# Article information:

Skill or effort? Institutional ownership and managerial efficiency - ScienceDirect  
<https://www.sciencedirect.com/science/article/abs/pii/S0378426618300682>

# Article summary:

1. This article examines the role of institutional ownership in influencing managerial efficiency.

2. The results show that institutional ownership has a positive and statistically significant effect on managerial efficiency, and that institutions are effective at exerting pressure on managers to put in more effort.

3. The study also finds that pay-for-performance sensitivity increases significantly following an exogenous increase in institutional ownership.

# Article rating:

May be slightly imbalanced: The article presents the information in a generally reliable way, but there are minor points of consideration that could be explored further or claims that are not fully backed by appropriate evidence. Some perspectives may also be omitted, and you are encouraged to use the research topics section to explore the topic further.

# Article analysis:

The article “Skill or Effort? Institutional Ownership and Managerial Efficiency” is a well-researched piece of work which provides an interesting insight into the role of institutional investors in influencing managerial efficiency. The authors have used a large sample of publicly listed U.S. firms over the period 1989–2015, and have employed various types of fixed effects such as industry fixed effects, firm fixed effects, CEO fixed effects, and year fixed effects into their baseline specifications to account for unobservable and time-invariant characteristics. Furthermore, they have utilized the Russell 1000/2000 Index reconstitution as an exogenous shock to institutional ownership to establish causality between the two variables.

The article is generally reliable and trustworthy; however there are some potential biases which should be noted. Firstly, the authors have not explored any counterarguments or alternative explanations for their findings; this could lead to a one-sided reporting of their results which may not accurately reflect reality. Secondly, although the authors have used a large sample size for their analysis, it is still possible that there may be other factors which influence managerial efficiency which were not taken into consideration by the authors; this could lead to missing evidence for some of the claims made in the article. Finally, it should also be noted that although the authors have used various types of fixed effects in their baseline specifications, these may not be sufficient to completely eliminate endogeneity issues associated with institutional investors; this could lead to partiality in some of their results.

In conclusion, overall this article is reliable and trustworthy; however there are some potential biases which should be noted when interpreting its results.

# Topics for further research:

* Institutional investor influence on managerial efficiency
* Endogeneity issues associated with institutional investors
* Alternative explanations for managerial efficiency
* Unobservable and time-invariant characteristics
* Russell 1000/2000 Index reconstitution
* Fixed effects in baseline specifications

# Report location:

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