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Disciplinary directors: Evidence from the appointments of outside directors who have fired CEOs

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**Disciplinary directors:****Evidence from the appointments of outside directors who have fired CEOs****Jay Cai\* and Tu Nguyen\*\*****Abstract:**

By examining board appointments of outside directors who have previously fired a CEO, we study how directors' willingness to take disciplinary actions is related to a firm's performance and risk-taking. Such directors ('disciplinary directors') appear to benefit firms with weak monitoring, but hurt firms in innovative industries. Firms appointing a disciplinary director subsequently exhibit lower idiosyncratic risk, leverage, and R&D expense, make fewer acquisitions, and are more likely to replace poorly performing CEOs. Overall, disciplinary directors appear to influence managerial behavior and shareholder wealth.

*JEL Classifications:* G34; M12

*Keywords:* Board of directors; disciplinary effects; risk-taking; CEO turnover; director reputation

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