Corporate Governance Academic Forum, University of Toronto

DISCUSSION OF DUCHIN, FARROUKH AND SOSYURA

Family First: CEOs' Private Incentives in Corporate Relocations

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October 2, 2026

What I like about the paper!

1. The data work
2. It takes me back to my earliest work
3. Solid evidence that CEO geographic preferences affect the CEO-firm match.



Evidence of CEO geographic preferences

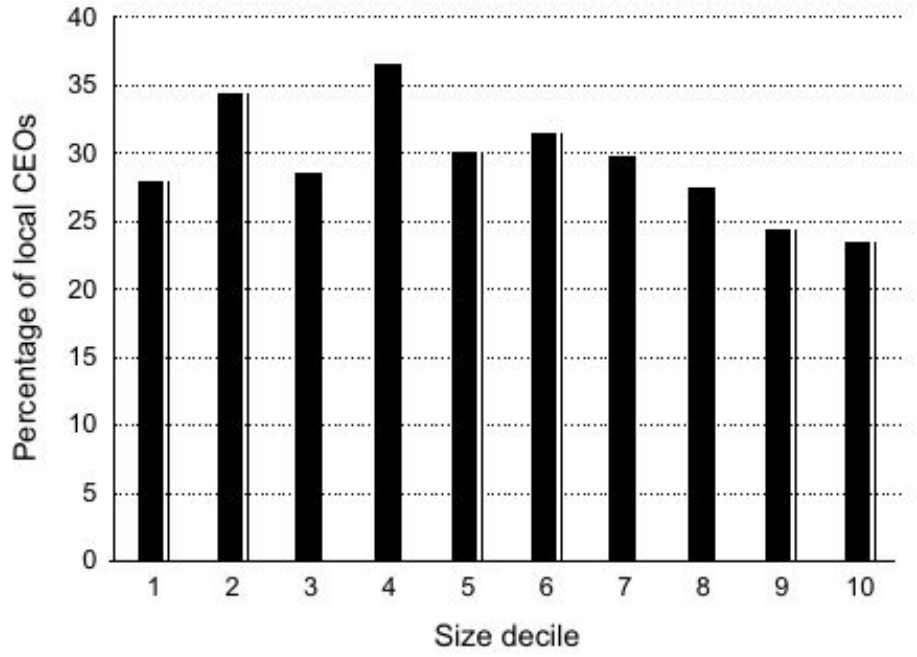
- **My paper: Geography and the Market for CEOs (Management Science, 2017)**
  - Local CEOs are hired 5 times more often than random
  - Local CEOs accept lower pay
  - Local CEOs have lower unforced turnover

→ *Consistent with a preference for living near home, where family and friends likely reside*

→ *I can't rule out search costs -- many of my tests are consistent with both stories*

→ This paper locks it down: CEOs move with their firm, or push it to relocate, toward family -- evidence for CEO geographic preferences driving this labor market's geographic segmentation

Figure 2. Local CEOs by Firm Size



"Given that CEOs are highly paid, the marginal utility that they derive from additional pay is likely low. This means that utility acquired from other sources (like preferred geographic location) can be extremely valuable."

Evidence that CEOs' geographic preferences/affinities affect corporate

Paper	Decision	Evidence on agency
Do Managers Give Hometown Labor an Edge? Yonker (2017, RFS)	Layoffs, pay and divestitures after industry distress: hometown establishments are spared	Only where governance is weak
Hometown Biased Acquisitions Jiang, Qian and Yonker (2019, JFQA) *Also: Chung, Green and Schmidt (2016)*	Acquisitions: more likely to buy in the CEO's home state	Small private hometown deals lose 1.5% at announcement, more under weak governance; large public deals create value
Not in My Backyard Andrikogiannopoulou, Ventouri and Yonker (2025, RoF)	Toxic emissions at facilities near the CEO's birthplace	Emissions fall near the birthplace; good governance does not remove it
CEO Hometown Preference in Corporate Environmental Policies Li, Xu and Zhu (2025, Management Science)	Plant-level toxic releases: pollution is about 30% lower at plants near the CEO's hometown	Local residents benefit; some evidence of agency frictions
Hometown Lending [illegible]	Bank branch openings and lending [illegible]	Hometown loans have more soft information [illegible]
Family First: CEOs' Private Incentives in Corporate Relocations Duchin, Farroukh and Sosyura (2026)	Headquarters relocations: the new headquarters is near the CEO's children	Lower announcement returns, higher employee turnover, weaker employee ratings

→ *Mostly agency, though acquisitions and lending show an information advantage. None is cited in the draft*

Selection vs. imprinting

Even if turnover is exogenous, the board still picks the successor

Selection

- The firm has already planned the move
- The board hires a CEO who is willing to go
- CEOs with family near the new location are more likely to say yes

→ ***Family explains who gets hired***

Imprinting

- The CEO is hired knowing the board will let the firm move where the CEO wants
- The CEO's preferences drive the choice of location

"The 55-year-old Mr. Kelly also raised the possibility of moving BofA's headquarters to New York and becoming chairman, as well as CEO."

—Wall Street Journal, "Bank of America can't sign new CEO," 2009

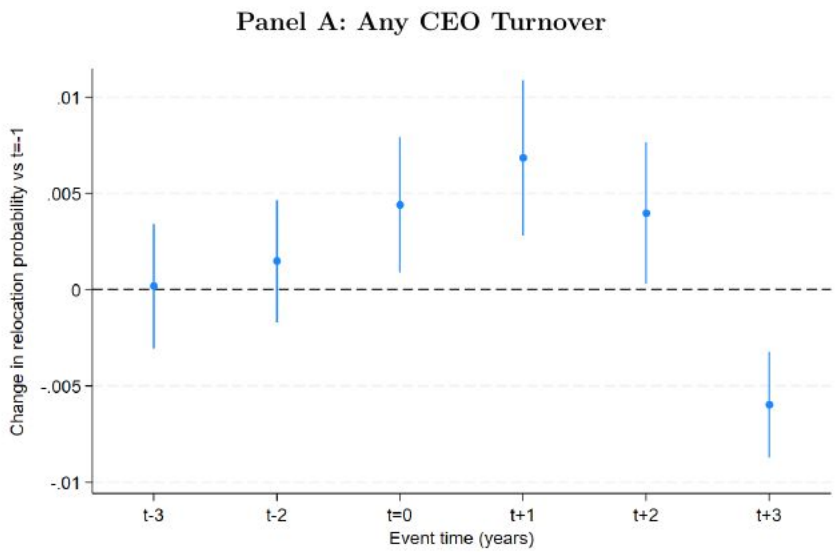
→ ***Family explains where the firm moves***

Selection is winning

Why I lean toward selection over imprinting

- **Timing:** Relocations follow turnover closely enough that the move could shape the hire
- **The instrument:** The spousal home-state IV, as in their remote-work paper, addresses omitted variables. It does not address the selection story (reverse causality)

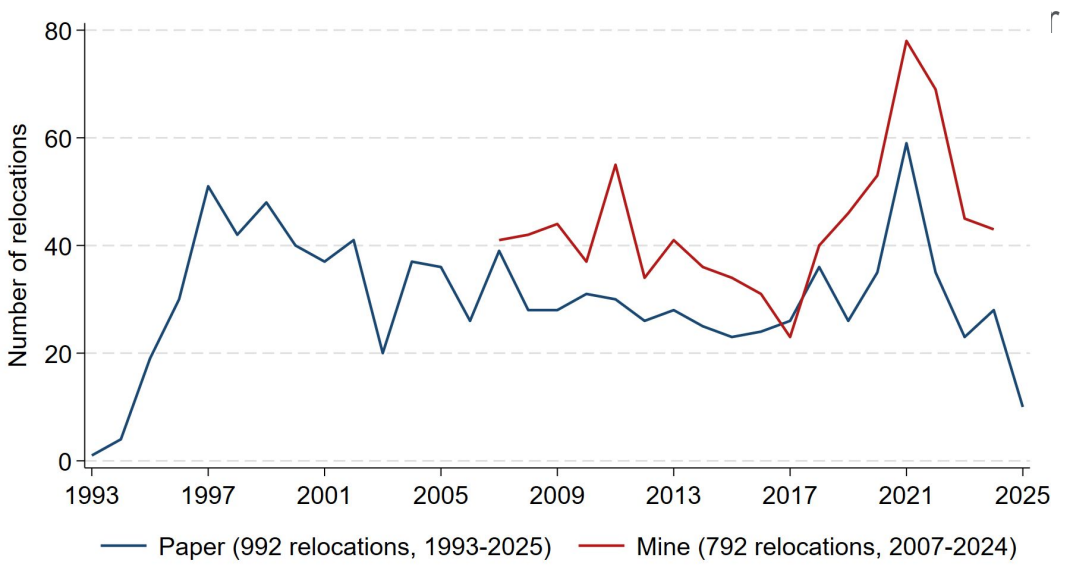
→ I return to this with some ideas on tests later in the talk



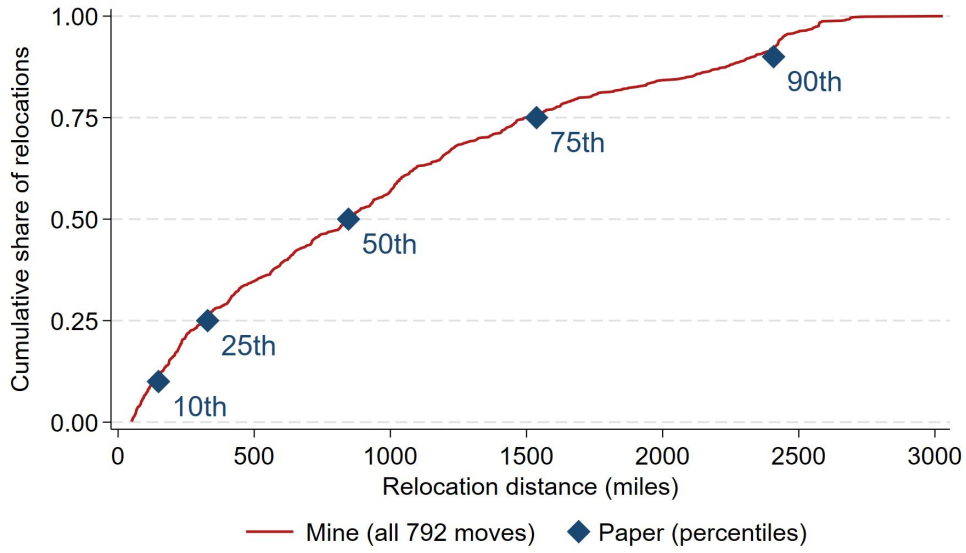
Paper, Figure 5A: change in relocation probability around CEO turnover. The rise peaks in the year after.

What I learned from a partial replication of the paper

- **Sample:** Compustat historical HQ addresses matched to CapIQ Key Developments; CEOs from CapIQ and ExecuComp

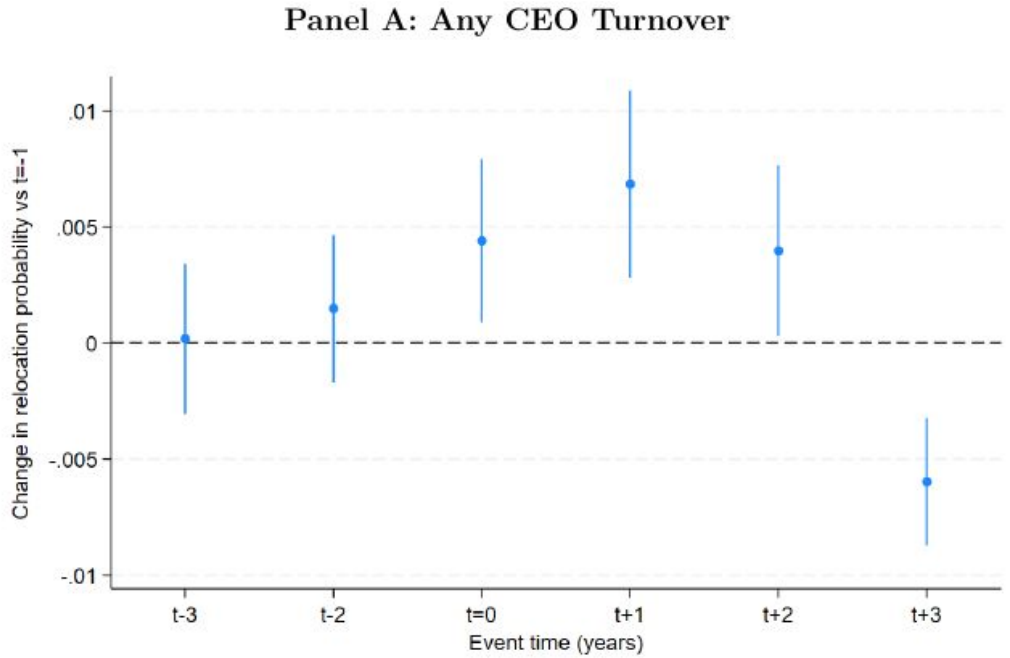


Relocations per year (total, average per year)
Paper: 992, 30 (550, 31 in 2007–2024) | Mine: 792, 44 | r = 0.74

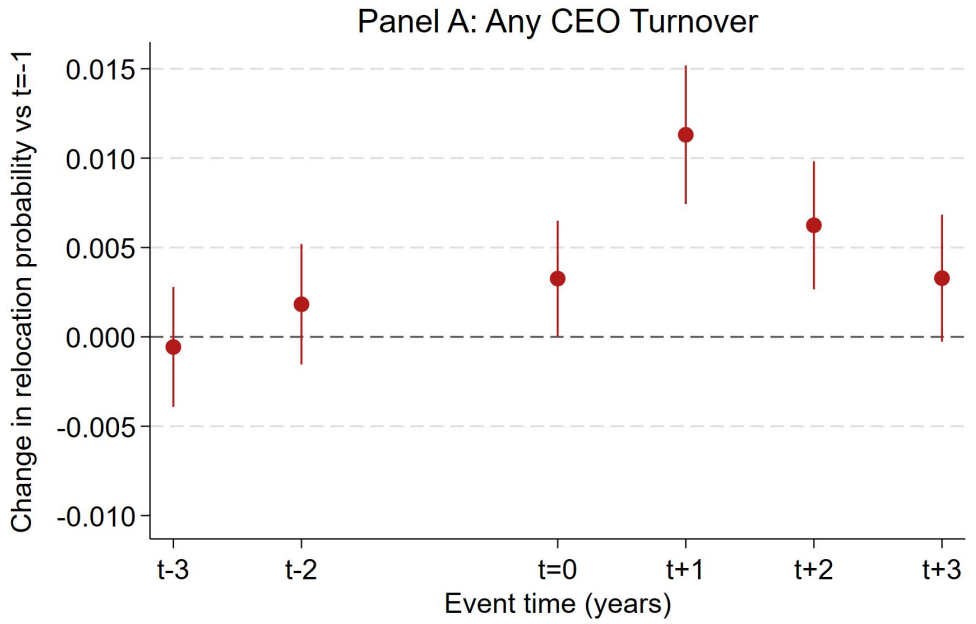


Relocation distance in miles (mean / median)
Paper: 1,128 / 846 | Mine: 1,003 / 852

Determinants and dynamics of turnover line



Paper, Figure 5A: peaks in year +1 (about 0.7pp), significant through year +2, negative in year +3



Mine: peaks in year +1 (1.1pp), significant through year +2, no reversal in year +3

→ Flat before the turnover, a rise that peaks a year after it, then a fade: same dynamics

→ The other determinants line up (ROA, R&D, CapEx; volatility and Z-score have the paper's sign but are not significant), and turnover raises relocation probability by a similar amount: +100% vs. +113% in the paper

CEOs also relocate toward their alma maters

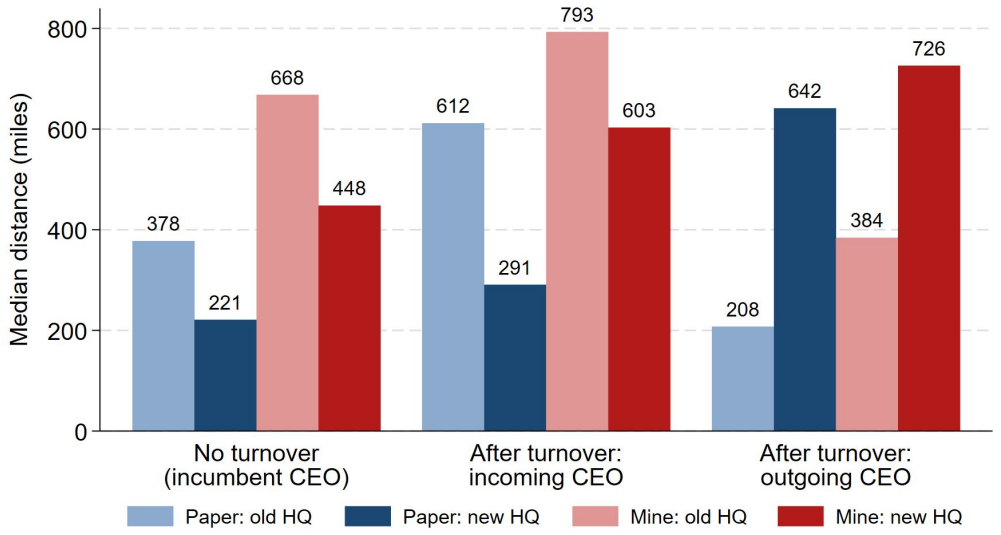


Figure 6: median distance from the CEO's child (paper) or degree institution (mine) to the old and new HQ

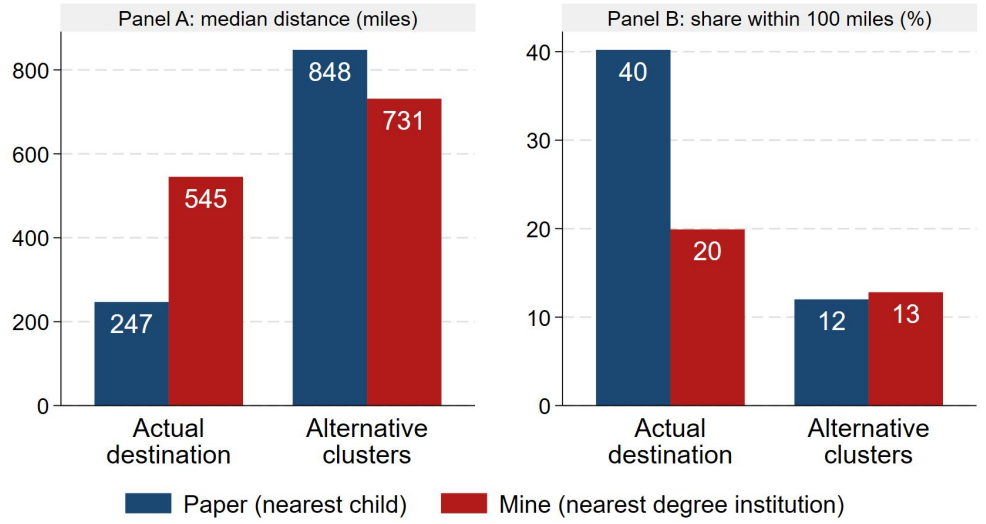


Figure 7: actual destination vs. industry clusters, paper (nearest child) and mine (nearest degree institution)

→ Same direction, smaller magnitude: 20% of new HQs are within 100 miles of an alma mater, half the paper's 40% for children. The alternative clusters look alike (12% vs. 13%)

CBSA clusters will allow you to do more

36%

of my relocations end up inside one of their five industry clusters (185 of 512)

The chosen place then appears twice: once as the true destination, and again as a cluster that is never chosen

- **Table 5 is a little funky:** Even when the choice is inside a top-5 industry cluster, that cluster is its own alternative, and it is never chosen
- **The hard part:** Building consistent city clusters. A 100-mile grid is arbitrary
- **The Census has done the work:** CBSAs, with population, prices, taxes and more for every cluster
- **What it buys:** Controls, and as many alternatives as you like in the choice set

Choice-set breadth and controls

Alternatives in the choice set	Top-5	Top-10	Top-30	All CBSAs	All + rank
Degree distance, no controls	−0.220 (6.88)	−0.299 (9.83)	−0.426 (13.02)	−0.689 (14.76)	−0.428 (10.32)
Degree distance, + population and taxes	−0.285 (7.69)	−0.390 (12.09)	−0.446 (13.27)	−0.468 (12.18)	−0.435 (10.80)
Log population	**−0.573 (8.02)**	**−0.364 (6.31)**	**+0.283 (5.57)**	**+1.268 (33.04)**	**+0.978 (18.74)**
Corporate tax rate	**−0.126 (5.77)**	**−0.119 (6.21)**	**−0.074 (4.57)**	**−0.070 (4.43)**	**−0.078 (4.68)**
Personal tax rate	−0.093 (5.08)	−0.037 (2.33)	−0.016 (1.03)	−0.041 (2.61)	−0.063 (3.76)
Pseudo R^2	0.221	0.116	0.071	0.309	0.329
Coincidence rate	35.0%	50.6%	74.6%	100%*	100%*

→ Population flips sign as the choice set widens; the corporate tax rate does not. The degree-distance effect grows with breadth

Conditional logit, t-statistics in parentheses. Coincidence rate = share of relocations whose chosen CBSA is already in the choice set. * Mechanically 100% when every CBSA is included.

Tests addressing selection

Degree-distance coefficient	Group 1	Group 2	Difference (z)
CEO also chair	Not chair: −0.49 (278)	Chair: −0.46 (103)	0.6
CEO tenure at the move	≤ 3 years: −0.48 (241)	> 3 years: −0.45 (149)	0.3
Amenity of the origin location	Low: −0.47 (195)	High: −0.51 (194)	−0.4
Amenity of the destination*	Low: −0.69 (107)	High: −0.40 (283)	3.4

Time from location announcement to move (201 announced moves)

3 months or less	3–6 months	6–12 months	12–24 months	More than 24 months
37% (74)	14% (28)	27% (54)	16% (33)	6% (12)

→ No difference for CEOs with more than 3 years of tenure, who are unlikely to have been selected to move the firm: supportive of imprinting. Nor by CEO-chair status or origin amenity. The pull is stronger for moves to low-amenity places

Coefficient on log(1+distance to the nearest CEO degree institution), N relocations in parentheses. Full destination-choice model (firm distance, six MSA characteristics, hub rank). Difference = pooled interaction z-statistic. Amenity = USDA natural amenities scale, split at the median. * Relocations split by the amenity of the chosen CBSA. The amenity splits follow the logic of Fee, Hadlock and Pierce (2013).

Other observations and thoughts

- **Alma mater matters no matter the model estimated**
  - Models: conditional, nested and mixed logit; neighboring-CBSA terms; clustered errors; stay-or-leave; PPML gravity
  - In the logit models the degree-distance coefficient stays between −0.45 and −0.48, significant in every one
  - CEOs farther from their alma mater are also more likely to relocate at all (+0.29, z = 8.7)
- **Announcement returns**
  - Only a minority of relocations have an announcement: 16% of the paper's sample (143 of 922), 27% of mine (210 of 792)
  - Replicates: the average return is near zero, and longer moves earn lower returns
  - Does not replicate: the negative return for moves near the tie. Mine is positive and not significant (only 12 moves are near an alma mater)
- **Ideas**
  - Ex post stock and accounting performance, which covers the whole sample
  - The impact on the departure CBSA

Conclusion: Nice paper!

- More on selection vs. imprinting
- Cite the papers on CEO geographic preferences and corporate policies
- Organizing the data around CBSAs will be helpful in many ways

I look forward to the next version of the paper