

SCIENTIFIC ADVISOR'S REFERENCE

Program:	Master in International Business
Student:	Artem Chepurnoi
Title of thesis:	Analysis of U.S. public companies CEOs compensations using optimal contract modelling

Justification of the topic choice. Accuracy in defining the aim and objectives of the thesis. Justification of the topic choice; accuracy in defining the aim and tasks of the thesis; originality of the topic and the extent to which it was covered; alignment of the thesis' topic, aim and objectives.

The topic reflects the main objective of the research, which is a development of the methodology for company's optimal executive compensation. The main goal of the research was to analyze size and structure of U.S. public companies CEOs' compensations and elaborate recommendations for optimal compensation contract model improvement.

The objectives of the study were: to review theoretical underpinnings of executive compensation problem; to study theoretical models of executive compensation contract and select the model of optimal contract; to explore modern practices of executive compensation in U.S. public companies; examine applicability of the theoretical model on actual data.

Structure and logic of the text flow. Logic of research; full scope of the thesis; alignment of thesis' structural parts, i.e. theoretical and empirical parts.

Logics and structure of the paper are doubtless. The main part of the topic consists of three chapters, closed by references and appendix.

The first chapter contains literature review, basic concepts descriptions, optimal compensation and optimal contract models evolution. In the second chapter he considers existing practices of executive compensation contracts and methodological issues, associated with modeling of the contracts are examined. The third chapter of the master thesis research examines the theoretical model on empirical data to determine its parameters.

Quality of analytical approach and quality of offered solution to the research objectives. Adequacy of objectives coverage; ability to formulate and convey the research problem; ability to offer options for its solution; application of the latest trends in relevant research are for the set objectives.

Thesis goal and objectives are clearly stated; thoroughness of the content is good; the text has all features necessary for the scientific research.

The research method used for a development of the methodology for company's optimal executive compensation is mathematical modeling. The existing CEO's optimal executive compensation models were presented in evolutionary perspective and thoroughly described and analyzed. As a theoretical result, author selected the Multiplicative Model of Optimal CEO Incentives (MMOI) for testing. Used in the thesis MMOI model was developed by the student for practical testing on empirical data. The model is mathematically precise and well explained in the thesis.

Quality of data gathering and description. Quality of selecting research tools and methods; data validity adequacy; adequacy of used data for chosen research tools and methods; completeness and relevance of the list of references.

Author cites an overview of typical CEO compensation, how is it structured, what are the drivers of its rate and how the process of transferring the compensation utility to the executive officer looks. Optimal compensations for studied companies CEOs were calculated using the MMIO model. Then the actual compensations of CEOs from the studied companies are compared to those delivered by the model. At the same time weaknesses of the model as well as difficulties, associated with its practical application are detected.

The multidisciplinary thesis results can serve as an effective instrument to develop methodology for company's optimal executive compensation modelling; the quantity and quality of literature review are both good.

Scientific aspect of the thesis. Independent scientific thinking in solving the set problem/objectives; the extent to which the student contributed to selecting and justifying the research model (conceptual and/or quantitative), developing methodology/approach to set objectives.

From scientific point of view, the research is strong. Author created a quantitative mechanism for

theoretical MMIO model testing and examined the applicability of the model to practical purposes and compliance of its output with actual data. The research model and its applications develop methodology CEO's executive compensation modelling.

Practical/applied nature of research. Extent to which the theoretical background is related to the international or Russian managerial practice; development of applied recommendations; justification and interpretation of the empirical/applied results.

The proposed research model of optimal CEOs compensations was applied for two U.S. industries: restaurant and retail. The quantitative and comparative analysis showed that with development of applied frameworks such kind of models might become a base for mechanisms and tools used in company's practice.

Quality of thesis layout. Layout fulfils the requirements of the Regulations for master thesis preparation and defence, correct layout of tables, figures, references.

The layout of the thesis fulfils the requirements of the Regulations for master thesis preparation and defence. The layout of tables, figures and references is also correct.

The Master thesis of Artem Chepurnoi meets all requirements for master thesis of Master in International Business program, thus the author of the thesis can be awarded the required degree.

Date: September 20, 2012

Scientific Advisor: *(academic title, name)*

Associate Professor, Operations Management Department
Nikolay A. Zenkevich

