

# **The impact of securities class actions on firm governance and operating performance**

## **Abstract**

We examine the impact securities class actions have on management's decisions and operating performance. Our results show that operating underperformance happens considerably earlier than had hitherto been believed. Further, we find no evidence that filing adversely affects performance, rather our findings suggest securities class actions may act as a turning point. Further, we analyze the relationship between the corrective actions taken and abnormal operating performance. We find that firms that increase leverage post filing, experience subsequent increases in their operating performance. These results suggest that securities class actions do not damage operating performance and instead result in performance enhancing improvements.

**JEL Classification:** G18, G30, K22

**Keywords:** Securities class actions; Agency problems; Governance; Operating performance.