

THE HONG KONG POLYTECHNIC UNIVERSITY DEPARTMENT OF MANAGEMENT AND MARKETING

Departmental Research Seminar



Shareholder Activism and the Effects on Involuntary Product Recalls By

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Date : 8 September 2021 (WED)

Time : 9:30 am – 11 am

Venue : Online via Zoom

Abstract

Existing research has shown that activist shareholders can harm the interests of other stakeholders, but little is known about the costs activists impose on consumers. At the same time, although scholars have started to understand the antecedents of product recalls, we know little about the role of shareholders in driving recalls. We fill these voids by using propensity score matching and difference-in-differences regressions to study the influence of shareholder activism on targeted firms' product recalls between 2006 and 2017. We find that interventions by activist shareholders increase the likelihood and number of product recalls at targeted firms, relative to non-targeted lookalike control firms. Moreover, we find shareholder activism induces more product recalls in firms that face greater earnings pressures and product market competition. Additional analyses provide support for our mechanism, showing targeted firms experience a decrease in product quality following activism, followed by losses in firm value. We test for alternative explanations in supplementary analyses, and find our results are robust to alternate matching procedures, estimation methods, measures, and event windows.

Dr Wei Shi is an Associate Professor of Management and Cesarano Faculty Scholar at Miami Herbert Business School, University of Miami. He obtained his MBA from Tulane University and PhD in business administration from Rice University. His primary research interest focuses on the influence of corporate governance actors and upper echelons on strategic decisions. He has taught courses in strategic management, corporate governance and organization, and corporate governance. He coauthored the book entitled "*Understand and managing strategic governance.*" His research has been published at outlets such as *Academy of Management Journal*, *Strategic Management Journal*, *Organization Science*, *Journal of Management*, and *Journal of Corporate Finance*, and covered by *Harvard Business Review* and the *Wall Street Journal*. He is a senior editor of *Corporate Governance: An International Review* and *Management and Organization Review* and sits on the editorial boards of multiple journals, including *Strategic Management Journal*, *Organization Science*, *Journal of Management*, and *Global Strategy Journal*. He currently serves as a board member of International Corporate Governance Society and a representative-at-large for Strategic Leadership and Governance Interest Group of Strategic Management Society.

All interested are welcome.



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