



INENT RESEARCH SEMINAR

“Enemy at the gates: Managers’ responses to an increase in the threat of their firms becoming the target of short sellers”



Georg Wernicke – HEC Paris

Thursday, February 13th, 2020 – 14:30 – 16:30

Abstract:

We study managers’ reactions to an increase in an external threat to their firms. Based on the risk-management perspective of corporate social responsibility (CSR), we predict that when managers face an increase in the likelihood of their firms being targeted by short sellers, they improve the firm’s CSR. We further theorize that managers’ reactions are moderated by the level of ownership held by short-term-oriented institutional investors and firms’ financial health. To test our hypotheses, we use exogenous variation in the threat of becoming the target of short sellers caused by the SEC’s Pilot Program under Regulation SHO of 2004, through which the SEC lifted short-selling restrictions for a randomly selected subset of Russell 3000 firms. Results from difference-in-differences analyses lend support to our hypotheses.

Co-Authors: *Vanya Rusinova – Copenhagen Business School; Tima Bansal - Ivey Business School*

