Family First:

CEOs' Private Incentives in Corporate Relocations

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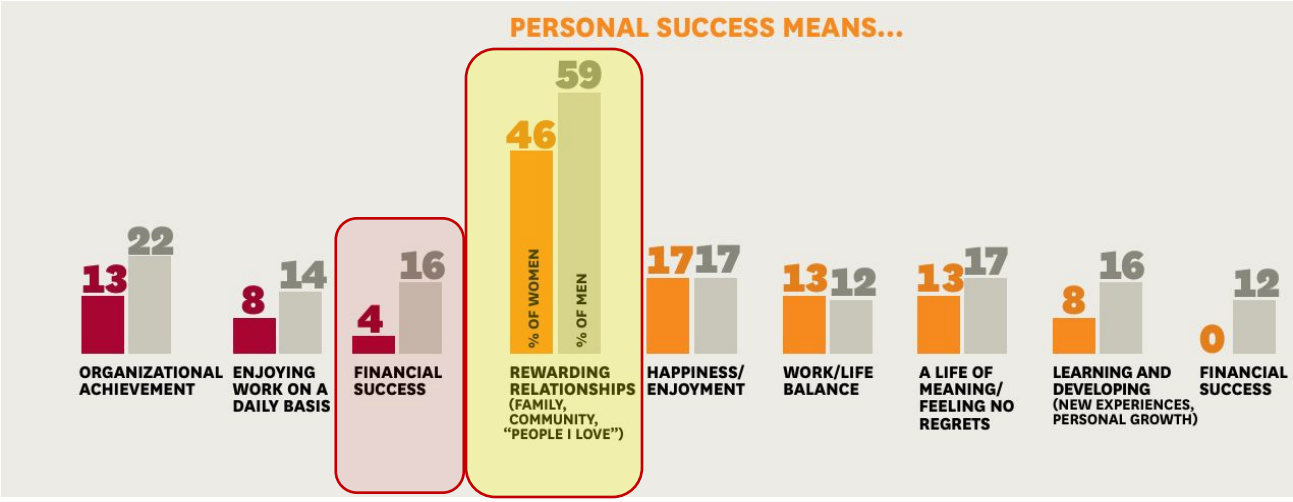
Indiana University

Denis Sosyura

Arizona State University

Motivation

- **What motivates CEOs' decisions?**
  - Most prior work: pay & career
- Yet, declining marginal utility of wealth:
  - For the wealthy, it's not just money
- Interviews of 4,000 executives:
  - **Family** key factor in defining success



Source: Groysberg & Abrahams (HBR 2014)

How do **CEOs' family factors** affect **corporate decisions?**

Setting: Relocations of Corporate Headquarters (HQ)

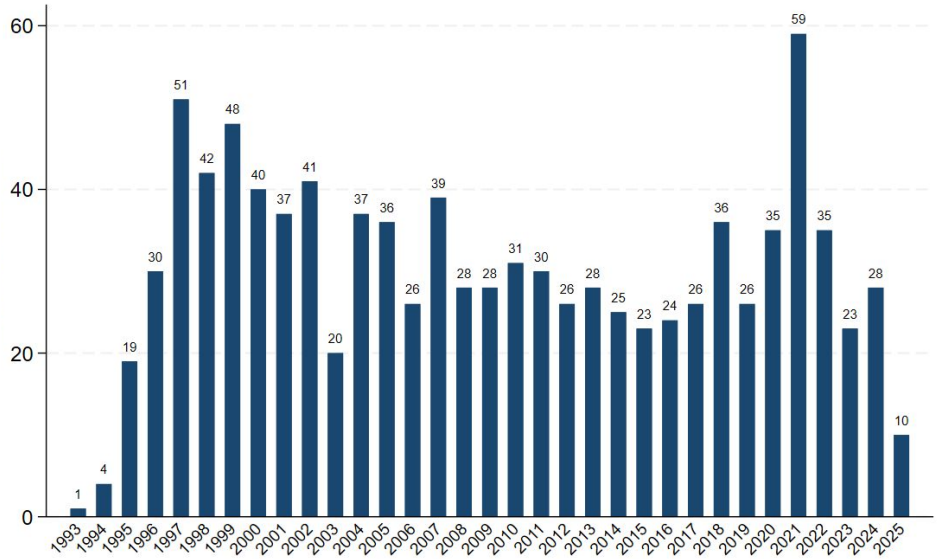
Challenge: CEOs' family motives □ hard to elicit and link to firm outcomes

What we do:

1. CEO preferences: comprehensive data on CEOs' families □ idiosyncratic geographic preferences
2. Outcomes: corporate HQ relocations

Why HQ Relocations?

- Led by CEO in coordination with the board □ no investor vote
- Clean geographic mapping and large economic impact:
  - **1,000+** relocations in recent decades
  - **3.5 million** jobs moved □ local economy



CEO's geographic preferences → **Corporate HQ relocations**

Example: Hilton's HQ Relocation: Beverly Hills, CA McLean, VA



Christopher Nassetta
CEO, Hilton Worldwide

Stated reasons

"The Beverly Hills location had been problematic: far from major airports, in an expensive place to live, and difficult to operate efficiently. Los Angeles wasn't a "hot bed for hospitality talent," says Nassetta."

Source: LA Times (2009), Virginia Business (2014)

The Cost: 80% of 800+ HQ employees **refuse to move** East

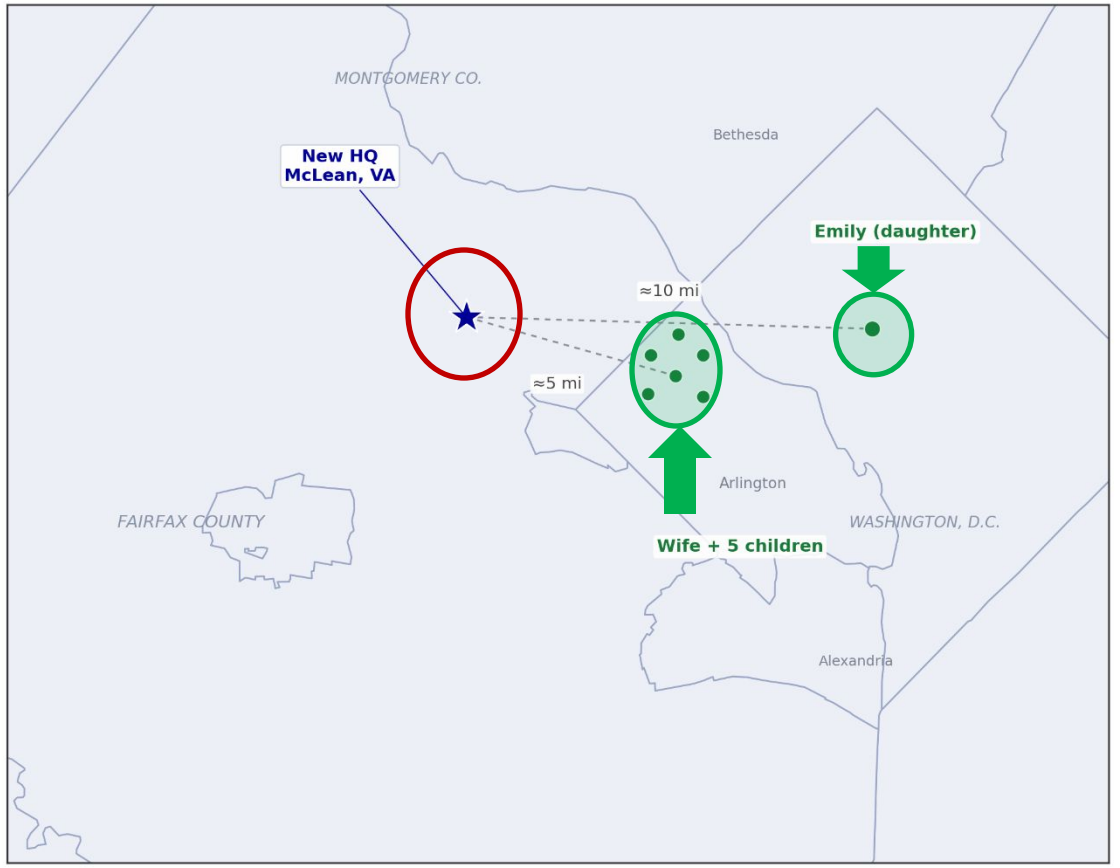
On the downside, he acknowledges that Hilton lost a lot of its knowledge base. "It was taking twice the time for employees to complete certain tasks, and Hilton was forced to make quick hiring decisions that didn't always work out."

What he didn't say: The new HQ will be near his **wife and six kids** in Virginia

Example: Hilton Worldwide

Beverly Hills, CA □ McLean, VA, 2009





Main Findings

CEOs play a major role in relocations

- Relocation prob. triples after a new CEO arrives (after an exogenous departure)
- 50% of relocations during the CEO's first 3 years (peak in 2nd year)

CEOs move HQs closer to family

- **35%** of new HQs land within **50 miles** of the CEO's children
- Instrument for the kids' location: CEO's child marries an out-of-state partner
- Large effects: 1.3 mil relocated jobs, $200B in annual CapEx

Family-motivated moves are costly

- 1 p.p. lower announcement returns
- Higher employee separations (38% exit)
- Weaker insider reviews

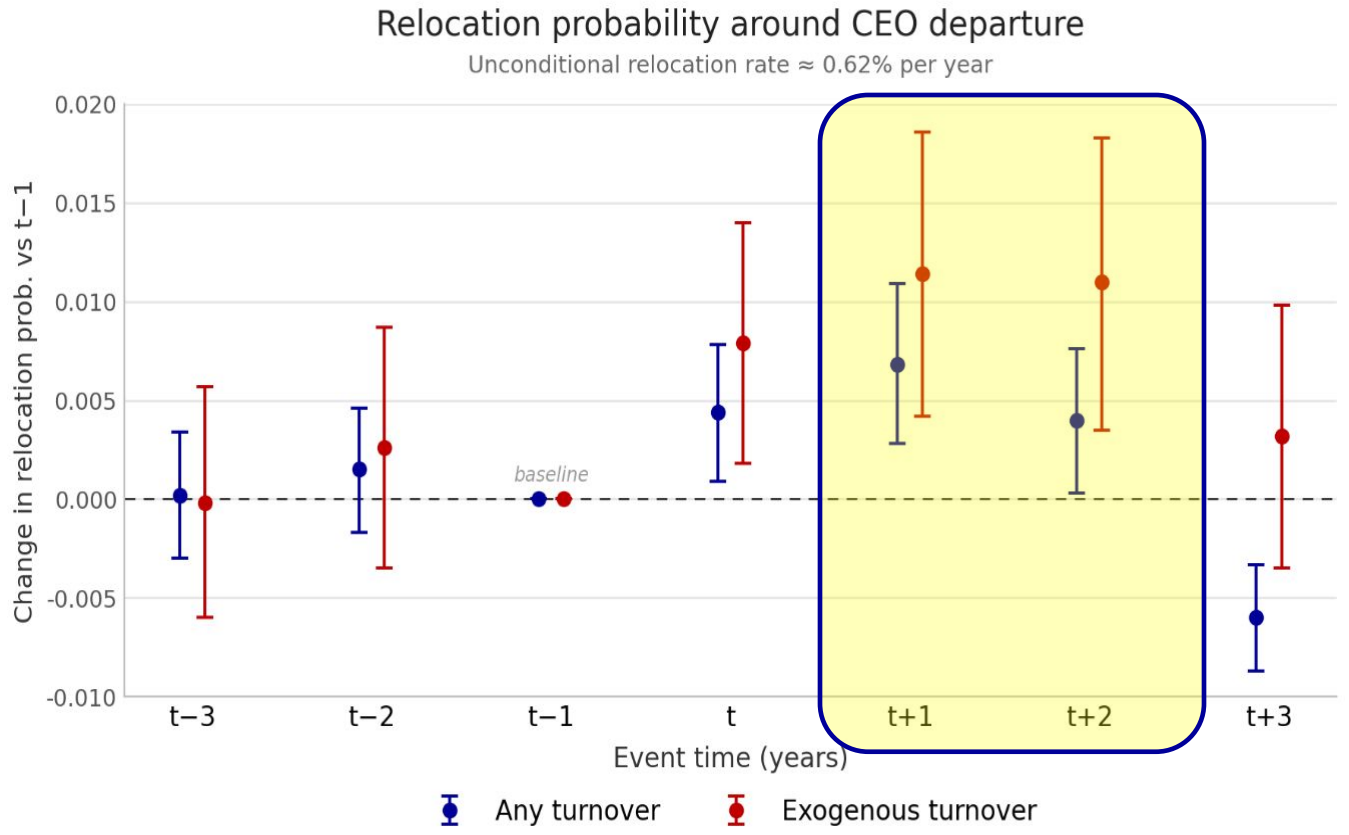
Mechanism

Separate the HQ from production facilities & industry clusters

Novel evidence on CEOs' families and their role in corporate migration

1. The Role of the CEO

A New CEO, A New HQ



1. Half of HQ relocations happen within the CEO's first three years on the job
2. Relocation probability peaks during the CEO's 2nd and 3rd year on the job
3. Robust to using exogenous CEO departures (death, illness, age-based retirement)

A New CEO, A New HQ

Dep. variable: Relocate

Variable	LPM	PPML
Any CEO Turnover (t−3 to t−1)	0.007*** (5.23)	0.951*** (6.77)
Exogenous CEO Turnover	**0.014*** (6.14)**	**1.597*** (8.80)**

CEO turnover more than doubles the HQ relocation probability over the next three years

Effects are larger under **exogenous turnover:**

- **+113%** after any turnover ·
- **+226%** after exogenous turnover

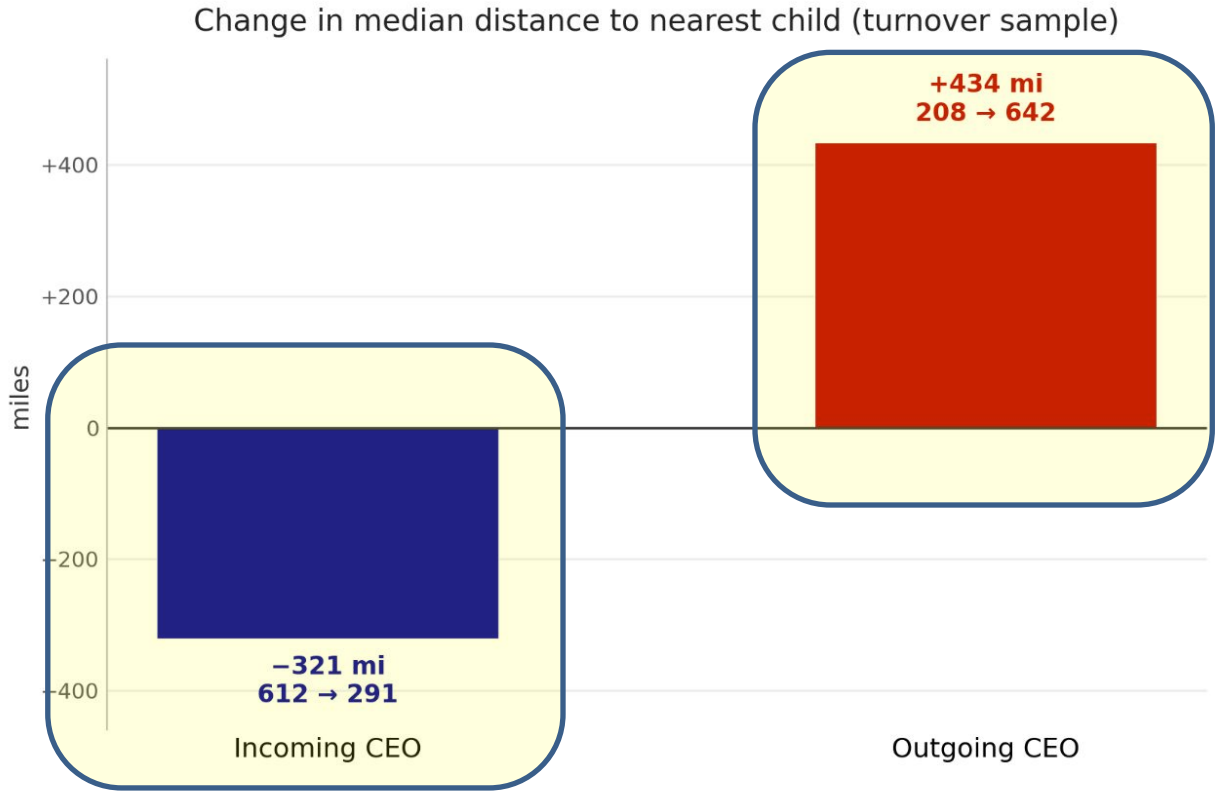
First years on the CEO's job **pivotal** for corporate migration

2. CEO’s Family and HQ Destinations

HQ Moves Toward the CEO's Children

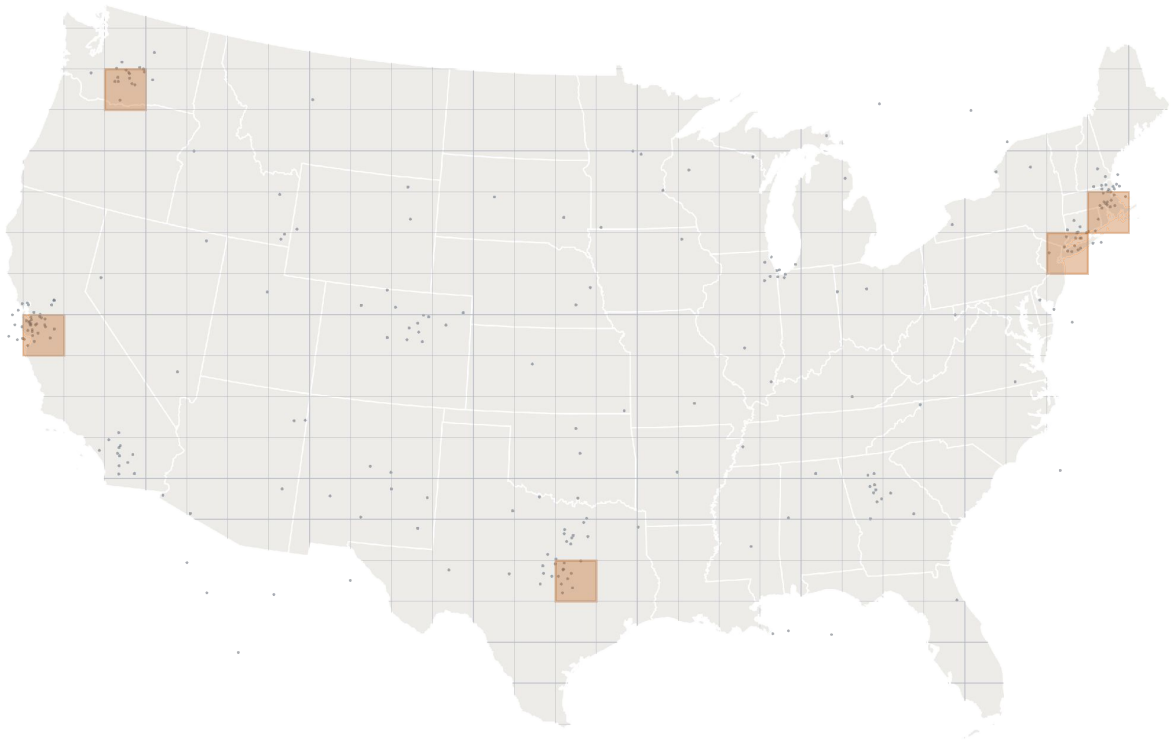
HQ Relocations:

- Distance to the new CEO's kids is cut in half
- Distance to the prior CEO's kids triples



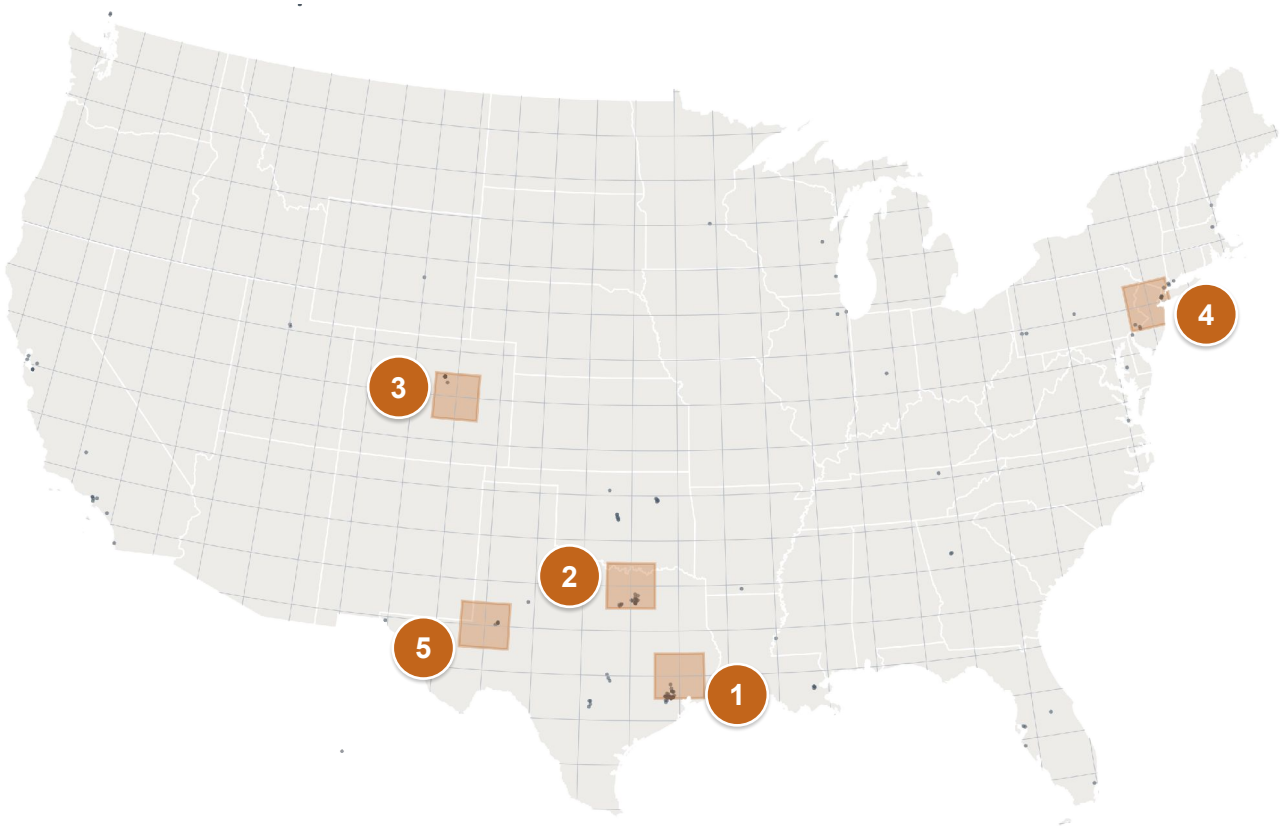
35% of relocations □ HQ within 50 miles of a CEO's child, 40% □ within 100 miles

Counterfactual Destinations: Industry Clusters



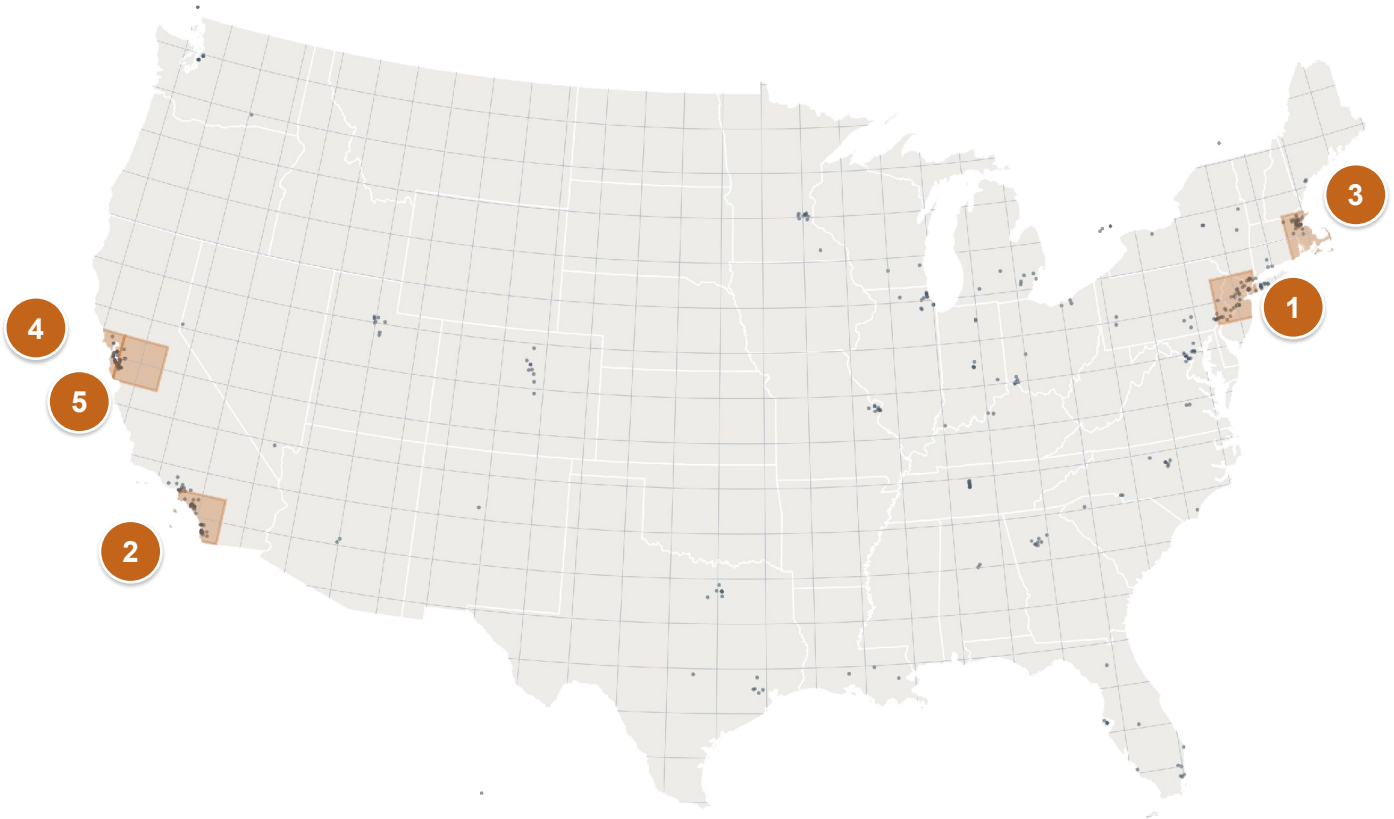
1. **Take public firms in the relocating firm's industry** (Fama-French 30) in the year before the move
2. **Identify top 5 industry hubs**
3. **Plausible choice set for each relocation:**
   - **actual destination + top 5 hubs**

Oil and Gas Hubs



1. Houston
2. Dallas–Fort Worth
3. Denver
4. Northern New Jersey
5. Midland–Odessa (Permian)

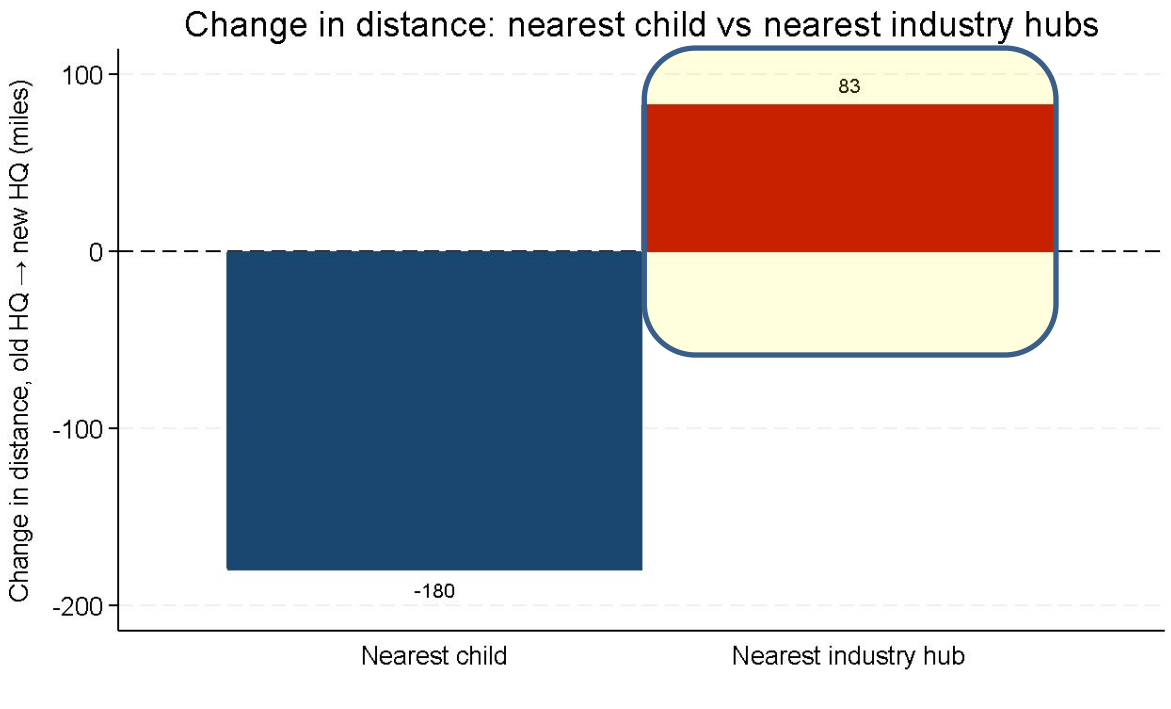
Healthcare Hubs



1. New Jersey pharma corridor
2. San Diego
3. Boston / Cambridge
4. San Francisco
5. Silicon Valley

Family-Oriented Moves vs. Industry Clusters

Actual destination vs. the five largest industry clusters (Fama–French 30)



Moves toward family (within 50 miles) pull the firm away from industry hubs

Logit: halving the distance to the nearest child raises the odds of choosing a destination by **+37%** ($p<0.01$)

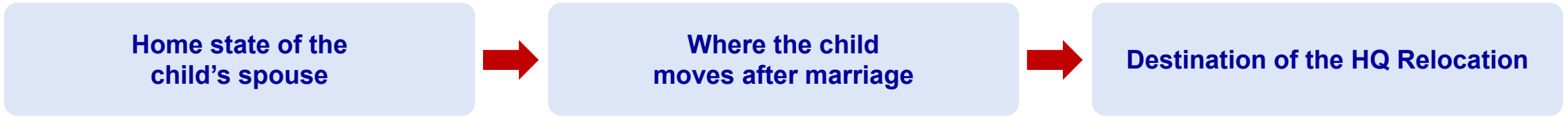
Instrumental Variable Analysis

Challenge: a CEO's family geography may correlate with economic fundamentals

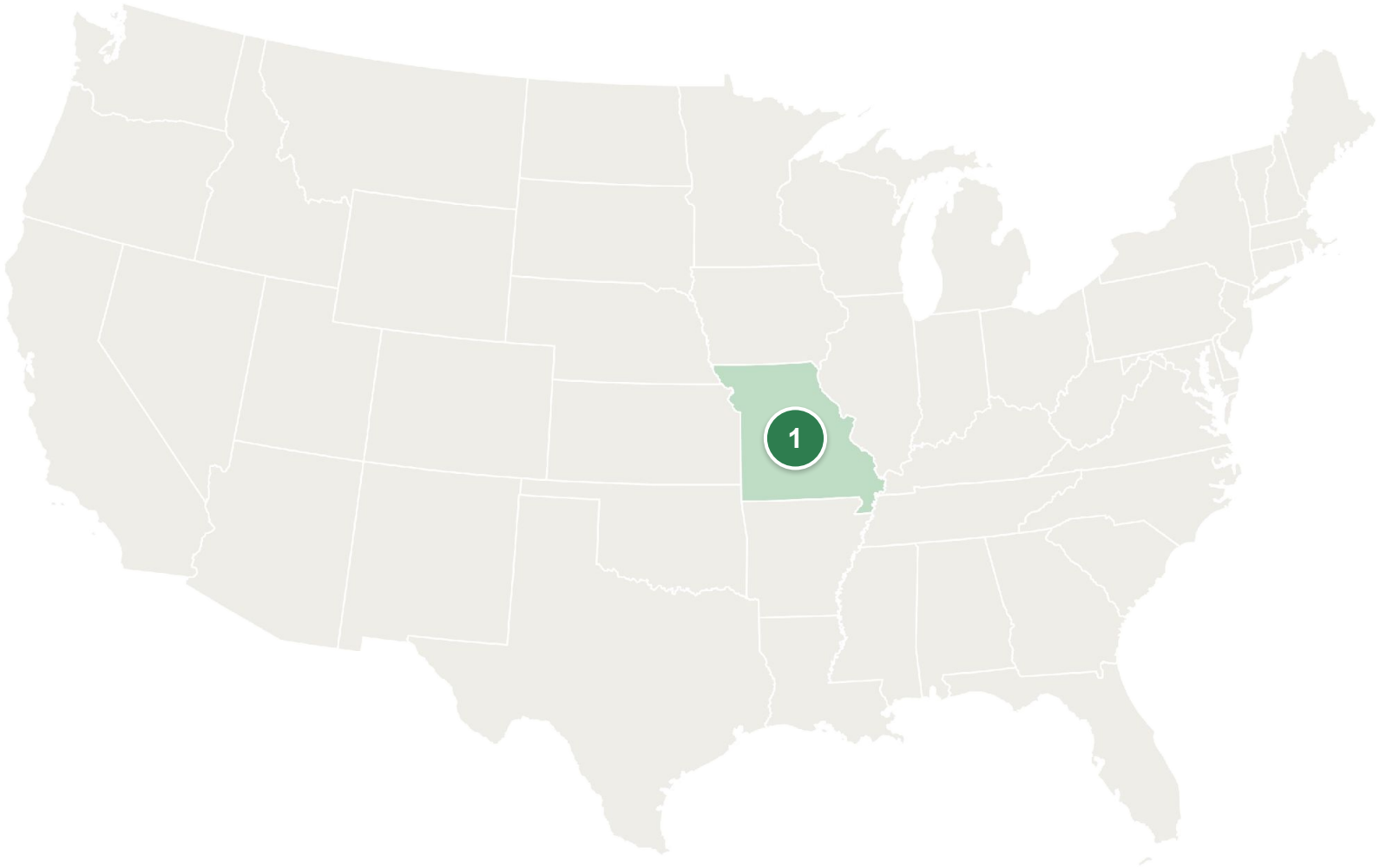
Approach: exploit a plausibly exogenous shift in the CEO's location preferences:

Source of variation:

- A CEO's child marries an out-of-state partner & moves to the partner's home state (SSN)
- Result: a new location preference, previously unrepresented in the CEO's family



Instrument example: Mark McAndrew (Torchmark Corporation)

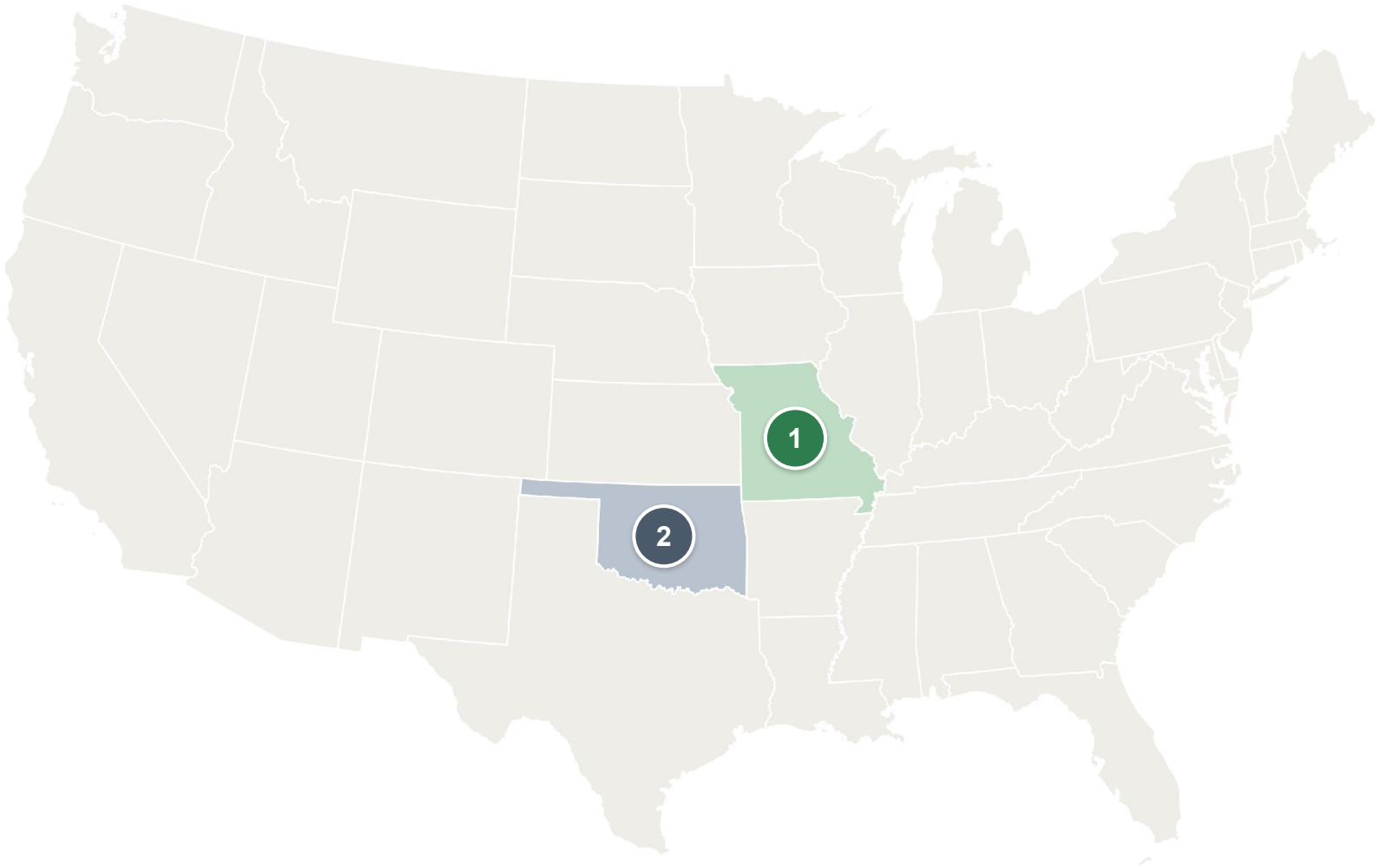




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CEO, Torchmark Corporation
(now Globe Life), 2005–2017

1 **Mark McAndrew** grows up in Missouri.

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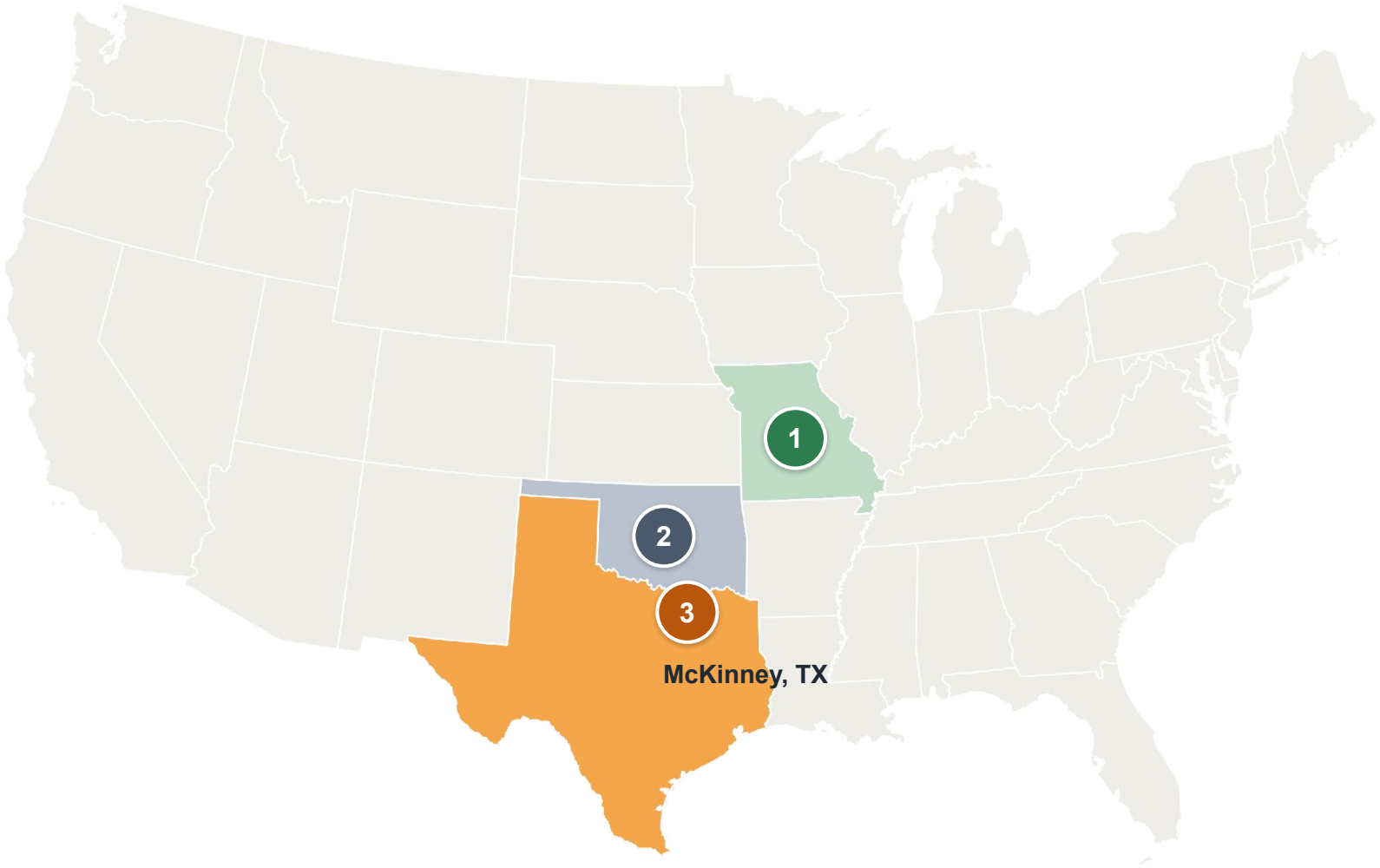


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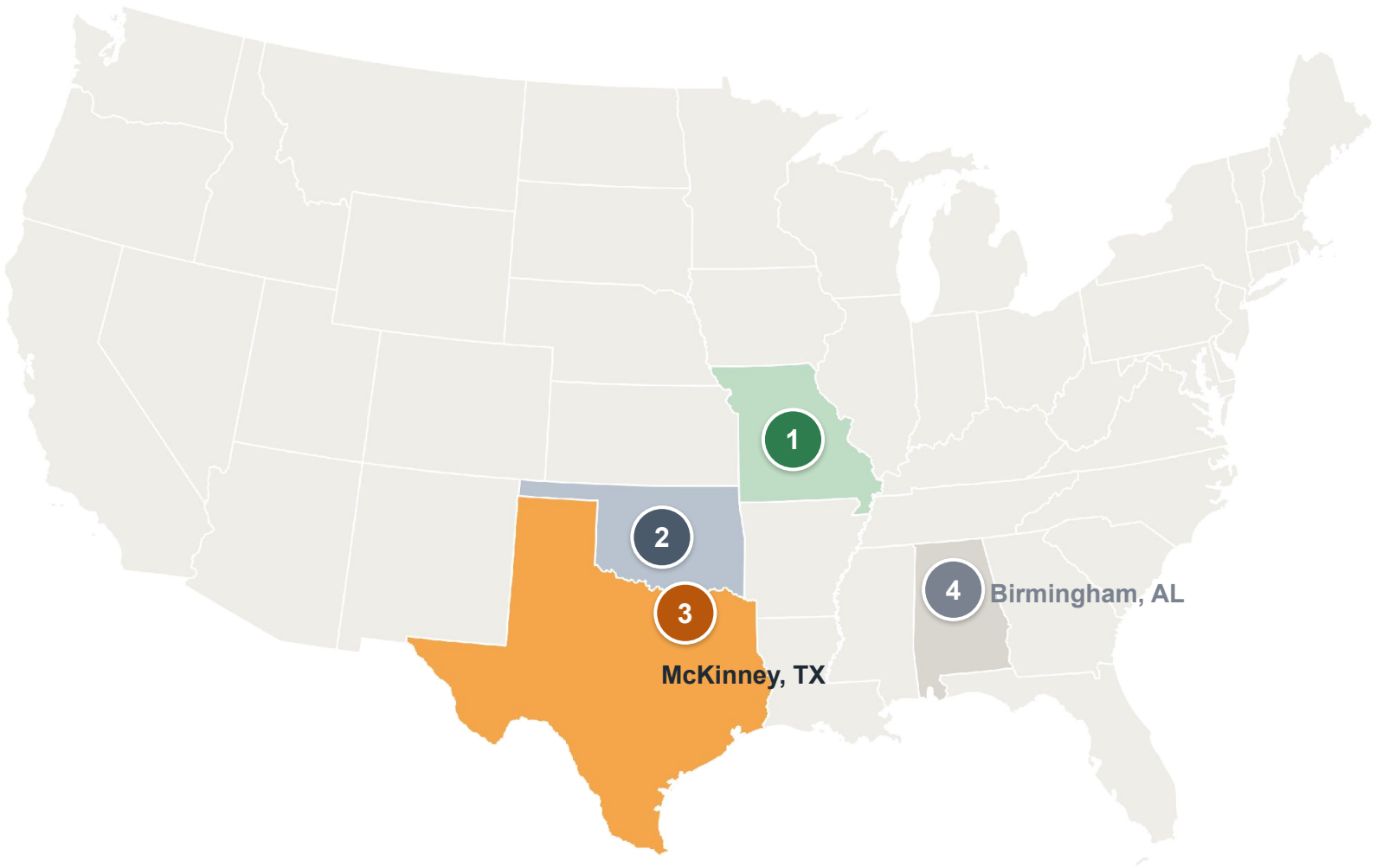
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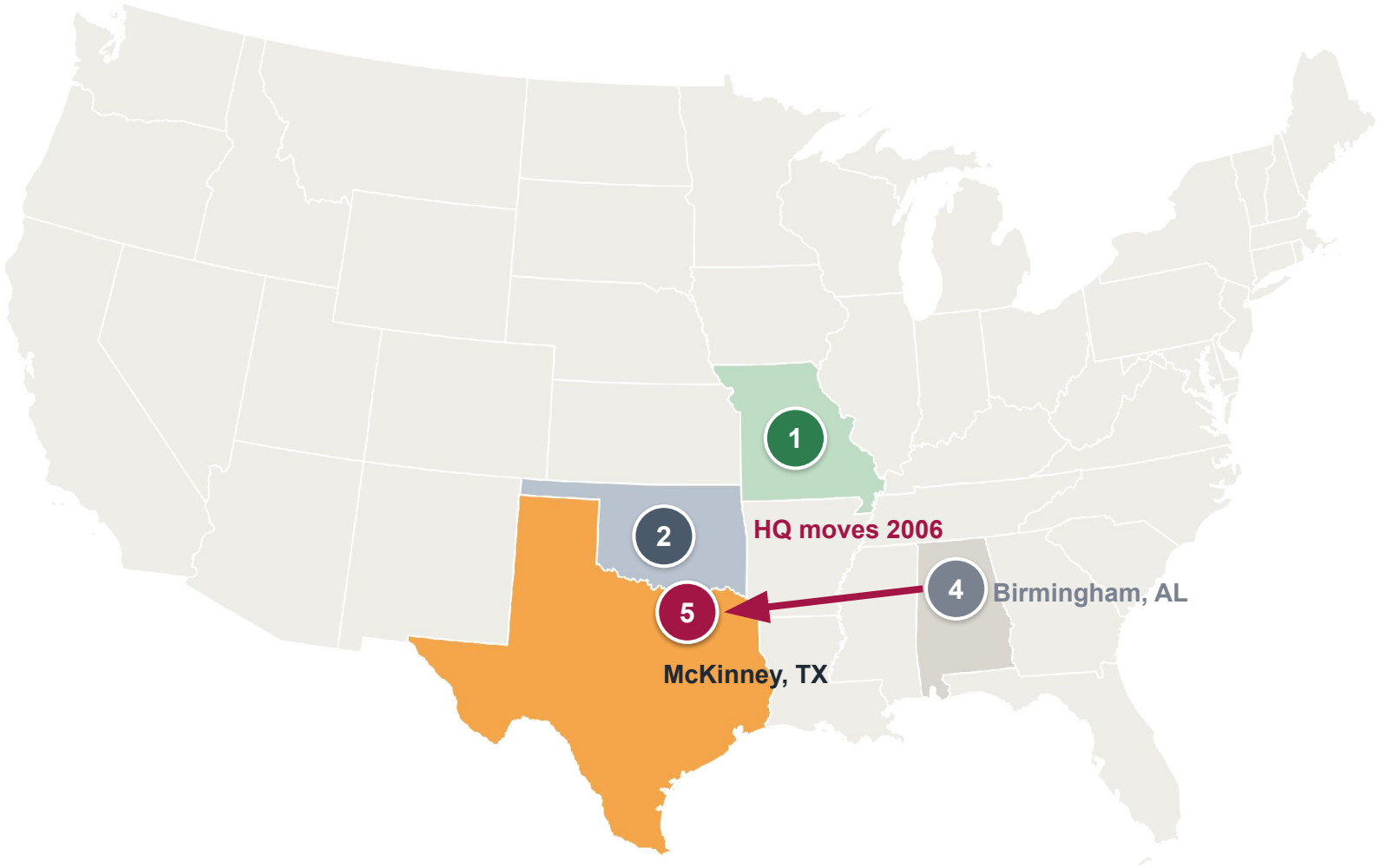
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5. **2006: HQ relocates from Birmingham to McKinney, within 3 miles of his son**.

Instrumental Variable Analysis

Dependent variable: Relocate			
	(1)	(2)	(3)
Log(Distance to Child) [Inst.]	**−0.084*** **	**−0.082*** **	**−0.089*** **
	(−4.131)	(−3.713)	(−3.559)
Destination in Spouse Home State	0.063	0.118	0.132
	(0.744)	(1.429)	(1.488)
Grid Size	50 miles	100 miles	150 miles
Fixed Effects	Relocation Event	Relocation Event	Relocation Event
First Stage β	0.747	0.707	0.656
K-P F-stat	**48.87**	**48.51**	**38.34**
Observations	913	921	919
Adj. R^2	0.077	0.079	0.078

Team each actual destination with **5 industry-cluster pseudo-destinations**. LHS = 1 if destination is chosen. RHS variable is distance to the nearest child, instrumented by its distance to the **centroid of the nearest child's spouse's home state**

Strong instrument: F well above weak-IV thresholds; exclude cases where in-laws and CEO share a home state

Halving the distance to a child raises a location's odds of being chosen by **≈ +50%**, more than the **+37%** from the non-causal conditional logit

Family considerations influence corporate relocations

3. Consequences for Firm Value

Market Reaction

Announcement day abnormal returns when the new HQ is near the CEO's child

Family-motivated moves
(100 miles within the CEO's child):

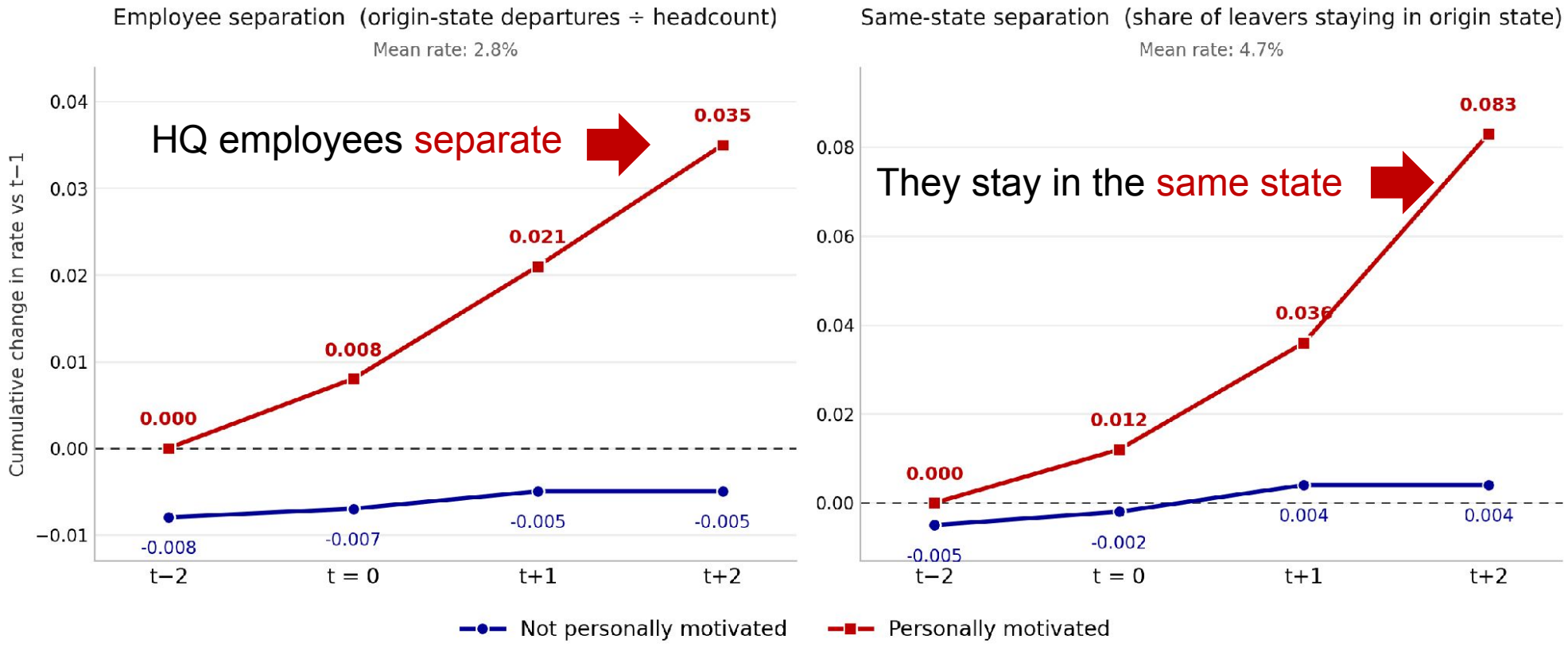
- **Announcement returns** are **90-110 bps lower** than for other HQ moves

Controls: relocation distance, state subsidies, lagged financials

	CAPM		Fama–French		FF+Momentum	
	(1)	(2)	(3)	(4)	(5)	(6)
Nearest Child within 100 Miles of New HQ	-0.010**		-0.009**		-0.011**	
	(-2.21)		(-2.30)		(-2.61)	
Nearest Child within 100 Miles of Old HQ	-0.012		-0.016		-0.021	
	(-0.69)		(-0.78)		(-0.95)	
Nearest Child within 50 Miles of New HQ		-0.007		-0.006*		-0.008**
		(-1.59)		(-1.84)		(-2.21)
Nearest Child within 50 Miles of Old HQ		-0.002		-0.008		-0.010
		(-0.12)		(-0.42)		(-0.52)
Log(Distance from Nearest Child to Old HQ)	0.001	0.004	0.001	0.003	-0.000	0.002
	(0.32)	(0.92)	(0.24)	(0.62)	(-0.01)	(0.44)
Log(Relocation Distance)	-0.009**	-0.010***	-0.010**	-0.011***	-0.010**	-0.012***
	(-2.51)	(-2.83)	(-2.58)	(-3.05)	(-2.44)	(-2.92)
Log(1 + Subsidies) from New State $_{t,t+3}$	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000
	(-0.09)	(-0.08)	(-0.04)	(-0.03)	(-0.11)	(-0.08)

Markets react negatively to family-associated moves

Employees Leave, and Stay Behind



HQ staff separate from the firm and stay in the same state

Evidence from Insider Reviews

Operational footprint: Personally-motivated moves pull the HQ away from the firm's operational footprint, with **4.5–6.1 pp** fewer employees within 100 miles (compared to other moves)

Glassdoor ratings from the origin state drop: (1 to 5 scale) for personally-motivated relocations



In the words of firm insiders:

*"Moving to Boston is a **selfish move**."* Alexion Pharmaceuticals (CT → MA, 2018)

*"Management **far removed from manufacturing centers.**"* Synalloy Corporation (SC → VA, 2016)

*"**less than 10% of the employees** accepted relocation."* MoneyGram (MN → TX, 2010)

*"relocation to **area that makes little sense** from industry perspective."* Albemarle Corporation (LA → NC, 2016)

Why does the Board Allow This?

SEC requires firms to disclose **who nominated a new director:**

"For each [new director] nominee… which of the categories recommended that nominee: shareholder, non-management director, CEO, other executive, third-party search firm, or other specified source?"

- SEC Final Rule, Rel. 33-8340, Nov. 2003

Preliminary evidence:

- Before relocating HQ close to family, CEOs nominate directors who live in the destination state

Conclusion

CEOs' familial preferences influence firms' geographic footprint

- Private preferences come with costs employee turnover, separation from production, lower returns

Big picture: extend the CEO's utility beyond pay & career to embed family incentives

Thank You

The Stakes in Numbers

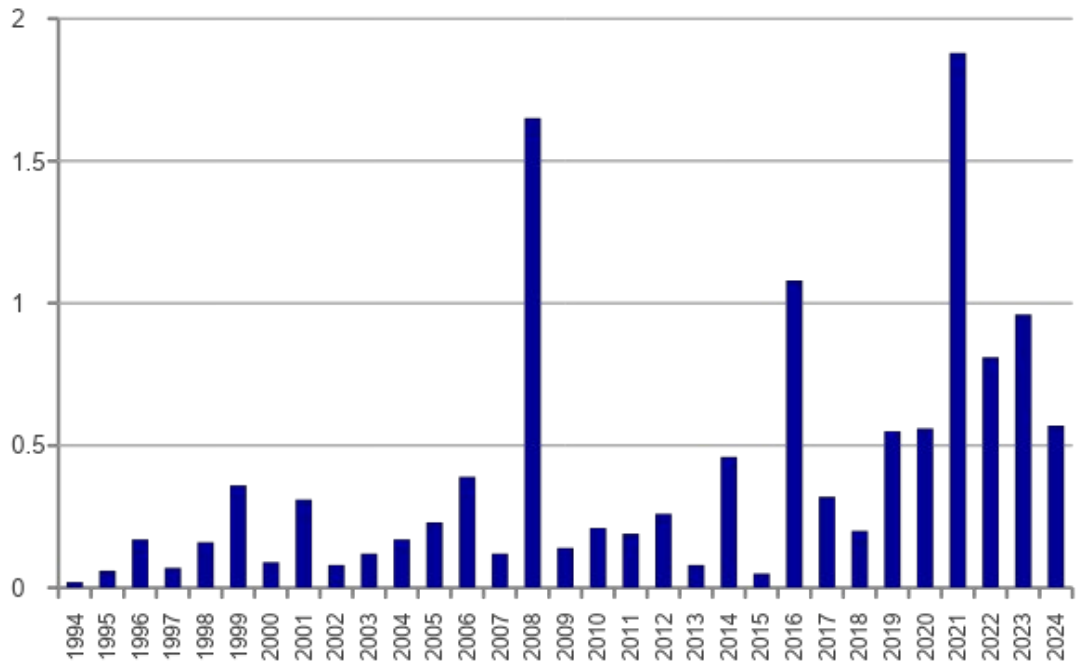
992 HQ relocations, 35% land within 50 miles of a CEO's child

0.4% of total U.S. market cap relocates in a typical year; $6.1tn of equity value moved in total (in 2025 $)

1.3M employees at firms that moved HQ to within 50 miles of a CEO's child; 38% of origin-state employees exit the firm within 2 years

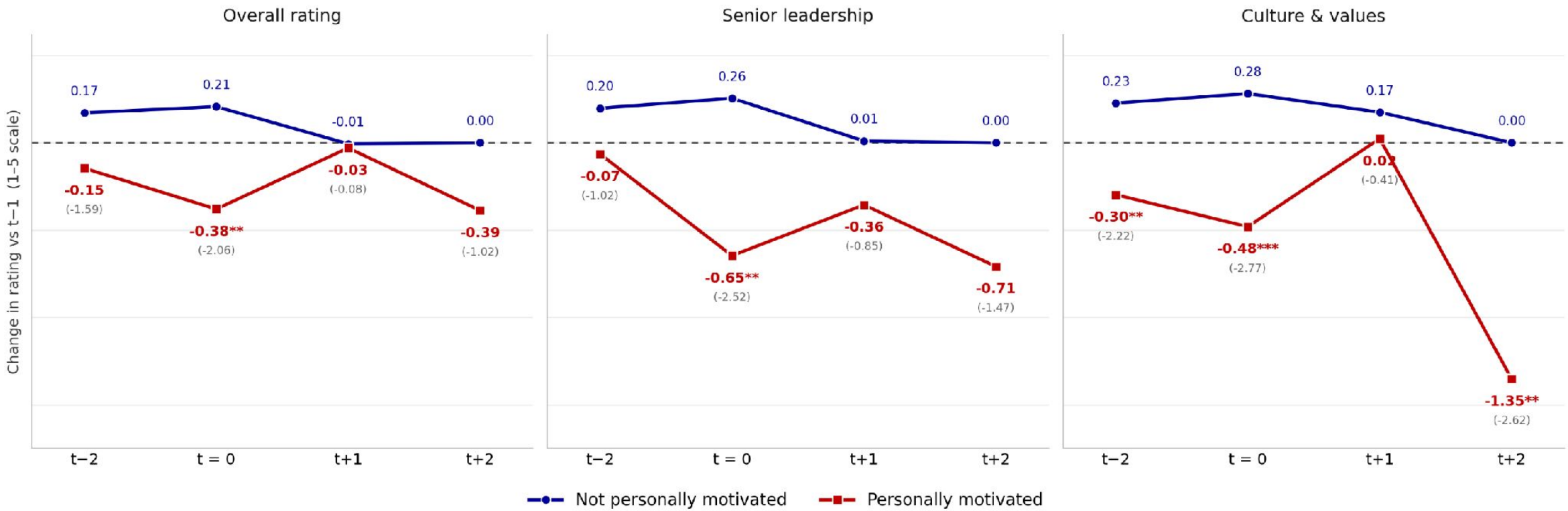
$200bn of annual capex for relocating firms (in 2025 $)

Market cap share of relocating firms

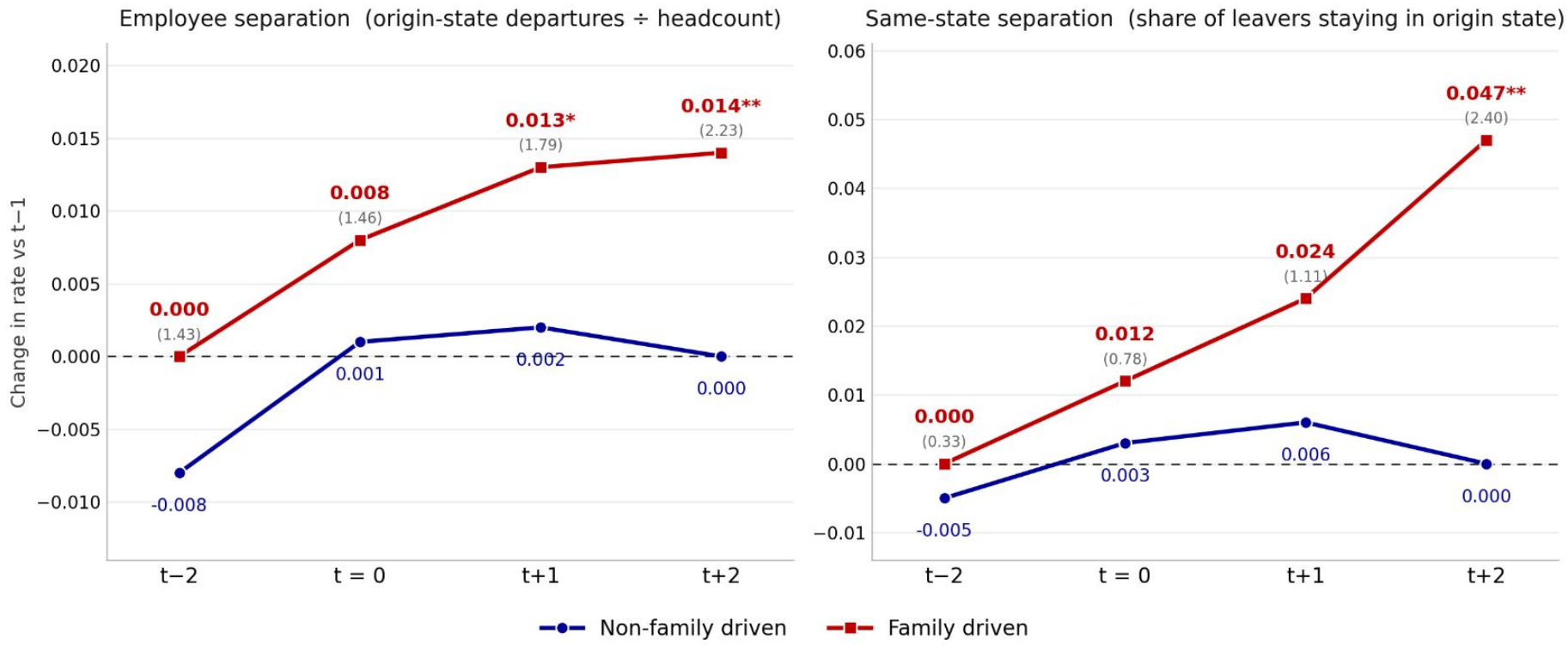


HQ moves are frequent, large, and personally-motivated moves alone put **~1.3M** jobs and **$1tn** of equity value in play

Ratings, non-cumulative, with significance



Separation, non-cumulative, with significance



Inside the CEO Family Tree

Hand-linked CEO households from vital records

From CEO to household

1,340 CEOs matched (in the 3 years leading up to the relocation)

≈ 3,500 children identified (with their spouses, when available)

≈ 800 grandchildren identified (mean 0.6 per CEO)

CEO characteristic	N	Median	Mean
Year of birth	1,322	1954	1953.8
Female	1,327	—	3.8%
Number of children	1,340	2	2.6
Number of grandchildren	1,340	0	0.6
Current properties owned	1,340	2	2.3

Source: CEOs' LexisNexis reports (demographics, family structure, real-property ownership).

The family map links each CEO to **children, grandchildren, and in-laws**

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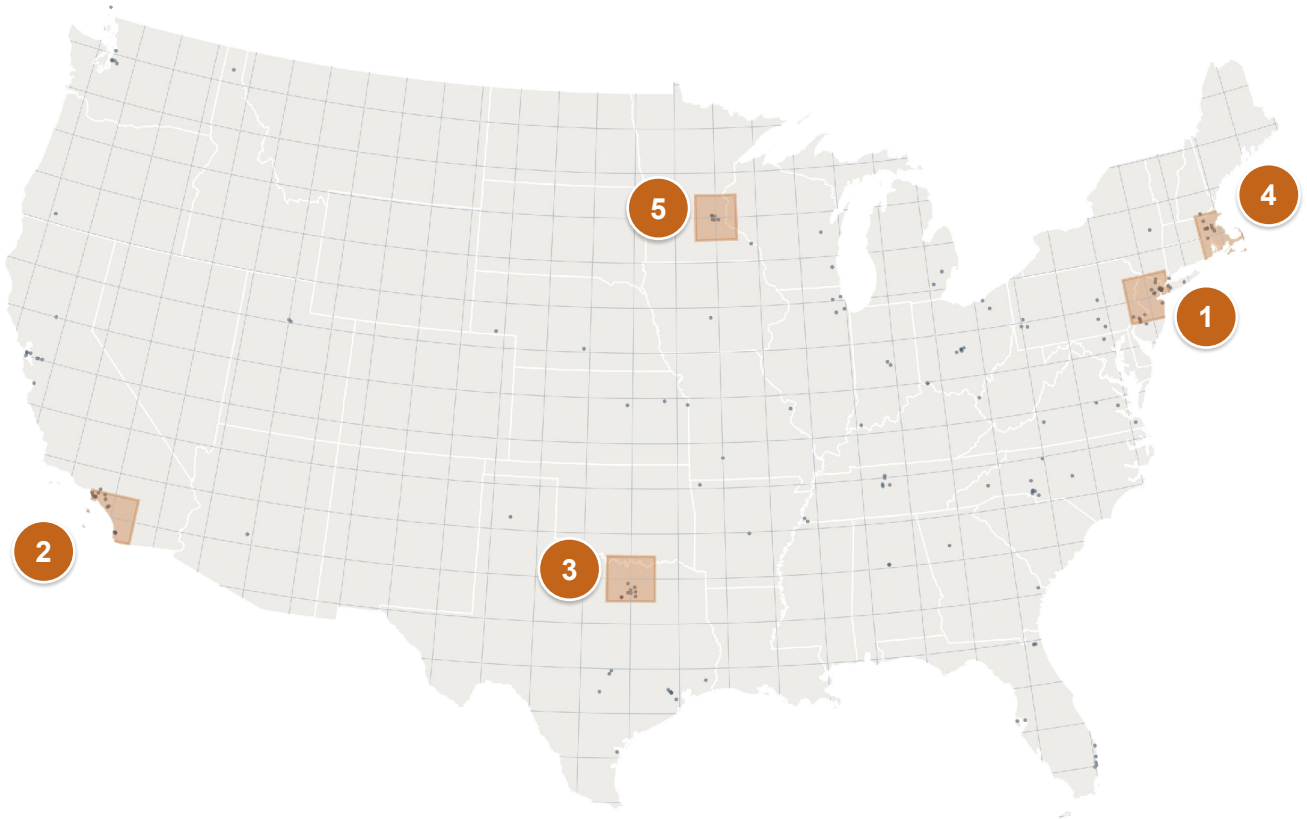
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Retail Hubs



1. New York / Northern New Jersey
2. Los Angeles / Orange County
3. Dallas–Fort Worth
4. Boston
5. Minneapolis–St. Paul