Event Study Proposal

Event Study:

This event study aims to analyze the impact of CEO changes on the stock prices of major companies in the food and beverage industry, including Starbucks, McDonald's, Chipotle, and others. By examining different CEO changes between 2008 and 2023 timeframe, the study will evaluate whether the market reacts significantly to these leadership transitions.

Null Hypothesis:

The stock price reaction to CEO changes is insignificant, implying that this event does not impact the company's market returns in the short term.

Alternate Hypothesis:

The stock price reaction to CEO changes is significant, indicating that this event impacts the company's market returns in the short term.

- Here the hypothesis is two-sided as the market return could be in either direction indicating a positive or negative return based on the CEO event change announcement.

Data Collection: WRDS (CRSP: Stock/Security Files, 8-10 Large-size companies, 20-25 data points)

1. Get the stock returns data for the timeframe (2008 - 2023)
2. Event Announcement: Get event announcement date (Google, Company Website)
3. Based on the event announcement date assign event and estimation windows
4. Track the returns to check for the event study

Windows:

1. Pre-Event Window: 30-45 days (1 - 1.5 months)
2. Event Window: 3-5 days (-2 day to event to +2 day to event)
3. Estimation Window: 60-90 days (2 - 3 months)

Event Details:

Timeline and number of companies are selected to obtain sufficient data points.

These events usually occur when a company announces the departure of its current CEO and the appointment of a new leader. This often occurs at the time of financial quarters, annual meetings, or significant strategic shifts within the company. They can be planned, such as retirements, mergers and acquisitions or unplanned, such as poor performance, scandals, or health issues.

In large global companies, CEO transitions are closely watched by public investors, as leadership changes can significantly influence company focus and direct, and this impacts market sentiment. These events can cause shifts in investor behavior, prompting decisions to either buy or sell shares. If the event is planned, it could have a positive effect on the stock market returns of the company but if the event announcement is sudden/unplanned it could have a negative effect and cause people to worry about potential issues within the company and to short/sell the shares of the company. The market reaction could be very dynamic and not deterministic.