

Question 2

- c) According to the answer of part b, the parameter estimate associated with a sales/marketing background is $-2.030e+02$. After accounting for other variates, the estimated mean CEO compensation if the CEO has a sales/marketing background is 203,000 less than the estimated mean CEO compensation if the CEO has a banking/financial background.
- d) Because the p-values of bg2, bg3, bg4, bg5 are larger than 0.05, after accounting for other variates, we know that there are almost no differences between banking/financial background type and these background types, including sales/marketing, technical, legal, other background types, concerning CEO compensation. Thus, the effect of background on compensation is small, which means that the effect of background on compensation is relatively insignificant.