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COMMON OWNERSHIP, COMPETITION, AND TOP MANAGEMENT INCENTIVES

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Abstract. (rewritten) If one shareholder owns two competing firms, he will want the firms to compete less with each other. We show theoretically and empirically that if the ownership of the companies in an industry is more concentrated in a group of large shareholders, then industry executives are paid more but their pay depends less on their firms absolute performance and less on how it does relative to its competitors. Our conclusion remains the same even when we instrument for common ownership by using changes resulting from the 2003 mutual fund trading scandal.

The Model. [here would go the model and notation if I had time to finish this]

Table 4, in two styles (both converted from latex to docx and then back as images and so a bit ragged in alignment)

Dependent Variable: Top Management Pay						PANEL A					
Dependent Variable: Top Management Pay						Dependent Variable: Top Management Pay					
	(1)	(2)	(3)	(4)	(5)	(1)	(2)	(3)	(4)	(5)	
Own * MHHID		-0.12** (2.06)	-0.09** (2.15)	-0.18 (1.50)	-0.08** (2.51)			-0.117** (-2.057)	-0.0918** (-2.145)	-0.178 (-1.525)	-0.0823** (-2.509)
Rival * MHHID		0.15** (2.45)	0.11** (2.26)	0.24* (1.86)	0.11*** (2.30)			0.148** (2.451)	0.106** (2.257)	0.244* (1.856)	0.108*** (2.967)
MHHID		888*** (9.01)	100 (1.40)	467** (2.50)	42 (0.74)			888.2*** (9.007)	99.80 (1.404)	467.1** (2.503)	41.90 (0.742)
Own * HHI	0.14*** (4.47)	0.05 (1.12)	-0.06 (1.54)	-0.13 (1.21)	-0.05 (1.61)	Own * HHI	0.137*** (4.473)	0.0543 (1.117)	-0.0604 (-1.544)	-0.132 (-1.214)	-0.0477 (-1.606)
Rival * HHI	-0.13*** (3.345)	-0.03 (0.57)	0.07 (1.52)	0.18 (1.46)	0.06* (1.95)	Rival * HHI	-0.128*** (-3.345)	-0.0322 (-0.568)	0.0676 (1.516)	0.181 (1.456)	0.0677* (1.948)
HHI	-0.74 (0.82)	48*** (4.54)	-37*** (4.83)	-64*** (3.25)	-33*** (5.44)	HHI	-0.815 (-0.815)	484.1*** (4.535)	-366.8*** (-4.830)	-638.6*** (-3.251)	-328.3*** (-5.438)
Own	0.23*** (15.43)	0.33*** (6.04)	0.23*** (5.47)	0.55*** (4.85)	0.18*** (5.74)	Own	0.226*** (15.43)	0.330*** (6.043)	0.230*** (5.472)	0.546*** (4.847)	0.183*** (5.736)
Rival	0.33*** (18.65)	0.18*** (3.09)	-0.02 (0.39)	-0.08 (0.58)	-0.03 (0.79)	Rival	0.325*** (18.65)	0.182*** (3.089)	-0.0183 (-0.391)	-0.0755 (-0.581)	-0.0283 (-0.786)
CEO?			2,237*** (79.32)			Ceo			2,237*** (79.32)		
Log(Sales)			784*** (44.56)	1,817*** (42.23)	605*** (44.84)	Log(Sales)			784.4*** (44.56)	1,817*** (42.23)	604.5*** (44.84)
Volatility			3,733*** (10.42)	6,604*** (7.50)	2,955*** (10.88)	Volatility			3,733*** (10.42)	6,604*** (7.494)	2,955*** (10.88)
Tenure			36*** (9.61)	-10 (0.98)	31*** (10.91)	Tenure			35.91*** (9.613)	-10.48 (-0.979)	31.14*** (10.91)
Observations	192,110	192,110	183,133	33,053	150,080	Observations	192,110	192,110	183,133	33,053	150,080
R-squared	.16	.16	.46	.45	.41	R-squared	0.160	0.164	0.463	0.445	0.407
						Industry FE	Yes	Yes	Yes	Yes	Yes
						Year FE	Yes	Yes	Yes	Yes	Yes