

Director Incentives in the Labor Market, Corporate Governance, and Firm Performance

Bang D. Nguyen

We still have a few pieces of data to gather for various robustness checks.

We build our sample of retired CEO directors with outside directorships in the U.S. since 1992 from many data sources such as Execucomp, RiskMetrics, and SEC filing (Form 8-K).

In the main event window (-1,+1) following the announcement of the CEO retirement from their CEO position, we find that the stock prices of firms in which retiring CEOs are still holding outside directorships react negatively and significantly. The average cumulative abnormal return is -2.4%, significant at the 1% level. This finding confirms our main hypothesis that director incentives impact firm performance.