



Does the Firm Improve After Environmental Fines?: the Impact of Environmental Fines on Ceo and Director Turnover and Firm Environmental Performance

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Previous research has showed mixed evidence on the relationship between organizational misconduct and the leaders turnover and paid a limited attention to their implications. We contribute to the literature on organizational misconduct and the natural-resource-based view by proposing that high environmental fines increase the CEO and directors' turnover, but while the CEO turnover after organizational misconduct breaks the firm's executive inertia on wrongdoing, a high director turnover makes difficult to keep the priority on the firm's rehabilitation. Our sample consisted of 360 observations from US public firms fined over \$500,000 in a year and matching firms without environmental sanctions. The results show that the fined firms experienced more director turnover. A moderated regression analysis shows that a change of CEO after addressing an environmental fine has positive effects on the subsequent improvement in environmental performance. The relation is also positive with low director turnover, but negative with high director turnover.