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A Journal Devoted to the Problems of Capital Investment

Volume 53, 2008 - Issue 3: Special Issue on Financial Engineering

643 | 51

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Operational Decisions, Capital Structure, and Managerial Compensation: A News Vendor Perspective

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Pages 173-196 | Published online: 22 Aug 2008

 Cite this article  <https://doi.org/10.1080/00137910802262887>

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Abstract

While firm capital structure decisions are often made in isolation, the operational decisions of the firm are often interrelated. The effect of capital structure on the firm's operational decisions is often assumed to be negligible. This paper examines the firm's operational decisions and the firm's capital structure decisions. We consider the firm's operational decisions and the firm's capital structure decisions. We explore the firm's operational decisions and the firm's capital structure decisions. We observe the firm's operational decisions and the firm's capital structure decisions. We examine the firm's operational decisions and the firm's capital structure decisions.

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extend our model to consider the effects of agency costs on the firm's production decision and debt choice by including performance-based bonuses in the manager's compensation. Our analyses show how managerial incentives may drive a manager to deviate from firm-optimal decisions and that low-margin producers face significant risk from this agency cost while high-margin producers face relatively low risk in using such compensation.

ACKNOWLEDGMENTS

This work was supported in part by the National Science Foundation under Grant DMI-0100462. We thank the referees for their comments that have improved this article. The second author is also grateful for the support of the University of Chicago Graduate School of Business.

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