Finance and Economics Discussion Series: CEO Successions and Firm Performance in the Us Financial Industry

By Antonio Falato, Dalida Kadyrzhanova

Bibliogov, United States, 2013. Paperback. Book Condition: New. 246 x 189 mm. Language: English . Brand New Book ***** Print on Demand *****.This paper examines the labor market for CEOs in the financial sector from 1988 to 2007, using a new hand-collected sample of 1,655 CEO successions. We document that there is a significant role of outside successions, as about one out of two successions involves an outside hire. In addition, using difference-in-differences estimates, we study the link between the labor market for finance CEOs and firm performance. We document that (1) there is a large performance gap between inside and outside successions, as outside successions are followed by significantly larger improvements in firm performance; (2) the performance gap between outside and inside successions is larger for firms with an insider dominated board of directors; (3) the performance gap widened after an important deregulation event (the 1999 Gramm-Leach-Bliley Act). These results are robust to using a battery of firm performance measures (short-run and long-run stock market returns, and several long-run operating performance measures) and a matched sample approach to address selection issues. Overall, our findings suggest that managerial human capital is very valuable in the financial industry, and weak internal...

READ ONLINE