services given concern that a commercial interest in the provision of these services impairs the auditor's independence. Yet the phrase auditor independence traditionally has had no precise meaning (Antle, 1984). Under UK corporate governance standards, cross-selling of audit, and top pay, services is frowned upon (Conyon *et al.*, 2009; Higgs, 2003; Murphy and Sandino, 2010). Top pay consultants "may be loath to squander their business reputation in return for short-term benefits obtainable from privileging executives' interests" (Ogden and Watson, 2012, p.503). Here too though the Delaware test cited above may give pause for thought as to the implications of ways in which consultants interpret the need to insulate themselves from conflicts when advising top pay decision-makers through their reading of corporate governance principles situated within specific contexts. There is a risk that interpretations may, as Rodrigues (2008) suggests, fetishize independence, transforming an essentially negative quality – lack of ties to the corporation – into an end in itself, possibly inhibiting top pay decision-makers' access to contextually situated intelligence necessary to facilitate distinctive corporate performance outcomes.

This interpretation of the independence principle, to satisfy regulators' calls for checks and balances when setting executive pay, is problematic when faced with the argument that with "fewer and fewer execs on boards … non-execs don't know what's going on" (Hildyard, 2019, p.15). These observations lead us to propose that a gap exists between those with in-depth knowledge of top pay specificities and those accountable for advising and deciding what to pay and the grounds justifying these judgements. We further suggest that this structural weakness is amplified by the institutional contexts in which these processes exist.

Institutional theory and Remco decision-making pathways

Top pay processes demand attention not only to the agency of the social actors involved (Jensen *et al.*, 2004), but also to the way setting(s), interdependencies and associated shared rationales become gradually embedded over time as the social actors adapt to perceived norms and practices within similar organisational milieu (Main *et al.*, 2008, 2011; Scott, 2001). It is rare for individuals involved in setting and sanctioning top pay to describe publicly how their decisions are shaped by the sources of advice they receive – external and internal to the firm (Shortland and Perkins, 2022). Context-sensitive theory is needed to help interpret the interaction of organisational and participants' circumstances as counterparties to the top pay contract when peering inside the Remco black box (Tosi and Gomez-Mejia, 1989; Perkins and Shortland, 2022). Such theory encourages researchers to pay attention to social influences (Perkins and Hendry, 2005), including those that become institutionalised and thence engrained in institutional investors' and Remcos' practice through repeated use (Main *et al.*, 2011; Perkins, 2017; Zimbardo and Leippe, 1991). Located within a specific organisational field – such as large UK stock market listed companies – influences on top pay decision-makers may be theorised as incestuous (Di Maggio and Powell, 2004) leading to "inertia, social embeddedness, and path-dependence encountered as remuneration committees seek legitimacy under the prevailing regulatory, normative and cognitive influences" (Main *et al.*, 2008, p.226).

The dominance of institutional theory, as a macro theory of the interrelation of organisations and their environment, has been acknowledged in attempts to explain activity within firms and among those providing management and oversight (Aksom and Tymchenco, 2020). Initiated by Meyer and Rowan (1977), what goes on in organisations is viewed as influenced not only by their capabilities and industry conditions but also by both the formal and informal constraints of their institutional environments. Institutions include formal rules (laws, regulations and procedures) and informal constraints (customs, norms and cultures) that combine to situate how economic activities occur (Sahin and Mert, 2022). Institutional theory emphasises the value of organisational compliance with practices and procedures that are predominant in the internal environment, as well as adherence to external rules and norms (Rouf and Siddique, 2022). Building on Meyer and Rowan (1977), DiMaggio and Powell (1983) replaced the focus on the nature of organisational diversity associated with technical functions, with one predicting organisational homogeneity. This neo-institutional perspective was critical of a lack of attention to the role of organisational self-interests and active agency in organisational responses to institutional pressures and expectations. More sociologically-oriented, the aim was to explain why and how organisations change contrary to what might be predicted in context-free economic theorising. Isomorphism, or conforming to institutional benchmarks, was theorised as the primary outcome of organisational dynamics (Aksom and Tymchenco, 2020). In short, neo-institutional theorising goes beyond the view that actors such as Remco decision-makers seek efficiency, proposing that they also try to be legitimate and conform with taken for granted norms (Sahin and Mert, 2022).

Under neo-institutional theory, organisational activity occurs in uniform, systematic ways, so that the actors and their behaviours come to resemble one another (Karyawati *et al.*, 2020). Forces of institutional isomorphism are predicted to occur in one of three ways, possibly acting in concert: mimetically, coercively and/or normatively (DiMaggio and Powell, 1983). Mimetic isomorphism occurs due to pressure to copy the forms and actions of other organisations, especially those that have similar characteristics to the organisation concerned. It often occurs under conditions of uncertainty such as reputationally risky Remco decision-making under intense public scrutiny. This motivates organisational actors to reduce perceived risk by acting in reference to benchmark actions taken elsewhere, especially where the organisations are judged as representative and where actions are interpreted possibly via the medium of management consultants or internal specialists. Coercive isomorphism occurs because of external pressures such as government regulations mediated, for example, via institutions setting down best practice corporate governance codes (FRC, 2018, 2020) to which demonstrable compliance is expected or deviance expressly accounted for. Normative isomorphism may be understood by reference to peer organisations adopting systems or standards as a result of which recognition or certification may flow from professional institutions – for example, management consultants' willingness to signify legitimacy for a firm's top pay policies and their application, serving as institutional support. Taken together, neo-institutional theory uses characterisation of institutional contexts to explain institutionalising processes – "by revealing the process of how the boundaries between company and social are constructed" (Karyawati *et al.*, 2020, p.228).

The situation of the parties involved in top pay contracting (Bebchuk and Fried, 2003) and the capabilities they bring, informed by their own assumptions and motivations, are relevant in shaping their interpretations of codified corporate governance expectations (Rambo, 1999). It should not be assumed that social actors individually and in group settings such as Remcos fulfil their roles solely through objective, rational decision-making (Alexander, 2001; Dimitrakopoulos, 2001; Paternoster *et al*., 2017). Locating Remco-related interaction within institutional context(s) directs researchers' attention to influences on participants' efforts to fulfil a perceived social contract with their constituencies. This may influence priorities in discharging their functions "more profoundly than market pressures" (Roszkowska-Menkes and Aluchna, 2017, p.7) as well as their "cognitive limitations in the face of finite information, bounded computational capacity and restricted time constraints" (Main *et al*., 2008, p.234) as arms-length actors involved in forward-facing decision-making (Pepper and Gore, 2015). Where the risks of getting it wrong giving rise to reputational risks are high (Dohmen *et al*., 2018; Wang and Johnson, 2012), subjective interpretation of codified corporate governance expectations about independent advice and decision-making may encourage top pay decision-makers to adopt a sideways looking approach. For example, Remcos may emulate corporate peers they regard as successful (Heckathorn, 1996) or institutional investors may rely uncritically on mandatory voting recommendations (Hayne and Vance, 2019; Tuch, 2019). In so doing they may assume that this will legitimise their position as arbiters of regulated organisational change through conformity with a common (socially constructed) institutional environment (Amoako *et al*., 2021; Currie, 2012; Hersberger-Langloh *et al*., 2021). Although, nominally, companies seek ways to distinguish themselves to compete with one another, their approach is to forecast the future based on what decision-makers observe in the present, hoping through compliance to limit their perceived exposure to public censure (Dohmen *et al*., 2018; Frijda *et al*., 2014).

Such a decision-making pathway, characterised by a decoupling of policy intended to achieve corporate performance goals from that perceived as necessary to secure decision-makers' continued legitimacy (Boxenbaum and Jonsson, 2017) may become consolidated into routines cemented through force of habit over time (Hechter and Kanazawa, 1997; Tien and Chen, 2015). Even if decision-makers' choice of how to interpret regulatory emphasis on the independence principle in top pay determination is, at that stage reversible, implications can flow from what may be a "small event" (Sydow *et al*., 2020, p.718) setting self-reinforcing processes in motion "because institutions and policies have a tendency towards inertia … once particular paths have been forged" (Greener, 2005, p.62). Reinforcing processes may follow initial action that appears to secure positive feedback (for instance from shareholders and the corporate financial media following announcement over successive codes of practice of vaguely specified notions of independence for top pay decision-makers and their consultants), leading to a pattern of action to do more of the same. While at this stage any perverse implications of an obsession with independence – such as formulaic, homogenised top pay outcomes (Humble, 2019) – may not be visible, a dominant organisational solution (or path) emerges (Sydow *et al*., 2020).

Path-dependent reinforcing mechanisms may also reflect a combination of cognitive biases, emotional reactions or political processes (Sydow *et al*., 2020) with the flip-side that alternative courses of action dwindle (Tien and Chen, 2015). Thus, adoption and compliance with the new institution or policy effectively constrain subsequent activity (Peters, 2019). Early acquiescence with institutional isomorphic pressures may create a kind of hyper-rationality (Alexander, 2001) among decision-makers privileging reputation safeguarding given the challenges of engaging with complex options involved in the forward planning of top pay design. Hence, guided by specialist advisors, they take comfort in what their peer group is doing (DiMaggio and Powell, 2004; FRC, 2006), creating a "diffusion industry" of easily copied practices (Becker and Huselid, 2006, p.916), even if the behaviour may be technically irrational, purely grounded in habit or insecurity (Dimitrakopoulos, 2001). Hence, the dominant path takes on a quasi-deterministic character: "a strategically inefficient lock-in" Sydow *et al*. (2020, p.719).

Methodology

To understand institutionalised influences on parties associated with top pay regulation it was necessary to conduct qualitative interviews (Skarbek, 2020) with key personnel relevant to top pay decision-making. Three groups were interviewed pre-pandemic, primarily face-to-face (one individual was interviewed by telephone): board members/NEDs/Remco chairs; institutional investors, chosen bearing in mind that firms of institutional investors manage 90% of UK stock market listed share portfolios (Çelik and Isaksson, 2014); and external top pay consultants. To further widen our understanding of the diversity of views of those who help to shape Remco decision-making such as internal Human Resources (HR) professionals, a fourth group – senior HR/remuneration specialists – was interviewed during the pandemic lockdown, necessitating an online approach (interviews conducted on Zoom). Consistent with Main *et al.* (2008, 2011), a semi-structured interview approach was adopted to enable a similar line of questioning to be followed while allowing the flexibility necessary to follow up on specific issues raised and pursue areas of particular relevance to each of the four interviewee groups (Bryman and Bell, 2007).

Snowball sampling was used to identify the first tranche of interviewees. The process started when one of the researchers met Lord Browne at a public event and he agreed to be interviewed and suggested further relevant individuals. Citing his introduction, these people were approached via their PAs and interviews secured. After the interviews were conducted, each participant was asked to suggest further relevant contacts and the process of gaining introductions repeated. This approach legitimised access to these senior figures negating any need to cold-call which most likely would have been refused. In this way, the sample was built to include eight NEDs/Remco chairs, three institutional investors and three external consultants; two of these 14 participants also held regulatory oversight having involvement in the Financial Reporting Council (FRC). Participants held various roles relating to top pay determination and so were asked to self-classify as best described their activity at the time of their interview (Table 1).

INSERT TABLE 1

While it is acknowledged that a snowball sample presents a number of limitations, including the inherent bias that can flow from the identification of similar people (Saunders *et al.*, 2007) and thus it is potentially unrepresentative of the population (Bryman and Bell, 2007), using this approach in board level research can be justified through its means of access to elite, high profile individuals (Pettigrew and McNulty, 1995). The individuals interviewed held multiple boardroom appointments and/or wide-ranging interconnections with significant institutions within the top pay arena. As such, they were considered to be "network stars" (Pettigrew, 1992, p.178), through their ability to shed light on current practice across a wide spectrum of industry, regulatory and investment organisations. Although a further potential limitation of the participant referral process was that interviewees' viewpoints might be considered isomorphic and thus biased towards the status quo, their agenda shaping roles and wide inter-connections meant that their views were representative of current norms and values.

The NEDs/Remco chairs, institutional investors and pay consultants were asked to comment on:

- The information and advice given to Remco members, how these are interpreted, and their influence on criteria used in top pay decision-making and outcomes;
- The interactions that take place between the various parties during Remco members' determination of top pay and performance management outcomes; and
- The nature of any interactions with executives in receipt of the outcomes of the Remco decision-making process.

The participants were not asked to differentiate specifically between internal and external advisory input, rather an open questioning approach was adopted so that any such distinctions could be drawn out voluntarily. While it was understandable that Remco members and their advisors would place emphasis on independent (hence external) rather than internal advice given regulatory prescription to this effect (FRC, 2006), it was notable that only five participants specifically raised HR's Remco contribution.

The researchers identified and contacted four HR experts who were also "network stars" (Pettigrew, 1992, p.178) in the field of executive reward (Table 1). By this time the pandemic had resulted in lockdown and so convenience sampling was used to select these individuals who were already known personally to the researchers through their prominence and expertise in the HR reward field, having played influential roles over many years within HR's professional body – the Chartered Institute of Personnel and Development (CIPD). To understand HR's contribution to top pay outcomes, the HR participants were asked to comment on:

- The nature of the HR-Remco interface, specifically on corporate HR's role in top pay determination;
- HR's contribution to the company annual report and accounts in relation to executive pay and their reflections on disclosure requirements;
- The inter-relationships between corporate HR, internal and external advisors, Remco decision-makers and key management personnel in receipt of top pay.

Accessing "network stars" (Pettigrew, 1992, p.178) was not an easy task given the pressures on their time and, latterly, lockdown restrictions. A critical issue was how many interviews were needed to capture sufficient data without additional interviews only leading to diminishing returns, namely repetitive information. While the sample size might appear small (in total and within each interviewee group), the methodological principle of data saturation determined when further interviews were deemed to be unlikely to add additional understandings of the phenomena under investigation. A considerable overlap of themes was identified within each of the small group samples justifying the limited numbers interviewed. The use of a small sample in this qualitative research was supported by Guest *et al.*'s (2006) study in which 94% of high prevalence thematic codes were identified in the first six interviews and 97% in the first 12, leading to their conclusion that, for a group of relatively homogenous individuals, 12 interviews should suffice.

With respect to the mechanics of the interview process, all of the interviews began with the researcher explaining the purpose of the study which was to understand the nature of top pay determination advisory processes and the social interactions that take place within these. Permission was sought in all instances to tape-record the interviews for transcription and analysis. All participants agreed to be listed but not quoted directly. One member of the research team conducted all 17 interviews with the 18 participants (the two interviewees who were involved with the FRC were interviewed together). The interviews ranged from 25-68 minutes, averaging 44 minutes.

Both researchers worked on the transcription of the interviews prior to conducting a theoretical thematic analysis (Boyatzis, 1998). The Gioia methodology was employed whereby a first-order analysis made use of "informant terms" from which a second-order "theoretical level of themes" could be distilled and "aggregate dimensions" derived (Gioia *et al.*, 2013, p.20). In this way the data structure was built and a graphic representation produced to demonstrate how raw data were thematically classified and linked back to the research propositions and question (Figure 1).

INSERT FIGURE 1

More specifically, and to address replicability necessary for further research, the methodology was as follows. The first-order analysis was undertaken in two stages, using

Microsoft Word for identifying initial concepts, followed by NVivo qualitative analysis software. This was necessary because while the non-interviewer had NVivo access, the interviewer did not and, with the pandemic lockdown requiring remote working, this precluded the two researchers meeting and being able to share use of the software. Using Microsoft Word, the non-interviewer used coloured bars and type as well as margin notes to highlight phrases and text sections and from these identify informant terms. It was agreed that having not carried out the interviews, this researcher was better placed to carry out this task because it would be possible to take a fresh eye to the data. The annotated transcripts were then shared with the interviewer who re-read them and commented on the suggested first-order concepts. As Gioia *et al*. (2013, p.22) note, in finalising this part of the data analysis the researchers invariably had to “deal with the issue of different authors interpreting some informant terms and passages differently”. Where this was the case, the data were revisited and understandings and agreement were achieved through mutual discussion.

Once this was completed, the non-interviewer imported the Word files into NVivo and coded the text sections under the agreed first-order concepts as NVivo nodes. The use of NVivo presents many advantages over the use of Microsoft Word for qualitative software coding, not least through identifying similarities in the nature of the content attributed to particular nodes. Hence, as the coding progressed, some nodes were condensed and merged to create the first-order concepts depicted in Figure 1. Each of these was defined by mutual agreement (Table 2). NVivo also enabled quantification of sources, concepts and references made thereby assisting the researchers in identifying the most important issues raised, from which representative quotations could be selected. The sections of text representing first-order concepts coded under each NVivo node were copied into Word documents so that each could be stored separately and shared between the two researchers. At this stage it was possible for both researchers to revisit all the data which had been analysed as first-order concepts and ensure that these were correctly classified.

INSERT TABLE 2

The second stage of the data analysis involved linking first-order concepts so as to develop second-order themes – “the necessary “30,000-ft.” view often required to draw forth the theoretical insights necessary for journal publication” (Gioia *et al*., 2013, p.21). To achieve this stage, the first-order concepts were reviewed in the context of related literature and theory by both researchers working together in an iterative process to generate six second-order themes. These were then tied together to create three aggregate dimensions which were sensibly linked to the research question.

Findings

Our findings, derived from the rounds of qualitative interviewing described above are organised below in accordance with the three aggregate dimensions derived from the NVivo analysis (Figure 1), linked back to our research propositions (RP 1-3) and the subsequent unpacking of our research question. Remco members’ quotations are tagged as REMCO#, institutional investors’ as INSINV#, pay consultants’ as PAYCON#, and internal HR advisors’ as HRADV#; we have selected quotations representative of each of these categories. Numbering does NOT correspond to the ordering of identified individuals in Table 1.

RP1: Situationally independent interaction between pay consultants and decision-makers

Remco members were concerned about pay design complexity and acknowledged that industry sector expertise may be insufficient in the composition of decision-makers to assess the nuances of matching, say, incentive pay with corporate action plans. The perceived result was a collective risk-averse orientation behind the cloak of independence – potentially doing only what was necessary to stay out of the headlines. As a corrective, to enable more attention to be focused on customised strategically aligned pay design, they desired consultant input that went beyond pay benchmarking, instead, offering them judgement and experiential learning that decision-makers could apply to specific organisational circumstances:

> "Use the advisors as guides not judge and jury and, if they are of the right quality, they will take the data, whether it's comparative data, peer group equivalent schemes, the maths of a scheme, they will absorb that data but they will then set it in the context of their particular business." (REMCO#1)

Commenting on the prescriptions for top pay decision-making informing their stewardship obligations, institutional investors' remarks signalled perception of path dependent lock-in. Codified principles encouraged Remcos to think in silos detached from the organisation's operations. Relatedly, perceived Remco dependence on consultants was frowned upon:

> "I would just not be using the same old remuneration consultants, and it's not that I've really got a downer on them … but I think they have created an industry out of something that clearly gives the appearance of a scientific process but it's really … more complex than that." (INSINV #2)

Institutional investors criticised what they felt was a lack of differentiation in the types of top pay approaches being applied by organisations they invested in. In common with Remco members, the view was that greater knowledge among decision-makers about their company and its circumstances would lessen reliance on external comparisons and the risk of homogenised outcomes:

> "There [should] be less reliance on third party input. I think companies, well-run companies, know what they need to do, and how to incentivise management, and

should be less concerned about comparing themselves to their competitors." (INSINV #1)

Institutional investors also were in favour of training newly appointed Remco members, with this being informed by case studies of the company's experience to raise awareness about potential pitfalls in their roles. Remco members did themselves acknowledge the need to ask better, more searching questions of independent consultants and then to take responsibility for how they used the guidance received. But in-house HR advisors expressed doubt regarding the degree to which Remco members, whose time as NEDs may be stretched across a range of organisations, could sufficiently grasp the detail of a particular company so as to add value. They felt that as part of their function as corporate stewards with mandatory voting obligations, institutional investors should consider the risk of NED overload when assessing their level of confidence in the capacity of Remcos to hold executive management to account.

Pay consultants had mixed views on the evolution of corporate governance. On the one hand, codification had led to greater care being taken in the composition of Remcos with respect to skilfulness to discharge the function. Corporate governance reform and the publicity surrounding top pay had, they felt, enhanced the quality of their interactions as independent advisors to Remcos. Nonetheless they classified Remco chairs into passive recipients of benchmarking data versus those willing to steer their committees in ways that, while risking challenge and controversy, enabled debate around non-standard approaches to arrive at defensible outcomes. Echoing the Remco viewpoint reported above, they acknowledged that progressive Remcos wanted a different relationship with pay consultants, going beyond data and involving greater specification of information and guidance as to how to navigate it. On the other hand, pay consultants felt the demand could go too far if they were to remain objectively independent. Mindful of media and political scrutiny, Remcos were seeking input to help them adjudicate on the morality of the issues for which they had oversight, going beyond the economics of top pay:

> "I've been in committees where I've just asked them, 'does this feel to you like it's too much?' Or in some 'does this feel like it's not enough?' Forget all the maths and the formulas and the surveys and all this data … 'When you sit back, does this feel right to you?' And it's interesting that most of the time committee members can answer that … it comes back to the moral question, the ethics." (PAYCON#1)

While there was a sense that Remcos were taking ownership of determining top pay more seriously than in the past, there was some frustration among pay consultants that Remco members were not specific in the ways in which they questioned and used them. Overarching concern with external market benchmarks was seen as continuing to trump attention to internal trade-offs relevant to more strategic decision-making. The accent on risk avoidance meant using pay consultants for boilerplate rather than bespoke frames of reference. While there was compliance with the letter of corporate governance regulation that advice should be independent of the organisation, the spirit of interacting with advice to guide decisions in tune with situational factors characterising the organisation and its strategic priorities was lacking:

> "I think that the role of external remuneration advisors has become packaged to one where we are expected to provide some form of suitable approval by way of benchmarking and prevalence which reinforces decision-making or we'll provide some kind of suitable approval of decision-making without really being given the chance to understand what's really going on." (PAYCON #2)

RP2: Nuanced checks and balances in HR-Remco interactions

Institutional investors and some Remco members recognised the need to involve management – including the chief HR officer – to obtain a stakeholder perspective to complement that of the NEDs in formulating policy and its interpretation:

> "HR should definitely be part of that role to … focus more internally generated metrics, which are put together by people in the business who understand the strategic direction of the company." (INSINV#1)

They noted that internal HR advisors could also make the connection between executives on the board and those in senior roles below them to ensure consistency of approach in top pay determination across company management teams. For their part, in-house HR advisors regarded their interaction with Remcos and external pay consultants in multifaceted partnership terms. While the principle of guidance to Remcos may have changed to meet standardised corporate governance expectations of independence, in-house HR advisors did not actually perceive a material change to their own role in the top pay arena. For example, managerial proposals developed internally were shared with pay consultants possibly leading to joint input to Remco debates and decisions, with mutual trust developing between independent and engaged sources of guidance. Typically, the crafting of the Remco chair's annual report to shareholders would be led in-house with external consultants' views solicited as part of the refinement process. Significant activity behind the scenes was cited: nominally independent reports commissioned by Remcos underwent internal reality-checking and nuancing alongside information on industry trends and practice norms:

> "All remuneration committees now will get … some form of report and that will include market data, it will include trend analysis, it will include consultant views and opinions on what is happening as well, but actually … the relationship between the consultants and the HR department was key in that." (HRADV#1)

Thus, the quality of relationship between the organisation's HR lead and a sufficiently high level of consultant and, in turn, with the Remco chair while also enjoying the confidence of the CEO was considered a key factor. This was especially the case if contentious issues surfaced that might possibly be ironed out prior to deliberations in formal board committee settings. In-house HR advisors emphasised the role Remco chairs needed to play to assure situated independence: they had to stay abreast of external market and regulatory developments as well as to interact with a diverse range of people so as to seek out views on remuneration throughout the organisation providing specific context for decision-making. Accessing a variety of voices within the organisation to inform Remco dialogue was emphasised by in-house HR advisors as one of the most effective parts of continuous training, reflection and learning needed by all Remco members. The product of such interaction would help sensitise Remcos to the ethical and moral dimensions of their accountabilities. There was no sense, however, among any interviewees of a role for internal HR advisors in dealings with external stakeholders: for example, no-one reported including in-house HR in dialogue with institutional investors.

When asked for their views, a more negative tone was displayed by in-house HR advisors regarding perception of over-zealous adherence by Remcos to benchmarking data minus an underlining narrative. This, they said, limited breadth of judgement and creative solutions to top pay oversight:

> "It's within a fairly narrow bandwidth of market practice and so creative options – which is looking at the package as a whole for example – are simply not being pursued." (HRADV #2)

More positively, although perhaps unsurprisingly, and in agreement with the institutional investor declaration reported earlier, in-house HR respondents all volunteered HR's role as a conduit to help Remco members understand the nature of the business and the people whose remuneration they determine. In-house HR advisors emphasised their role as informational bridges between decision-makers, external consultants and the organisation. For example, they said that by ensuring effective induction – even coaching – for new Remco members, they could offer insights into the nature of the organisation and the character of its executives:

> "The HR director will have … that inside track about the things that the remuneration committee are interested in, where their particular concerns may be, the nature of the individuals in the executive team that this report is looking at. [These] all kind of influence the final outcome." (HRADV #1)

In-house HR advisors also made particular mention of being a source for grounding top pay decisions within the wider considerations of the organisation's SHRM approach. In that vein, examples were offered of providing challenge to policies proposed or under consideration that might be represented as an independent best practice position to underwrite legitimacy for decision-makers, but which, from the insider perspective, could risk misfit to the organisation's specificities. They noted that the challenge of best practice versus best fit could extend to questions of governance and structure more widely, offering a specialist counterpoint to internal general management interpretation of evolving corporate governance expectations. While acknowledging scope for adversarial relations with external pay consultants and Remcos triggered by insensitive interpretations of corporate governance expectations, in-house HR advisors emphasised a positive experience of engaging in the exchange both of intelligence about data benchmarks to inform top pay input and also dialogue to help shape mutually desired outcomes. The quality of the interrelationships was paramount: HR advisors emphasised the need for independent consultants to be made aware of dangers from locking-in to particular pathways such as reputational risks to the business. This was not to say that in-house HR advisors' comments ran counter to the principle of paying high rewards to executives provided there was company-situated performance justification illustrating high performance-high reward compliance:

> "If someone is delivering value, however that organisation defines value, then it's great that they are rewarded in a large way … but what we have to be clear on is the choices we are making on remuneration to make sure that they're in line with value … and they are not to be ashamed of them … this individual has brought huge value, it's not coincidental … the strategic decision that they led, the review that they led, that led to the company reaping in this way and that has been remarkable." (HRADV #1)

Supporting compliance reporting on top pay policy and outcomes was envisioned as a particularly significant role for in-house HR advisors. Here again effective interaction between external and internal specialists as well as with the decision-makers was highlighted by HR. It was recognised that to play their part, HR needed to coordinate with a range of other in-house functions – in particular, company secretariat/legal and external/investor relations:

> "I think part of the interesting opportunity in the Rem report now is around the narrative to explain things like CEO pay ratio, other reporting requirements, and to demonstrate the purpose of the organisation and how that links to the reward arrangements … and so where the advice and the auditors come into play is more around mechanics … where the HR director comes into play is telling the story around it." (HRADV #2)

RP3: Compliant-while-strategic HRM interactions with key management personnel

Remco members reported that the focus had narrowed to require compliance demonstration with corporate governance norms produced in reaction to media concerns about corporate failure and top pay excesses. This led them to question how these developments impacted upon the capacity of what was, nominally, a unitary board to manage the company via the agency of a well-informed group of people with overall oversight of its strategy and operations. The risk was cited of NEDs on the Remco and other committees emphasising their adjudication role over that of playing a part in the company's leadership. For the Remco chair there was the danger of hiding behind regulation rather than taking ownership of decisions – including rewarding executives well if deserved – given the risk of public censure:

> "It's a conversation, rather than an adjudication and, if that is the case, then very often you [have] grown-ups who really understand what's good for them and the business overall and come to sensible conclusions even when it's at the expense of annual bonuses or whatever … It's people that make that, not systems, not remuneration consultants. It is people with experience who are prepared to be counted."
>
> (REMCO#1)

Remco members were also concerned to avoid crossing the executive/non-executive line, to avoid meddling in operational matters. Nonetheless, they emphasised their need to have and apply knowledge about company executives to inform judgements on their performance and pay. Although they did not, in the main, cite the role that in-house HR advisors had proposed for their function, their views were mixed. For example, it was highlighted that such information could be obtained by tactical management of conversations with executives – discussing what the individuals feel they want to earn in a particular year, if planned organisational outcomes are achieved. Such a conversation with the CEO could also extend to cover remuneration of the other executives, rather than involving them directly in Remco dialogue. On the other hand, some NED decision-makers said they were concerned about reported top pay decisions that CEOs may have influenced, rather than these being taken completely independently by the Remco:

> "Whether the CEO says it has been too generous or whether the CEO says you've underpaid me … I'd like to know as a chair of a remuneration committee what my CEO actually feels about it. An open relationship, yes. But you mustn't change – the remuneration committee has made a decision." (REMCO#2)

In common with the observation from the literature about independent decision-makers being under-informed, institutional investors noted that with the evolution of corporate governance frameworks leading to executives being in the minority on boards, there could be the loss of insights that only those involved operationally could contribute to sustain the business. Again, a possible corrective pointed to drawing upon in-house HR expertise:

> "I think the HR director has a very important role to play … that gets you that employee perspective. So the HR director should be … coming into remuneration committee meetings … And boards should be composed of [those] well-versed in the strategy of the business and what it's trying to do." (INSINV#1)

Institutional investors expressed concern too about theory-practice gaps, acknowledging that corporate governance specialists lacked experience in actually running businesses and so may introduce requirements contrary to successful day-to-day activities. Hence, they were sympathetic to the view that metrics were less important to underpin top pay than the calibre of the people involved in the decision-making. They noted that an obsession with independence risked discussion on top pay being restricted to a sub-section of the board rather than being in the open, involving the board as a whole. On the positive side, they noted that independence was the route by which Remco decision-making could be upheld rather than it being open to challenge if a CEO wished to engage in disputation. On the other hand, they noted that with executives having fuller board involvement, some egregious pay developments could be avoided as executives would not wish to be on the receiving end of adverse publicity.

Consistent with the accent on preserving decision-makers' legitimacy coupled with pragmatism, from their experience of interacting with their CEO and Remco chair clients, external pay consultants perceived empathy between Remcos and the executives. They recognised the need to balance concerns about top pay excesses within the pressurised setting in which publicly quoted company leaders have to operate:

> "You can forget this idea of a power-crazed chief executive manipulating what's going on. That doesn't happen. First of all they don't have the time. Secondly, the experience of most chief executives is the less involvement you have in a remuneration committee the more likely it is they are going to have a benign outcome. If you start fiddling … with the process, it will be negative for you." (PAYCON#2)

Notwithstanding this, they believed that within the CEO-Remco relationship, if executives were dissatisfied with decisions applied to them, they would use subtle means to signal disquiet. Another perverse outcome from regulatory developments reinforcing the situated knowledge gap was the view that an obsession with corporate board independence led to reluctance among senior businesspeople to take on board appointments as this opened them up to what might be seen as intrusive levels of scrutiny:

> "You've kind of got to ask the question why would executive directors want to be on a board these days; just because they are their pay is going to be so significantly scrutinised … And so I think there's more and more a feeling from companies as to why would we put people on the board?" (HRADV#2)

In-house HR advisors also highlighted tensions between the implications of independent control of top pay decisions, the strategic aspirations of executive management to innovate in this as well as within other strategic areas of running an enterprise, and adopting a compliance-first orientation. They said that these three potentially competing issues could strain relations between CEOs, HR directors, Remcos, and institutional investors. External pay consultants also risked being caught out seeking to balance their independence credentials while minimising possible disquiet among the executive management community on whose talents and efforts corporate success rests.

At a practical level, in-house HR advisors emphasised the contribution they made to executive-Remco interactions as sources of informed counsel due their working proximity to individual members of the executive team. Informal dialogue to find out what an executive's priorities and pressure points might be associated with their employment terms and conditions served as valuable nuanced input to formal decision-making forums:

> "[Holding] sofa conversations, social dialogue, around where we are at with our executive team and where should we head around their remuneration to balance the pressures that the team clearly want to be rewarded well and the nuances of the political and public pressure around these messages." (HRADV#1)

Summing up the practical challenge arising from mandated top pay voting, in-house HR advisors said that the institutional investment community lacked a consistent perspective on the priorities to enable businesses to meet strategic goals – and that included satisfying the executive leadership team and potential candidates wishing to join it.

Discussion

Context-informed vs. institutionally path-dependent decision-making interactions (RP1)

Remco members and corporate stewards in the investment community face potentially conflicting expectations to justify continuity of tenure as top pay decision-makers compliant with codified corporate governance demands. On the one hand, there is a SHRM task. Remcos and those mandated to vote on whether to endorse their actions (Lozano-Reina and Sánchez-Marín, 2020) must ensure top pay is designed to align the interests of a company's executives with implementing the key success factors leading to corporate strategy execution (Main *et al*., 2008). On the other hand, in discharging an obligation to meet this task, consistent with path-dependent routines and coercive isomorphic institutional theory (Tien and Chen, 2015) decision-makers must demonstrate that inputs to it are wholly unfettered – i.e., independent of anything that could be viewed as prejudiced by the interests of the corporate executive team (Kang *et al*., 2007; Pfeffer and Salancik, 2003).

As social actors whose motivation may be assumed as to become or to remain business and investment "network stars" (Pettigrew, 1992, p.178), decision-makers may lean towards isomorphic independence (Aksom and Tymchenco, 2020) compliance, however vaguely its criteria are defined, in preference to the challenge of explaining nuanced, technically complex pay design intentionally matched to situated, forward-modelled rather than commonplace benchmarks, where error carries adverse reputational consequences (Boxenbaum and Jonsson, 2017; Roszkowska-Menkes and Aluchna, 2017; Wang and Johnson, 2012). This is especially likely given decision-makers' structural position at arms-length from the company's day-to-day operations bounding their capacity to fulfil such a demand (Pepper and Gore, 2015). Top pay decision-makers do though acknowledge the need for greater attention to Remco competencies, recognising questions surrounding the capacity of arms-length decision-making reliant on external consultant-provided benchmarking data, in matching the complexity and risk of error in fine-tuning and accounting for top pay (Dohmen *et al*., 2018; Pepper and Gore, 2015).

Top pay decision-makers interact with specialist sources of advice in the form of pay consultants who are themselves on the one hand networked across the business community but on the other are self-interested in demonstrating their own independence from the targets of their clients' pay design task (Jochem *et al*., 2021; Ogden and Watson, 2012). Tensions inherent in the emphasis on independent input can mean that those accountable for sanctioning policy and its application – where, due to their own backgrounds and expertise, they are not fully equipped to navigate nuances surrounding top pay – fall back on standardised rather than situated independent decision-making pathways (Rodrigues, 2008) embedded over time (Sydow *et al*., 2020).

Constraints and opportunities associated with sources of context-specific intelligence to aid Remco decision-making (RP2)

Decision-makers are aware that independent advisors' function is to advise not decide, that in-house sources of contextually located advice have a significant potential role, and that decision-makers need to accept their accountability for outcomes. Yet, while some Remco chairs may intervene to emphasise alignment to the needs of the organisation rather than passive compliance with institutionalised corporate governance standards, social conformity pressures favour the latter. The likelihood is of a gravitational mimetic behavioural pull towards imitating perceived success among the social actors that Remcos and institutional investors compare themselves with, mediated via third parties (DiMaggio and Powell, 2004), formalised in principles sanctioned by relevant institutional forces (Boxenbaum and Jonsson, 2017).

Compromising or valuing Remcos' access to contextual intelligence through interaction with key management personnel? (RP3)

Validation for decision-making comes from being able to point to having relied on unfettered professional intelligence (Conyon *et al.*, 2009; Goh and Gupta, 2010; Ogden and Watson, 2012) locking participants into passive acceptance given the perceived risk involved in departing from their prescribed roles (Sydow *et al*., 2020). Once on this compliance pathway, willingness to innovate and risk censure may be limited, even if a more situated appraisal of effective action to balance independence might be logical (Rodrigues, 2008). This independence-knowledge gap means policy and practice inertia: simply doing what others are doing. Scope to adopt a SHRM orientation to top pay design is thus compromised, even if decision-makers experience misgivings when conforming to normative institutional legitimating expectations, while moving along the well-trodden path (Greener, 2005).

However, if decision-makers invest effort to spend time inside the business to access an executive perspective through interaction with in-house personnel, this may help tailor decisions more to organisational specificities (Hildyard, 2019). Notwithstanding concerns regarding the independence-knowledge decision-making gap, in-house HR sources suggest that the picture in practice is more nuanced than independence obsession might suggest. There are practical reasons why co-operation is in the interests of all the actors simply to get the job done. Where relationships are co-operative, not confrontational, and embrace a wider range of stakeholders, top pay decision-makers may complement their interaction with independent pay consultants with insights obtained from corporately embedded sources of SHRM expertise. Independent pay consultants acknowledge limitations on their capacity to provide bespoke advice to decision-makers due to practical constraints on accessing context-specific information while preserving independence but call for Remco clients to challenge them to advise in more bespoke ways in strategic partnership with in-house top pay interest groups.

The logical outcome of institutionalised generic independence

Confronting our empirical findings in accordance with neo-institutional logic (Aksom and Tymchenco, 2020; Rouf and Siddique, 2022; Sahin and Mert, 2022) suggests that, inside the black box, top pay governance displays:

- Interpretation of norms among those playing an arms-length role so that independence from the organisation trumps possession of the situated knowledge needed to avoid outcomes that are more formulaic than bespoke (Hersberger-Langloh *et al.*, 2021); and

- Sideways-oriented benchmarking and its evaluation rooted in historical decisions detached from the current and unique circumstances of the organisation and people concerned privileges reputation neutrality for decision-makers (Boxenbaum and Jonsson, 2017).

Theoretical implications

A key contribution of this paper is to extend neo-institutional theory specifically to help in interpreting the application of corporate governance codes. These can be seen as manifested not only in the form of coercive isomorphic influences on Remcos – through a requirement for consistently demonstrated conformity with formal regulations and procedures – but also informal custom and practice mimetically and normatively providing contextual superstructures overriding Remco decision-making agency and its legitimisation. The investigation reported in this paper provides evidence illustrating the negative consequences for effective, organisationally specific Remco decision-making flowing from the fetishization of independence as a compliance prerequisite (Rodrigues, 2008). While serving as a countervailing force to managerial power, it is therefore necessary to specify the interpretation of independence which applies, whether in relation to those accountable for determining top pay or on the part of their specialist advisors. More attention is needed to the scrutiny of the extent to which apparently independent processes are transparent and open to proper analysis accounting for risk-averse interests prevailing on the social actors involved. Our evidence highlights the need to understand the influence that locked-in routines play on context-specific as well as the more generic institutional settings for Remcos, their advisors and those impacted by their pronouncements. Theorisation of top pay decision-making also may be usefully expanded to capture the range of voices to whom attention is paid, to include key internal sources of expertise. Properly situated, these can help to balance independent knowledge alongside a strategic focus on what top pay design is meant to help achieve for the full range of stakeholders.

Future research

Scope for future research includes investigating perceptions of the power dynamic shifting between executives and non-executives, and any empathy between these groups over the need to balance the voices to be accommodated in enacting corporate governance processes. This implies utility in research into the influence that diversity (or lack of it) among the actors might bring to bear on their top pay decision-making. In applying their subjective lenses to define the questions to ask, metrics to apply, and judgements about what is reasonable, future research might explore the role played by decision-makers' own socialisation, and their norms and values as members of a particular social echelon (Hambrick and Mason, 1984).

Study limitations and implications for practice

While the choice of UK as the empirical context for the study is set out above, a single country setting is a factor that limits generalisation – or at least gives rise to the need for similar work to be conducted elsewhere involving, say, non-Anglo-American jurisdictions. The study drew upon a sample of 18 individuals and while this relatively low number could be justified methodologically, this potentially also limits generalisation of the findings. Account also needs to be taken of the fact that balancing the gains from peering inside a hard to access black box applying a snowball sampling technique must be offset by questions around population representativeness across all organisational sectors, sizes, and stages of development. Although the networked managerial elite classification of respondents (Pettigrew, 1992) helps address this limitation to some degree, an examination of the in-house development of decision-makers and all their sources of advice may have utility, encouraging a more shared view about what better informed independent input to decision-making and reporting on top pay should involve. One aspect may be to encourage reflexivity, to be aware of these participants' own interests, including reflection on influences inherent in the character of their own capability profile, past experience and accreditation.

While the common socialisation of the parties may build shared confidence in provision of dispassionate, objective contributions openly balancing and being able to justify independence trade-offs, there is merit in drawing upon advisors on the corporate payroll as well as those engaged independently. Internal functions, such as HR, may be recognised for being able to bring expert know-how to inform decisions on policy development, applications and accounting, working with fellow corporate participants whose organisational affiliation affords them privileged ongoing access to SHRM insights. This can be especially valuable when needing to construct narratives to explain innovative decision-making when executive and non-executive organisational leadership account publicly. Here there may be grounds to argue for senior HR professionals also to be part of the corporate team involved in behind closed doors interaction with actors representing shareholders and organisational stakeholders generally. The in-house HR function may bridge executive and non-executive corporate actors, via its greater access to individual managers and informal interactions, and by building on co-operation with external consultants based on insights into the individual executives and SHRM considerations (Main *et al.*, 2008). In-house HR's advice will add value to meeting top pay transparency compliance demands that, since 2020, have required comparative ratios across all organisational layers to be factored into reporting (gov.uk, 2019). Notwithstanding this, care must also be taken to remember that involvement of professionals from whatever source means including people who have undergone their own process of socialisation that needs to be made explicit when considering the underlying norms and values that will be inherent in the way they too interpret the task to be completed and the character of the advice provided to inform decision-making.

Concluding remarks

NEDs/Remco chairs, institutional investors, external pay consultants and internal HR reward specialists foreground the quality of social interaction when determining contemporary top pay, arguing that this can enable the Remco to accommodate SHRM demands to balance on-paper regulatory independence. Advisors provide insights enabling more nuanced judgements on the part of decision-makers: pay consultants seek specificity in the questions they receive in the course of enacting their roles moving beyond economic benchmarks to value judgements that their clients hold and are willing to be accountable for; and in-house HR advisors seek interaction that enables compliance to be seen as independently arrived at, while verifying the match to individual circumstances of people and organisational settings. However, although external and internal voices seem to argue for better questioning and interrogation of advice mindful of situated decision-making contexts, institutionalised isomorphic routines nonetheless prioritise reputational safety-first standardisation. This runs contrary to sustainable corporate health if success depends on being able to compete through SHRM. Initiatives to close the independence-context situated knowledge gap may be one route for companies striving for differentiation, not homogenisation, of top pay aligned with corporate business strategy.

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Table 1: Interview participants*

Board Members/Non-Executive Directors/Remco Chairs	
Sir Win Bischoff	Chairman, Financial Reporting Council; former Chairman, Lloyds Banking Group and Citigroup
Lord John Browne	Executive Chairman, L1 Energy; former CEO, BP
Sir Roger Carr	Chairman, BAE Systems
Sylvia Doyle	Director, Reward First People Consulting and independent NED Chair of RICS Remco
Chris Evans	Former HR Director, Royal Sun Alliance Insurance
Sir Philip Hampton	Chairman, GSK; former Chairman RBS and Sainsbury's
Luke Mayhew	Former MD Department Store Division, John Lewis Group and independent NED Chair of IHG Remco
Sir Michael Perry	Former Chairman, Unilever
Institutional Investors	
Baroness Helena Morrissey	Former CEO, Newton Investment Management
Dr Daniel Summerfield	Co-Head of Responsible Investment, USS Management
Trelawney Williams	Head of Corporate Finance, Fidelity International
Advisors	
Gerrit Aronson	Independent Advisor
Simon Patterson	MD London Office, Pearl Meyer Associates
David Styles	Head of Corporate Governance Codes and Standards, Financial Reporting Council
HR Reward Experts	
Neal Blackshire	Director, Global Total Rewards, McDonald's Corporation
Dr Jonathan Chapman	NED, Staffordshire University and Former Chief Operating Officer, Lloyds Bank and People Director - UK Change and Learning, Aviva
Jean-Pierre Noel	Former Senior Vice President InterContinental Hotels Group plc and Reckitt Benckiser plc
Maria Strid	Group Performance and Reward Global Projects Lead, HSBC

*All participants agreed to be named but not quoted directly.

Table 2: Definitions of first-order concepts
(S = number of sources citing issue; R = number of references made to issue)

Advisors (13S, 42R) = Role and contribution of external consultants in Remco decision-making
Board composition (6S, 12R) = Remco population/member representation
Communication (9S, 20R) = Discussions required/undertaken within and/or external to the Remco by parties relevant to executive reward decisions
CPD (4S, 8R) = Continuing professional development available/required/undertaken by Remco members
Executives (15S, 41R) = Role and contribution of chief executives and other corporate executives in Remco decision-making
HR personnel (5S, 12R) = Role and contribution of HR personnel to the Remco as reported by board members/NEDs/Remco chairs, institutional investors and external consultants
Information flow (7S, 17R) = The transfer of data between parties relevant to top executive reward decisions
Interface tensions (9S, 21R) = Inter-relationships and/or competing interests between members of Remcos
Inside knowledge (4S, 20R) = Specific expertise related to organisational context contributed by HR personnel to Remco decision-making
Internal advisors (2S, 9R) = Contributions made by HR's own advisors in supporting HR's reward and other relevant expertise
Internal context (5S, 12R) = Issues related to organisational context considered in Remco decision-making by board members/NEDs/Remco chairs, institutional investors and external consultants
Internal stakeholders (4S, 7R) = Contributions made by internal personnel other than HR to drafting Remco reports
Messaging (2S, 10R) = The role of HR in presenting sensitive materials for disclosure
Remco reports (4S, 14R) = The contribution of HR to formulating materials for inclusion in Remco reports
Remco terms of reference (3S, 11R) = Principles governing the conduct of the Remco
Risk reduction (2S, 3R) = Actions taken by HR to reduce risk within top pay determination
Stakeholders (3S, 6R) = The perspectives of external parties with an interest in the outcomes of Remco decisions
Talent agenda (3S, 6R) = The role of HR in ensuring top pay outcomes serve to recruit and retain key executive personnel aligned to organisational objectives
Time (6S, 11R) = Time spent on Remco work by NEDs

Figure 1: Data structure relating to interactions within remuneration committee (Remco) decision-making