Takeover Immunity, Takeovers and the Market for Non-Executive Directors

We develop and test two competing hypotheses that relate the market for non-executive directors to the level of external monitoring mechanism of the firms they serve. The Reward for Discretion Hypothesis posits that directors are valued more when they display discretion concerning their choice of ATP levels rather than follow a rule. Alternatively, the CEO Risk Aversion Hypothesis implies that CEOs seek directors with inclination for uniform and high ATP levels. We examine how changes in ATP levels and approval of value creating/destroying acquisitions affect the careers of non-executive directors. Our results, based on data from about 3,000 listed U.S. companies during 1994-2003, support the Reward for Discretion Hypothesis.

Rasha Ashraf is a(n) Professor in the J. Mack Robinson College of Business at Georgia State University, Atlanta, GA 30303.

Rajesh Chakrabarti is a(n) Professor in the Indian School of Business, Gachibowli, Hyderabad 500 032, India.

Richard Fu is a(n) Professor in the College of Business at San Jose State University, San Jose, CA 95192.

Narayanan Jayaraman is a(n) Professor in the College of Management at the Georgia Institute of Technology, Atlanta, GA 30332.

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"Only actors, professional baseball team managers, and corporate directors have the luxury of being rehired, at exorbitant salaries, after completely bombing out…."

Greg Lewis, CEO Glass Lewis[1]

I. Introduction

Corporate boards and the market for corporate control constitute two distinct channels of corporate governance; the former is an internal mechanism while the latter, in the form of takeovers, provides an equally important external mechanism. External and internal governance mechanisms are complementary to each other (Cremers and Nair, 2005). Other notable studies examining interaction between different forms of corporate governance mechanisms include: Agarwal and Knoeber (1996), Hadlock and Lumer (1997), Mikkelson and Partch (1997), Huson, Parrino, and Starks (2001), Chi (2006) and Gillan, Hartzell, and Starks (2003). Anti-takeover provisions (ATP), a firm's defense against takeover threats, limit its susceptibility to the external governance mechanism and could potentially influence the role and effectiveness of the board, as well. Masulis, Wang, and Xie (2007) argue that the conflict of interest between managers and shareholders is more severe at higher ATP firms where managers are more likely to engage in empire-building acquisitions. As for target firms, Cotter, Shivdasani, and Zenner (1997) contend that independent boards use anti-takeover devices to the advantage of target shareholders more frequently, resulting in premiums that are 23% higher than for target boards with more management representation (see Bhagat and Black, 1999, Mishra and Nielsen, 2000, Vafeas, 2003, and Hermalin and Weisbach, 2003 for surveys on the role of boards).

We study the effects of the choices of levels of takeover immunity, or anti-takeover provisions (ATP), as well as actual takeovers on the careers of the non-executive directors

[1] "Sticky Scandals, Teflon Directors," Gretchen Morgenson, New York Times, 1/29/2006, Section 3, pp. 1.

involved. Higher ATP levels protect current management and, arguably, the directors themselves since they are likely to lose seats if the firm is taken over. Fama (1980) and Fama and Jensen (1983) argue that prestige, networking, and learning opportunities are some of the primary reasons that individuals choose to serve as outside directors on corporate boards. They also contend that there exists a labor market for outside directors that functions on the basis of reputation, a position verified by several empirical studies[2]. Outside directors build reputation through the performance of the companies on whose board they serve, creating opportunities for more (and more prestigious) directorships for themselves.[3] We examine how this labor market judges the ATP choices made by non-executive directors. Coles and Hoi (2003) document that non-executive directors of public companies not adopting anti-takeover provisions of a Pennsylvania state legislation were more likely to gain additional directorships as compared to those who protected themselves against takeovers, though there was no clear relationship between this choice and retention of non-executive directors.

We extend this line of enquiry. We first document the relationship between non-executive directors and the ATP levels of the firms they serve to find out if there is any evidence of "ATP level preference" on the part of non-executive directors. Next, we develop and test two alternative hypotheses that relate the market for non-executive directors to the level of external monitoring mechanisms of the firms they serve. According to the Reward for Discretion

[2] Brickley, Linck, and Coles (1999) confirm that CEOs who perform well in the year before retirement receive more directorships following their retirement. Ferris, Jagannathan, and Pritchard (2003) demonstrate that firm performance positively affects the number of appointments held by a director. Alternatively, CEOs of firms who cut dividends (Kaplan and Reishus, 1990), directors who resign following a bankruptcy filing (Gilson, 1990) and directors of firms that restate earnings (Srinivasan, 2005) are likely to receive relatively fewer directorships.

[3] There are financial incentives for performance as well. Yermack (2004) indicates that for non-executive members of S&P 500 boards, there is, on average, a $285,000 change in wealth for one standard deviation improvement in firm performance, roughly a gain of $0. 11 per $1,000 rise in firm value. In terms of risks associated with directorships, Black, Cheffins, and Klausner (2005) find that directors of public companies experience a very low risk of out-of-pocket liability not only in the U.S., but also in Britain, Canada, and Australia. A recent exception to this is the January 2005 settlement by outside directors of Enron and WorldCom to pay $31 million dollars out of their pockets.

Hypothesis, if the directors are valued for their ability to monitor, then we would expect directors exhibiting more variability in their choice of ATP levels across the various boards they serve (presumably to better serve a specific firm's optimal need) to be rewarded more. They should be more likely to obtain additional director positions than their counterparts who stick to a "one size fits all" approach to decide on ATP levels across firms they serve. This is because this greater variability indicates the directors' use of discretion in assessing the optimum exposure of their firms to external monitoring through the market for corporate control. Moreover, increase in ATP provisions would hurt a director's reputation, whereas decrease in ATP provisions would enhance their reputation in terms of getting additional board seats. Alternatively, the CEO Risk Aversion Hypothesis predicts that CEOs like directors with predictable (and higher) levels of preferred ATP that would protect the incumbent management from the market for corporate control and increase managerial power. According to this hypothesis, we would expect directors with uniform ATP choices across firms and those serving in high ATP firms to be more sought after by CEOs of other firms. They would also be more likely to get additional board seats. Also, under this hypothesis, directors who approve increases in ATP levels would be more sought after by CEOs, thus acquiring more board seats. Using a large sample of listed companies in the U.S. during a ten year period from 1994-2003, we test these two hypotheses by examining the market for non-executive directors serving on boards of firms with varying levels of ATP provisions. We also examine how changes in ATP provisions enhance or hurt a director's reputation regarding the acquisition of additional board seats over a three-year period.[4] Specifically, we ask the following questions:

[4] Following Coles and Hoi (2003), we use a three-year horizon to ascertain whether a director gains or loses directorship. Other studies, such as Yermack (2004), use five years as the cut-off period. Since our dataset spans ten years, using a five-year horizon leads to a much smaller sample size. However, the results with a five-year horizon are broadly similar to those with a three-year horizon and are available upon request.

1. Can individual non-executive directors be associated with preferences for specific ATP levels? Are there differences in ATP preferences for directors belonging to high ATP firms and low ATP firms? Also, are there systematic differences in firm characteristics between high ATP and low ATP firms?

2. Does the labor market reward non-executive directors more for having superior oversight in firms that have low takeover vulnerability? Is predictability in ATP choice more valuable than variability or the other way around? For directors serving on multiple boards, does the predictability associated with uniformity of ATP level choice across firms improve their attractiveness or does variability, signaling a flexibility to adjust to a specific firm's needs, improve their chances?

3. What happens when a firm's external monitoring mechanism changes? Does a strengthening (weakening) of the external monitoring mechanism enhance (damage) the reputation of non-executive directors?

4. Finally, how does the market perception of a merger affect the reputation of the acquiring firm's non-executive directors? Are directors in acquiring firms with higher resistance to takeovers likely to be held more accountable?

We use Bebchuk, Cohen, and Ferrell's (2005) entrenchment index (BCF) and Gompers, Ishii, and Metrick's (2003) governance index (GIM) of the firm as the proxy for our external monitoring force. A higher value of the BCF (or GIM) index for a firm indicates higher ATP

and, therefore, lower exposure to the external governance mechanism operating through the market for corporate control.

Our main results fall into four different sets. First, we contrast the characteristics of high and low ATP firms and explore the ATP changing behavior of non-executive directors serving in these firms. We demonstrate that firms with higher ATP levels have smaller total assets, larger boards, and proportionately more non-executive directors. These firms also tend to perform relatively poorly in the preceding five-year horizon and have lower valuation (as measured by Tobin's Q). Firms with decreased ATP levels have, on average, a higher percentage of non-executive directors and larger boards. Moreover, they typically have lower Tobin's Q, higher total assets, are larger in size, and have lower return on assets. The results, therefore, imply that larger firms with low growth opportunities (low Tobin's Q firms) and low return on assets with an effective board (larger board with a greater proportion of non-executive directors) undergo an increase in takeover vulnerability by lowering the ATP levels. Conversely, smaller firms that are more likely to be targets have higher ATP levels and are also more likely to increase existing ATP levels. These results suggest that the optimal ATP level depends upon various firm characteristics and directors need to display prudence in selecting the required ATP level for their respective firms.

We demonstrate that directors with certain ATP preference levels tend to change the existing ATP level in the direction of their preference. Directors serving on single boards tend to seek to increase the level of ATP more than those directors serving on multiple boards. Directors who display a variation in ATP preference levels tend to serve on boards with higher ATP levels than those who serve on boards with same levels of ATP. However, the former group of directors is more inclined to decrease the level of ATP and less inclined to increase the ATP level. We

next examine the difference between directors in high ATP and low ATP firms for directors who prefer a particular ATP level. Our results also suggest that directors who prefer a certain level of ATP can be categorized into two groups: 1) those who are inclined to support the use of ATPs and 2) those who are disinclined toward ATPs. The directors in the first group tend to serve on boards with higher levels of ATP and are more inclined to increase the existing level of ATP. Alternatively, the directors in the second group (those who oppose the use of ATP) tend to serve in firms with low ATP levels and engage in further decreasing the existing level of ATP. There are, therefore, differences between multiple board seat directors with respect to their ATP preference level and their tendency to change existing ATP.

Next, we investigate the directorial labor market implications of ATP choices by boards in which individual non-executive directors serve. Overall, our results indicate that directors serving in high ATP firms have a greater chance to gain and lose board seats. This puzzling phenomenon can be explained when we categorize directors based on variations of the ATP level. The greater increase of board seats by directors serving on high ATP firms is likely to be experienced by the directors who are flexible in their choice of ATP levels. The greater propensity to lose board seats by high ATP preference directors seems to be driven by the directors serving on the same level of high ATP boards. These results seem to favor the Reward for Discretion Hypothesis. Directors are valued more when they display discretion regarding their choice of ATP levels.

Third, we examine the effect of changes in firms' existing ATP on non-executive directors' subsequent careers in corporate directorship. We investigate whether non-executive directors are held responsible when the firms they serve change their anti-takeover provisions. To do so, we address the following questions. When a firm's external monitoring mechanism is

strengthened, does it enhance the reputation of non-executive directors and aid their future career? Conversely, when a firm's external monitoring mechanism is weakened, does it cause damage to non-executive directors' reputations and impair their future career options? It appears that directors observed to alter ATP levels to suit their consistently preferred ATP levels fare poorly in the market for new directorships and are also more likely to lose their existing positions. We interpret this as strong support for our Reward for Discretion Hypothesis over our CEO Risk Aversion Hypothesis. The "one size fits all" directors appear to find little favor in the directorial labor market.

Finally, we investigate the effect of merger decisions on directors' ensuing careers. We investigate whether the labor market rewards (punishes) a director with more (less) board appointments when he oversees a good (poor) acquisition. We further examine whether the market for non-executive directors takes into account the level of external monitoring in assessing directors' roles in merger decisions. We test whether directors are rewarded for undertaking a superior monitoring role in the absence of an external monitoring mechanism. Masulis et al. (2007) confirm that managers of high ATP firms engage in value reducing merger deals. Therefore, high ATP directors approving value increasing merger deals would suggest that an internal monitoring mechanism is effective even in the absence of external mechanisms.

We find that a good merger has a positive effect on non-executive directors' reputations and increases their chances of acquiring new board positions afterwards.[5] However, the results do not support the notion that the market penalizes these directors for approving extremely poor merger deals. Our analysis of interaction terms between ATP levels and ATP level consistency

[5] These results are similar in spirit to Gilson (1990) and Srinivasan (2005) who demonstrate that directors' subsequent careers are adversely affected by major negative events like bankruptcy filings and earnings restatements respectively.

indicate that high ATP directors with variations in ATP choices are rewarded for value increasing merger deals, but those who display consistency in ATP choices are not. We interpret this as strongly corroborating our previously produced evidence that ATP consistency hurts directors in the directorial labor market. Overall, our results here provide strong evidence that for firms involved in M&A deals, directors with a "one size fits all" approach to ATP levels suffer relatively in retaining their current board positions and acquiring new ones. There is no such effect for directors targeting higher ATP levels. In other words, the evidence appears to support the Reward for Discretion Hypothesis with little if any corroboration for the CEO Risk Aversion Hypothesis. Our key finding is strong evidence in support of our Reward for Discretion Hypothesis which indicates that non-executive directors, who seem to vary the ATP levels of their firms to firm-specific situations instead of following a "one size fits all" approach, are appreciated and rewarded by the directorial labor market.

The structure of the paper is as follows. In the next section, we develop our hypotheses regarding the labor market effect of ATP level choices. In the following section, we discuss our data sources, sample construction, and our methodology to address the research questions. Section IV presents the results while Section V concludes the paper.

II. Choice of ATP Levels and the Market for Non-Executive Directors

How should the market for non-executive directors view the track record of choice of ATP levels by an independent director? ATP choice by boards with certain non-executive directors can signal several things. As Coles and Hoi (2003) indicate, refraining from adopting certain ATPs can signal better monitoring ability and can reap rewards in the form of new board appointments in some cases. Conversely, as Brickley, Coles, and Terry (1994) demonstrate,

stock prices of firms with a majority of independent outsiders react favorably to the adoption of a poison pill, but stock prices of firms without this majority react negatively to the acceptance of this ATP. Thus, the optimal ATP level is likely to vary from firm to firm, depending on several characteristics including the board composition and the ability of the board to provide effective internal monitoring. Variability of ATP level choices by boards on which an individual non-executive director serves may indicate flexibility on part the of the director and willingness to adapt to a firm's characteristics rather than following a rigid "one size fits all" view about ATP choices.

Coles and Hoi (2003) illustrate a case where not increasing ATPs is the optimal decision, however, Brickley et al (1994) indicate that, more generally, some firms benefit from adding an ATP. Thus, the literature suggests that adopting ATPs or not is likely to be an endogenous decision at the firm level. Directors need to make optimal decisions regarding ATPs for their particular firms. Those with more discretion are likely to be viewed as more valuable, while those known for a particular viewpoint may be less effective in achieving the optimal level of ATPs for a given firm.

This variation of optimal ATP levels across firms motivates our Reward for Discretion Hypothesis. It posits that the labor market for non-executive directors should favorably view the variability in ATP levels across boards served by a non-executive director and reward the director with new board positions or the retention of existing ones. The Reward for Discretion Hypothesis is based on the assumption that firms adopt their governance structures to optimally fit their environment. The optimal ATP level for one firm may not be the optimal ATP level for another.

However, this is certainly not the only way in which the market can treat the ATP choice track record of individual non-executive directors. It is quite possible that directors known for a particular view, especially high ATPs, may be preferred by some companies or specific CEOs who may desire protection from high ATP levels. This alternative view is based on an agency perspective and suggests that powerful CEOs prefer directors who will increase their entrenchment by raising the level of ATPs. High ATP levels assist CEOs in ensuring control and directors can arguably gain more seats by signaling their consistent preference for high ATP levels. This leads to our CEO Risk Aversion Hypothesis.

While these two hypotheses most certainly do not exhaust the set of possible ways in which the market for non-executive directors can evaluate the ATP choice track records of individual directors, they are both plausible and empirically distinguishable given the data we have. While the Reward for Discretion Hypothesis anticipates the market for directorships values variation in ATPs, the CEO Risk Aversion Hypothesis predicts the market for directorships values consistency in high ATP level, when the CEO is more powerful. We check this last point by using CEO share ownership, CEO tenure, and CEO-Chairman duality as alternative measures of CEO power.

We first investigate the relationship between non-executive directors and the ATP levels of the firms they serve to find out if there is any evidence of ATP level preference on the part of non-executive directors. Then, we test two alternative hypotheses that relate the market for non-executive directors to the levels of the external monitoring mechanisms of the firms they serve.

III. Data and Methodology

We collect data of directors from the Compact Disclosure database, a product provided by Thomson Financial. The Compact Disclosure compiles SEC filings for U.S. public firms in an electronic form including a list of boards of directors of public firms with their full names, ages, and titles. Our data cover the period from 1994-2003.

We process the directors' name list to minimize the potential effects of discrepancies in recording names by the Compact Disclosure in different years and firms[6]. We eliminate approximately 6% of redundant name entries. To focus on the more typical firms and avoid possible data errors, we discard boards with less than three members and those with more than 20 members.[7] The large number of firms with very small sized boards (less than three) may be due to random recording errors. We perform a two-sample t-test on the excluded and remaining samples using firm characteristics like total sales, total number of employees, and market capitalization. The t-test cannot reject the null hypothesis that the two samples are likely to be drawn randomly from the same entire sample.[8]

We compute the turnover data from the comparison of directors' lists in consecutive years. As a result, we have nine years of turnover data for our empirical analysis. The Compact Disclosure database lists the titles for directors who are also the firms' executives. Therefore, we are able to separate directors, who are corporate executives or "inside directors," and non-executive directors. The disclosure database does not differentiate among the various types of "affiliated" directors. For the purpose of our research, such a distinction is not crucial. We pair the list of non-executive directors for every two consecutive years (1994-1995, 1995-1996, and

[6] This might be due to the fact that in SEC filings, each firm has different conventions in reporting their directors' names over time.

[7] The board sizes of 3 and 20 are approximately in the 6th and 99th percentiles of the distribution, respectively. The excluded sample skews toward board size less than three. Linck, Netter, and Yang (2008) use the same criteria (i.e. drop firms with less than three member boards). We repeated the analysis without these exclusion criteria. The results were qualitatively similar.

[8] We don't report the statistical results due to space limitation but are available upon request.

so on). For any pair of consecutive years, we identify the non-executive directors who are on the list for the first year, but are not on the list the second year. We define turnover as this "dropout number" scaled by the board size in the first year.

Using the stock return data from the CRSP database, we calculate the annual returns for firms in our director turnover dataset from 1993-2003. For each firm, we compute the annual returns one year prior to the turnover year. For instance, we construct the turnover data for 1995 by comparing the directors list of the September 1994 and September 1995 filings. We calculate the annual holding period returns from October 1993-September 1994 and match them with director turnover dataset for 1995. In this way, we can study the empirical relationship between a firm's non-executive director turnover and its previous year stock performance.

Table I provides an overview of the nature of boards of directors as well as the features of non-executive directors. Most boards have five to nine directors and most are between 49 and 64 years of age. The typical non-executive director sits on only one board, while about 10%, 3%, and 2% of all non-executive directors sit on two, three, or four or more boards, respectively. CEOs are popular candidates for non-executive directorships with over 17% of them serving in that capacity on at least one board. They are also more likely than others to sit on multiple boards with the average number of boards a CEO sits on being 1.6.

Insert Table I about here.

The sample firms are ranked from 1-10 depending on the previous year stock performance, where Decile 1 is the worst performing group and Decile 10 is the best performing group. Figure I displays the average director turnover over the nine sample years for the ten

performance deciles. Average turnover is computed by taking the time-series average of the mean turnover in each performance decile. The overall average boardroom turnover in our sample is approximately 12%.[9] As can readily be seen from the figure, there is a clear decline in turnover as the performance of the firm improves. One interesting observation is the increase in frequency of turnover in the highest performance Decile 10. The higher level of director turnover for the top performing firms displayed in Figure 1 could be due to the higher M&A activities. A successful M&A could lead directors to obtain additional board seats and an unsuccessful M&A could contribute to the loss of those seats. Consistent with this notion, we find that the percentage of M&A activities in the top performing decile is significantly higher (3.04%) than that of Deciles 1 to 9 (2.45%). While we compute the performance deciles based on raw stock market performance, we also check the robustness of the turnover patterns by re-computing the deciles using industry-adjusted and market-adjusted returns. The decile-wise turnover pattern remains largely the same.[10]

Insert Figure I about here.

It is a common practice in U.S. corporations for CEOs to play a significant role in the process of selecting non-executive directors. Thus, it is natural to expect that whenever there is a change in the CEO of an organization, there is likely to be a higher turnover among non-

[9] Our estimate of turnover is higher than that in other studies. We suspect that this is largely due to a sizeable number of small firms in our sample. In Yermack (2004), the author follows the careers of 766 outside director appointments. His dataset is collected from Fortune 500 firms' announcements of outside director appointments. It is likely that the directors in his paper are more sought after and prestigious than those in our dataset, contributing to their low rate of withdrawing from the board. In addition, they are less likely to give up their seats in more prestigious Fortune 500 firms' boardroom, ceteris paribus, than the directors from our much larger cross-sectional samples. Given that the average age for that dataset is 54, two years short of our average, there may be an "age effect" as well.

[10] These results are available on request. In the remainder of the paper, we continue to report and analyze the performance based on raw returns.

executive directors. Hermalin and Weisbach (1988) find that when a CEO approaches retirement, firms are likely to increase inside directors who are potential candidates to be the next CEO. Farrell and Whidbee (2000) examine the consequences of forced CEO turnover on outside directors' reputations. They find that directors that remove poorly performing CEOs experience a larger increase in their compensation than those that do not participate in forced CEO turnover. They further indicate that outside directors are more likely to leave the firm if the firm performs poorly after forced CEO turnover. We identify CEO turnover by comparing consecutive years of data from the Compact Disclosure database. For each of the sample years (1995-2003), non-executive director turnover is significantly higher (at 1% level of significance) for firms with CEO turnover than those without.[11] These results suggest that CEO turnover has implications regarding the tenure of non-executive directors.

A. The Effects of ATP Choice on Non-Executive Director Turnover

We use Bebchuk et al.'s (2005) entrenchment index of a firm as a proxy of the ATP level of the firm and study its effect on the turnover of non-executive directors over a three-year period. Bebchuk et al (2005) construct the entrenchment index based on six anti-takeover provisions (ATP) among the 24 governance provisions provided by the Investor Responsibility Research Center (IRRC). The six provisions are: 1) classified boards, 2) poison pills, 3) golden parachutes, 4) limit to amend by-laws, and 5) supermajority requirements for mergers and 6) charter amendments. The authors demonstrate that among the 24 provisions provided by the IRRC, these six anti-takeover provisions have negative valuation consequences in firms, both individually and at the aggregate level. The BCF can take values from 0-6, adding one for each of the six anti-takeover provisions a firm incorporates. Therefore, a higher BCF Index implies

[11] Due to space limitations, these results are not reported in the paper and are available upon request.

that the firm has a higher ATP level, and, as such, has a higher resistance to hostile takeover and a lower external governance mechanism. BCF Index values are available for the years 1990, 1993, 1995, 1998, 2000, 2002, and 2004 (IRRC published years). Our director turnover data cover from 1994-2003. For the years with no available BCF Index, we assume that our sample firms have the same anti-takeover provisions as in the previous publication year. Similar logic is applied in Bebchuk et al. (2005), Gompers et al. (2003), and Masulis et al. (2007). As a robustness check, we also use the governance measure developed by Gompers et al. (GIM) (2003) that use all of the 24 provisions reported by the IRRC. According to their measure, firms with a higher GIM Index have greater management control and lower shareholder rights.

The mean and median values of the BCF Index over our entire sample are 2.33 and 2, respectively while those for the GIM Index are 9.25 and 9, respectively (Table II Panel A). Panel B of Table II provides the number of firms in which the two ATP indexes are available and the percentage of firms that undergo a decrease, no change, or an increase in ATP levels for the entire sample period and for each sample year for which both indexes are available. For each sample year, the percentage of stocks that undergo an increase in anti-takeover provisions by either measure is considerably higher than the percentage of stocks that experience a decrease. The percentage of increase in the BCF (GIM) Index does not seem to decline over time, although in 2004, the percentage increase in the GIM Index is at the lowest level (second lowest for BCF). The percentage decrease in the BCF Index also does not exhibit a declining pattern over time. The percentage decrease in the GIM Index declines in the initial sample period, rises in 2002, and then declines again in 2004. Panel B of Table II also reports the mean, maximum, and minimum values change in ATP levels of the firms for the entire sample period and for each sample year in which the BCF (GIM) Index is available. For the entire sample period, 1993-

2004, the mean of changes in the BCF Index is 0.06. Both the maximum increase and decrease in the BCF Index are four. The mean of changes in the GIM Index is 0.13. The maximum increase in the GIM Index is ten and the maximum decrease in the GIM Index is nine. The changes in both the BCF and the GIM indices are highly correlated with a correlation coefficient of 0.63.

Insert Table II about here.

B. The Implications of M&A Decisions for Non-Executive Directors

In order to investigate the question of whether non-executive directors are affected by the success of board level decisions, we examine the performance of acquisitions and subsequent turnover for the non-executive directors of the acquiring firms over a three-year period after the announcement of a merger. The source of our M&A data is the Securities Data Corporation's database. We perform the analysis for the years 1994-2000.[12] We consider single bidder deals over $100 million in size with publicly traded acquiring and target firms. After combining the merger data with our director data, the merger sample is comprised of 1,331 acquiring firms. Table III describes our merger sample. We use the change in market value of the acquiring firm around the announcement of the deal to measure the success of the M&A decision. We rank the M&A sample in ten deciles according to the acquiring firm's market-adjusted cumulative abnormal return on the merger announcement with a (-1, +1) day event window.[13] The variable *M&A Decile* takes the value of one for mergers with the lowest announcement period abnormal

[12] Our entire sample period for the director data is from 1994-2003. However, for a director-year, we investigate the director's reputation with regard to gaining or losing board seats over a three-year period after the merger announcement; therefore, the sample period for the merger analysis ends at 2000.

[13] The M&A announcement period cumulative market-adjusted abnormal return is computed following Brown and Warner's (1985) methodology, where the CRSP value weighted index of NYSE, AMEX, and NASDAQ stocks is used to compute market return.

return for the acquiring firm and a value of ten for the highest return firms. For each decile, the table reports the number of observations, the mean announcement period (-1, +1) abnormal return of the acquiring firm, the mean announcement period (-1, +1) abnormal return of the target firm, the mean market capitalization of acquiring and target firms, the mean deal value, the percentage of cash proposals, the mean acquirer board size, and the mean target board size. We observe that the acquiring firm market cap is lowest at the two extreme deciles. Also, we note that the deal value is highest for the bottom performing decile. The percentage of cash proposals is lowest for the worst performing decile and indicates an increasing trend with the performance deciles. This finding is consistent with the extant evidence in the M&A literature, which suggests that cash acquirers experience higher abnormal return in the announcement period as compared to stock acquirers.[14]

Insert Table III about here.

One interesting observation is that the acquiring firm board tends to be smaller toward both ends of the distribution and larger in the middle. A t-test indicates that the difference in board size is highly significant (p-value less than 0.0001) between Decile 1 and Decile 5 as well as between Decile 6 and Decile 10. Thus, it appears that a larger board usually approves only "safe" acquisitions while smaller boards often decide to make "risky" acquisitions that may lead to relatively larger wealth gains or losses.

[14] Extensive literature exists regarding the return patterns of acquirer and target firms in M&A activities. For short horizon analysis, average abnormal stock market reaction at the merger announcement is used as a gauge for value creation or destruction. Andrade, Mitchell, and Stafford (2001) report that the abnormal return for the three-day window surrounding the announcement is 1.8% on average for the combined firm, 16% for the target firm and –0.7% for the bidder firm. The bidder firm return varies with the method of payment. Acquirer shareholders earn little or no abnormal return from cash payment mergers and negative abnormal returns (-2% to –3%) for stock payment mergers.

IV. Results

This section is organized as follows. In Subsection A, we document the mean and dispersion of ATP levels for non-executive directors to see if directors can indeed be classified as having "high ATP" or "low ATP" preferences. In Subsection B, we examine the effect of the choice of ATP levels and its consistency on the careers of non-executive directors. Subsection C discusses the effect of ATP on likelihood of gaining new directorship and retaining existing positions. Subsection D examines the effect of changes in ATP levels on the director's turnover. Finally, in Subsection E we examine the relationship between the level of ATP and the implications of merger decisions for the non-executive directors' career.

A. Non-Executive Directors and ATP Levels

Here we examine whether directors can be classified into groups on the basis of their support of the use of ATPs. We test this conjecture by examining the variation in the level of ATPs in the firms for directors who sit on multiple boards and are not new members (i.e., this is not their first year on the board). Uniformity in ATP levels across a particular director's boards would suggest that the director is inclined to support a particular level of ATPs, while greater variation would suggest flexibility. We also examine whether directors who serve on multiple boards are more or less likely to increase or decrease ATPs.[15]

[15] There is a debate around the monitoring effectiveness of directors with multiple board positions. Core, Holthausen, and Larcker (1999) argue that directors serving on multiple boards can become overcommitted resulting in poor monitoring, Shivdasani and Yermack (1999) argue that directors holding multiple appointments cater to CEOs. Alternatively, Brown and Maloney (2003) indicate that returns of acquiring firms are higher with multiple board seat directors. Ferris et al. (2003) find no evidence that multiple board appointments harm firm performance. However, Fich and Shivdasani (2006) examine the monitoring effectiveness of outside directors serving on multiple boards and conclude that when a majority of outside directors serve on three or more boards, firms exhibit lower market-to-book ratio, weaker operating performance, and sensitivity of CEO turnover to performance is lower, although there is no effect on firm performance.

For directors who serve on multiple boards, we compute the maximum difference of the BCF (GIM) Index between the firms a director serves for a given year. The maximum difference in the BCF (GIM) Index among all the sample years determines an upper bound of the difference. The BCF Index takes a value from 0-6; hence, the maximum difference between the BCF Index of firms a director serves can range from 0-6. Figure IIA displays the number of directors who hold multiple director positions in firms with maximum variation of the BCF Index. It indicates that the number of directors serving on boards with no variation in the BCF Index is very high as compared to any variation ranging from one to six. In our sample, 60% of the directors prefer a certain level of ATP and sit on boards with uniform ATP levels. Figure IIB presents the frequency distribution with respect to the GIM Index as a proxy for firms' ATP level. The GIM Index takes a value from 0-24. The figure illustrates that the maximum difference in the GIM Index between the director's firms does not exceed a value of 13. Figure IIB also indicates that the preference for a certain level of ATP index by the directors is a dominant feature.

Insert Figure II about here.

The CEO Risk Aversion Hypothesis predicts the market for directorship values consistency in high ATP levels, when the CEO is more powerful. We check this by using CEO share ownership, CEO tenure, and CEO-Chairman duality as alternative measures of CEO power. We find that, as predicted, the level of CEO stock ownership and CEO tenure are significantly higher for firms with directors that have consistent ATP choices than for those having directors with varying choices of ATP levels, according to either measure of ATPs. This

holds for a comparison across all ATP levels as well as for firms with high ATP levels only. However, for CEO-Chairman duality, the relationship is reversed. A significantly smaller proportion of firms with directors choosing the same level ATP (all ATP levels or high ATP levels only) have the CEO as Chairman than for firms with directors choosing varying ATP levels. This seems to suggest that the three measures do not capture exactly the same aspect of CEO power and the relationship between CEO power and consistency in choice of ATP levels is a complex one.[16]

Next, we examine whether certain firm characteristics are related to certain levels of ATP and tendencies to change ATP levels. Table IV compares the High ATP firms with Low ATP firms and firms raising ATP levels with those keeping them constant or lowering them in terms of several board and performance indicators. Panel A compares firms with different ATP levels. *Percent Non-Executive Director* is the fraction of the board of directors composed of non-executive directors.[17] *Board Size* is the total number of directors in the firm.[18] *Previous One-Year Abnormal Return* is the buy and hold market-adjusted abnormal return of the stock over one year prior to the ATP observed year. *Tobin's Q* is the ratio of market value of assets over its book value of assets. *Total Asset* is the book value of assets of the firm. *Size* is the natural logarithm of

[16] We omit these results for space considerations. They are available on request.

[17] Literature suggests that a larger fraction of non-executives serving on boards improves monitoring and increases firm performance. Weisbach (1988) finds that the relationship between firm prior performance and CEO turnover is stronger in an outside dominated board. Brokhovich, Parrino, and Trapani (1996) document a strong positive relationship between the percentage of outside directors and the frequency of outside CEO appointments. Brickley et al. (1994) find that the average stock market reaction to an announcement of poison pills is positive when the board has a majority of outside directors and negative when it does not. Cotter et al. (1997) argue that independent boards use anti-takeover devices to the advantage of target shareholders more frequently resulting in higher premiums. Byrd and Hickman (1992) confirm that acquiring firms with a greater proportion of independent outside directors experience higher announcement period abnormal returns.

[18] Traditional beliefs relating firm value to board size mainly suggest that firm value decreases as the board size increases. Jensen (1993) argues that larger boards may be less effective than smaller boards due to the coordination problems of large boards. Yermack (1996) finds a negative relation between Tobin's Q and board size in a sample of 452 large U.S. industrial corporations for the period 1984-1991. In a recent study, Coles, Daniel, and Naveen (2008) argue that a firms' Tobin's Q increases as board size increases for firms with greater advising requirements, such as large diversified firms with more debt financing.

market capitalization of the stock. *ROA* is the return on asset of the firm, computed by dividing the operating income before depreciation by the total assets of the firm. The board structure and firm characteristics variables are obtained for the contemporaneous year of ATP (ATP level changes) for Panel A (B).

Insert Table IV about here.

It appears that firms with higher ATP levels have fewer total assets, larger boards, and proportionately more non-executive directors. These firms also tend to perform relatively poorly in the preceding five-year horizon and have lower valuation (as measured by Tobin's Q). Panel B examines whether the firms that undergo changes in ATP levels are different from firms that experience no changes. The mean values of board structure, firm characteristics, and performance variables are reported for firms with a decrease, no change, or an increase in ATP levels. We observe that firms with a decrease in ATP levels have, on average, a higher percentage of non-executive directors and larger boards. *Previous One-Year Abnormal Return* is lower for firms that undergo a decrease in ATP levels as compared to firms that experience an increase in ATP levels. Moreover, firms with a decrease in ATP levels, on average, have lower Tobin's Q, higher total assets, are larger in size, and have a lower return on assets. The results, therefore, imply that larger firms with low growth opportunities (low Tobin's Q firms) and a low return on assets with an effective board (a larger board with a greater proportion of non-executive directors) undergo an increase in takeover vulnerability by lowering the ATP levels. Moreover, smaller firms that are more likely to be targets have a higher ATP level and they are also more likely to increase existing ATP levels. These results suggest that the optimal ATP

levels depend on various firm characteristics and directors need to display prudence in selecting the required ATP level for their respective firms.

We now examine directors' ATP preference level and their inclination to change ATP levels in a certain direction. Panel A of Table V compares ATP levels and changes between High ATP director firms and Low ATP director firms. For each director, if the *BCF (GIM) Index* (using an average for multiple board positions) is higher than the median value of the index, then the director is categorized to be a *High ATP Director*; otherwise they are considered a *Low ATP Director*. Panel B of the table compares directors with single board seats (*Single Seat Directors*) to directors with multiple board seats (*Multiple Seats Directors*). In both panels, the table reports the *Mean ATP Index*, which is the mean value of the BCF (GIM) Index of the firms that the director serves. *ATP Increase Percentage* is the percentage of director firms that undergo an increase in the BCF (GIM) Index. *ATP Decrease Percentage* is the percentage of director firms that undergo a decrease in the BCF (GIM) Index. In the columns of "t-test for difference", we report the p-value for the difference in mean values of the variables.

Insert Table V about here.

The results in Table V Panel A indicate that *High ATP Directors'* firms undergo a greater percentage increase in the BCF Index and a lower percentage decrease in the BCF Index than *Low ATP Directors'* firms. The results regarding the GIM Index also report that the *ATP Increase Percentage* is higher for *High ATP Directors'* firms. This supports the assumption that directors' with certain ATP preference levels tend to change the existing ATP level in the direction of their preference. The results in Panel B suggest that the directors serving on a single

board engage in increasing the level of ATP more so than the directors serving on multiple boards. This finding could be explained by the notion that CEOs have more influence over directors who serve on a single board and that these directors increase the ATP level. On average, multiple board seat directors' firms have higher ATP levels, which is supportive of the CEO Risk Aversion Hypothesis that CEOs seek to appoint directors with high ATP preferences.

Table VI examines multiple board seat directors and the results motivate the two key hypotheses. In Table VI Panel A, we compare directors who sit on boards with the same level of ATP with directors who sit on boards with different levels of ATP. The *Mean ATP Index* gives the mean value of the BCF (GIM) Index of the firms a director serves. *Percentage High ATP* is the percentage of high ATP firms (the BCF or GIM Index above median value). The other variables, *ATP Increase Percentage* and *ATP Decrease Percentage*, are defined as in Table V. We report the mean value of these variables for *Same Level ATP* directors and *Different Level ATP* directors.

Insert Table VI about here.

Both the *Mean ATP Index* and the *Percentage High ATP* are lower for *Same Level ATP* directors than for *Different Level ATP* directors and the differences are statistically significant for both the BCF and GIM indices. The results on *ATP Increase Percentage* indicate that directors serving on boards with the same level ATP engage in increasing the BCF Index 7.5% of the time, which is significantly higher than directors who sit on boards with varying levels of the BCF Index, who engage in increasing the ATP level 6.8% of the time. We obtain similar results using the GIM Index. The results of *ATP Decrease Percentage* confirm that same level ATP

directors are less likely to engage in decreasing the ATP level. Hence, the results imply that directors who display variations in their ATP preference level tend to serve on boards with higher ATP levels than directors who serve on boards with the same levels of ATP. However, the former group of directors is more inclined to decrease the level of ATP and less inclined to increase the ATP level.

We then examine the difference between directors in high ATP and low ATP firms to those directors who prefer a certain ATP level. Panel B of Table VI compares directors serving on the same level of High ATP firms with directors serving on the same level of Low ATP firms. *High ATP Preference Directors* are directors who prefer no variation in the ATP level among firms they serve and only serve on High ATP firms. In contrast, *Low ATP Preference Directors* are directors who prefer no variation in the ATP level among firms they serve and only serve low ATP firms.

The results illustrate that *High ATP Preference Directors* firms undergo a greater percentage increase of the BCF Index (9.1%) as compared to *Low ATP Preference Directors* firms (4.4%) and the difference in mean is statistically significant. Moreover, the percentage decrease in the BCF Index is also lower in *High ATP Preference Directors* firms. Hence, the results suggest that directors who prefer a certain level of ATP can be categorized into two groups: 1) those who are inclined to support the use of ATPs and 2) those who are disinclined toward ATPs. The directors in the first group tend to serve on boards with a higher level of ATP and are more inclined to increase the existing level of ATP. Conversely, the directors in the second group (those who oppose the use of ATP) tend to serve in firms with low ATP levels and engage in further decreasing the existing level of ATP (as seen in the case of the BCF Index). Therefore, the results in Table VI suggest that there are differences between multiple board seat

directors with respect to their ATP preference level and their direction to change existing ATP. Now the question is how the market for directors responds to directors' ATP choices, which we analyze in the next section.

B. Effect of ATP Level Choices (Levels and Consistency) on Non-Executive Directors' Career

We investigate the effect of the choice of ATP levels and its consistency on directors' careers in the entire sample; if and how directors' preferences for high or low ATP levels in a given year affect their chances of gaining new board positions and/or retaining their existing seats over the following three-year period. The measure we use to broadly capture this effect is the *Percentage Added Board Seat*, defined as the percentage of directors gaining board seats. Conversely, *Percentage Reduced Board Seat* is defined as the percentage of directors losing their board seats. These variables, along with the p-values for the differences in their mean values, are reported in Table VII.

Insert Table VII about here.

Panel A of Table VII compares *High ATP Director* with *Low ATP Director*. Panel B compares directors with single board seats (*Single Seat Directors*) to directors with multiple board seats (*Multiple Seats Directors*). Panel C compares directors who sit on boards with the same level of ATP with those directors who sit on boards with different levels of ATP. Panel D compares directors serving on the same level of High ATP firms with directors serving on different levels of High ATP firms.

In Panel A, the values of *Percentage Added Board Seat* are higher for directors serving in high ATP firms than directors serving in low ATP firms; these results are consistent for both the BCF and GIM Index. This is supportive of the conjecture that CEOs prefer to nominate directors who are supportive of more ATPs in order to protect them from the outside market for corporate control. However, we also observe that the values of *Percentage Reduced Board Seat* are higher for directors serving in high ATP firms (for both the BCF and GIM Index). Hence, directors serving in high ATP firms experience a greater turnover in their board seats than directors serving in low ATP firms.[19] Likewise, multiple board seat directors also seem to experience greater turnover as shown in Panel B.

Panel C and D focus on the analysis of directors with multiple board seats. The results in Panel C demonstrate that *Different Level ATP* directors retain their positions and gain new board seats more often than *Same Level ATP* directors. The results in Panel D indicate that *Different Level High ATP* directors get additional board seats and retain their old seats as compared to *Same Level High ATP* directors.

Overall, our results indicate that directors serving in high ATP firms experience a greater chance of gaining and losing board seats, as displayed in Panel A. This puzzling phenomenon can be explained when we categorize directors based on variations of the ATP level. The greater increase in board seats by directors serving on high ATP firms are likely to be experienced by those directors who are flexible in their choice of ATP levels. The higher percentage of losing board seats by high ATP preference directors seems to be driven by the directors serving on the same level of high ATP boards. These results seem to favor the Reward for Discretion

[19] The effect persists when we use different cutoffs for "high" and "low" (e.g., the GIM index as used in Gompers et. al. (2003) GIM >=14 Dictator Firms and GIM<=5 Democratic Firm).

Hypothesis in which directors are valued more when they display discretion with regard to their choice of ATP levels.

C. Likelihood of Gaining New Directorships and Retaining Existing Positions

Next, we investigate the impact of the level of ATP choice on the market for non-executive directors in greater detail by examining their likelihood of gaining new seats and retaining old ones after controlling for variables such as firm performance, director age, and CEO turnover.

Tables VIII and IX present the logit estimates of the factors determining the probability of a non-executive director obtaining a new directorship and losing a board seat, respectively, during a three-year period. For a sample director-year, the dependent variable *Addition (Reduction)* takes the value one if the director obtains new directorship (loses his/her seat) following the three-year period or zero otherwise. Our entire sample period for the director data is from 1994-2003. Since for a director-year, the dependent variable addition (deletion) is constructed considering gain (reduction) in directorship in the following three years, the sample period for the regression analysis with a dependent variable addition (deletion) is from 1994-2000. The independent variable, *Director Age,* takes a value one if the director is at least 62 years old at the beginning of the three-year period or zero otherwise.[20] The sample firms are ranked from 1-10 depending on the past year stock performance, where Decile 1 is the worst performing group and Decile 10 is the best performing group. The independent variable, *Performance Rank,* is defined for each director as the decile to which the performance of their

[20] The reason we use 62 as the break point is to take into account the fact that non-executive director typically have terms of three years and normal retirement age for directors of most companies is 65.

firm belongs. We take the average if the director sits on multiple boards.[21] We also investigate whether being the CEO of a firm affects the probability of gaining new directorship. The variable, *CEOship*, takes the value of one if the non-executive director is the CEO of another company in the sample at the beginning of the three-year window or zero otherwise. To account for the effect of CEO turnover, we introduce a dummy variable, *CEO Turnover,* which takes the value one if the director sits on at least one board whose firm has changed CEOs or zero otherwise.[22] *Multi Positions Dummy* is defined to be one if the director holds multiple director positions in our sample firms (at the beginning of the three-year window) or zero otherwise. *Firm Size* refers to the natural logarithm of market capitalization while *Tobin's Q* refers to the ratio of market value of assets to their book value.[23]

Insert Table VIII about here.

Insert Table IX about here.

We report, within brackets, the percentage changes in the probability of occurrence of the dependent variable, computed at the mean for the continuous variables and at modal values for the dummy variables. For example, in Model 1 of Table VIII, ceteris paribus, directors who are over 61 years old have a 10% lower probability of getting a new position. Similarly, directors

[21] We perform robustness tests using raw return, industry-adjusted return, and market-adjusted return instead of using performance rank and the results remain qualitatively same. We also perform robustness analysis by including current year stock return in addition to the prior year return and results remain the same.
[22] To account for the different reasons for CEO departure, we use CEO age as a proxy to distinguish between forced or voluntary departure. We use two different ages as a proxy for CEO retirement: 65 and 70. The results remain robust after controlling for CEO forced turnover.
[23] The probability of addition is 14.37% and the probability of reduction is 11.57% as computed at mean or modal values for the variables in Model 1 of Table VIII and XI, respectively.

who are also CEOs in other public firms have a 4% higher probability of obtaining directorships than non-CEOs with similar other characteristics.

The coefficient of *Director Age* suggests that non-executive directors 62 years old or older are less likely to obtain (or accept) new directorships and are more likely to lose (or give up) their existing seats. The coefficient of *Performance Rank* is statistically significant in the expected direction in most specifications in Table VIII and for all specifications in Table IX. Clearly, an active market holds non-executive directors responsible for corporate performance. CEOs have a significantly greater chance of obtaining new directorships and retaining existing ones than non-CEO directors. The effect of *CEO Turnover* is negative and significant in a few specifications of Table VIII and uniformly positive and significant across all specifications in Table IX. Therefore, a CEO change clearly presages board reconstitution, and may possibly have a negative reputation effect in the market for non-executive directors. The coefficients of *Multi Position Dummy*, wherever applicable, are positive and significant in both tables. Thus, non-executive directors serving multiple boards seem to be somewhat different from single-board directors in the demand and mobility they enjoy.

In Table VIII, the effect of the *ATP Index* measured with the BCF Index in Model 1 is positive and insignificant, while that measured with the GIM Index in Model 7 is positive and significant. In Table IX, the *ATP Index* (measured with either index) has positive and significant effects. Thus, a higher ATP level appears to increase the likelihood of turnover of non-executive directors. We next examine the consequences of directors serving in high ATP firms. The same effect, now significant in all cases, is confirmed when we use the *High ATP Dummy* (in Models 2 and 8 in either table), which takes the value one if the *ATP Index* is higher than the median

value of this measure and zero otherwise. The interaction effect of *High ATP Dummy* and *Performance Rank* (Models 3 and 9 in both tables) fails to garner significance.

The next two specifications (Models 4, 5, 10, and 11 in either table) probe the effects of consistency in the ATP preference of directors. The analyses in these models are only on multiple-directorship directors which results in a reduction in sample size for these models.[24] In the first case, (Models 4 and 10), *Same Level ATP Dummy* is significantly negative for *Addition* and significantly positive for *Reduction*. Clearly, consistency or predictability of a director's ATP choices appears to hurt his prospects of retaining his seat and/or gaining new board appointments. The next specification (Models 5 and 11) examines the cross-effect of high ATP choice and predictability of the career prospects of non-executive directors. Again, variations in ATP choices (*Different Levels High ATP Dummy*) appear to significantly improve the likelihood of directors retaining their positions and gaining new appointments while uniformity (*Same Level High ATP Dummy*) significantly reduces these probabilities. Uniformity and predictability of ATP choices clearly send a negative signal to the market about the monitoring efforts put in by these directors.

The final specification (Model 6 and 12 in each table) repeats the immediately preceding model (i.e., Model 5 and 11 for either table) adding two firm characteristics, *Firm Size* and *Tobin's Q*, to the list of independent variables (taking maximum value for multiple board seat directors). Both variables are positive and significant in Table VIII and negative and significant in Table IX. Thus, directors of larger and highly valued firms are more likely to get new board seats and less likely to lose board positions. The results for the other variables largely remain

[24] Full sample analysis using models 4, 5, 10, and 11 provide similar results. These results are available upon request.

unchanged except that *Performance Rank* now loses its significance for *Addition* (Table VIII) suggesting that these new variables are likely to determine, in part, performance rank.

We interpret these results as a support for the Reward for Discretion Hypothesis. Directors who uniformly select a particular (high) ATP level are perceived by the market to be taking the easy way out and neglecting their monitoring responsibilities. Hence, these directors are penalized for it. The market is, therefore, sophisticated enough to take into account not just the average ATP level, but its variation as well to characterize a director's monitoring efforts.

D. Changes in the Level of ATP and Non-Executive Director Turnover

In this subsection, we examine the effect of changes in firms' existing ATP on non-executive directors' subsequent careers in corporate directorship. We investigate whether non-executive directors are held responsible when the firms they serve change their anti-takeover provisions. We address the following questions. When a firm's external monitoring mechanism is strengthened, does it enhance the reputation of non-executive directors and help their future career? Conversely, when a firm's external monitoring mechanism is weakened, does it cause damage to non-executive directors' reputations and impair their future career? We use the BCF (GIM) Index to identify firms that experience changes in anti-takeover provisions and examine the market for non-executive directors over the three-year period following the changes in ATP.

Table X presents the logit estimates of the factors determining the probability of a non-executive director obtaining a new directorship (Panel A) or losing board seats (Panel B) during a three-year period following the changes in ATP. Models 1 through 7 and 8 through 14 in either panel use the BCF and GIM Indexes, respectively. As before, for a sample director-year, the dependent variable *Addition (Reduction)* takes the value one if the director obtains a new

directorship (loses his/her seats) in the following three years of changes in ATP of the firm the director serves and zero otherwise.

Insert Table X about here.

The independent variable *Absolute ATP Change* represents the absolute change in anti-takeover provisions of the firm that the director serves in year *t*.[25] *ATP-Increase Dummy* is equal to one if the BCF (GIM) Index increases from the previous year and zero otherwise. Similarly, *ATP-Decrease Dummy* is equal to one if the BCF (GIM) Index decreases from the previous year and zero otherwise.[26] *High ATP Dummy* and *Same Level ATP Dummy* are as defined before. Analyses in models with *Same Level ATP Dummy* are only on multiple-directorship directors which results in a reduction in sample size. The full sample analyses also provide similar results and are available upon request.

The effects of the control variables *Director Age*, *Performance Rank*, *CEOship, Multi Positions Dummy, and CEO Turnover* are as expected. Directors over 61 years old are less likely to get new positions and more likely to lose/retire from their existing seats. Good firm performance raises (lowers) the chances of gaining (losing) board appointments. A CEO change raises the probability of a director in the firm losing his board seat without affecting his opportunity to gain a new one. Finally, directors who enjoy multiple board positions exhibit significantly greater turnover. Directorship in large firms enhances (reduces) the likelihood of acquiring new seats (losing board positions) in a significant manner. As for highly valued firms (represented by Tobin's Q), the effects are not significant for addition, though there is some

[25] If a director serves on multiple boards, then we take the average values of the respective variable.
[26] For multiple positions, if one of the firms experiences an increase (decrease) in ATP, then *ATP-Increase Dummy* (*ATP-Decrease Dummy*) takes a value equal to one.

evidence that it reduces the chances of losing board seats. In all cases, the firm characteristics diminish the effect of *Performance Rank*, to insignificance in the case of addition, indicating, as mentioned before, a correlation between these variables.

The *Absolute ATP Change* variable, *ATP Increase Dummy*, and *ATP Decrease Dummy* and their interaction terms with *High ATP Dummy* and *Same Level ATP Dummy* in the various specifications in both Panel A and Panel B of Table X seem to suggest that while ATP changes, an increase or decrease may not, in themselves nor in interaction with *High ATP Dummy*, send strong signals to the directorial labor market. The interaction of the change variables with the *Same Level ATP Dummy* results in strong negative effects in all cases for *Additions* (Panel A) and significant positive effects in most cases for *Reductions* (Panel B) (except for Models 7 and 14 in Panel B).

It appears that directors observed to alter ATP levels to suit their consistently preferred ATP levels fare poorly in the market for new directorships and are also more likely to lose their existing positions. Increases or decreases of ATP levels, by themselves, do not lead to a directional impact on the directors' careers. What seems to matter is whether the changes enhance or diminish the variability of the concerned director's choice of ATP levels. ATP changes, be it an increase or a decrease, that enhance variation in the ATP level choices are the ones that earn directors rewards. Alternatively, those changes that diminish this variation hurt their careers. The key finding here is that variation in ATP preference is rewarded when directors are associated with any changes in ATP, either increases or decreases. We interpret this as strong support for our Reward for Discretion Hypothesis over our CEO Risk Aversion Hypothesis. The "one size fits all" directors appear to find little favor from the market.

E. Level of ATP Choice and Implications of M&A Decisions for Non-Executive Directors

In this subsection, we investigate the effect of merger decisions on directors' ensuing careers. We investigate whether the labor market rewards (punishes) a director with more (less) board appointments when he oversees a good (bad) acquisition. We further examine whether the market for non-executive directors takes into account the level of the external monitoring mechanism in assessing directors' role in merger decisions. We test whether directors are rewarded for undertaking a superior monitoring role in the absence of an external monitoring mechanism. Masulis et al. (2007) demonstrate that managers of high ATP firms engage in value reducing merger deals. Therefore, high ATP directors approving value increasing merger deals would suggest that the internal monitoring mechanism is effective even in the absence of an external monitoring mechanism.

Tables XI and XII report the effects of M&A performance on the likelihood of directors obtaining additional directorships and losing their current directorships, respectively. In Table XI (XII), we report the results of logistic regressions on the dependent variable *Addition (Reduction)*, which takes the value one if the director obtains (loses) at least one new (existing) director position in the following three years of a merger deal and zero otherwise. Independent variables *Performance Rank, Director Age*, *CEOship, Multi Positions Dummy*, and *CEO Turnover* are as defined previously. Our sample mergers are ranked in 10 deciles depending on the announcement period (-1, +1) market-adjusted cumulative abnormal return of the acquiring firm. *M&A Decile* takes a value from 1-10 with the lowest abnormal return firms in Decile 1 and highest abnormal return firms in Decile 10. *Top M&A Decile* in Table XI takes the value of one if the director sits on at least one board whose firm is in the *Top M&A Decile* and zero otherwise. Analogously, *Bottom M&A Decile* in Table XII takes the value of one if the director sits on at

least one board whose firm is in the bottom M&A Decile and zero otherwise. For either table, in Models 3-14, we incorporate the various interaction terms of *High ATP Dummy* or *Same Level ATP Dummy* with M&A performance variables. We use the BCF Index as a proxy for firms' ATP levels in Models 3-8, and the GIM Index in Models 9-14.[27]

Insert Table XI about here.

In Table XI, the variables *Director Age, Performance Rank, CEOship,* and *Multi Positions Dummy* have signs as expected and are consistent with those in Table X. *CEO Turnover* is no longer significant. In Model 1, where we focus on the effects of the extreme positive wealth effects of mergers, we observe that the coefficient of *Top M&A Decile* is positive and significant. An extreme positive merger deal does seem to significantly raise a director's chance of getting new board positions over and above the overall performance effect. In Model 2, the coefficient for *M&A Decile* is also positive and significant, which implies that the higher the acquiring firm's abnormal return at the announcement, the greater the likelihood of obtaining a new position by the director in the three-year period following the merger. This result suggests that a good merger has a positive effect on non-executive directors' reputations and increases their chances of acquiring new board positions afterwards.

In Table XI, all interaction terms involving the *Same Level ATP Dummy* have significantly negative coefficients. Interaction terms involving *High ATP Dummy* are, by contrast, often insignificant and inconsistent in sign. The interaction term with *Same Level High ATP Dummy* is significantly negative with the BCF Index in both Models 5 and 8 and with the

[27] The reduction of sample size in Models 3-14 as compared to Models 1 and 2 is due to the matching of the BCF (GIM) Index firms with the merger sample with director information.

GIM Index in Model 14. The interaction term with *Different Level High ATP Dummy* is positive and significant with the BCF Index in Model 8 and with the GIM Index in Models 11 and 14. These results support the conjecture that high ATP directors with variations in ATP choices are rewarded for value increasing merger deals, but those who display consistency in ATP choices are not.

Insert Table XII about here.

In Table XII, the variables *Director Age, Performance Rank, CEOship, Multi Positions Dummy,* and *CEO Turnover* have the expected signs, though *Performance Rank* ceases to be significant. In Model 1, we observe that *Bottom M&A Decile* has an insignificant effect. The effect of *M&A Decile* in Model 2 is insignificant as well. These results do not support the notion that the market penalizes directors for approving extremely poor merger deals.

The coefficients of the interaction terms in Models 3-14 support the observed pattern in Table XI. All interaction terms involving the *Same Level ATP Dummy* have significantly positive coefficients. Interaction terms involving *High ATP Dummy* are, by contrast, insignificant and inconsistent in sign. The interaction terms of *Bottom M&A Decile* with *Same Level High ATP Dummy* and *Different Level High ATP Dummy* are insignificant in Models 5 and 11. However, the interaction terms of *M&A Decile* with *Same Level High ATP Dummy (Different Level High ATP Dummy)* are positive (negative) and significant in both Models 8 and 14. We interpret this as strongly corroborating our previously produced evidence that ATP consistency hurts directors in the directorial labor market.

Overall, our results in this subsection provide strong evidence that for firms involved in M&A deals, directors with a "one size fits all" approach to ATP levels suffer relatively in retaining their board positions and acquiring new positions. There is no such effect for directors going for simply high ATP levels. In other words, the evidence appears to weigh in for the Reward for Discretion Hypothesis with little supporting evidence for the CEO Risk Aversion Hypothesis.

V. Conclusions

In tracking the turnover of non-executive directors in a large sample of listed companies in the U.S. during a ten year period from 1994-2003, we characterize non-executive directors' preference for ATP levels and examine the effect on their careers for changes in ATP levels and approval of acquisitions that create or destroy value. We develop and test two competing hypotheses that relate the market for non-executive directors to the level of the external monitoring mechanism of the firms they serve. The Reward for Discretion Hypothesis would predict that non-executive directors serving in multiple firms with the same ATP levels would be penalized in the market. Alternatively, the CEO Risk Aversion Hypothesis would predict that such directors would be attractive to CEOs because of their predictability in ATP level choice.

We find that larger firms with low growth opportunities and valuation and low return on assets with an effective board (larger board with greater proportion of non-executive directors) undergo an increase in takeover vulnerability by lowering their ATP levels. Conversely, smaller firms that are more likely to be targets have higher ATP levels and they are also more likely to increase existing ATP levels. Directors with a preference for certain ATP levels tend to change the existing ATP level in the direction of their preference.

Our results also indicate that directors serving in high ATP firms experience a greater probability of gaining and losing board seats. Directors serving on high ATP firms who are flexible with their choice of ATP levels are likely to experience a greater increase of board seats. Their fellow directors with uniform ATP choices, on the other hand, account for a higher percentage of diminishing board seats. Directors observed to alter ATP levels to suit their consistently preferred ATP levels fare poorly in the market for new directorships and are also more likely to lose their existing positions.

We also demonstrate that while a good merger has a positive effect on non-executive directors' reputations and increases their chances of acquiring new board positions afterwards, there is no evidence that the market penalizes the directors for approving extremely poor merger deals. High ATP directors with variations in ATP choices are apparently rewarded for value increasing merger deals, but those who display consistency in ATP choices are not.

Together, our results provide strong support for the Reward for Discretion Hypothesis wherein directors are valued more when they display discretion regarding their choice of ATP levels. Non-executive directors, who vary the ATP levels of their firms to firm-specific situations instead of following a "one size fits all" approach, are appreciated and rewarded by the directorial labor market.

Our findings open the door for extensive research in a relatively uninvestigated area. More detailed data can enable researchers to distinguish between the movements of truly "outside" directors and "gray" directors, laying bare the relationships that drive boardroom politics. The role and influence of individual directors may vary with the historical background and patterns of shareholding in the corporation. Market size and the resulting media glare may affect the choice of non-executive board members. We need to understand more clearly the

effects of anti-takeover provisions on board decisions. Is there less dissent on the boards of companies with high ATP levels? The nature of compensation of board members needs to be studied together with their career moves to understand the exact nature of American boardrooms. Finally, international comparisons of boardroom composition and turnover may shed greater light on the law and corporate governance connections. These and many other questions comprise an interesting and important research agenda in corporate finance and corporate governance.

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Table I. Board of Directors – An Overview

Characteristics of boards as well as individual directors are computed based on the corporate board information from the Compact Disclosure database. Excluding firm year samples with board size less than 3 or more than 20, we compute the following summary statistics from 90,668 firm year observations (on average 9,067 firms for each of the 10 years from 1994-2003). Number of boards a director serves on is reported as the mean of the proportions of directors having a particular number of directorships in three years – 1995, 1999, and 2003.

	Median	1st Quartile	3rd Quartile
Board Size	7	5	9
Age of Director	56	49	64
Number of Boards a Director Serves On*			
1	85%		
2	10%		
3	3%		
4 or more	2%		
CEOs on Boards			
% of CEOs serving as directors in other companies			17.6%
Average number of board memberships (in other companies) of CEOs			1.6

* Average of the proportions in 1995, 1999 and 2003

Table II. Descriptive Statistics of ATP Levels and Changes in ATP Levels

Panel A provides the mean and median values of the BCF and the GIM Indexes for the sample firms. Panel B provides descriptive statistics of changes of ATP levels of sample firms. For both GIM and BCF Indexes, the table reports the number of firms the index is available for the sample years, percentage of stocks that undergo decrease, remain the same, and increase in ATP levels as compared to the previous year. The table also reports the mean value of changes in ATP levels of the firms and maximum and minimum changes of ATP levels for the entire sample period and for each sample year for which GIM and BCF Indexes are available.

Panel A: Descriptive Statistics of ATP Levels

	BCF		GIM	
Year	**Mean**	**Median**	**Mean**	**Median**
1993-2004	2.33	2	9.25	9

Panel B: Descriptive Statistics of Changes in ATP Levels

	BCF							GIM						
Year	**N**	**% Decrease**	**% Maintain**	**% Increase**	**Mean Change**	**Max**	**Min**	**N**	**% Decrease**	**% Maintain**	**% Increase**	**Mean Change**	**Max**	**Min**
1993-2004	8,179	5.8	77.3	16.8	0.056	4	-4	8622	9.7	60.9	29.4	0.129	10	-9
1993	1,229	6.0	78.4	15.6	0.105	3	-4	1265	12.9	49.3	37.8	0.404	8	-8
1995	1,314	5.9	83.6	10.5	0.057	3	-3	1348	10.2	62.6	27.2	0.246	7	-5
1998	1,176	7.1	73.4	19.5	0.151	4	-3	1233	9.9	62.2	27.9	0.273	7	-7
2000	1,518	5.3	73.3	21.5	0.189	3	-4	1633	8.1	60.5	31.4	0.349	10	-8
2002	1,394	4.7	74.3	20.9	0.194	3	-2	1447	9.2	55.9	34.8	0.397	8	-6
2004	1,608	6.0	81.5	12.4	0.072	2	-2	1696	8.3	73.2	18.5	0.133	10	-9

Table III. Summary Statistics of the M&A Subsample

Firms are ranked in ten deciles with respect to the acquiring firm market-adjusted cumulative abnormal return on the merger announcement with a (-1, +1) day event window. Decile takes the value of one for the lowest performing firms and a value of ten for the highest performing firms. For each decile, the table reports the number of observations, the mean announcement period (-1, +1) day abnormal return of the acquiring firm, the mean announcement period (-1, +1) day abnormal return of the target firm, the mean market capitalization of the acquiring firm, the mean deal value, the percent of cash proposals, the mean acquirer board size, and the mean target board size.

M&A Decile	Obs	Acquirer Abnormal Return	Target Abnormal Return	Acquirer Market Cap (billions $)	Target Market Cap (billions $)	Deal Value (billions $)	% Cash Proposals	Acquirer Board Size	Target Board Size
1 (Worst)	155	-0.168 ***	0.105 ***	6.533	3.163	3.941	16.13	9.09	8.24
2	141	-0.084 ***	0.158 ***	12.389	2.345	3.098	24.82	9.72	8.81
3	133	-0.052 ***	0.151 ***	14.370	2.520	2.179	27.07	10.65	9.10
4	116	-0.032 ***	0.188 ***	9.065	1.968	1.566	38.79	10.77	9.14
5	125	-0.016 ***	0.180 ***	14.183	2.455	1.044	52.00	11.16	9.39
6	122	-0.004 ***	0.152 ***	13.236	3.747	1.227	50.82	11.06	8.67
7	124	0.008 ***	0.164 ***	12.895	2.579	1.196	51.61	11.21	9.08
8	136	0.023 ***	0.160 ***	17.468	3.197	1.344	61.76	11.15	9.75
9	143	0.047 ***	0.151 ***	12.839	4.012	1.522	58.74	10.88	9.16
10 (Best)	136	0.119 ***	0.213 ***	8.241	3.206	1.628	49.26	9.12	8.66
All	1,331	-0.018 ***	0.161 ***	12.052	2.942	1.931	42.60	10.44	8.99

*** Significance at the 0.01 level.

Table IV. Comparison between Firms with Different ATP levels and Changes in ATP Levels

Panel A reports board structure, stock performance, firm characteristics of High ATP and Low ATP firms and p-value for the difference in mean. For each firm, if the *BCF (GIM) Index* is higher than the median value of this measure, then the firm is considered to be *High ATP;* otherwise, the firm is considered to be *Low ATP*. Panel B reports board structure, stock performance, firm characteristics of firms with decrease, maintain, and increase in ATP levels. *Percent Non-Executive Director* is fraction of board of directors composed of non-executive directors. *Board Size* is the total number of directors in the firm. *Previous One-Year (Five-Years) Abnormal Return* is the buy and hold market-adjusted abnormal return of the stock over one (five) year(s) prior to the ATP observed year. *Tobin's Q* is the ratio of market value of assets over its book value of assets. *Total Assets* is the book value of assets of the firm. *Size* is the natural logarithm of market capitalization of the stock. *ROA* is the return on assets of the firm computed by dividing the operating income before depreciation by the total assets of the firm. The board structure and firm characteristics variables are obtained for the contemporaneous year of ATP (ATP level changes) for Panel A (B).

Panel A: Comparison between High ATP and Low ATP Firms

	BCF			GIM		
	High ATP	**Low ATP**	**P-value for Difference**	**High ATP**	**Low ATP**	**P-value for Difference**
Percent Non-Executive Director	0.801	0.764	0.000	0.804	0.762	0.000
Board Size	10.17	9.56	0.000	10.44	9.35	0.000
Previous One-Year Abnormal Return	0.026	0.028	0.87	0.028	0.027	0.93
Previous Five-Year Abnormal Return	0.279	0.977	0.000	0.442	0.963	0.000
Tobin's Q	1.65	1.88	0.000	1.67	1.87	0.000
Total Asset	7,197.40	11,716.52	0.000	8,447.51	10,526.81	0.000
Size	7.04	7.17	0.000	7.26	6.98	0.000
ROA	0.079	0.078	0.98	0.081	0.076	0.001

Table IV. Comparison between Firms with Different ATP levels and Changes in ATP Levels (Continued)

Panel B: Comparison between Firms with Maintain, Decrease, and Increase of ATP Levels

	BCF						GIM					
	Mean			P-value for Difference			Mean			P-value for Difference		
	BCF Decrease	BCF Maintain	BCF Increase	BCF Maintain vs. BCF Decrease	BCF Maintain vs. BCF Increase	BCF Decrease vs. BCF Increase	GIM Decrease	GIM Maintain	GIM Increase	GIM Maintain vs. GIM Decrease	GIM Maintain vs. GIM Increase	GIM Decrease vs. GIM Increase
Percent Non-Executive Director	0.812	0.781	0.794	0.001	0.01	0.07	0.801	0.781	0.789	0.01	0.06	0.16
Board Size	10.31	9.96	9.74	0.11	0.07	0.01	10.79	9.98	9.82	0.000	0.09	0.000
Previous One-Year Abnormal Return	-0.003	0.067	0.068	0.02	0.98	0.04	0.082	0.053	0.085	0.23	0.04	0.90
Previous Five-Year Abnormal Return	-0.046	0.637	0.405	0.000	0.14	0.02	0.537	0.596	0.917	0.78	0.15	0.49
Tobin's Q	1.708	1.803	1.805	0.17	0.96	0.18	1.70	1.795	1.809	0.07	0.64	0.07
Total Asset	15,824.63	10,612.82	8,329.31	0.02	0.09	0.001	16,713.42	10,560.98	7,943.72	0.000	0.01	0.000
Size	7.452	7.239	7.139	0.007	0.03	0.000	7.611	7.233	7.105	0.000	0.000	0.000
ROA	0.069	0.082	0.079	0.01	0.46	0.11	0.076	0.082	0.081	0.22	0.80	0.35

Table V. Comparison of Changes of ATP Levels for Different Categories of Directors

The table compares changes of firms' ATP levels between High ATP and Low ATP director firms and between single seat and multiple seat director firms. Panel A of the table compares High ATP directors with Low ATP directors. For each director, if the *BCF (GIM) Index* (average for multiple board positions) is higher than the median value of this measure then director is considered to be *High ATP Director*; otherwise, the director is considered to be *Low ATP Director*. Panel B of the table compares directors with single board seats (*Single Seat Directors*) with directors with multiple board seats (*Multiple Seats Directors*). For both panels, the table reports the *Mean ATP Index*, which is the mean value of the BCF (GIM) Index of the firms director serves. *ATP Increase Percentage* is the percentage of director firms in each category that undergo an increase in BCF (GIM) Index. *ATP Decrease Percentage* is the percentage of director firms in each category that undergo a decrease in the BCF (GIM) Index. The p-value for the difference in mean is also reported.

Panel A: Comparison between High ATP Preference and Low ATP Preference Directors

	BCF Index			GIM Index		
	High ATP Directors	**Low ATP Directors**	**t-test for Difference**	**High ATP Directors**	**Low ATP Directors**	**t-test for Difference**
Mean ATP Index	3.058	0.901	0.000	11.10	6.76	0.000
ATP Increase Percentage	0.085	0.045	0.000	0.128	0.096	0.000
ATP Decrease Percentage	0.022	0.034	0.000	0.038	0.032	0.000

Panel B: Comparison between Single Board Seat and Multiple Board Seats Directors

	BCF Index			GIM Index		
	Single Seat Directors	**Multiple Seats Directors**	**t-test for Difference**	**Single Seat Directors**	**Multiple Seats Directors**	**t-test for Difference**
Mean ATP Index	2.24	2.31	0.000	9.05	9.36	0.000
ATP Increase Percentage	0.076	0.068	0.000	0.119	0.111	0.000
ATP Decrease Percentage	0.028	0.030	0.12	0.035	0.042	0.000

Table VI. Comparison between Directors with Same Level ATP and Those with Different Level ATP

Panel A compares directors who sit on boards with the same level ATP with directors who sit on boards with a different level ATP. Panel B compares directors serving on the same level of High ATP firms with directors serving on the same level of Low ATP firms. The table reports results for both the BCF and GIM Indexes. *Mean ATP Index* gives the mean value of BCF (GIM) indices of the firms a director serves. *Percentage High ATP* is the percentage of high ATP firms (BCF or GIM Index above median value). *ATP Increase Percentage* is the percentage of director firms that undergo increases in the BCF (GIM) Index. *ATP Decrease Percentage* is the percentage of director firms that undergo decreases in the BCF (GIM) Index. The p-values for the difference in mean of the variables are reported.

Panel A: Comparison between Directors with Same Level ATP and Directors with Different Level ATP

	BCF Index			GIM Index		
	Same Level ATP	**Different Level ATP**	**t-test for Difference**	**Same Level ATP**	**Different Level ATP**	**t-test for Difference**
Mean ATP Index	2.30	2.41	0.000	9.06	9.58	0.000
Percentage High ATP	0.648	0.704	0.000	0.532	0.627	0.000
ATP Increase Percentage	0.075	0.068	0.000	0.119	0.107	0.000
ATP Decrease Percentage	0.025	0.028	0.006	0.034	0.041	0.000

Panel B: Comparison between High ATP and Low ATP for Same ATP Level Directors

	BCF Index			GIM Index		
	High ATP Preference Directors	**Low ATP Preference Directors**	**t-test for difference**	**High ATP Preference Directors**	**Low ATP Preference Directors**	**t-test for Difference**
Mean ATP Index	3.08	0.861	0.000	11.14	6.69	0.000
ATP Increase Percentage	0.091	0.044	0.000	0.136	0.099	0.000
ATP Decrease Percentage	0.021	0.033	0.000	0.037	0.031	0.01

Table VII. Comparison of ATP Choice, Levels Consistency, and Changes in Boards Seats for Different Categories of Directors

The table compares changes in board seats between High ATP and Low ATP directors and between single seat and multiple seat directors. Panel A of the table compares High ATP directors with Low ATP directors. For each director, if the *BCF (GIM) Index* (average for multiple board positions) is higher than the median value of this measure, then the director is considered to be a *High ATP Director*; otherwise the director is considered to be a *Low ATP Director*. Panel B of the table compares directors with single board seats (*Single Seat Directors*) with directors with multiple board seats (*Multiple Seats Directors*). Panel C compares directors who sit on boards with the same level ATP with directors who sit on boards with different level ATPs. Panel D compares directors serving on the same level of High ATP firms with directors serving on different levels of High ATP firms. *Percentage Added Board Seat* represents the percentage of directors serving in each category that experience an increase in director positions. *Percentage Reduced Board Seat* represents the percentage of directors serving in each category that experience a decrease in director positions. The p-value for the difference in mean is also reported.

Panel A: Comparison between High ATP Preference and Low ATP Preference Directors

	BCF Index			GIM Index		
	High ATP Directors	**Low ATP Directors**	**t-test for Difference**	**High ATP Directors**	**Low ATP Directors**	**t-test for Difference**
Percentage Added Board Seat	0.190	0.177	0.000	0.194	0.177	0.000
Percentage Reduced Board Seat	0.228	0.215	0.000	0.237	0.212	0.000

Panel B: Comparison between Single Board Seat and Multiple Board Seats Directors

	BCF Index			GIM Index		
	Single Seat Directors	**Multiple Seats Directors**	**t-test for Difference**	**Single Seat Directors**	**Multiple Seats Directors**	**t-test for Difference**
Percentage Added Board Seat	0.141	0.253	0.000	0.141	0.253	0.000
Percentage Reduced Board Seat	0.184	0.284	0.000	0.185	0.285	0.000

Panel C: Comparison between Directors with Same Level ATP and Directors with Different Level ATP

	BCF Index			GIM Index		
	Same Level ATP	**Different Level ATP**	**t-test for Difference**	**Same Level ATP**	**Different Level ATP**	**t-test for Difference**
Percentage Added Board Seat	0.263	0.377	0.000	0.258	0.375	0.000
Percentage Reduced Board Seat	0.249	0.206	0.000	0.253	0.206	0.000

Panel D: Comparison between Directors with Same Level High ATP and Directors with Different Level High ATP

	BCF Index			GIM Index		
	Same Level High ATP	**Different Level High ATP**	**t-test for difference**	**Same Level High ATP**	**Different Level High ATP**	**t-test for difference**
Percentage Added Board Seat	0.145	0.321	0.000	0.134	0.313	0.000
Percentage Reduced Board Seat	0.354	0.237	0.000	0.369	0.247	0.000

Table VIII. Effect of ATP Preference on Likelihood of Additional Directorship by Non-Executive Director

This table presents the logistic regression results of the dependent variable *Addition*, which takes the value one if the director in a given year obtains a new director position in the following three years. *BCF Index* is the Bebchuk et al. (2005) entrenchment index of the firm the director serves (the average if the director sits on multiple boards). *GIM Index* is Gompers et al. (2003) governance index of the firm the director serves (the average if the director sits on multiple boards). In Models 1-6, ATP provisions of firms are represented by the BCF Index and in Models 7-12, ATP provisions of firms are represented by the GIM Index. For a director's firm, if the *ATP Index* is higher than the median value of this measure, then the *High ATP Dummy* takes the value of one and zero otherwise. Analysis in Models 4-6 and 10-12 are only on multiple-directorship directors causing a reduction in sample size. *Same Level ATP Dummy* takes on a value equal to one if the director sits on multiple boards of firms with no variation in ATP levels, and zero otherwise. *Same Level High ATP Dummy* takes on a value equal to one if the director sits only on High ATP firms and there is no variation in ATP among the firms the director serves. *Different Level High ATP Dummy* takes on a value equal to one if the director sits only on High ATP firms and there is variation in ATP among the firms the director serves. Independent variable *Director Age* takes on a value of one if the director is over 61 years of age. The sample firms are ranked in ten deciles depending on the stock performance with Decile 1 as the worst performance group and Decile 10 as the best performance group. *Performance Rank* is defined for each director as the decile in which the performance of the firm where a non-executive director serves belongs (taking the average if the director sits in multiple positions). *CEOship* takes the value of one if the director is also a CEO of a firm. *CEO Turnover* takes the value of one if the director sits on at least in one board whose firm has changed CEOs and zero otherwise. *Multi Positions Dummy* is a dummy variable that takes the value of one if the director holds multiple positions and zero otherwise. *Firm Size* is the natural logarithm of market capitalization of the stock in the year of consideration. *Tobin's Q* is the ratio of market value of assets over its book value of assets. P-values of Wald Chi-Square tests are in parentheses. The percentage change in the probability of occurrence of the dependent variable is reported in the bracket (computed at mean for the continuous variables and at modal values for the dummy variables).

	BCF Index						GIM Index					
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	**Model 9**	**Model 10**	**Model 11**	**Model 12**
Independent Variable	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**
Intercept	-1.97*** (0.000)	-1.99*** (0.000)	-2.00*** (0.000)	-0.717*** (0.000)	-1.14*** (0.000)	-1.69*** (0.000)	-2.13*** (0.000)	-2.00*** (0.000)	-2.00*** (0.000)	-0.730*** (0.000)	-1.19*** (0.000)	-1.77*** (0.000)
ATP Index	0.009 (0.29) [0.001]						0.019*** (0.000) [0.004]					
High ATP Dummy		0.060*** (0.01) [0.01]	0.075 (0.21) [0.01]					0.097*** (0.000) [0.02]	0.101* (0.06) [0.01]			
Performance Rank * High ATP Dummy			-0.003 (0.78) [0.001]						-0.001 (0.93) [-0.001]			
Same Level ATP Dummy				-1.05*** (0.000) [-0.15]						-1.12*** (0.000) [-0.17]		
Same Level High ATP Dummy					-0.701*** (0.000) [-0.08]	-0.655*** (0.000) [-0.07]					-0.751*** (0.000) [-0.11]	-0.745*** (0.000) [-0.11]

Table VIII. Effect of ATP Preference on Likelihood of Additional Directorship by Non-Executive Director (Continued)

	BCF Index						GIM Index					
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	**Model 9**	**Model 10**	**Model 11**	**Model 12**
Independent Variable	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**
Different Level High ATP Dummy					0.339*** (0.000) [0.04]	0.337*** (0.000) [0.04]					0.338*** (0.000) [0.05]	0.299*** (0.000) [0.04]
Director Age > 61	-0.658*** (0.000) [-0.10]	-0.659*** (0.000) [-0.10]	-0.659*** (0.000) [-0.10]	-0.586*** (0.000) [-0.08]	-0.562*** (0.000) [-0.06]	-0.579*** (0.000) [-0.06]	-0.663*** (0.000) [-0.14]	-0.663*** (0.000) [-0.13]	-0.663*** (0.000) [-0.15]	-0.592*** (0.000) [-0.09]	-0.557*** (0.000) [-0.08]	-0.571*** (0.000) [-0.09]
Performance Rank	0.036*** (0.000) [0.006]	0.036*** (0.000) [0.006]	0.038*** (0.000) [0.006]	0.004 (0.58) [0.001]	0.016** (0.04) [0.002]	-0.003 (0.76) [-0.0003]	0.035*** (0.000) [0.007]	0.035*** (0.000) [0.007]	0.035*** (0.000) [0.008]	0.004 (0.57) [0.001]	0.019*** (0.01) [0.003]	-0.003 (0.70) [-0.0005]
CEOship	0.241*** (0.000) [0.04]	0.241*** (0.000) [0.04]	0.241*** (0.000) [0.04]	0.052 (0.12) [0.01]	0.077** (0.02) [0.01]	0.074** (0.03) [0.008]	0.239*** (0.000) [0.05]	0.239*** (0.000) [0.05]	0.239*** (0.000) [0.05]	0.032 (0.34) [0.005]	0.075** (0.02) [0.01]	0.072** (0.03) [0.01]
CEO Turnover	-0.036 (0.14) [-0.006]	-0.036 (0.15) [-0.006]	-0.036 (0.15) [-0.006]	-0.115*** (0.000) [-0.02]	-0.083*** (0.008) [-0.01]	-0.103*** (0.001) [0.01]	-0.036 (0.14) [-0.008]	-0.036 (0.13) [-0.007]	-0.036 (0.13) [-0.008]	-0.112*** (0.000) [-0.02]	-0.063** (0.04) [-0.01]	-0.085*** (0.006) [-0.01]
Multi Positions Dummy	0.685*** (0.000) [0.11]	0.684*** (0.000) [0.12]	0.684*** (0.000) [0.11]				0.687*** (0.000) [0.14]	0.685*** (0.000) [0.13]	0.685*** (0.000) [0.15]			
Firm Size						0.077*** (0.000) [0.008]						0.087*** (0.000) [0.01]
Tobin's Q						0.031*** (0.008) [0.003]						0.027*** (0.01) [0.004]
Year Dummy	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
N	56969	56969	56969	25853	25853	24820	57727	57727	57727	26164	26164	25162
Pseudo R^2	0.07	0.07	0.07	0.09	0.07	0.08	0.07	0.07	0.07	0.09	0.06	0.07

***Significance at the 0.01 level
**Significance at the 0.05 level
*Significance at the 0.10 level

Table IX. Effect of ATP Preference on Likelihood of Losing Directorship by Non-Executive Director

This table presents the logistic regression results of the dependent variable *Reduction*, which take the value of one if the director in a given year loses one or more director position(s) in the following three years. BCF *Index* is the Bebchuk et al. (2005) entrenchment index of the firm the director serves on (the average if the director sits on multiple boards). *GIM Index* is Gompers et al. (2003) governance index of the firm the director serves (the average if the director sits on multiple boards). In Models 1-6, ATP provisions of firms are represented by the BCF Index and in Models 7-12, ATP provisions of firms are represented by the GIM Index. For a director's firm, if the *ATP Index* is higher than the median value of this measure, then the *High ATP Dummy* takes the value of one and zero otherwise. Analysis in Models 4-6 and Models 10-12 are only on multiple directorship directors, causing a reduction in sample size. *Same Level ATP Dummy* takes a value equal to one if the director sits on multiple boards of firms with no variation in ATP levels, and zero otherwise. *Same Level High ATP Dummy* takes a value equal to one if the director sits only on High ATP firms and there is no variation in ATP among the firms the director serves. *Different Level High ATP Dummy* takes a value equal to one if the director sits only on High ATP firms and there is variation in ATP among the firms the director serves. Independent variable *Director Age* takes a value of one if the director is over 61 years of age. The sample firms are ranked in ten deciles depending on the stock performance with Decile 1 as the worst performance group and Decile 10 as the best performance group. *Performance Rank* is defined for each director as the decile in which the performance of the firm where a non-executive director serves belongs (taking the average if the director sits in multiple positions). *CEOship* takes the value of one if the director is also a CEO of a firm. *CEO Turnover* takes the value of one if the director sits on at least one board whose firm has changed CEOs and zero otherwise. *Multi Positions Dummy* is a dummy variable that takes a value of one if the director holds multiple positions and zero otherwise. *Firm Size* is the natural logarithm of market capitalization of the stock in the year of consideration. *Tobin's Q* is the ratio of market value of assets over its book value of assets. P-values of Wald Chi-Square tests are in parentheses. The percentage change in the probability of occurrence of the dependent variable are reported in the bracket (computed at mean for the continuous variables and at modal values for the dummy variables)

	BCF Index						GIM Index					
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	**Model 9**	**Model 10**	**Model 11**	**Model 12**
Independent Variable	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**
Intercept	-2.01*** (0.000)	-2.00*** (0.000)	-1.98*** (0.000)	-1.31*** (0.000)	-1.04*** (0.000)	-0.870*** (0.000)	-2.09*** (0.000)	-1.99*** (0.000)	-1.97*** (0.000)	-1.31*** (0.000)	-1.02*** (0.000)	-0.863*** (0.000)
ATP Index	0.025*** (0.003) [0.005]						0.016*** (0.000) [0.003]					
High ATP Dummy		0.063*** (0.007) [0.01]	0.035 (0.55) [0.009]					0.074*** (0.000) [0.02]	0.033 (0.53) [0.008]			
Performance Rank * High ATP Dummy			0.006 (0.60) [0.001]						0.008 (0.41) [0.002]			
Same Level ATP Dummy				0.559*** (0.000) [0.12]						0.602*** (0.000) [0.13]		
Same Level High ATP Dummy					0.323*** (0.000) [0.07]	0.276*** (0.000) [0.06]					0.358*** (0.000) [0.08]	0.341*** (0.000) [0.07]
Different Level High ATP Dummy					-0.225*** (0.000) [-0.05]	-0.228*** (0.000) [-0.05]					-0.182*** (0.000) [-0.04]	-0.155*** (0.000) [-0.03]

Table IX. Effect of ATP Preference on Likelihood of Losing Directorship by Non-Executive Director (Continued)

	BCF Index						GIM Index					
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	**Model 9**	**Model 10**	**Model 11**	**Model 12**
Independent Variable	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**	**Coefficient (p-value) [$\%\Delta pr$]**
Director Age > 61	0.445*** (0.000) [0.09]	0.446*** (0.000) [0.09]	0.446*** (0.000) [0.11]	0.479*** (0.000) [0.11]	0.467*** (0.000) [0.11]	0.481*** (0.000) [0.11]	0.441*** (0.000) [0.10]	0.441*** (0.000) [0.10]	0.441*** (0.000) [0.11]	0.483*** (0.000) [0.11]	0.459*** (0.000) [0.10]	0.470*** (0.000) [0.10]
Performance Rank	-0.018*** (0.000s) [-0.004]	-0.018*** (0.000) [-0.003]	-0.022*** (0.01) [-0.005]	-0.018*** (0.01) [-0.004]	-0.024*** (0.001) [-0.005]	-0.017** (0.03) [-0.004]	-0.019*** (0.000) [-0.004]	-0.019*** (0.000) [-0.004]	-0.023*** (0.001) [-0.006]	-0.017** (0.02) [-0.003]	-0.026*** (0.000) [-0.006]	-0.018** (0.02) [-0.004]
CEOship	-0.251*** (0.000) [-0.05]	-0.250*** (0.000) [-0.05]	-0.250*** (0.000) [-0.06]	-0.119*** (0.000) [-0.03]	-0.132*** (0.000) [-0.03]	-0.139*** (0.000) [-0.03]	-0.251*** (0.000) [-0.05]	-0.252*** (0.000) [-0.05]	-0.252*** (0.000) [-0.06]	-0.103*** (0.003) [-0.02]	-0.131*** (0.000) [-0.03]	-0.138*** (0.000) [-0.03]
CEO Turnover	0.370*** (0.000) [0.08]	0.371*** (0.000) [0.07]	0.371*** (0.000) [0.09]	0.262*** (0.000) [0.06]	0.243*** (0.000) [0.06]	0.254*** (0.000) [0.06]	0.366*** (0.000) [0.08]	0.365*** (0.000) [0.08]	0.366*** (0.000) [0.08]	0.254*** (0.000) [0.06]	0.219*** (0.000) [0.05]	0.233*** (0.000) [0.05]
Multi Positions Dummy	0.757*** (0.000) [0.16]	0.756*** (0.000) [0.15]	0.756*** (0.000) [0.19]				0.759*** (0.000) [0.18]	0.758*** (0.000) [0.18]	0.758*** (0.000) [0.18]			
Firm Size						-0.020** (0.05) [-0.005]						-0.026*** (0.01) [-0.006]
Tobin's Q						-0.039*** (0.001) [-0.01]						-0.027** (0.02) [-0.006]
Year Dummy	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
N	56969	56969	56548	25853	25853	24820	57727	57727	57727	26164	26164	25162
Pseudo R^2	0.06	0.06	0.06	0.05	0.04	0.04	0.06	0.06	0.06	0.05	0.04	0.04

***Significance at the 0.01 level
**Significance at the 0.05 level
*Significance at the 0.10 level

Table X. Effect of Changes in ATP and Directors' ATP Preference Level on Turnover

This table presents the effect of directors' ATP preference level and changes in ATP on directors' turnover. The logistic regressions are performed on observations of director-year. Panel A presents the logistic regression results on the dependent variable *Addition*, which takes the value of one if the director obtains new director position in the following three years of changes in ATP of the firm the director serves. Panel B presents the logistic regression results on the dependent variable *Reduction*, which takes the value of one if the director loses one or more director position(s) in the following three years of changes in ATP of the firm the director serves. *BCF Index* is the Bebchuk et al. (2005) entrenchment index of the firm the director serves (the average if the director sits on multiple boards). *GIM Index* is Gompers et al. (2003) governance index of the firm the director serves (the average if the director sits on multiple boards). In Models 1-7, ATP provisions of firms are represented by the BCF Index and in Models 8-14, ATP provisions of firms are represented by the GIM Index. The changes in anti-takeover provisions of the firm the director serves with respect to the previous year (the average if the director sits on multiple boards) is computed by subtracting *BCF (GIM) Index* in year *(t-1)* from the *BCF (GIM) Index* in year *t*. Independent variable *Absolute ATP Change* is the absolute value of changes in ATP levels. *ATP-Increase Dummy* is equal to one if the *BCF (GIM) Index* of the firm the director serves increases from the previous year and zero otherwise. *ATP Decrease Dummy* is equal to one if the *BCF (GIM) Index* of the firm the director serves decreases from the previous year and zero otherwise. For a director's firm, if the *ATP Index* is higher than the median value of this measure, then the *High ATP Dummy* takes the value of one and zero otherwise. *Same Level ATP Dummy* takes a value equal to one if the director sits on multiple boards of firms with no variation in ATP levels, and zero otherwise. Analysis in models with *Same Level ATP Dummy* is only on multiple-directorship directors, causing a reduction in sample size. *Director Age* takes a value of one if the director is over 61 years of age. The sample firms are ranked in ten deciles depending on past one year stock performance with Decile 1 as the worst performance group and Decile 10 as the best performance group. *Performance Rank* is defined for each director as the decile in which the performance of the firm where a non-executive director serves belongs (taking the average if the director sits in multiple positions). *CEOship* takes the a value of one if the director is also a CEO of a firm. *CEO Turnover* takes a value of one if the director sits on at least in one board whose firm has changed CEOs and zero otherwise. *Multi Positions Dummy* is a dummy variable that takes a value of one if the director holds multiple positions and zero otherwise. *Firm Size* is the natural logarithm of market capitalization of the stock in the year of consideration. *Tobin's Q* is the ratio of market value of assets over its book value of assets. P-values of Wald Chi-Square tests are in parentheses. The percentage changes in the probability of occurrence of the dependent variable are reported in the bracket (computed at mean for the continuous variables and at modal values for the dummy variables)

Panel A: Dependent Variable Addition

	BCF									GIM				
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	**Model 9**	**Model 10**	**Model 11**	**Model 12**	**Model 13**	**Model 14**
Intercept	-1.94*** (0.000)	-1.94*** (0.000)	-1.23*** (0.000)	-1.95*** (0.000)	-1.95*** (0.000)	-1.22*** (0.000)	-1.92*** (0.000)	-1.93*** (0.000)	-1.93*** (0.000)	-1.20*** (0.000)	-1.94*** (0.000)	-1.94*** (0.000)	-1.22*** (0.000)	-1.91*** (0.000)
Absolute ATP Change	-0.005 (0.88) [-0.001]	-0.008 (0.89) [-0.001]	0.347*** (0.000) [0.06]					-0.013 (0.53) [-0.003]	-0.003 (0.93) [-0.001]	0.202*** (0.000) [0.04]				
Absolute ATP Change * High ATP Dummy		0.017 (0.79) [-0.003]							-0.015 (0.68) [-0.003]					
Absolute ATP Change * Same Level ATP Dummy			-0.847*** (0.000) [-0.16]							-0.582*** (0.000) [-0.12]				

Table X. Effect of Changes in ATP and Directors' ATP Preference Level on Turnover (Continued)

Panel A: Dependent Variable Addition

	BCF									GIM				
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	**Model 9**	**Model 10**	**Model 11**	**Model 12**	**Model 13**	**Model 14**
ATP Increase Dummy				-0.023 (0.58) [-0.004]	-0.043 (0.66) [-0.01]	0.249*** (0.000) [0.05]	0.143** (0.03) [0.03]				-0.006 (0.86) [-0.001]	-0.015 (0.77) [-0.003]	0.290*** (0.000) [0.06]	0.241*** (0.000) [0.05]
ATP Increase Dummy* High ATP Dummy					0.023 (0.82) [-0.005]							0.034 (0.57) [0.006]		
ATP Increase Dummy* Same Level ATP Dummy						-0.895*** (0.000) [-0.17]	-0.669*** (0.000) [-0.16]						-0.903*** (0.000) [-0.19]	-0.807*** (0.000) [-0.18]
ATP Decrease Dummy				0.119** (0.04) [0.02]	0.137 (0.13) [0.03]	0.289*** (0.000) [0.05]	0.224*** (0.01) [0.05]				0.098* (0.07) [0.02]	0.217*** (0.006) [0.04]	0.298*** (0.000) [0.06]	0.245*** (0.001) [0.05]
ATP Decrease Dummy* High ATP Dummy					-0.029 (0.79) [-0.006]							-0.199** (0.04) [-0.04]		
ATP Decrease Dummy* Same Level ATP Dummy						-0.934*** (0.000) [-0.18]	-0.617*** (0.003) [-0.15]						-1.086*** (0.000) [-0.23]	-0.918*** (0.000) [-0.21]
Director Age > 61	-0.665*** (0.000) [-0.09]	-0.665*** (0.000) [-0.11]	-0.551*** (0.000) [-0.10]	-0.665*** (0.000) [-0.11]	-0.665*** (0.000) [-0.14]	-0.555*** (0.000) [-0.10]	-0.573*** (0.000) [-0.14]	-0.669*** (0.000) [-0.15]	-0.668*** (0.000) [-0.14]	-0.557*** (0.000) [-0.12]	-0.669*** (0.000) [-0.13]	-0.669*** (0.000s) [-0.12]	-0.565*** (0.000) [-0.12]	-0.578*** (0.000) [-0.13]
Performance Rank	0.035*** (0.000) [0.005]	0.035*** (0.000) [0.005]	0.028*** (0.000) [0.005]	0.035*** (0.000) [0.006]	0.035*** (0.000) [0.007]	0.028*** (0.000) [0.005]	0.007 (0.38) [0.002]	0.035*** (0.000) [0.008]	0.035*** (0.000) [0.007]	0.028*** (0.000) [0.006]	0.035*** (0.000) [0.007]	0.035*** (0.000) [0.006]	0.027*** (0.000) [0.006]	0.004 (0.61) [0.001]
CEOship	0.243*** (0.000) [0.03]	0.243*** (0.000) [0.04]	0.119*** (0.000) [0.02]	0.243*** (0.000) [0.04]	0.243*** (0.000) [0.05]	0.118*** (0.000) [0.02]	0.126*** (0.000) [0.03]	0.242*** (0.000) [0.06]	0.242*** (0.000) [0.05]	0.111*** (0.001) [0.03]	0.242*** (0.000) [0.05]	0.242*** (0.000) [0.05]	0.104*** (0.002) [0.02]	0.109*** (0.002) [0.02]
CEO Turnover	-0.023 (0.36) [-0.003]	-0.023 (0.36) [-0.004]	-0.025 (0.42) [-0.005]	-0.024 (0.35) [-0.004]	-0.024 (0.35) [-0.005]	-0.029 (0.35) [-0.005]	-0.053* (0.10) [0.01]	-0.023 (0.36) [-0.005]	-0.023 (0.35) [-0.005]	-0.028 (0.36) [-0.006]	-0.024 (0.34) [-0.005]	-0.025 (0.33) [-0.005]	-0.038 (0.22) [-0.008]	-0.071** (0.02) [-0.02]

Table X. Effect of Changes in ATP and Directors' ATP Preference Level on Turnover (Continued)

Panel A: Dependent Variable Addition

	BCF									GIM				
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	**Model 9**	**Model 10**	**Model 11**	**Model 12**	**Model 13**	**Model 14**
Multi Positions Dummy	0.698*** (0.000) [0.09]	0.698*** (0.000) [0.11]		0.697*** (0.000) [0.11]	0.697*** (0.000) [0.15]			0.699*** (0.000) [0.16]	0.699*** (0.000) [0.15]		0.697*** (0.000) [0.15]	0.698*** (0.000) [0.13]		
Firm Size							0.107*** (0.000) [0.03]							0.104*** (0.000) [0.02]
Tobin's Q							0.016 (0.19) [0.004]							0.01* (0.08) [0.004]
Year Dummy	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
N	52754	52754	24516	52754	52754	24516	22805	53478	53478	24825	53478	53478	24825	243113
Pseudo R^2	0.07	0.07	0.04	0.07	0.07	0.04	0.04	0.07	0.07	0.04	0.07	0.07	0.04	0.05

Panel B: Dependent Variable Reduction

	BCF									GIM				
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	**Model 9**	**Model 10**	**Model 11**	**Model 12**	**Model 13**	**Model 14**
Intercept	-1.96*** (0.000)	-1.96*** (0.000)	-0.956*** (0.000)	-1.97*** (0.000)	-1.97*** (0.000)	-0.988*** (0.000)	-0.711*** (0.000)	-1.98*** (0.000)	-1.97*** (0.000)	-0.979*** (0.000)	-1.977*** (0.000)	-1.97*** (0.000)	-1.01*** (0.000)	-0.749*** (0.000)
Absolute ATP Change	0.015 (0.63) [0.003]	0.011 (0.84) [0.002]	-0.198*** (0.001) [-0.04]					0.051*** (0.008) [0.009]	-0.022 (0.50) [-0.003]	-0.082** (0.03) [-0.02]				
Absolute ATP Change* High ATP Dummy		0.005 (0.93) [0.001]							0.103*** (0.005) [0.01]					
Absolute ATP Change* Same Level ATP Dummy			0.324*** (0.000) [0.07]							0.226 (0.000) [0.04]				
ATP Increase Dummy				0.045 (0.27) [0.01]	-0.042 (0.66) [-0.01]	-0.085 (0.16) [-0.02]	-0.045 (0.50) [-0.01]				0.035 (0.34) [0.006]	-0.127** (0.02) [-0.02]	-0.044 (0.41) [-0.01]	-0.002 (0.97) [-0.0003]
ATP Increase Dummy* High ATP Dummy					0.103 (0.31) [0.03]							0.255*** (0.000) [0.04]		
ATP Increase Dummy* Same Level ATP Dummy						0.284*** (0.004) [0.07]	0.135 (0.23) [0.03]						0.313*** (0.000) [0.07]	0.262*** (0.003) [0.04]

Table X. Effect of Changes in ATP and Directors' ATP Preference Level on Turnover (Continued)

Panel B: Dependent Variable Reduction

	BCF									GIM				
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	**Model 9**	**Model 10**	**Model 11**	**Model 12**	**Model 13**	**Model 14**
ATP Decrease Dummy				0.129**	0.082	-0.011	0.036				0.176***	0.015	0.042	0.062
				(0.02)	(0.37)	(0.89)	(0.70)				(0.000)	(0.85)	(0.57)	(0.44)
				[0.02]	[0.02]	[-0.002]	[0.008]				[0.03]	[0.002]	[0.01]	[0.01]
ATP Decrease Dummy* High ATP Dummy					0.077							0.255***		
					(0.49)							(0.01)		
					[0.02]							[0.03]		
ATP Decrease Dummy* Same Level ATP Dummy						0.355***	0.223						0.363***	0.237
						(0.01)	(0.22)						(0.007)	(0.15)
						[0.08]	[0.05]						[0.08]	[0.04]
Director Age > 61	0.477***	0.477***	0.474***	0.477***	0.476***	0.475***	0.498***	0.475***	0.474***	0.475***	0.475***	0.473***	0.478***	0.494***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
	[0.10]	[0.08]	[0.11]	[0.10]	[0.12]	[0.11]	[0.12]	[0.08]	[0.06]	[0.09]	[0.08]	[0.06]	[0.11]	[0.08]
Performance Rank	-0.019***	-0.019***	-0.035***	-0.019***	-0.019***	-0.034***	-0.022***	-0.021***	-0.021***	-0.035***	-0.021***	-0.021***	-0.035***	-0.023***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.01)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
	[-0.004]	[-0.003]	[-0.008]	[-0.004]	[-0.005]	[-0.008]	[-0.005]	[-0.004]	[-0.003]	[-0.007]	[-0.003]	[-0.002]	[-0.008]	[-0.004]
CEOship	-0.239***	-0.239***	-0.167***	-0.241***	-0.241***	-0.168***	-0.180***	-0.239***	-0.240***	-0.162***	-0.241***	-0.242***	-0.161***	-0.172***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
	[-0.05]	[-0.04]	[-0.04]	[-0.05]	[-0.06]	[-0.04]	[-0.04]	[-0.04]	[-0.03]	[-0.03]	[-0.04]	[-0.03]	[-0.04]	[-0.03]
CEO Turnover	0.364***	0.364***	0.199***	0.363***	0.364***	0.201***	0.209***	0.358***	0.359***	0.191***	0.356***	0.358***	0.192***	0.209***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
	[0.07]	[0.06]	[0.05]	[0.07]	[0.09]	[0.05]	[0.05]	[0.06]	[0.05]	[0.04]	[0.06]	[0.05]	[0.04]	[0.04]
Multi Positions Dummy	0.748***	0.748***		0.745***	0.745***			0.755***	0.754***		0.749***	0.748***		
	(0.000)	(0.000)		(0.000)	(0.000)			(0.000)	(0.000)		(0.000)	(0.000)		
	[0.15]	[0.13]		[0.15]	[0.18]			[0.12]	[0.10]		[0.13]	[0.10]		
Firm Size							-0.041***							-0.042***
							(0.000)							(0.000)
							[-0.009]							[-0.007]
Tobin's Q							-0.037***							-0.028**
							(0.005)							(0.02)
							[-0.009]							[-0.005]
Year Dummy	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
N	52754	52754	24516	52754	52754	24516	22805	53478	53478	24678	53478	53478	24825	23113
Pseudo R^2	0.06	0.06	0.03	0.06	0.06	0.03	0.04	0.06	0.06	0.04	0.06	0.06	0.04	0.04

***Significance at the 0.01 level
**Significance at the 0.05 level
*Significance at the 0.10 level

Table XI. Effect of M&A Performance and ATP Preference Level on Likelihood of Additional Directorship by Non-Executive Director

This table presents the logistic regression results of the dependent variable *Addition*, which take the value one if the director obtains a new director position in the three years following the M&A announcement. The number of observations includes only directors who sit on one of the 1,439 sample M&A firms reported in Table III. The sample mergers are ranked in ten deciles depending on the announcement period (-1, +1) market-adjusted cumulative abnormal return of the acquiring firm. *M&A Decile* takes values of 1-10 with the lowest abnormal return firms in Decile 1 and highest abnormal return firms in Decile 10. *Top M&A Decile* takes the value of one if the director sits on at least in one board whose firm is in the top M&A Decile and zero otherwise. *BCF Index* is the Bebchuk et al. (2005) entrenchment index of the firm the director serves. *GIM Index* is Gompers et al. (2003) governance index of the firm the director serves (average if the director sits on multiple boards). In Models 3-8, ATP provisions of the firms are represented by the BCF Index and in Models 9-14, ATP provisions of the firms are represented by the GIM Index. For a director's firm, if the *BCF (GIM) Index* is higher than the median value of this measure, then the *High ATP Dummy* takes the value of one and zero otherwise. Analyses in Models 4, 5, 7, 8, 10, 11, 13, and 14 are only on multiple-directorship directors causing a reduction in sample size. *Same Level ATP Dummy* takes on a value equal to one if the director sits on multiple boards of firms with no variation in ATP levels, and zero otherwise. *Same Level High ATP Dummy* takes on a value equal to one if the director sits only on High ATP firms and there is no variation in ATP among the firms director serves. *Different Level High ATP Dummy* takes value equal to one if the director sits only on High ATP firms and there is variation in ATP among the firms the director serves. Independent variable *Director Age* takes a value of one if the director is over 61 years of age. The sample firms are ranked in ten deciles depending on the past one year stock performance with Decile 1 signifying the worst performance group and Decile 10 the best performance group. *Performance Rank* is defined for each director as the decile in which the performance of the firm where a non-executive director serves belongs (taking the average if the director sits in multiple positions). *CEOship* takes the value of one if the director is also the CEO of a firm in the full sample. *CEO Turnover* takes the value of one if the director sits on at least one board whose firm has changed CEOs and zero otherwise. *Multi Positions Dummy* is a dummy variable that takes the value of one if the director holds multiple positions and zero otherwise. *Firm Size* is the natural logarithm of market capitalization of the stock in the year of consideration. *Tobin's Q* is the ratio of market value of assets over its book value of assets. P-value on Wald Chi-Square is in parenthesis. Marginal effects are reported in brackets.

	BCF								GIM					
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	**Model 9**	**Model 10**	**Model 11**	**Model 12**	**Model 13**	**Model 14**
Constant	-1.87*** (0.000)	-1.94*** (0.000)	-1.73*** (0.000)	-1.33*** (0.000)	-1.32*** (0.000)	-1.78*** (0.000)	-1.29*** (0.000)	-1.95*** (0.000)	-1.75*** (0.000)	-1.33*** (0.000)	-1.34*** (0.000)	-1.81*** (0.000)	-1.30*** (0.000)	-2.09*** (0.000)
Top M&A Decile	0.152** (0.05) [0.03]		0.219 (0.20) [0.05]	0.199* (0.09) [0.05]	0.229 (0.22) [0.05]				-0.140 (0.34) [-0.03]	0.191* (0.10) [0.04]	-0.136 (0.43) [-0.02]			
Top M&A Decile* High ATP Dummy			-0.222 (0.26) [-0.05]						0.306* (0.09) [0.07]					
Top M&A Decile* Same Level ATP Dummy				-0.762*** (0.005) [-0.17]						-0.84*** (0.003) [-0.18]				
Top M&A Decile* Same Level High ATP Dummy					-1.06*** (0.006) [-0.22]						-0.409 (0.33) [-0.08]			

Table XI. Effect of M&A Performance and ATP Preference Level on Likelihood of Additional Directorship by Non-Executive Director (Continued)

	BCF									GIM				
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	**Model 9**	**Model 10**	**Model 11**	**Model 12**	**Model 13**	**Model 14**
Top M&A Decile* Different Level High ATP Dummy					-0.115 (0.62) [0.03]						0.391* (0.07) [0.07]			
M&A Decile		0.031*** (0.000) [0.006]				0.022* (0.09) [0.004]	0.030*** (0.01) [0.007]	0.001 (0.93) [0.001]				0.005 (0.65) [0.001]	0.028** (0.02) [0.006]	-0.008 (0.56) [-0.002]
M&A Decile* High ATP Dummy						-0.007 (0.53) [-0.001]						0.017* (0.09) [0.004]		
M&A Decile* Same Level ATP Dummy							-0.15*** (0.000) [-0.03]						-0.17*** (0.000) [-0.04]	
M&A Decile* Same Level High ATP Dummy								-0.13*** (0.000) [-0.03]						-0.14*** (0.000) [-0.03]
M&A Decile* Different Level High ATP Dummy								0.023* (0.08) [0.006]						0.034*** (0.007) [0.007]
Director Age> 61	-0.57*** (0.0001) [-0.12]	-0.58*** (0.000) [-0.12]	-0.60*** (0.000) [-0.13]	-0.53*** (0.000) [-0.12]	-0.54*** (0.000) [-0.13]	-0.59*** (0.000) [0.12]	-0.53*** (0.000) [-0.12]	-0.53*** (0.000) [-0.10]	-0.59*** (0.000) [-0.13]	-0.53*** (0.000) [-0.11]	-0.53*** (0.000) [-0.11]	-0.60*** (0.000) [-0.14]	-0.55*** (0.000) [-0.13]	-0.53*** (0.000) [-0.10]
Performance Rank	0.027** (0.02) [0.005]	0.025** (0.04) [0.005]	0.024 (0.12) [0.005]	0.048*** (0.01) [0.01]	0.042** (0.03) [0.01]	0.022 (0.16) [0.004]	0.045** (0.02) [0.01]	0.019 (0.37) [0.004]	0.027* (0.07) [0.006]	0.049*** (0.01) [0.01]	0.048*** (0.01) [0.01]	0.025* (0.09) [0.006]	0.047** (0.02) [0.01]	0.018 (0.41) [0.004]
CEOship	0.20*** (0.000) [0.04]	0.199*** (0.001) [0.04]	0.206*** (0.002) [0.04]	0.109 (0.14) [0.03]	0.103 (0.17) [0.02]	0.207*** (0.002) [0.04]	0.067 (0.37) [0.01]	0.074 (0.33) [0.02]	0.201*** (0.003) [0.05]	0.103 (0.16) [0.02]	0.107 (0.15) [0.02]	0.196*** (0.003) [0.05]	0.045 (0.55) [0.01]	0.075 (0.32) [0.02]
CEO Turnover	0.043 (0.43) [0.01]	0.041 (0.46) [0.008]	0.053 (0.39) [0.01]	0.062 (0.36) [0.01]	0.058 (0.40) [0.01]	0.054 (0.38) [0.01]	0.018 (0.79) [0.004]	0.019 (0.78) [0.004]	0.056 (0.36) [0.01]	0.062 (0.36) [0.01]	0.065 (0.34) [0.01]	0.057 (0.35) [0.01]	0.022 (0.74) [0.005]	0.026 (0.70) [0.005]

Table XI. Effect of M&A Performance and ATP Preference Level on Likelihood of Additional Directorship by Non-Executive Director (Continued)

	BCF									GIM				
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	**Model 9**	**Model 10**	**Model 11**	**Model 12**	**Model 13**	**Model 14**
Multi Positions Dummy	0.635*** (0.000) [0.13]	0.629*** (0.000) [0.13]	0.518*** (0.000) [0.11]			0.517*** (0.000) [0.11]			0.528*** (0.000) [0.12]			0.527*** (0.000) [0.12]		
Firm Size								0.081*** (0.003) [0.01]						0.102*** (0.000) [0.02]
Tobin's Q								0.018 (0.45) [0.003]						0.007 (0.74) [0.0002]
Year Dummy	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
N	9,690	9,690	7,068	4,766	4,766	7,068	4,766	4,641	7,122	4,804	4,804	7,122	4,804	4,695
Pseudo R^2	0.06	0.06	0.05	0.04	0.04	0.05	0.06	0.06	0.05	0.04	0.04	0.05	0.06	0.05

***Significance at the 0.01 level
**Significance at the 0.05 level
*Significance at the 0.10 level

Table XII. Effect of M&A Performance and ATP Preference Level on Likelihood of Losing Directorship by Non-Executive Director

This table presents the logistic regression results of the dependent variable *Reduction*, which take the value of one if the director loses one or more director position(s) in the three years following the M&A announcement. The number of observations includes only directors who sit on one of the 1,439 sample M&A firms reported in Table III. The sample mergers are ranked in ten deciles depending on announcement period (-1, +1) market-adjusted cumulative abnormal return of the acquiring firm. *M&A Decile* takes values from 1-10 with the lowest abnormal return firms in Decile 1 and highest abnormal return firms in Decile 10. *Bottom M&A Decile* takes the value of one if the director sits on at least in one board whose firm is in the bottom M&A Decile and zero otherwise. *BCF Index* is the Bebchuk et al. (2005) entrenchment index of the firm the director serves. *GIM Index* is Gompers et al. (2003) governance index of the firm the director serves (average if the director sits on multiple boards). In Models 3-8, ATP provisions of the firms are represented by the BCF Index and in Models 9-14, ATP provisions of the firms are represented by the GIM Index. For a director's firm, if the *BCF (GIM) Index* is higher than the median value of this measure, then the *High ATP Dummy* takes the value of one and zero otherwise. Analyses in Models 4, 5, 7, 8, 10, 11, 13, and 14 are only on multiple-directorship directors, causing a reduction in sample size. *Same Level ATP Dummy* takes a value equal to one if the director sits on multiple boards of firms with no variation in ATP levels, and zero otherwise. *Same Level High ATP Dummy* takes a value equal to one if the director sits only on High ATP firms and there is no variation in ATP among the firms the director serves. *Different Level High ATP Dummy* takes a value equal to one if the director sits only on High ATP firms and there is variation in ATP among the firms the director serves. Independent variable *Director Age* takes a value of one if the director is over 61 years of age. The sample firms are ranked in ten deciles depending on the past one year stock performance with Decile 1 as the worst performance group and Decile 10 as the best performance group. *Performance Rank* is defined for each director as the decile in which the performance of the firm where a non-executive director serves belongs (taking the average if the director sits in multiple positions). *CEOship* takes the value of one if the director is also a CEO of a firm in the full sample. *CEO Turnover* takes the value of one if the director sits on at least one board whose firm has changed CEOs and zero otherwise. *Multi Positions Dummy* is a dummy variable that takes a value of one if the director sits on multiple positions and zero otherwise. *Firm Size* is the natural logarithm of market capitalization of the stock in year of consideration. *Tobin's Q* is the ratio of market value of assets over its book value of assets. P-value on Wald Chi-Square is in parenthesis. Marginal effects are reported in brackets.

	BCF									GIM				
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	**Model 9**	**Model 10**	**Model 11**	**Model 12**	**Model 13**	**Model 14**
Constant	-1.46*** (0.000)	-1.44*** (0.000)	-1.56*** (0.000)	-0.92*** (0.000)	-0.91*** (0.000)	-1.59*** (0.000)	-0.95*** (0.000)	-0.47** (0.05)	-1.54*** (0.000)	-0.91*** (0.000)	-0.90*** (0.000)	-1.57*** (0.000)	-0.95*** (0.000)	-0.36 (0.12)
Bottom M&A Decile	-0.007 (0.93) [-0.001]		0.064 (0.71) [0.02]	-0.299** (0.04) [-0.07]	0.038 (0.84) [-0.01]				-0.175 (0.28) [-0.03]	-0.272** (0.05) [-0.06]	-0.172 (0.34) [-0.04]			
Bottom M&A Decile* High ATP Dummy			-0.276 (0.18) [-0.07]						0.085 (0.67) [0.02]					
Bottom M&A Decile* Same Level ATP Dummy				0.785*** (0.001) [0.19]						0.745*** (0.002) [0.16]				
Bottom M&A Decile* Same Level High ATP Dummy					0.129 (0.67) [0.03]						0.467 (0.17) [0.11]			

Table XII. Effect of M&A Performance and ATP Preference Level on Likelihood of Losing Directorship by Non-Executive Director (Continued)

	BCF									GIM				
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	**Model 9**	**Model 10**	**Model 11**	**Model 12**	**Model 13**	**Model 14**
Bottom M&A Decile*					-0.294						0.101			
Different Level High ATP					(0.24)						(0.67)			
Dummy					[-0.07]						[0.02]			
		-0.012				-0.001	-0.03***	0.002				0.003	-0.03***	0.004
M&A Decile		(0.17)				(0.91)	(0.01)	(0.90)				(0.83)	(0.01)	(0.79)
		[-0.003]				[-0.001]	[-0.007]	[0.001]				[-0.001]	[-0.008]	[-0.001]
M&A Decile*						0.003						-0.002		
High ATP Dummy						(0.80)						(0.85)		
						[0.001]						[0.001]		
M&A Decile*							0.096***						0.107***	
Same Level ATP Dummy							(0.000)						(0.000)	
							[0.02]						[0.03]	
M&A Decile*								0.076***						0.057
Same Level High ATP								(0.000)						(0.008)
Dummy								[0.01]						[0.01]
M&A Decile*								-0.028**						-0.027**
Different Level High ATP								(0.04)						(0.03)
Dummy								[-0.005]						[-0.007]
	0.441***	0.443***	0.554***	0.573***	0.570***	0.555***	0.569***	0.575***	0.539***	0.567***	0.561***	0.543***	0.576***	0.570***
Director Age> 61	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
	[0.08]	[0.10]	[0.13]	[0.14]	[0.13]	[0.11]	[0.13]	[0.11]	[0.11]	[0.12]	[0.13]	[0.13]	[0.14]	[0.13]
	-0.017	-0.015	-0.006	-0.026	-0.028	-0.004	-0.023	-0.003	-0.009	-0.029	-0.029	-0.007	-0.024	-0.006
Performance Rank	(0.16)	(0.20)	(0.67)	(0.17)	(0.15)	(0.78)	(0.24)	(0.89)	(0.57)	(0.13)	(0.12)	(0.65)	(0.22)	(0.78)
	[-0.003]	[-0.003]	[-0.001]	[-0.006]	[-0.006]	[-0.001]	[-0.005]	[-0.0005]	[-0.002]	[-0.006]	[-0.006]	[-0.002]	[-0.005]	[-0.001]
	-0.29***	-0.29***	-0.25***	-0.21***	-0.19***	-0.25***	-0.179**	-0.169**	-0.25***	-0.21***	-0.21***	-0.25***	-0.165**	-0.176**
CEOship	(0.000)	(0.000)	(0.000)	(0.008)	(0.01)	(0.000)	(0.02)	(0.03)	(0.000)	(0.007)	(0.007)	(0.000)	(0.03)	(0.02)
	[-0.05]	[-0.07]	[-0.06]	[-0.05]	[-0.05]	[-0.05]	[-0.04]	[-0.03]	[-0.05]	[-0.05]	[-0.05]	[-0.06]	[-0.04]	[-0.04]

	BCF									GIM				
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**	**Model 9**	**Model 10**	**Model 11**	**Model 12**	**Model 13**	**Model 14**
CEO Turnover	0.286*** (0.000) [0.05]	0.285*** (0.000) [0.06]	0.259*** (0.000) [0.06]	0.199*** (0.003) [0.05]	0.211*** (0.001) [0.05]	0.259*** (0.000) [0.05]	0.243*** (0.000) [0.05]	0.254*** (0.000) [0.04]	0.262*** (0.000) [0.05]	0.197*** (0.003) [0.04]	0.195*** (0.003) [0.05]	0.259*** (0.000) [0.06]	0.238*** (0.000) [0.06]	0.228*** (0.000) [0.05]
Multi Positions Dummy	0.601*** (0.000) [0.11]	0.605*** (0.000) [0.14]	0.601*** (0.000) [0.14]			0.601*** (0.000) [0.12]			0.591*** (0.000) [0.12]			0.589*** (0.000) [0.14]		
Firm Size								-0.06*** (0.01) [-0.01]						-0.08*** (0.002) [-0.02]
Tobin's Q								-0.018 (0.45) [-0.003]						0.003 (0.90) [0.002]
Year Dummy	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
N	9690	9690	7068	4766	4766	7068	4766	4641	7122	4804	4804	7122	4804	4695
Pseudo R^2	0.05	0.05	0.06	0.04	0.04	0.06	0.05	0.05	0.06	0.04	0.04	0.06	0.05	0.05

***Significance at the 0.01 level
**Significance at the 0.05 level
*Significance at the 0.10 level

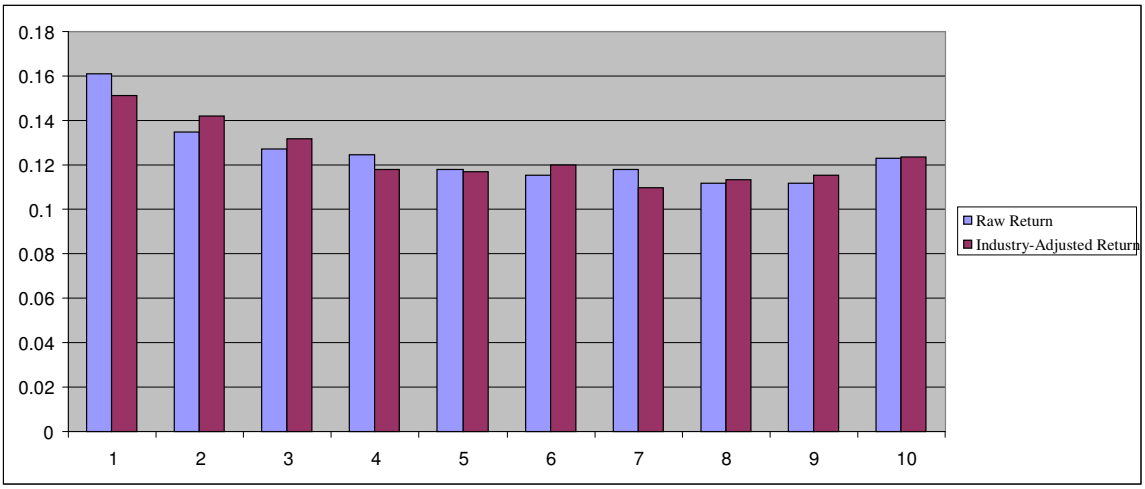
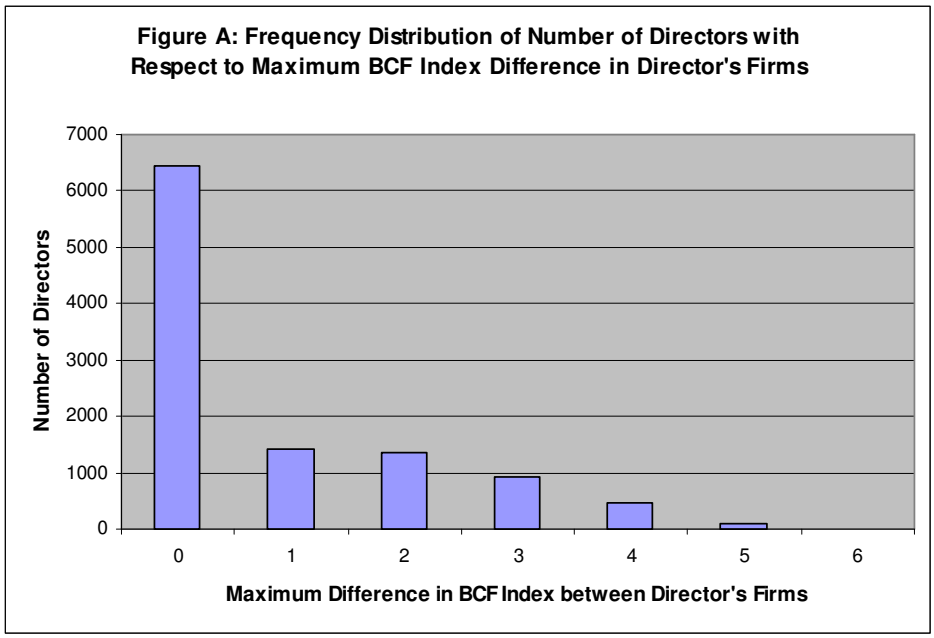


Figure I. Average Director Turnover for Ten Performance Deciles

This figure displays the average director turnover over nine sample years (1995-2003) for the ten performance deciles. Firms are ranked in ten deciles on stock performance in ascending order, with Decile 1 as the worst performance group and Decile 10 the best performance group. Average director turnover is computed by taking the average of the mean turnover in each sample year 1995-2003.



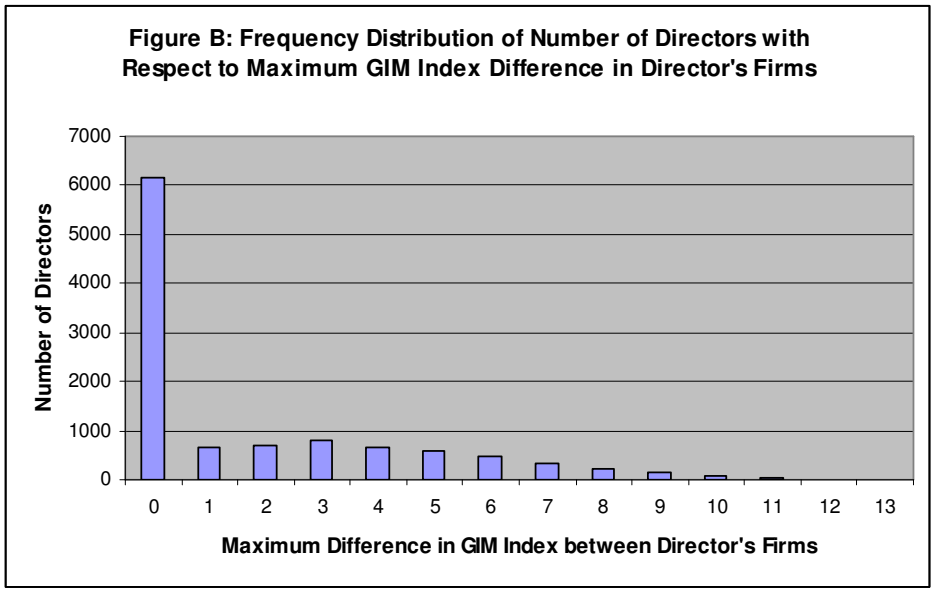


Figure II. Frequency Distribution of Number of Directors with Respect to Maximum Difference in ATP Level between Directors' Firms

This figure presents frequency distribution of the number of directors with respect to the maximum difference in ATP level between the firms' a director serves. Figure IIA represents the frequency distribution with respect to the BCF Index as a proxy for the firms' ATP level. Figure IIB represents the frequency distribution with respect to the GIM Index as a proxy for the firms' ATP level. Directors with multiple board positions that are not new are considered (i.e., this is not their first year on the board). The BCF Index takes a value from 0-6. The maximum difference between the BCF indices of firms a director serves can range from 0-6. The GIM Index takes a value from 0-24. The maximum difference between the GIM indices of firms a director serves can range from 0-24. The figure displays the number of directors who hold multiple director positions in firms with maximum variations of ATP levels within the range of the BCF and GIM indices.