Good and Bad CEOs

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Abstract
This paper analyzes changes in shareholder value and firm performance caused by deaths of incumbent CEOs. We find that CEOs are an important determinant of shareholder value for many firms. The value effects of CEO deaths are heterogeneous. Most sudden deaths, and especially sudden deaths of young and short-tenured CEOs, cause large value losses. Other CEO deaths – non-sudden deaths, and sudden deaths of old and long-tenured CEOs – are on average associated with large value gains. The evidence suggests that many CEO-firm matches generate large surpluses that benefit shareholders. Many other CEOs, however, are either not the optimal match or overpaid.

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