CEO Pet Project:Discussion

Authors: Paul H Decaire and Denis Sosyura

Discussant: Aneesha Chitgupi
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Summary

- Pet projects:
  - private gains for the CEOs
  - under-performing projects
  - reduced investment efficiency
  - poor monetary outcomes for shareholders
- Main Findings O and G Industry
  - Investment in projects that increase monetary value of CEO's assets (land)through initiation of projects close to CEO's land.
  - Firms are 3 times more likely to invest in such projects
  - Quicker to enter and make investments
  - Less sensitive to project output, lower investment efficiency

Data and Methodology

- Drilling data for projects undertaken during sample period (2000-2020)
- Project cost data (pollution tax?)
- CEO characteristics, land property, family relations and their property LNPR

- Land/property purchased before CEO appointment
- Purchased before discovery of oil and gas
- Purchased close to family property

Discussion Points

- CEOs' private assets increase across all specifications that control for time, firm, CEO characteristics, Time effects.
- CEOs moving across companies and still the finding holds true
- Sample period 2000-2020, considering GFC impact and Trump Presidency
- Impact of political set up (Red states: easier to get clearances to invest)overlap between the drilling and states governed by Republics
- Before angular, non vertical extraction was standard practice
- Investments closer to CEO's property less likely to be exited; what are the exit policies?
- Separating CEO and Chairman position: What happens in Private firms where family take up such position?