Author's Accepted Manuscript

www.elsevier.com/locate/finmar

Teaming up and quiet intervention: The impact of institutional investors on executive compensation policies

Mieszko Mazur, Galla Salganik-Shoshan

PII: S1386-4181(16)30030-1
DOI: http://dx.doi.org/10.1016/j.finmar.2016.12.001
Reference: FINMAR420

To appear in: *Journal of Financial Markets*

Received date: 7 February 2016
Revised date: 9 December 2016
Accepted date: 10 December 2016

Cite this article as: Mieszko Mazur and Galla Salganik-Shoshan, Teaming up and quiet intervention: The impact of institutional investors on executive compensation policies, *Journal of Financial Markets* http://dx.doi.org/10.1016/j.finmar.2016.12.001

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting galley proof before it is published in its final citable form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

ACCEPTED MANUSCRIPT

Teaming up and quiet intervention: The impact of institutional investors on executive compensation policies

Mieszko Mazur[1], Galla Salganik-Shoshan[2]

[1]Department of Finance, IESEG School of Management; 3 rue de la Digue, 59000 Lille, France

[2]Finance Division, Department of Business Administration, Guilford Glazer Faculty of Business and Management, Ben-Gurion University of the Negev; Ben-Gurion University of the Negev, P.O.Box 653, 84105 Beer Sheva, Israel

m.mazur@ieseg.fr

salganik@som.bgu.ac.il

[*]Corresponding author.

Abstract

This paper investigates whether institutional investors intervene in firms to impact their incentive systems. We use metrics based on geographic distance between institutional investors as proxies for the intensity of their strategic interactions and plausible interventions. We find that when investors are geographically proximate to one another, firms tend to adopt executive compensation contracts that exhibit more performance-based mechanisms, higher incentives to expend managerial effort, and higher incentives to make risky and positive-NPV policy choices. We also find that geographic distance between institutions is a significant determinant of the executive pay differentials. We show that firms with geographically dispersed investors have larger compensation gaps. This latter evidence appears to be consistent with the tournament theory, where CEO compensation is high relative to performance. Throughout the analysis we apply the dynamic panel generalized method of moments (GMM) methodology that accounts for unobservable heterogeneity, simultaneity, and other important endogeneity issues.

Keywords: Institutional investors; Executive compensation; Strategic interactions; Executive pay disparity; Geography

JEL Classification: G23, J33, M52

Accepted manuscript

1. Introduction

Download English Version:

https://daneshyari.com/en/article/5100667

Download Persian Version:

https://daneshyari.com/article/5100667

Daneshyari.com