



“Under New Management: Equity Issues and the Attribution of Past Returns” (in English)

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Abstract

There is a strong link between measures of stock market performance, such as changes in Tobin's Q or past stock returns, and equity issues. Typically, this performance is thought to be a characteristic of the firm, not the CEO who happens to run the firm. In contrast to this conventional wisdom, we find that equity issues depend on changes in Q and returns to a greater extent if the current CEO was at the helm when those past returns were realized. What we label the CEO-specific Q and past return explains equity issuance, but it does not explain debt issuance, investment, or profitability. Two discontinuity analyses show that the specific share price that the current CEO inherited is an important reference point, while salient share prices prior to turnover are not. A corollary is that a firm with poor stock market performance cannot, or will not, raise new capital unless the current CEO is replaced.

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Venue: SO110, Dorothy Y. L. Wong Building

Biography

Dr. Yuhai Xuan is an Assistant Professor in the Finance Unit at Harvard Business School. He currently teaches the second-year course Corporate Financial Management, and has previously taught the required finance course in the first-year MBA program. His research interests are in the areas of empirical corporate finance and behavioral finance. Dr. Xuan holds an A.M. and a Ph.D. in Business Economics from Harvard University. His employers prior to graduate school include HSBC and Microsoft Corporation.

ALL ARE WELCOME

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