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## Managerial Centrality and Shared Growth: Evidence from Korean Service Corporations' Financial Records

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### Abstract

This paper focused on the level of managerial centralization on chief executive officer (CEO) as a factor to affect the shared growth activities of corporate. As service corporations are becoming active in shared growth activities recently, this paper thus used CEO Pay Slice (CPS) information to measure the level of managerial centralization on CEO of service corporation and tested the influence of the level of managerial centralization on whether shared growth activities are executed and the level of such activities respectively. The result of test shows that companies with high managerial centralization on CEO are more passive toward shared growth activities than those without such centralization. This can be interpreted that a CEO with more powerful influence may consider shared growth activities as to be negative and take a passive attitude to them. On the other hand, such result was supported by additional analysis with companies committing shared growth activities as well. This paper is expected to contribute to bring about interest on shared growth activities as the gap between major companies and small and medium sized companies is currently expanding in terms of operating profit ratio and even salary of employees.

**Keywords :** CEO Pay Slice, Financial Data, Managerial Centrality, Service Corporations, Shared Growth

**JEL Classification Code :** G30, M41, M42

### 1. Introduction

A company is a modern organization of various stakeholders, and with the advent of a pluralistic society in the 21st century, many stakeholders in society are demanding diverse social and ethical legitimacy in their management activities (Kang, 2008). Recently, 'Win-Win and cooperation' are emerging as an answer to overcome the international recession and resolve polarization. In the service industry as well, good companies are receiving

attention who try to get over the slump by means of mutual growth whatever the platform they are on.

Jeonggwanjang mall (Jeong Mall), an internet shopping mall which was launched by KGC (Korean Ginseng Corporation) in July 2017 after a renewal, is one of the successful cases of win-win to increase sales of franchises through online platforms. The core feature is O4O (Offline for Online): when a customer makes an order through Jeong Mall, an offline store is assigned to deliver the product to the customer in person at the store or ship it out to the customer's address. The point is that the income out of such transaction is attributed to the franchise store instead of the headquarters. There are cases that companies running online shopping malls incur conflicts with offline stores which are worried about sales decline when the headquarters tries to attribute the income to themselves. However, KGC successfully has devised a method of win-win for the headquarters and franchises by means of the O4O service.

E-bay Korea launched its own training program called 'E-bay Edu' for small and medium sized sellers with low experience and knowledge in online platforms, which led to adding about 350,000 sellers until the year of 2017 through

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1,200 training sessions per year. Taking advantage of the fact that E-bay is its parent company which is a global e-commerce enterprise, they have been hosting 'E-bay Export Star annually since 2011,' which is the biggest domestic online export competition to discover and foster new overseas export sellers, in order to help expand the overseas market for small and medium sized sellers. E-bay Korea supports participants with practical assistance and benefits for online export, such as translation, product listing, selling, etc. Competitors of the event also can obtain a chance of 1 to 1 offline consultation through mentoring and 'E-bay seller zone' services. E-bay Export Star has recruited 8,200 global sellers until last year, and, fueled by such win-win cooperation and shared growth, E-bay Korea is the only domestic e-commerce company recording surplus.

The Small and Medium Business Support Center revealed on 15th that its key online business called 'Shared Growth Mall' may score up to 0.6 in the win-win index review from 2019 if large companies adopts their platform. The review system for win-win index was changed in January 2019 to add performance assessment (0.6 point) for 'adoption and application of dedicated platform,' and the 'Shared Growth Mall' is an opposite example of the customized shopping mall developed for corporation staff and customers to purchase outstanding products of small and medium sized companies.

Coupage has become a representative mobile shopping mall of Korea and been acknowledged by customers as a kind logistics company as it hired couriers as full-time employees. Products purchased through their shopping mall are delivered by their own directly hired full time couriers called 'Coupage Men' with high loyalty (despite some recent issues) instead of outsourced delivery companies or temporary employees so that it can provide better quality service to customers. As a result, in the result of analysis survey for mobile app usage by types of business for the first quarter of 2019 announced by Mobile Index, a mobile app analysis platform, showed that Coupage had 5,000,000 more customers than the competitor in the second place, reaching 11 million MAU (monthly active users). In addition, while the monthly average customer churn rate (ratio of users who used the app in the previous month but non in the current month) of top 9 most frequently used shopping apps recorded 26%, Coupage showed 14.44% in last March, which was the lowest in the industry. Furthermore, Coupage turned out to have the most loyal customers as less than 30% of the customers are using another shopping app. The strong point of Coupage is not only their quick delivery but also a recognition that the company is kind to its customers, which is a key point of such accomplishment.

As presented so far, the importance of shared growth through win-win and cooperation is increasing in the realm of business management in the service industry. Nevertheless, there have been almost no academic studies on shared growth in service industry so far. In particular, as seen in the case of Coupage, the will of executives is

important for shared growth of companies through win-win and cooperation. It has been known that the firm will of the CEO led to full time employment of couriers in spite of advice and dissuasion that it might have become a big burden to the management in the future due to excessive payroll cost. Gravity, a credit card payment system company in Seattle, US, made a daring decision to cut off 90% of CEO's salary and raise the minimum annual salary to 70,000 dollars for all employees, which was possible thanks to the firm will of the CEO, Dan Price. That bold decision made some key staff who previously were paid a lot leave the company because they felt deprived to receive similar paystubs with junior employees, and the major shareholder even filed a lawsuit insisting that the company will lose money. The young CEO, however, did not compromise the principle, which resulted in good outcome for the last 2.5 years despite such high salary along with 75% more annual sales and 40% more employees compared to the year of lower salary. It is recognized that the firm will of the CEO considered the employees as companions for shared growth through win-win and cooperation rather than under employer-employee relationship and the management activities benefited both sides.

As can be seen in such case of service company, it is certain that a firm will of CEO is essential. In addition to such strong will, influence of the CEO over the company is also essential. Since there may exist short term cost or internal or external resistance in the course of abandonment of vested interest that has been privileged, high level of influence of the CEO is indispensable to overcome such troubles. Different from the cases above, however, there are also reasons that the CEO may avoid shared growth activities because it shed negative effect on business performance. In fact, a study on the relation between shared growth and business performance reported that shared growth has negative effect on short term business performance because it incurs expense increase (Shin, 2017). Therefore, a CEO with big influence over a company possibly can be passive about shared growth activities in spite of internal and external requests. This paper thus will verify what kind of effect the influence of the CEO may shed on actual shared growth activities of service companies. To be more specific, this study aims at evaluating the influence of the degree of managerial centrality of a chief management executive on the win-win growth in service companies.

Due to difficulties in measuring the influence of CEOs, but previous studies suggested various methodologies. Recently, Bebchuk, Martijn & Peyer (2011) is one of the most frequently cited papers in previous studies for research on the influence of CEOs. They measured the pay slice of the most paid executive member (CEO Pay Slice; CPS) out of top 5 salaries of executive members in order to decide the level of managerial centrality of the CEO. Thus our paper will apply their methodology, but the CPS will be measured according to the disclosed information in Korea. As the

importance of shared growth through win-win and cooperation in service industry is dramatically increasing like the recent case above in particular, we will try to test the level of shared growth of companies according to the level of managerial centrality with current service companies as subjects.

## **2. Previous Studies and Hypothesis Formulation**

### **2.1. Previous Studies**

#### **2.1.1. Previous Studies on Shared Growth**

As for studies on win-win cooperation, they were initiated in Japan, where mutual cooperation relations were established even in the early stage, followed by studies targeting companies in Europe and the US. The benefits of win-win cooperation include rapid adaptation to market changes (McIvor, & McHugh, 2000; Nelson et al, 2005); shortened product development period (Clark, 1989; Samson, 2005); increased product efficiency (Burt et al., 2004); and decreased supply costs and transaction costs (Buckley, & Casson, 1989). Based on findings of these studies, studies on win-win cooperation were commenced in Korea. Especially, since 2011 when the National Commission for Corporate Partnership started to announce the annual win-win growth grades of large corporations, there have been a number of studies using the annual win-win growth grades as the win-win growth index for corporations.

On the other hand, in the study analyzing a win-win growth model of each nation, Kim (2011) suggested that win-win growth models of the US are a network-type win-win growth model; a cooperative-type win-win growth model for Japan and Germany; and a subcontractor-type win-win growth model for Korea while Lee (2011) classified that win-win growth models of the US as a market-oriented win-win growth model; a policy-oriented win-win growth model for Europe; and a culture-based win-win growth model for Japan (Yoon et al., 2013).

#### **2.1.2. Previous Studies on Level of Managerial Centralization**

As the role of a chief executive officer increases in a company, there are disputes over the proper level of the right of management assigned to a chief executive officer to maximize the efficiency of decision making of a company. First of all, there is an opinion that it is more advantageous to assign a chief executive officer with the higher degree of management authorities since it could shorten the decision-making processes and time-consuming processes while there is an opinion that if a chief executive officer is assigned with the higher degree of management authorities, it might not be easy to monitor or prevent a chief management officer's decision making for personal gains.

However, as the sub-prime financial crisis in 2008 revealed the side-effects of managerial centrality, opinions against managerial centrality have received more favors recently. Over time, the scales of corporations have become enlarged, accompanied with the excessively high degree of managerial centrality. All the circumstances make it incredibly difficult to monitor and control the inside and outside of a company and prevent chief executive officers' arbitrary decision making for personal gains.

Bebchuk, Martijn & Peyer (2011) recently suggested CPS (CEO Pay Slice) that is measured as the ratio taken by the top paid CEO out of the total amount of top 5 executive officers in terms of annual salary as an index for the level of managerial centralization to the CEO. In accordance with their argument, relative higher compensation provided to a specific CEO compared to other executive officers under the system of capitalism may work as an index to show the level of managerial centralization to that designated officer. Since their publication, their simple and intuitive CPS information was adopted to measure the level of managerial centralization on a CEO in a large number of foreign papers (Withisuphakorn & Jiraporn, 2016; Bugeja, Matolcsy & Spiropoulos, 2017; Tarkovska, 2017; Chintrakarn, Chatjuthamard, Tong & Jiraporn, 2018; and Zagonov & Salganik-Shoshan, 2018).

In Korea, however, it was not possible to use the CPS information suggested by Bebchuk, Martijn & Peyer (2011) due to limitations in collecting information about compensations provided to executive members. Since then, as the capital market act was amended and individual compensation information was disclosed only for registered staff that were paid more than 500 million KRW, domestic studies that used CPS of Bebchuk, Martijn & Peyer (2011) information for measured value the level of managerial centralization have been reported as below.

### **2.2. Hypothesis Formulation**

In order to resolve the gap between major companies and small and medium sized companies that have been sharply expanding after the financial crisis in 2008, the government launched the National Commission for Corporate Partnership (a civilian organization) to discuss social conflict between major companies and small and medium sized companies and draw agreement in public sector based on the Act on the Promotion of Collaborative Cooperation between Large Enterprises and Small-Medium Enterprises. The organization has been carrying out various purpose-projects such as a campaign for improved recognition of small and medium sized companies, support for welfare of small and medium sized companies, factual survey on welfare of small and medium sized companies, standardization for certification for excellent corporate welfare, support for sales of small and medium sized companies, and support for welfare of young people in order for safe landing of the ecology of shared growth onto the economy of Korea. Also, they have announced the annual

index of shared growth since 2011, and been endeavoring for improvement of shared growth activities of companies such as discovery of outstanding companies. In the academic realm, starting from theoretical research on shared growth policy in the 2000s, various studies on shared growth have been carried out using the index of shared growth that have been recently announced by the National Commission for Corporate Partnership.

Nevertheless, there has been no study on the influence of the CEOs, who are the top decision makers and have the most crucial influence, on the shared growth activities of the companies. It is true that companies can be reluctant to begin shared growth activities because they may cause increase of cost in the short term due to partial abandonment of superior status that they have been enjoying. Therefore, it is highly possible that management may experience negative short-term effect from shared growth activities such as payment of appropriate delivery unit price, early payment for goods received, and win-win payment may shed negative effect on corporate management. A study actually reported that shared growth activities of companies have negative effect on managerial performance in a short term, but were helpful in improved enterprise value because those shared growth companies have higher value relationship with managerial performance information than those that do not adopt share growth. When companies execute shared growth activities, thus, they need to bear some loss and make a good determination to put them into actions within a short term. So, CEOs have a crucial role in such decisions, and it is expected that the influence of the CEOs have important effect on shared growth activities. Specifically saying, the higher the level of managerial centralization, the more expected that the shared growth activities that may cause short-term loss will be actively executed based on strong influence of the CEO. As covered in the case above, it was confirmed that service companies perform shared growth activities under the strong leadership of the CEOs.

On the other hand, it is possible that the CEOs may stand against shared growth activities that may have negative effect on managerial activities. Despite internal and external pressure, CEOs with bigger influence in particular may keep their negative attitude toward shared growth activities in order to prevent the sacrifice of managerial performance. Therefore, it is expected that the higher the level of managerial centralization for CEOs, the more passive they will be toward shared growth activities. Hence this paper will consider both of the opinions so far and testify whether the shared growth activities of service companies may differ by the level of managerial centralization of CEOs. Thus, the research hypothesis is formulated as below:

**Hypothesis:** The shared growth activities of service companies may differ by the level of managerial centralization of CEOs.

### 3. Method of Research

#### 3.1. Research Design

##### 3.1.1. Actual Analysis Model

The actual analysis model of this study to test the hypothesis is as below

##### [ Actual Analysis Model ]

$$\begin{aligned} &\text{Shared Growth Activities (W-W\_D, W-W\_N)}_{i,t} \\ &= \alpha_1 + \beta_1 \text{Level of Managerial centralization (MC)}_{i,t} + \\ &\quad \beta_2 \text{SIZE}_{i,t} + \beta_3 \text{LEV}_{i,t} + \beta_4 \text{CFO}_{i,t} + \beta_5 \text{ROA}_{i,t} + \\ &\quad \beta_6 \text{OWN}_{i,t} + \beta_7 \text{LP}_{i,t} + \beta_8 \text{BIG4}_{i,t} + \sum \text{YEAR} + \varepsilon_{i,t} \end{aligned}$$

Shared Growth Activities

Shared Growth Activities or not(W-W\_D): 1 if shared growth index is included, and 0 if not

Level of shared growth activities(W-W\_N): shared growth index (Evaluation Grade Excellent 5, Outstanding 4, Good 3, Average 2, If improved 1)

Level of Managerial centralization (MC)

: CEO Pay Slice

Control Variable:

SIZE: Size of company, LEV: Ratio of Debt, CFO: Flow of Sales Cash, ROA: Return On Assets, OWN: Ratio of Major Shareholders, LP: Period of listing, BIG4:, YEAR: Year Dummy

If  $\beta_1$  shows statistically significant value in the empirical analysis model above, the hypothesis that shared growth differs by the level of managerial centralization in service corporation is supported. Specifically, if  $\beta_1$  shows a statistically significant positive value, it can be interpreted that the service corporation is active in shared growth activities as the level of managerial centralization on the CEO increases despite decrease in the managerial performance of the term. In contrary, if  $\beta_1$  shows a statistically significant negative value, it can be interpreted that the service corporation is passive in shared growth activities as the level of managerial centralization on the CEO increases due to worries about decrease in the managerial performance of the term.

##### 3.1.2. Independent Variable: CPS

This paper measured the level of managerial centralization as the ratio of CEO's salary (CPS) from the total compensation paid to all executive officers based on the method of Bebchuk, Martijn & Peyer (2011)'s method with some revision and supplementation according to domestic conditions. Following an amendment of the capital market act in 2013, since individual compensation information can be disclosed only for registered staff that are paid more than 500 million KRW between 2015 and 2017, it is not easy to decide top 3 or top 5 paid officers for the denominators of CPS. But, since average compensation of registered staff including CEO's is disclosed, this paper

considers the registered full-time staff as all of the executive officers and measured CPS by finding the ratio of the single CEO in the total compensation including the CEO.

### 3.1.3. Dependent Variable: Share Growth Activities

The proxy of the level of shared growth activities, which is the dependent variable of this paper, used win-win index for analysis that is annually disclosed by the National Commission for Corporate Partnership. Specifically, first of all, W-W\_D are dummy variables, which is given 1 if the company is a subject of evaluation for the shared growth index, or 1 if not. Second, for W-W\_N (level of shared growth activities), 5 was given to excellent companies in shared growth index, 4 to outstanding, 3 to good, 2 to average, and 1 to improved, and 0 to those that are not included as subjects for shared growth index evaluation.

### 3.1.4. Control Variables

The method to measure the controlled variables in this paper is as follows. First, the size of the company (SIZE) was measured by the natural logarithm of the total asset. Second, the ratio of debt (LEV) was measured by the ratio between the total assets and the total debt. Third, the sales cash flow (CFO) was measured by the ratio between the total assets and the sales cash flow. Fourth, the return on assets (ROA) was measured by the ratio between the total assets and the net profit. Fifth, the ratio of major shareholders (OWN) was measured the number of all shares owned by major shareholders and special persons concerned compared to the number of all common shares issued. Sixth, the listed period was measured by the natural logarithm value. Seventh, the scale of audit (BIG4) was measured by the dummy variable to which 1 is given if the audit corporation is one of PwC, KPMG, Deloitte, or EY, and 0 if not one of them. In addition, year dummy (YEAR) was added to control the effect of year.

The index of shared growth was manually extracted from the annually disclosed information by the National Commission for Corporate Partnership, and financial data of companies was taken from FnGuide and Korea Listed Companies Association Database (TS-2000). Compensation data of individual staff to be used for measurement of the level of managerial centralization was manually collected from the status of staff payment on business reports (quarter). Out of total 658 study samples, 314 samples from which CPS data could not be obtained or is missing were excluded, and 47 radical samples that exceed  $\text{average} \pm 3$  (standard deviation). Therefore, the final research samples are 297 corporate years.

Table 1 shows the number of companies to be evaluated for shared growth by industry and by industry in the sample selection process and in the entire sample.

**Table 1:** Sample Selection Process

The Korea exchange market from 2015 to 2017	658	
Companies that do not have executive compensation differences and financial information	(314)	
Extreme value[Average $\pm 3$ (standard deviation)]	(47)	
Final number of samples	297	
2. Number of companies assessed for shared growth by industry and by industry in the final sample		
<b>Industrial classification</b>	<b>Final number of samples</b>	<b>Share Growth Company</b>
D[35]	7	0
G[45-47]	78	19
H[49-52]	29	3
I[55-56]	4	0
J[58-63]	46	16
M[70-73]	125	7
N[74-76]	5	0
P[85]	1	0
R[90-91]	1	0
S[94-96]	1	1
Total	297	46

## 3.2. Sample Selection

Subjects of this paper are service corporations listed on the Korean stock exchange from 2015 to 2017. The service industry of this paper includes commerce (wholesale and retail), transportation, and telecommunications. The research samples belong are large categories (21) of Korean Standard Industrial Classification Table (10th): D (electricity, gas, steam and air control provider [35]), G (wholesale and retail [45-47]), H (transportation and storage [49-52]), I (accommodation and restaurant [55-56]), J (information and communication [58-63]), M (expertise, science and technology service [70-73]), N (business facility maintenance, business support, and leasing service [74-76]), P (education service [85]), R (fine art, sports and recreational service [90-91]), S (association and organization, repair and other private service [94-96]).

## 4. Result of Empirical Analysis

### 4.1. Descriptive Statistics

Table 2 below is the result of descriptive statistics for the research samples. First, shared growth activities of service corporations (W-W\_D) is .155, which shows that 15.5% of them are carrying out shared growth activities. In addition, the win-win growth activity level of service companies (W-W\_N) was shown to be 0.633. In detail, about 85% of service companies had the value of 0 for the win-win growth activity level (W-W\_N) and it accounted for the relatively low win-win growth activity level (W-W\_N) of service companies. Second, CPS, which is the proxy of the level of managerial centralization, was .504, accounting for 50.4%

for the CEO's compensation in the whole full-time registered staff compensation amount. On the other hand, since the average and median of most values of variables for empirical analysis models are not large considering the standard deviation, the research could keep proceeding there would be big difficulties in hypothesizing the standard distribution.

**Table 2:** Descriptive Statistics

Variable	Mean	Median	Std. Deviation	MIN	MAX
W-W_D	0.155	0.000	0.362	0.000	1.000
W-W_N	0.633	0.000	1.519	0.000	5.000
CPS	0.504	0.512	0.179	0.021	0.929
SIZE	28.405	28.328	1.461	24.685	32.329
LEV	0.487	0.496	0.190	0.038	0.962
CFO	0.066	0.054	0.066	-0.108	0.375
ROA	0.054	0.043	0.051	-0.140	0.270
OWN	0.453	0.453	0.173	0.073	0.857
LP	2.864	3.042	.715	1.069	4.314
BIG4	0.909	1.000	0.288	0.000	1.000

## 4.2. Analysis of Correlation

Table 3 is the result of Pearson correlation analysis for empirical analysis model variables before hypothesis testing. In the result of analysis, first of all, CPS and W-W\_D of service corporations showed negative correlation with 10%

significance level. Second, CPS and W-W\_N of service corporations showed negative correlation with 10% significance level. Therefore, it is found that service corporations with a larger CPS are passive in shared growth activities compared to other corporations with a higher level of managerial centralization.

Result for other controlled variables are as follows. First, SIZE and W-W\_N of service corporations showed positive correlation with 1% significance level. This can be accounted for by the fact that shared growth companies all belong to major company group. Second, LEV and W-W\_N showed positive correlation, but it was not statistically significant. Third, CFO and W-W\_N of service corporations showed positive correlation with 10% significance level. Fourth, ROA and W-W\_N of service corporations had positive correlation with 10% significance level. Fifth, OWN and W-W\_N showed negative correlation with 1% significance level. This can be accounted for that major stakeholders are also negative to shared growth activities such as increase of cost. Sixth, LP and W-W\_N showed negative correlation with 1% significance level. This can be interpreted that the newer the company is, the more active they are in shared growth activities as activities of social responsibility. Seventh, BIG4 and W-W\_N showed positive correlation with 5% significance level. On the other hands the result of analysis on correlations of service corporations may have interpretational limitations due to lack of consideration on the influence of controlled variables that may affect the relationship between independent variables and dependent variables.

**Table 3:** Pearson Correlation Analysis

	CPS	W-W_D	W-W_N	SIZE	LEV	CFO	ROA	OWN	LP
W-W_D	-0.096								
	0.099								
W-W_N	-0.098	0.975							
	0.093	0.000							
SIZE	-0.062	0.431	0.411						
	0.291	0.000	0.000						
LEV	-0.036	0.006	0.023	0.334					
	0.536	0.919	0.691	0.000					
CFO	0.061	0.221	0.194	0.039	-0.210				
	0.295	0.000	0.001	0.508	0.000				
ROA	0.070	0.130	0.113	-0.015	-0.343	0.667			
	0.227	0.025	0.051	0.798	0.000	0.000			
OWN	0.131	-0.246	-0.214	-0.168	-0.169	-0.111	-0.059		
	0.024	0.000	0.000	0.004	0.004	0.056	0.307		
LP	0.087	-0.187	-0.190	0.063	0.162	-0.223	-0.197	-0.147	
	0.134	0.001	0.001	0.279	0.005	0.000	0.001	0.011	
BIG4	0.019	0.132	0.135	0.410	0.157	0.142	0.024	-0.162	-0.009
	0.749	0.023	0.020	0.000	0.007	0.014	0.681	0.005	0.873

## 4.3. Result of Hypothesis Testing

### 4.3.1. Level of Managerial Centralization and Shared Growth Activities

Table 4 shows a result of linear regression model testing for relevance between CPS and W-W\_D in a service corporation. In the result of testing, CPS and W-W\_D of a

service corporation showed negative relevance with 5% significance level. Therefore, the higher the level of managerial centralization on the CEO in a service corporation, the more negative effect on shared growth activities of corporation.

Next is a result of analysis on controlled variables. First of all, in service corporations, SIZE and W-W\_D had positive relevance at 1% significance level. Second, LEV

and W-W\_D had negative relevance at 10% significance level. Third, CFO and W-W\_D had positive relevance at 5% significance level. Fourth, ROA and W-W\_D had negative relevance at 1% significance level, but it was not statistically significant. Fifth, OWN and W-W\_D had negative relevance at 1% significance level. This can be interpreted that the major shareholders also may be negative to shared growth activities like the CEO with high managerial centralization. Sixth, LP and W-W\_D had negative relevance at 1% significance level. Seventh, BIG4 and W-W\_D had negative relevance, but it was not statistically significant.

**Table 4:** Hypothesis Test Result (1)

$$W-W\_Di,t = \alpha_1 + \beta_1(CPS)_{i,t} + \text{Control Variables}$$

Variable	W-W_D		
	Coef.	t	p
CPS	-0.098**	-2.039	0.042
SIZE	0.111***	7.668	0.000
LEV	-0.193*	-1.754	0.080
CFO	0.857**	2.236	0.026
ROA	-0.418	-0.829	0.408
OWN	-0.376***	-3.377	0.001
LP	-0.080***	-3.860	0.000
BIG4	-0.098	-1.394	0.164
Const.	-1.875***	-4.390	0.000
YEAR	Included		
F	11.448***		
Adjusted R <sup>2</sup>	0.261		

1) \*\*\*, \*\* and \* is significant level at the 1%, 5% and 10% respectively (two-tailed)

2) VIF Max: 1.985

#### 4.3.2. Level of Managerial Centralization and Level of Shared Growth Activities

Table 5 below is a result of a testing to find out relevance between CPS and W-W\_N in a service corporation to test the hypothesis using linear regression model. As a result, CPS and W-W\_N in service corporations had negative relevance at 5% significance level. Therefore, the higher the managerial centralization on CEO in a service corporation, the more negative they were in drive for shared growth activities.

The following are analysis results for controlled variables. First of all, in service corporations, SIZE and W-W\_N had positive relevance at 1% significance level. Second, LEV and W-W\_N had negative relevance at 5% significance level. Third, CFO and W-W\_N had positive relevance at 1% significance level. Fourth, ROA and W-W\_N had negative relevance, but it was not statistically significant. Fifth, OWN and W-W\_N had negative relevance at 1% significance level. Sixth, LP and W-W\_N had negative relevance at 1% significance level. Seventh, BIG4 and W-W\_N had negative relevance at 10% significance level.

In accordance with the hypothesis testing results in Table 4 and Table 5, the higher the level of managerial centralization on CEO measured by CPS, the more negative influence the shared growth activities received. This can be interpreted that CEOs with large influence have negative

attitude to shared growth activities that may incur negative influence on business performance due to cost increase.

**Table 5:** Hypothesis Test Result (2)

$$W-W\_Ni,t = \alpha_1 + \beta_1(CPS)_{i,t} + \text{Control Variables}$$

Variable	W-W_D		
	Coef.	t	p
CPS	-0.366	-2.303	0.022
SIZE	0.495***	8.451	0.000
LEV	-1.035**	-2.316	0.021
CFO	4.259***	2.732	0.007
ROA	-2.105	-1.028	0.305
OWN	-1.857***	-4.106	0.000
LP	-0.328***	-3.912	0.000
BIG4	-0.520*	-1.815	0.071
Const.	-8.531***	-4.913	0.000
YEAR	Included		
F	13.993**		
Adjusted R <sup>2</sup>	0.305		

1) \*\*\*, \*\* and \* is significant level at the 1%, 5% and 10% respectively (two-tailed)

2) VIF Max: 1.985

#### 4.4. Result of Additional Analysis

Between 2015 and 2017 when this study was carried out, shared growth activities of Korean corporations have not been very active. Only 15.5% of the service corporations in actual business that were used as subjects of this paper were found to be executing shared growth activities (W-W\_D). In other words, 84.5% of all samples are understood as not to be running shared growth activities, which can be a bias to diminish the credibility of the result of a study. This paper thus carried out an additional analysis with the companies that are committing shared growth activities among the entire samples in order to minimize the perverted result of research due to bias in samples. The result of additional test for the research hypothesis with sample companies that are committing shared growth activities. This analysis result shows that CPS and W-W\_N have negative relevance at 10% significance level. Therefore, the additional analysis again revealed that the higher the managerial centralization on CEO of a service corporation, the more negative effect the level of shared growth activities receives.

#### 5. Conclusion

This paper focused on the level of managerial centralization on CEO as a factor to affect the shared growth activities of corporation. Shared growth activities of a corporation can generate negative influence on managerial performance such as cost increase, so CEO's recognition on them may affect shared growth activities of corporation. Previous studies on shared growth reported that the governance structure of a corporation may lead to a different level of shared growth, but no paper testified the effect of

CEO's influence on shared growth activities by the structure of corporate governance. As service corporations are becoming active in shared growth activities recently, this paper thus used CPS information to measure the level of managerial centralization on CEO of a service corporation and tested the influence of the level of managerial centralization on whether shared growth activities are executed and the level of such activities respectively. The samples are total 297 corporate years of service companies listed on the Korean exchange market from 2015 to 2017 except financial companies.

The result of test shows that companies with high managerial centralization on CEO are more passive toward shared growth activities compared to those without such centralization. This can be interpreted that a CEO with more powerful influence may consider shared growth activities as to be negative and take a passive attitude to them. On the other hand, such result was supported by additional analysis with companies committing shared growth activities as well.

This paper is expected to contribute to bring about interest on shared growth activities as the gap between major companies and small and medium sized companies is currently expanding in terms of operating profit ratio and even salary of employees. Furthermore, it is also expected to have a point of contribution in that it provided additional information to supplement previous studies about influential factors on shared growth activities.

This study could find its significance from that it addressed the impact of the degree of managerial centrality on win-win growth activities as an internal factor of a company, suggesting an adverse influence of managerial centrality from the aspect of a company's social responsibility activity. Especially, it confirmed that a proper level of control over managerial centrality can meet the interests of a society, and empirically demonstrated that it is important for the governance, market participants, and government to have proper controls over managerial centrality to promote win-win growth of service companies. In addition, this study could be a chance to pay attention to and initiate interests in companies' win-win growth activities at this time in which not only the difference between large corporations and SME in an operating profit to sales ratio, but also in employees' wages.

Since this paper, however, finds limitations in its measurement for calculations of CPS because this paper is dealing with business report data from 2015 and 2017 when the compensation for registered staff could be disclosed only if it exceeds 500,000 KRW. Especially from 2018, unregistered staff's pay information was disclosed as well, so it will be necessary to include that information and compare with studies that measured CPS. In addition, previous studies suggested the possibility that the influence of CEO can be induced by conditions in which the company is going under (governance structure, business performance, etc.) rather than external variables, but this paper's limitation is found in the point that such a possibility was not considered.

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