Seminar Speaker: Sander De Groote

Bio: Sander De Groote studies corporate governance, insider trading, boardroom dynamics and audit committee effectiveness. His research explores the determinants and consequences of director insider trading behavior and its impact on board monitoring. He also explores how sudden changes in board composition alter the effectiveness of the board oversight function. He is also interested in the social network drivers of firm behaviors. For example, a recent study explores the impact of a boards' social network on their firms' tax avoidance behavior. Sander earned his PhD in accounting from KU Leuven in May 2019, and is continuing his academic career at the University of New South Wales.

Topic: Are all directors threated equally? Evidence from director replacement following opportunistic insider selling

Abstract: In this paper, we examine how opportunistic insider selling among board directors affects their chances of being removed from the board. Using institutional theory we predict that director opportunistic insider selling behavior is positively associated with their likelihood of being removed from the board, but that certain types of directors are likely to be treated more leniently. Using a sample of 11,418 directors in 2,280 firms from 2005 to 2014, we indeed find that opportunistic selling by individual directors is associated with an increased rate of turnover for some directors, but not all. Directors who are especially valuable to the board or costly to replace seem to be able to insulate themselves from an increased likelihood of turnover. Interestingly, public scrutiny seems to offset this differential treatment of directors engaging in opportunistic insider selling, as we only observe the above-mentioned differences in disciplinary turnover in smaller firms. Overall, results suggest that (i) the consequences of director opportunism are not equal for all, and (ii) public scrutiny is an important factor in director punishment for misbehavior.