

The Consequences to Directors for Deploying Poison Pills

Finance Working Paper N° 918/2023

December 2024

William C. Johnson

University of Massachusetts Lowell

Jonathan M. Karpoff

University of Washington and ECGI

Michael D. Wittry

Ohio State University

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Abstract

Using director-specific, within-firm variation in poison pills, we find that pill-adopting non-executive directors experience a decrease in shareholder votes, an increase in termination rates across all their directorships, and a decrease in the likelihood of new board appointments. These consequences are not due to poor firm performance, active bid resistance, or hedge fund activism, and accrue especially when the adopted pill is relatively costly to the firm. Firms have positive stock price reactions when pill-associated directors die unexpectedly, compared to negative returns for other directors. We conclude that pill-adopting directors experience a decrease in the value of their services.

Keywords: poison pills, director reputation, director turnover, director labor market

JEL Classifications: G34, K22, L51

William C. Johnson
Associate Professor, Finance
University of Massachusetts Lowell
Pulichino Tong Business Center - 261
Lowell, MA 01854, USA
phone: +1 978 934-5306
e-mail: William_Johnson@uml.edu

Jonathan M. Karpoff
Professor of Finance
Foster School of Business, University of Washington
PACCAR Hall, 4277 NE Stevens Way
Seattle, WA 98115, USA
phone: + 1 206 685 4954
e-mail: karpoff@uw.edu

Michael D. Wittry*
Assistant Professor of Finance
Ohio State University
854 Fisher Hall 2100 Neil Ave
Columbus, OH 43210, USA
phone: (614) 292-3217
e-mail: wittry.2@osu.edu

*Corresponding Author

The consequences to directors for deploying poison pills*

William C. Johnson¹
University of Massachusetts Lowell

Jonathan M. Karpoff²
University of Washington

Michael D. Wittry³
Ohio State University

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Abstract: Using director-specific, within-firm variation in poison pills, we find that pill-adopting non-executive directors experience a decrease in shareholder votes, an increase in termination rates across all their directorships, and a decrease in the likelihood of new board appointments. These consequences are not due to poor firm performance, active bid resistance, or hedge fund activism, and accrue especially when the adopted pill is relatively costly to the firm. Firms have positive stock price reactions when pill-associated directors die unexpectedly, compared to negative returns for other directors. We conclude that pill-adopting directors experience a decrease in the value of their services.

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¹ Email: william_johnson@uml.edu, Manning School of Business, University of Massachusetts Lowell, Lowell, MA 01854, USA.

² Email: karpoff@uw.edu, Foster School of Business, University of Washington, Seattle, WA 98195, USA.

³ Corresponding author. Email: wittry.2@osu.edu, Fisher College of Business, Ohio State University, Columbus, OH 43210, USA.

1. Introduction

Researchers have failed to reach consensus about the effects of poison pills on firm value and performance.⁴ But how do participants in the director labor market view poison pills? In this paper we examine how poison pills are viewed in the director labor market by measuring the effect of pill adoption on directors' vote support, turnover, and appointments to new board positions.

Our investigation is based on Fama's (1980) proposition that directors internalize at least some of the value consequences of their actions via the labor market. This proposition implies several possible relationships between pill adoption, the effect on shareholder value, and director labor markets:

(i) If poison pills decrease share values and the director labor market reflects shareholders' concerns, directors who adopt pills should experience a decrease in value and negative career consequences.

(ii) If pills serve shareholders' interest by improving the firm's operations or increasing expected takeover premiums, pill-adopting directors should enjoy an increase in value and career benefits. Pill-adopting directors will also experience career benefits if demand in the director labor market reflects managers' self-interest and not shareholders' interests. This is because pills benefit managers by providing takeover protection regardless of whether the pills increase or decrease share values.

(iii) If the adoption of a poison pill has little impact on the firm, or if Fama's (1980) proposition is incorrect and directors tend not to face consequences via the labor market, directors who adopt pills should experience negligible career consequences.⁵

To isolate the effects of poison pill adoption in the director labor market, we focus on non-executive directors (NEDs), i.e., directors who are not also employed by the firm. Focusing on non-executive

⁴ Poison pills are takeover defenses that increase the cost of a hostile acquisition and essentially force an outside bidder to negotiate directly with the firm's board of directors (see Catan (2019) and Eldar and Wittry (2021)). For evidence supporting the view that pills work primarily to entrench managers at shareholders' expense, see Malatesta and Walking (1988), Ryngaert (1988), Ryngaert and Netter (1988), and Ryngaert and Netter (1990). For arguments and evidence that poison pills can serve shareholder interests, see Grossman and Hart (1980), DeAngelo and Rice (1983), Comment and Schwert (1995), Danielson and Karpoff (2006), Heron and Lie (2006, 2015), Eldar and Wittry (2021), and Cremers et al. (2024).

⁵ For arguments and evidence that poison pills have negligible effects on firm value, see Margotta, McWilliams and McWilliams (1990), Datta and Iskandar-Datta (1996), Coates (2000), Klausner (2013), Catan and Kahan (2016), and Catan (2019).

directors' labor market consequences allows us to bypass concerns about the potentially confounding effects of a pill on executive directors' motivations and employment. To account for the possibility that pill adoption and director outcomes are endogenous, our tests include a broad set of controls and high-dimensional fixed effects for *Firm x Year* and *Director x Firm*. The fixed effects significantly decrease omitted variables problems because they control for time-invariant director characteristics, time-varying outcomes for each firm's non-executive directors, and any selection effects of the specific firm-director match. In effect, the high-dimensional fixed effects identify precise comparisons between pill-adopting (non-executive) directors and counterfactuals of non-pill adoption that incorporate director and firm characteristics including firm performance, year-specific outcomes for each firm's non-executive directors, and the reasons each director was selected to serve on any particular board in the first place.

An important feature of U.S. corporate governance is that individual director votes for or against a poison pill are not observable. *Firm x Year* and *Director x Firm* fixed effects pick up the effect of pill adoption on the outcome variable – say, director turnover – for all non-executive directors at the pill adopting firm. Therefore, each pill-associated director's turnover patterns are identified relative to her peer non-executive directors at other, non-pill adopting, boards on which she serves. The effects we measure do not reflect the impact of the individual director's support for the pill – which is unobservable – but rather, her association with pill adoption when she serves on a board that adopts a pill.

To illustrate our identification strategy, consider Dale Pond, a board member at Family Dollar Stores, Inc. in 2011 when it adopted a poison pill. We compare Dale Pond's shareholder vote support, turnover, and new directorships to those of his fellow non-executive directors at other boards on which he sat that did not adopt a pill in 2011. One such board was Scripps Networks Interactive, Inc. and one of Pond's fellow board members at Scripps Networks was Ron Tysoe. Tysoe, in turn, did not sit on any other boards that adopted a pill in 2011. So, our empirical procedure compares Dale Pond's subsequent shareholder vote support, turnover, and new directorships to those of Ron Tysoe, with additional controls for Pond's and Tysoe's time-invariant and time-varying personal characteristics, time-invariant and time-varying

characteristics of Family Dollar Stores, Inc. and Scripps Networks Interactive, Inc., and the match between each director and each board on which he serves.

The empirical results strongly indicate that non-executive directors who are associated with poison pill adoption experience negative consequences. The likelihood that a pill-adopting director leaves one of the boards on which she currently serves increases by 2–4 percentage points per year across all directorships, including at the non-pill adopting firms at which the director serves. In our sample, the unconditional probability of a director leaving any of her director positions is 10.8% per year, so a 3-percentage point increase represents a 28% increase in the likelihood of turnover per year for pill-adopting directors. Pill adoption decreases the likelihood that a director is appointed to a new board in any future year by 1.4–4.0 percentage points, representing a 7–21% decrease from the 18.7% unconditional likelihood of a new board appointment. Pill-adopting directors also experience a decrease in a vote support in subsequent board elections, but the effect is relatively small, averaging 1-1.9 percentage points across all directorships and 0.4-0.5 percentage points at the non-pill adopting firms at which the director serves.

The high-dimensional fixed effects models subsume many time-varying firm characteristics that could simultaneously motivate both pill adoption and director outcomes, including shareholder pressure, takeover threats, and firm performance (e.g., see Catan 2019; Eldar et al., 2023). We nonetheless directly examine the effects of external pressure from activists and the pill-adopting firm's stock price performance. Directors' adverse career consequences are at least as large for clear-day pills as they are for pills adopted while the firm is the target of an actual or rumored takeover bid, hedge fund investment or attention, or a proxy fight. Directors are also at least as likely to lose current board positions and not gain new board positions when the pill is adopted following good firm performance compared to poor firm performance. These results imply that non-executive directors face negative consequences for the pills themselves and not only for the circumstances that motivate some boards to adopt a pill.

In a supplemental investigation, we use director deaths to directly test the effect of a director's association with pill adoption on their labor market value. Consistent with prior results (e.g., Nguyen and Neilsen, 2010), we find a firm's average stock price reaction to a director's death is negative (CAR(-3, +3)

= -1.04%). If the director is associated with a previous adoption of a poison pill, however, the average stock price reaction is *positive*. The difference in stock price reactions to the deaths of a pill-associated and non-pill associated directors is 2.64 percentage points and is statistically significant (t-statistic = 3.09). The difference is even larger among sudden and unexpected director deaths (difference = 4.06 percentage points, t-statistic = 2.34). These results indicate that investors regard directors who are associated with the adoption of a poison pill as adding significantly less value to their firms than non-pill directors.

Additional tests help to isolate the channels by which pill adoption affects directors' careers. Directors' consequences are negatively related to the stock price reaction when the pill is adopted, indicating that consequences are more severe when the poison pill is costly for the firm's shareholders. Similarly, directors experience lower votes and higher turnover particularly when the poison pill is adopted at seasoned firms compared to young firms, consistent with Johnson et al.'s (2022) evidence that the value of a firm's takeover defenses is negatively related to firm age. Directors' adverse consequences also accrue primarily when the pill has characteristics that are most associated with managerial entrenchment, including pills adopted without a shareholder vote, pills with durations longer than one year, and non-NOL pills.⁶

Together, these results indicate that non-executive directors experience negative career consequences and a decrease in their director labor market value when they become associated with the adoption of a new poison pill. They have slightly lower vote support in subsequent board elections at both the pill-adopting firm and in their other directorships. More importantly, they are more likely to leave the boards on which they currently serve, including their non-pill adopting boards, and are less likely to be appointed as new directors at other firms. These consequences are attributable to the pill adoption itself and are distinct from the firm or director characteristics that affect the decision to adopt a pill. The consequences are most severe when the pill is relatively costly for shareholders.

⁶ These pill characteristics are identified as most entrenching by institutional investment advisors. In its proxy voting guidelines for 2023, for example, Institutional Shareholder Services (2022, pp. 5-6) indicates that it generally will recommend "vote against or withhold" for nominees from boards with poison pills that have durations longer than one year that were not approved by shareholders. ISS also indicates that a pill adopted to protect a firm's tax assets (so-called NOL pills) can be acceptable. See also Eldar and Wittry (2021) and Eldar et al. (2023).

These findings contribute to two areas in corporate governance research. First, they indicate that explicit pill adoption is consequential even though all firms have latent pills (e.g., see Coates 2000). This implies that labor market participants view the deployment of a poison pill as an important characteristic of a firm's corporate governance, and perhaps an indicator of a director's willingness to cater to managers, that is different from the mere option to deploy a pill, i.e., the shadow pills that exist at virtually all firms. Second, these results provide new evidence on the forces that influence directors' vote support, termination, appointments, and contributions to firm value. Consistent with the theory of the firm as proposed by Alchian and Demsetz (1972), Fama (1980), Fama and Jensen (1983) and others, the labor market imposes reputational penalties on non-executive directors who do not act in what is perceived by shareholders as acting in the best interests of the firm. These results indicate that the demand for directors' services reflects primarily shareholders' interests and not those of self-interested managers, who may wish to reward pill-adopting directors. Our results are inconsistent with arguments that directors act with near impunity or that they face few consequences for their actions.⁷

2. Data

Our data consist of a panel of 249,879 director firm-years from 2003–2020, including information on whether and when a director sits on a board that adopts a poison pill. We focus on three outcomes that provide insight into changes in the director's value in the director labor market: vote support at all existing directorships, turnover at all existing directorships, and new directorships. We also examine whether changes in vote support and turnover occur at the firm that adopts the pill and at other firms where the director serves on the board at the time the pill is adopted.

⁷ These results contribute to a long-running debate over the degree to which labor markets discipline directors. Some evidence indicates that such discipline is minimal, including Black, Cheffins, and Klausner (2006), Armour, Black, Cheffins, Nolan (2009), Ertimur, Ferri, and Maber (2012), Cai, Garner, and Walkling (2009), Burt, Hrdlicka, and Harford (2020), and Gopalan, Gormley, and Kalda (2021). Our results are consistent with findings that director labor market discipline is substantive, including Harford (2003), Coles and Hoi (2003), Yermack (2004), Masulis and Mobbs (2014), Jiang, Wan, Zhao (2016), Gilson (1990), Srinivasan (2005), Fich and Shivdasani (2007), Brochet and Srinivasan (2014), Fos and Tsoutsoura (2014), Del Guercio, Seery, and Woidtke (2008), Aggarwal, Dahiya, and Prabhala (2019), Naaraayanan and Nielsen (2021), and Bhattarai, Serfling, and Woidtke (2022).

Our sample of firms that have or acquire poison pills is drawn from the Securities Data Company (SDC) Poison Pills database and our sample of directors is drawn from the BoardEx Employment database. We exclude finance firms and utilities, as well as firms headquartered outside of the United States and those with dual class shares. We use the BoardEx Employment data to backfill directors' careers and identify directors who sat on boards that adopted poison pills back to the invention of the pill in 1982. We then merge the BoardEx Employment data with COMPUSTAT and CRSP data using firms' CUSIP identifiers. The match quality likely deteriorates when we backfill data into the 80s and 90s, possibly causing us to miss some directors' early pill adoptions. This is because the CUSIP is treated as a header variable in the BoardEx data and BoardEx coverage is notoriously uneven before 2000 (Fracassi and Tate 2012; Engelberg, Gao, and Parsons 2013). However, Internet Appendix Table IA.1 shows that the results are similar when we restrict the sample to only those directors first appearing in BoardEx during or after 2000.

Table 1 reports the year-by-year number of observations during the sample period. In 2003, the sample includes 8,219 unique non-executive directors at 1,850 unique firms and 9,514 unique firm-director observations. Over the full 2003-2020 sample period, there are 29,242 unique non-executive directors at 4,515 unique firms and 249,879 firm-director observations. As reported in Table 1, firms at which directors in our sample served adopted a total of 669 pills before 2003, plus 856 new pills from 2003–2020. For example, 44 firms adopted poison pills in 2003, increasing to 106 pill adoptions in 2008 and declining to 35 pill adoptions in 2020.

Panel A of Table 2 reports descriptive statistics for our three main outcome variables. *Votes for percentage_{ij,t}* is the percentage of votes for director i at firm j in year t , as defined by Iliev et al. (2015). Across all non-executive director-firm-years, the mean *Votes for percentage_{ij,t}* is 94%.⁸ $I(\text{Lose any board seat}_{i,t})$ is an indicator variable set equal to one if an existing director i leaves any board in year t . The unconditional likelihood a non-executive director departs a given firm is 8.2% each year. Many directors

⁸ The results are similar using alternative measures of vote support, including *%Withheld* (Aggarwal et al., 2019), or *Vote margin* (percentage of votes for minus the percentage against, minus the percentage abstaining, minus broker non-votes and votes withheld).

serve on more than one board, so the mean value of $I(Lose\ any\ board\ seat_{i,t})$, i.e., the likelihood a director loses at least one board seat in any given year, is 10.8%. $I(New\ directorship)_{i,t+1}$ is an indicator equal to one if director i is appointed to one or more new boards in the next year ($t+1$). The mean value of $I(New\ directorship)_{i,t+1}$ is 18.7%.

To collect vote support data, we employ a fuzzy match on director name, and manually check the results, to merge company vote results for all director elections from 2003-2020 from the Institutional Shareholder Service (ISS) Voting Analytics database. This merge yields a sample of 121,428 director-firm-year observations over the 2003–2020 period. We use this smaller sample for tests regarding vote support and the unconstrained sample of 249,879 firm-director observations for tests regarding director turnover and new directorships. Constraining the sample to observations with voting data for all tests, however, yields similar results (see Internet Appendix Table IA.2).

Panel B reports summary statistics for several key director characteristics. Of the 29,242 unique non-executive directors in the sample, 18.2% served on the board of at least one firm that adopted a poison pill. The mean value of $Poison\ pills\ adopted_{i,t}$ is 0.30 because some directors serve on more than one board that adopts a pill. The average director is 69.7 years old, serves on 1.5 boards, and has served for an average of 5.9 years in each board position.

Panel C of Table 2 reports on the characteristics of the firms on whose boards these directors serve. Averaging over all 44,601 firm-years in the sample, the average board has 5.7 non-executive directors and 1.5 executive directors, for a total of 7.2 directors. The average firm age (number of years on the CRSP database) is 18.4 years and the average firm assets is \$4.3 billion. The mean annual ROA is 1.6% (median = 9.6%), the mean annual stock return is 17.7%, and the mean value of Tobin's q is 2.3.

3. The effects of pill adoption on non-executive directors

3.1. Director vote outcomes

We begin by examining the vote outcomes for pill-adopting non-executive directors (NEDs) at annual shareholder meetings. This section also illustrates the precise identification afforded by three different sets of fixed effects, which we also use in tests for director turnover and new appointments.

Table 3 reports on tests of the relation between a director's vote support, *Votes for percentage*, and the total number of pills adopted by boards on which the non-executive director serves or has served (*Poison pills adopted*).⁹ Columns (1) – (3) include (low-dimensional) fixed effects for *Director*, *Firm*, and *Year*, which enable the key regressor, *Poison pills adopted*, to isolate the effects of any new pills adopted by a board on which the focus director serves relative to the director's career average vote support, the average vote support of non-executive directors at each firm on which the focus director serves, and time-varying changes in all directors' vote support. Stated differently, these fixed effects control for any effects on each outcome variable of each director's unique characteristics, the experiences of all non-executive directors at each firm with which they are matched, and any time trends. In these tests in columns (1) – (3), the coefficient on *Poison pills adopted* measures the average effect on *Votes for percentage* for a pill-adopting director at both the pill adopting firm and any other directorships they may hold. We cluster standard errors in all models at the director level to match the level of our treatment variable, the adoption of a new poison pill (Abadie et al., 2023). Internet Appendix Table IA.3 shows the results are robust to alternative levels of clustering, including two-way clusters at the director and firm levels.

The coefficient for *Poison pills adopted* in Column (1) implies that each new pill adoption is associated with an average 1.9 percentage point decrease in a pill-adopting director's vote support across all directorships. Column (2) includes controls for director and firm characteristics, including the director's board tenure and number of directorships. Previous research shows that ISS recommendations influence vote totals (e.g., Malenko and Shen 2016), so we also include an indicator that equals one if ISS

⁹ We drop the director i , firm j , and year t subscripts from the variable names in our verbal summaries but maintain subscripts for all variables in the tables.

recommended against the director. Consistent with prior findings, negative ISS recommendations are associated with a large decrease in vote support of 19.4 percentage points. Column (3) includes the interaction of *Poison pills adopted* and *ISS against/withhold*. The coefficient is negative and statistically significant, indicating that the negative relation between *Poison pills adopted* and a director's vote support is even more negative (by 1.4 percentage points) when ISS recommends that shareholders vote against a pill-adopting director.

Columns (4) – (6) include fixed effects for *Director* and *Firm x Year*. Note that the high-dimensional fixed effects of *Firm x Year* control for the average change in vote support among all non-executive directors of the pill-adopting firm in the year of pill adoption. This helps to control for time-varying firm-specific characteristics such as financial performance and subsumes these controls in each model. It also identifies changes in the pill-adopting director's vote support at other firms in which she serves as a director. That is, the coefficient on *Poison pills adopted* isolates the average effect on a pill-adopting director's vote support at her *other* (i.e., non-pill adopting) directorships. The results indicate that this effect averages –0.4 to –0.5 percentage points, depending on the inclusion of controls for director characteristics and ISS support. The *Poison pills adopted* coefficient also is negative and statistically significant when controlling for *ISS against/withhold*. This result implies that pill adoption is associated with lower vote support over and above the direct influence of ISS on shareholder voting.

Columns (7) – (9) include high-dimensional fixed effects for *Firm x Year* and *Director x Firm*. In these models, the coefficient for *Poison pills adopted* isolates the average effect on a pill-adopting director's vote support at her other (non-pill adopting) directorships, controlling for her average vote support in each firm-specific directorship. These fixed effect models yield highly precise identification of the effect of pill adoption compared to the pill-adopting director's peer non-pill adopting non-executive directors while also controlling for any particular director-firm selection effects. In these tests, the coefficients for *Poison pills adopted* range from –0.4 to –0.5 percentage points and are statistically significant.

Overall, these results indicate that pill-adopting directors experience a small decrease in vote support that averages 1 – 1.9 percentage points, including an average 0.4 – 0.5 percentage point decrease in vote

support in their directorships at other (i.e., not the pill-adopting) firms. On one hand, these results are statistically significant and are consistent with claims by some investors that they vote against pill-adopting directors.¹⁰ They also are consistent with findings that directors face more withheld votes when they are unresponsive to shareholder proposals to rescind poison pills or when they renew an existing poison pill (Ertimur et al., 2018; Catan, 2019). On the other hand, the magnitudes are small. Cai, Garner, and Walkling (2009) report that management-nominated directors nearly always receive supermajority vote support, implying that small changes in vote support are unlikely to directly influence a director’s appointment. The effect of pill adoption on a director’s vote support is much smaller than the influence of a negative recommendation from ISS, which averages 19 percentage points.

In subsequent sections, we report that pill adoption is associated with much larger effects on director turnover and new appointments, suggesting that pill-adopting directors experience larger consequences via the director labor market than in their vote support. One possible explanation for this discrepancy is that director elections are insensitive to director performance, as argued by Cai et al. (2009). Our finding that small changes in vote support can be accompanied by more meaningful consequences in the director labor market is also consistent with the results in Aggarwal et al. (2019). Another possible explanation for the small magnitude of the coefficients in Models (4) – (9) is that investors view each board as acting as a distinct team, such that a director’s association with pill adoption at one firm does not much affect their vote support as board members at other firms.¹¹

3.2. Director turnover

Table 4 reports multivariate OLS tests that are similar to those in Table 3, except the dependent variable is $I(\text{Lose any board seat}_{i,t})$, an indicator variable that equals one when an existing non-executive

¹⁰ For example, Dimensional Fund Advisors (2020) writes that, “Dimensional generally opposes poison pills. As a result, we may vote against the adoption of a pill and all directors at a portfolio company that put a pill in place without first obtaining shareholder approval. Votes against (or withheld votes from) directors may extend beyond the portfolio company that adopted the pill, to all boards the directors serve on.” Similarly, Institutional Shareholder Services (2023) indicates that it generally recommends votes against pill-adopting directors except in circumstances such as when pills have less than a year duration or are approved by shareholders.

¹¹ We thank a reviewer for this insight.

director leaves any board in the given year. Columns (1) and (2) include low-dimensional fixed effects for *Director*, *Firm*, and *Year*; columns (3) and (4) include high-dimensional *Firm x Year* fixed effects, and columns (5) and (6) add high-dimensional fixed effects for *Director x Firm*.

The coefficient for *Poison pills adopted* in column (1) is 0.033, indicating that pill adoption is associated with a 3.3 percentage point increase in the likelihood that a pill-adopting director will depart from a board on which they previously served. Controlling for director and firm characteristics in column (2), the increase is 2.9 percentage points. The unconditional mean turnover probability in our sample is 10.8%, so an increase of 2.9 percentage points represents a 27% increase in turnover likelihood.

Columns (3) and (4) report results including high-dimensional fixed effects for *Firm x Year*, which control for the effects on turnover for non-executive directors at their pill-adopting firms. The coefficients for *Poison pills adopted* indicate that pill-adopting directors experience a significant increase in their likelihood of turnover at their other (non-pill adopting firm) directorships. The point estimate of 5.7 percentage points in column (4) indicates that the likelihood of losing a directorship at another (not the pill-adopting) firm increases by 52% over the unconditional average turnover rate of 10.8%.

Controlling for *Director x Firm* fixed effects in columns (5) and (6), new pill adoption is associated with an increase in turnover likelihood of 4.7 percentage points. Thus, compared to their peer non-executive directors at non-pill adopting firms, and controlling for director-firm matching characteristics, directors who are associated with a new poison pill adoption experience a large and statistically significant increase in the likelihood of losing one or more directorships.

Pill-adopting directors' increased turnover could reflect demand or supply effects, or both. A decrease in demand reflects a decrease in the value of the director's services in the labor market and frequently is associated with "forced" turnover. The results reported below indicate that pill adoption is indeed associated with a decrease in demand for pill-adopting directors' services. These include evidence that pill-associated directors have relatively low value to their firms (Table 7) and that director turnover increases particularly when the pill is costly to shareholders (Tables 8-10).

However, the increased turnover could also reflect a supply effect, or “voluntary” turnover, as pill-adopting directors’ become less willing to serve on their boards. This could arise if pill adoption coincides with a greater cost of serving on a board due to uncertainty about the firm’s future independence, disagreement over governance, or other conflicts. To examine whether a supply effect is also at work, we examine whether turnover is related to the director’s age. Turnover among older directors is more likely to reflect a decrease in these directors’ willingness to serve, i.e., a supply effect. Younger directors, in contrast, have more years over which to experience the consequences of any reputational penalties from pill adoption, so turnover among younger directors is more likely to reflect a demand effect. The results of this test are tabulated in Internet Appendix Table IA.4. Both younger and older pill-adopting directors experience an increase in turnover likelihood, although the effect is about 50% larger among older directors. This suggests that, even though the increase in turnover reflects primarily a decrease in demand for pill-adopting directors’ services, there is evidence of a decrease in supply as well.

3.3. *New director appointments*

Table 5 reports on similar tests as in Tables 3 and 4, but the dependent variable is $I(\text{New directorship})$, which indicates that the focus director acquired one or more new directorships in the following year. The coefficients for *Poison pills adopted* in columns (1) and (2) indicate that directors acquire significantly fewer new board seats after they are associated with pill adoption, compared to their career average and compared to the normal experience of non-executive directors at the pill adopting firm. In our sample, the unconditional average likelihood that a director will acquire a new board seat in a given year is 18.7%. So, the coefficient of -0.027 in column (2) represents a 14% decrease in the likelihood of acquiring one or more new board seats following the year the director is associated with a pill adoption.¹²

¹² The *Poison pills adopted* coefficient also picks up the effect for pill-adopting directors who adopt more than one pill in a given year. There are only a few such observations in our sample, however, and the results are qualitatively the same if we drop these few observations.

Once again, columns (3) and (4) include fixed effects for *Firm x Year*, which control for the experience of all non-executive directors at the pill adopting firm. Columns (5) and (6) add *Director x Firm* fixed effects, which control for director-firm match characteristics. The coefficient of -0.028 for *Poison pills adopted* in column (6) indicates that pill-adopting non-executive directors experience a 15% decrease in the likelihood of acquiring a new directorship in the year after adopting a poison pill compared to their non-executive director peer directors at other (i.e., not the pill-adopting) firms.

In both Tables 4 and 5, the coefficients of interest are stable across specifications with different covariates and fixed effects. Combined with large increases in R-squared when moving from the low-dimensional fixed effects in columns (1) and (2) to the higher-dimensional fix effects in columns (3) through (6), the likelihood of significant omitted variable bias appears small (Oster, 2019).

3.4. Binscatter plots

The results in Tables 3 – 5 indicate that non-executive directors who serve on boards that adopt poison pills experience a small decrease in vote support, increased turnover likelihood, and decreased likelihood of a new directorship. Figures 1 – 3 provide a graphical illustration of these effects along with evidence on the impact of multiple pill adoptions. Figure 1 presents a cross-sectional binscatter plot for *Votes for percentage*. Each dot in the figure represents the average shareholder vote support for all directors within a calendar year, where directors are partitioned by their total number of pill adoptions. For directors with no pill adoptions up through the given year, the year-mean dots cluster closely around a mean vote support of 94.8%. For directors associated with one pill adoption, the mean of the year-specific dots is 92.9%, with a range from 91.8% to 93.9%. The averages are roughly the same for directors associated with two and three pill adoptions, although the spread of the year-specific means increases notably. (One reason for the increase in spread is that each annual dot is comprised of fewer and fewer directors as the total career pills adopted increase.) These results indicate that directors experience a small decline in vote support when they adopt their first poison pill, but do not experience further declines upon their second or third pill adoptions, on average.

Figure 2 reports a similar binscatter plot for director turnover. Among non-executive directors with no association with pill adoption (*Poison pills adopted* = 0), the mean likelihood of losing at least one board seat in any given year is 8.3%. The likelihood increases to 12.9% for directors with one pill adoption and to 16.5% for directors with two pill adoptions. These results suggest a cumulative effect of pill adoptions, as the likelihood of losing a board seat increases upon a director's first pill adoption and increases further upon the director's second pill adoption.

Figure 3 illustrates a similar cumulative effect for non-executive directors' appointments to new board seats. The unconditional likelihood that a director with no pill adoptions is appointed to at least one new board seat in any given year is 18.9%. This likelihood decreases to 11.6% for directors with one pill adoption and to 8.7% for directors with two pill adoptions. Overall, Figures 1 – 3 illustrate that pill adoptions are associated with small decreases in vote support, but a large increase in turnover likelihood and a large decrease in the likelihood of a new directorship. Furthermore, these latter two effects are larger for directors who adopt two pills than for directors with only one pill adoption.¹³

4. Investor pressure and firm performance

The evidence summarized in Tables 3–5 indicate that a non-executive director's association with pill adoption corresponds with lower vote margins, higher turnover rates, and lower rates of new directorships at other firms. To account for the possibility that pill adoption and director outcomes are endogenous, our tests include a broad set of controls plus high-dimensional fixed effects for *Firm x Year* and *Director x Firm*. These fixed effects control for firm-specific time-varying influences on a firm's decision to adopt a pill. Effects of firm performance on the firm's non-executive directors, for example, are picked up by the *Firm x Year* fixed effects. Nonetheless, in this section we examine two potentially important drivers of both pill adoptions and director outcomes: (i) acute shareholder pressure at the pill-adopting firm, and (ii) the adopting firm's stock price performance.

¹³ Internet Appendix Table IA.5 shows similar results for multiple pill adoptions using the high-dimensional fixed effect specifications.

4.1. Takeover bids, hedge fund activity, and proxy fights

Many firms adopt poison pills to resist real or rumored takeover bids, hedge fund activism, and proxy fights (e.g., Catan, 2019; Eldar et al., 2023). It is possible the negative career consequences reflected in Tables 3–5 are due to such activities rather than the poison pills themselves. To test this conjecture, we use data compiled by Eldar et al. (2023) and Bebchuk et al. (2015) to examine the effects of clear-day poison pills compared to pills adopted by firms that concurrently are targets of real or rumored takeover bids, unusual hedge fund attention, or proxy fights.¹⁴

In Table 6, Panel A, *Normalized Poison pills adopted (clear-day)* is the normalized number of pills adopted by a director in the absence of any evidence that the firm is the target of a real or rumored takeover bid, unusual hedge fund attention, or a proxy fight. We normalize this count number by dividing the deviation from the mean by the standard deviation of all *Poison pills adopted (clear-day)* to provide magnitude-free comparisons with three types of non-clear-day pill adoptions:

- *Normalized Poison pills adopted (bid or rumor)* is the normalized count of the director’s association with pills adopted in the same year as a takeover bid or rumor.
- *Normalized Poison pills adopted (13D or HF clicks > 90th percentile of HF clicks)* is the normalized count of the director’s association with pills adopted in the same year in which the firm is targeted in a 13D filing or a high number of views of its public filings by a hedge fund.¹⁵
- *Normalized Poison pills adopted (proxy fight)* is the normalized count of the director’s association with pills adopted in the same year in which the firm is engaged in a proxy fight.

¹⁴ We thank Ofer Eldar, Tanja Kirmse, and Michael Wittry for the data on takeover bid rumors and hedge fund clicks. See Eldar et al.(2023) for a complete description of the process by which the rumor and clicks data were compiled. We also are grateful to Alon Brav and Wei Jiang for providing 13D data updated through 2018. For more details on these data, see Brav et al. (2008) and Bebchuk et al. (2015).

¹⁵ Kirmse (2023) argues the 90th percentile of hedge fund clicks is a reasonable cutoff as a proxy for private communication between the hedge fund and the firm.

If the director consequences reflect these acute circumstances under which many pills are adopted, rather than the pill adoptions themselves, we should not observe the consequences following the adoption of clear-day pills. Rather, they will follow poison pills adopted to fend off bids, activism, or proxy fights.

For brevity, Table 6 reports only the results for the high-dimensional fixed effects models that also include director controls (*Board tenure* and *Number of directorships*). Columns (1), (3), and (5) include fixed effects for *Director* and *Firm x Year*, comparing the director's outcome to their fellow directors at other (non-pill adopting) firms. Columns (2), (4), and (6) add *Director x Firm* fixed effects to control for selection effects of the director-firm match.

The results indicate that for all three outcomes – lower vote support, higher turnover, and fewer new directorships – the consequences accrue most to non-executive directors adopting clear-day poison pills. In column (3), for example, the coefficient for clear-day pill adoptions is 0.020 and is significant at the 1% level. Coefficients for pills adopted during takeover bids or rumors, hedge fund attention, or proxy fights, by comparison, are smaller in magnitude, and many of the differences are statistically significant. These results indicate that directors' consequences are more severe following the adoption of clear-day pills compared to pills that are adopted following takeover bids or rumors, hedge fund attention, or proxy fights. Previous research shows that director turnover tends to be high around proxy fights and hedge fund activism (Fos and Tsoutsoura, 2014). Our finding that directors' negative career consequences are strongest for pills that are not associated with proxy fights and hedge fund activism indicate that the consequences accrue primarily from the pill adoption and not only to the circumstances that motivate some firms to adopt poison pills.

4.2. "Sunny day" versus "rainy day" pill adoption

Prior findings indicate that firms are more likely to adopt a poison pill following periods of poor performance (Malatesta and Walkling, 1988; Catan, 2019), and directors are more likely to suffer career consequences when they sit on boards of firms that perform poorly (Kaplan and Reishus, 1990; Gilson,

1990; Yermack, 2004). These findings suggest that poor firm performance might simultaneously drive pill adoptions and non-executive directors' subsequent negative labor market consequences.

To examine this possibility, we separate the sample into pill adoptions after good firm performance ("sunny day" pills) and pill adoptions after poor firm performance ("rainy day" pills). If performance drives both pill adoption and director labor market effects, directors' adverse labor market consequences will follow rainy day pills and should not occur after sunny day pills. To measure firm performance, we use cumulative stock returns over a one-calendar year period before the pill was adopted. Sunny day pills are those adopted following stock price performance that is higher than the within-sample median (6.25%), while rainy day pills are those that are adopted following below-median firm performance. *Normalized Poison pills adopted (sunny)* is the normalized count of the director's association with pills adopted following above-median performance, and *Normalized Poison pills adopted (rainy)* is the normalized count of the director's association with pills adopted following below-median performance. Again, we normalize these count numbers to provide magnitude-free comparisons between the two.

Table 6, Panel B, reports the results of these tests, using the same controls and fixed effects as in Panel A. The results indicate that directors' consequences are similar for rainy day and sunny day poison pills. Point estimates in columns (1) and (2) indicate that a pill-adopting director is more likely to see a decline in vote percentage when the pill is adopted following poor firm performance. The differences in the point estimates between sunny day and rainy pill adoptions, however, are statistically insignificant. The point estimates in columns (3) through (6) indicate that directors are just as likely to lose board seats, and if anything, less likely to gain new board seats following sunny day pills compared to rainy day pills. Overall, these results indicate that the connection between pill adoption and a director's subsequent turnover and new directorships are not driven by the adopting firm's poor performance and occur even when the pill is adopted following good performance.

5. The market value of pill-associated directors

This section presents evidence on pill-adopting directors' values in the director labor market. As Fich and Shivdasani (2007) point out, the share price reaction to news of a director's departure reflects investors' perceptions of an individual director's value to the firm compared to the director's expected replacement. If association with pill adoption lowers a director's value, the director's departure should correspond to a higher share price reaction than when a non-pill-associated director leaves a board.

To test this prediction, we use the announcements of director deaths taken from Schmid and Urban (2023) over the 2003-2019 period.¹⁶ Merging their announcements with our sample yields a total of 322 announcements of a non-executive director's death. Previous findings about the average share value impact of a director's death are mixed. Nguyen and Neilsen (2010) find that the average stock price reaction to the death of an independent director is negative, and Schmid and Urban (2023) report negative and significant abnormal returns for the deaths of female directors. In contrast, Francassi and Tate (2012) find positive stock price reactions to the deaths of connected directors.

As reported in Panel A of Table 7, we find a negative and statistically significant average abnormal return for various short-window periods surrounding a director's death. The magnitudes of the stock price drops are similar to those reported in Nguyen and Neilsen (2010), as $CAR(-1,+1) = -0.60\%$ and $CAR(-3,+3) = -1.04\%$. Partitioning the sample by a director's association with pill adoption, however, reveals a pattern. As reported in Panel B, the mean $CAR(-3, +3)$ is positive for directors who are associated with pill adoptions (0.81%) and negative for non-pill adopting directors (-1.83%). The difference in average share price reaction (2.64%) is significant at the 1% level.

Some directors' deaths may follow lengthy illnesses and not be a surprise to investors. To sharpen the event study measure of a director's value, we follow Nguyen and Neilsen (2010), Jenter et al. (2018), and Schmid and Urban (2023) by focusing on sudden – and likely unanticipated – deaths in Panel C.¹⁷ The

¹⁶ We are extremely grateful to Thomas Schmid and Daniel Urban for sharing their data on director deaths.

¹⁷ We use Schmid and Urban's (2023) classification of "sudden", which is a death event without any prior news coverage on poor health. Similar definitions are used in Nguyen and Nielsen (2010) and Jenter et al. (2018).

results show a similar pattern as in Panel B. For directors who were associated with pill adoption, their sudden death is associated with an average share price increase of 2.86%. For directors not associated with pill adoption, the share price reaction is negative, -1.20%. The difference of 4.06% is significant at the 5% level.

These results indicate that non-executive directors who are associated with the adoption of a poison pill have relatively low values in the director labor market compared to directors who are not associated with pill adoption. Overall, the results in Table 7 further support the inference that directors who are associated with the adoption of a poison pill experience a decrease in the market value of their director services.

6. Channels by which director consequences accrue

The evidence in prior sections indicates that non-executive directors who become associated with the adoption of a poison pill experience a slight decrease in vote support but a large increase in turnover and a large decrease in new board appointments. These consequences occur both at the pill-adopting firm and at other boards on which the director serves. In this section we extend our analysis to provide insight into the channels by which directors experience negative career consequences for adopting pills.

6.1. Consequences for value-decreasing pills

To the extent director labor markets discipline pill-adopting directors, negative career consequences should accrue especially when the pill is costly to the firm. To identify pills that are costly, we measure the stock market response when the pill is adopted or first publicized. To avoid the confounding effects of takeover bids or rumors, hedge fund activism, or proxy fights, we focus on the adoption of clear-day pills and measure the cumulative market-adjusted return over the (-3, +3) window relative to the day the pill was adopted. (Clear-day pills are defined in the same way as clear-day pills in Section 4.1 and Table 6, Panel A.) The sample median $CAR(-3, +3)$ is 0.95%. In Table 8, *Normalized Poison pills adopted* ($CAR <$

Median) is the director's normalized number of pills adopted for pills with below-median stock price reactions. Controls and high-dimensional fixed effects are the same as in Tables 6 and 7.

As reported in Table 8, directors do not experience career benefits when the stock price reaction to pill adoption is above the median. For example, the coefficient for *Normalized Poison pills adopted (CAR > Median)* in column (3) indicates a small increase in director turnover. However, pills with more negative stock price reactions at the time of adoption are associated with particularly negative career consequences for the adopting directors. In column (4) of Table 8, for example, the coefficient of 0.010 for *Normalized poison pills adopted_{i,t} (CAR < Median)* indicates that directors associated with a one standard deviation increase in (normalized) pill adoptions for which the stock price reaction was below the median, have a one percentage point increase in the likelihood of losing a board seat in the coming year. This is a 9% increase over the 11% unconditional average likelihood of losing a board seat. Similarly, columns (5) and (6) show that the likelihood of obtaining a new director position are significantly lower for directors who are associated with pill adoptions that prompt below-median stock price reactions.

6.2. Firm age effects

Johnson et al. (2022) find that the net benefits of takeover defenses are negatively related to firm age, as the marginal benefits of a takeover defense tend to decrease with firm age, while the marginal costs increase with firm age.¹⁸ This implies that pills adopted by older firms are likely to be costlier to the firm than pills adopted by young firms. If directors' adverse labor market consequences are related to the cost of their actions, we should expect these consequences to be larger when the poison pill is adopted at older firms.

Johnson et al. (2022) find that the net benefits of takeover defenses tend to be positive for firms up to four years after their IPOs, and negative for older firms. We therefore examine separately the impact on

¹⁸ For evidence on the benefits of takeover defenses, see also Johnson et al. (2015), Cen et al. (2016), Cremers et al. (2016), Amihud, Schmid, and Solomon (2019), Cremers et al. (2024), Field and Lowry (2022), and Guernsey et al. (2023).

each of our outcome variables of pills adopted at firms within four years of their IPOs and firms that are older than four years. Table 9 reports the results. Turnover likelihood is significantly higher, and vote support lower, when the pill is adopted at more seasoned firms, indicating that these negative career consequences accrue especially to directors who adopt value-decreasing pills. In column (4), for example, the coefficient of 0.020 for *Normalized poison pills adopted_{i,t} (Firm age > 4)* indicates that directors associated with a one standard deviation increase in (normalized) pill adoption at more seasoned firms experience a two percentage point increase in the likelihood of losing a board seat – an 18% increase over the unconditional likelihood of losing a board seat of 11%. A director’s association with pills adopted at young (four years or younger) firms, in contrast, is not associated with a significant change in the director’s likelihood of losing a board seat.

As in Table 8, we find that less costly poison pills – i.e., those at young firms or with higher stock price reactions – are associated with small or negligible career consequences for the adopting directors. The most negative career consequences are associated with pills that are adopted at older firms and that prompt more negative stock price reactions.

6.3. Pill characteristics

Institutional Shareholder Services (ISS) and others argue that the impact of a poison pill on firm value and operations depends on the pill’s features. In its 2023 proxy guidelines (Institutional Shareholder Services, 2022), ISS indicates that it generally will not recommend votes against directors who adopt pills that are subject to shareholder vote or are adopted for periods of one year or shorter, as pills with these features are less entrenching and potentially value-adding compared to pills without those features. ISS also views so-called NOL pills as relatively benign, as they are adopted to protect a firm’s NOL tax shield from loss due to an acquisition.

Table 10 reports on tests that examine whether the consequences to non-executive directors depend on these pill characteristics, using data on poison pill plan provisions from SDC. Panel A reports on vote support. The tests in each column include director control variables and high-dimensional fixed effects for

Firm x Year and *Director x Firm*. Column (1) distinguishes between pills that are adopted with a shareholder vote and pills adopted without a shareholder vote. Column (2) distinguishes between pills adopted with a one-year sunset compared to pills adopted with a longer duration. And column (3) splits the pills adopted into NOL and non-NOL pills. In all splits, the negative effect on the director's vote support is more pronounced among pills that are relatively costly for shareholders, that is, pills adopted without a shareholder vote, pills with durations of more than one year, and non-NOL pills. In all comparisons, the effects are significantly different from the effects of the less costly version of a pill.

Panels B and C report results for director turnover and new directorships. In both panels, the effects of pill adoption on directors arise primarily among pills with costly features, i.e., pills that are not subject to shareholder vote, pills that do not sunset within a year, and non-NOL pills. The differences for costly vs. less costly pills are statistically significant in Panel B (for director turnover), but not in Panel C (for new directorships) with the exception of shareholder vote requirements.

Together, the results in Sections 6.1 – 6.3 indicate that non-executive directors experience adverse career consequences particularly when they adopt pills that are costly. This holds whether cost is measured using the share price reaction when the pill is adopted (Section 6.1), when the pill is adopted at a more seasoned firm (Section 6.2), or when the pill has features that are associated with entrenchment (Section 6.3). These results imply that directors' adverse consequences do not accrue automatically because they adopt a poison pill, but primarily when the pill is costly to shareholders. That is, directors experience a version of Fama's (1980) ex-post settling up through the director labor market for pursuing value-decreasing policies.

6.4. Diminishing effects of pill adoption

Our empirical approach allows us to examine the effects of poison pill adoption in the year after the adoption, controlling for many of the director, firm, and time effects that could drive the results. It is possible, however, that the effects fade over time, either because markets overestimate the cost of the pill or the pill adoption diminishes in importance as the market learns other information about the director. To

investigate this possibility, we examine the relation between pill-adopting directors' consequences and their firms' stock price performance during the year after pill adoption. There is some evidence that particularly strong stock price performance decreases a director's pill-related career consequences, as directors at firms that have cumulative stock returns of greater than 63% (top 10 percentile) in the year following pill adoption experience little voting or turnover-related consequences (see Internet Appendix Table IA.6).

We also re-estimated our main tests using event-year dummies relative to a director's pill adoption year. The results, which are tabulated in Internet Appendix Table IA.7, indicate that the changes in vote support, director turnover, and new director appointments all fade to nearly zero three years after pill adoption. This result suggests that the negative career consequences of pill adoption diminish over time, perhaps as some pill-associated directors leave the labor market and markets learn more information about the remaining pill-associated directors.

6.5. Classified boards

Many researchers argue that poison pills offer particularly effective takeover protection when the firm also has a classified board (e.g., Bates et al., 2008). This is because a hostile bidder must win board seats in at least two board elections at a firm with a classified board – a costly and time-consuming process – before the bidder can acquire voting control, rescind the firm's poison pill, and proceed with the acquisition. This argument suggests that pills are particularly costly at firms with classified boards, in which case any effects on the adopting directors' career outcomes could depend on whether the firm also has a classified board.

The data, however, do not support this conjecture. Table IA.8 in the Internet Appendix reports on tests that compare the effects on directors' outcomes when the pill-adopting firm has a classified board to the effects when it does not, using the extended classified board data from Guernsey et al. (2023). The results indicate no significant differences in directors' vote support, turnover, or new directorships between firms with or without classified boards. These results do not support the conjecture that poison pills matter only if a firm has a preexisting classified board.

6.6. Additional channels

It is possible that director consequences depend on the director's specific role on the board. For example, poison pill adoption could be influenced particularly by members of the board's governance or nominating committees, who in turn face relatively large reputational consequences. To examine this possibility, we estimated the effects on vote support, turnover, and new directorships separately for members of the adopting firm's governance (or nominating) committee and for all other directors at the pill-adopting firm. The results, which are tabulated in Internet Appendix Table IA.9, indicate that directors who serve on a governance or nominating committee experience a similar increase in turnover compared to directors who do not sit on such committees. The effect on new directorships is smaller in magnitude for directors who sit on governance or nominating committees. These results do not indicate that directors who sit on these committees experience more negative career consequences compared to other pill-adopting directors. The director labor market appears to assign responsibility for pill adoption to all board members, and not only members of the governance or nominating committees.

Our main identification strategy relies on high-dimensional fixed effects (HDFE) that identify changes in vote support, turnover, and new directorships compared to the pill-adopting director's non-pill adopting peers on other boards on which the director serves. This approach assigns treatment to pill-adopting directors that serve on at least two boards, and thus omits directors who sit on only the one board that adopts the pill. This concern does not apply to our low-dimensional fixed effects tests, which are reported in Tables 3-5 and which exclude *Director x Firm* and *Firm x Year* fixed effects.

Nonetheless, to further examine whether the results are sensitive to our HDFE approach, we repeated our main tests including only directors who hold a single board seat. These LDFE tests exclude *Director x Firm* and *Firm x Year* fixed effects and are subject to concerns about endogeneity. The results are reported in Internet Appendix Table IA.10. The results for vote support and turnover are similar to those in the main tests.

It also is possible that a pill-adopting director's consequences are affected by the number of boards on which the director serves. For example, pill-adoption might be a more important signal about a director's qualities for directors who serve on only one or two boards compared to directors who serve on, say, four boards. To examine this concern, we repeated our main tests using a scaled measure of *Poison pills adopted/Total unique directorships*, where *Total unique directorships* is the total number of directorships held by the individual at any time in our sample period. This scaled measure weights pill adoption relatively heavily when the director sits on few boards. The results are reported in Internet Appendix IA.11 and are similar to our main results: scaled pill adoption is positively related to director turnover and negatively related to new directorships.

7. Why do they do it?

Given the negative career consequences, why would non-executive directors ever vote to adopt a pill? In this section we consider several potential answers to this question. First, directors might support pills for the same reason many managers do – pills can deter unwanted takeover bids and increase job security. Even for directors who derive few private benefits from their positions, however, the cost of pill adoption could be lower than the cost of opposing a manager who wants to adopt a pill. Warther (1998) argues that dissenting directors are more likely to be removed from their board positions, and Marshall (2010) finds that directors who openly dissent from a management position lose 85% of all current board seats in the five years after leaving a firm because of their dissent. Directors can experience pressure to support pills to make vote outcomes unanimous (see Malenko (2014); Schwartz-Ziv and Weisbach (2013)). In addition, directors' local reputational concerns could motivate them to vote for policies such as poison pills (e.g., see Levit and Malenko (2016)). These results suggest that, for many directors, the negative consequences of opposing a poison pill can exceed the negative career consequences of pill adoption.¹⁹

¹⁹ As noted, individual director votes in U.S. corporations are not observable (although see Ma and Khanna (2016), Tang, Du and Hou (2013), and Ding, Chen, Schmid, and Weisbach (2023) for examinations of data from China, where individual director vote data are available). It is possible that some directors of pill-adopting firms do oppose the pills and that director labor markets know about the opposition. Our measures of the effects of pill adoption will be understated to the extent that some directors who voted against pills are classified as pill-adopters.

It is possible that directors who approve a poison pill receive direct compensation that offsets their career costs. However, we find no evidence to support this claim. If anything, pill-adopting directors experience slight decreases in their board compensation relative to their non-pill adopting peer directors (see Internet Appendix Table IA.12).

We also consider whether pill-adopting directors can offset the negative consequences of pill adoption by overseeing the removal of a poison pill. Internet Appendix Table IA.13 reports on a test in which we examine the effect of pill rescissions on vote support, turnover, and new directorships. There is no evidence that pill rescissions by themselves have significant effects on any of these outcomes. But in the tests for new directorships, the coefficient on the interaction of *Poison pills adopted* $\times$ *Poison pills rescinded* is positive and significant. This implies that the negative effect of pill adoption on a director's likelihood of acquiring a new board position is partially offset if the director is also associated with a pill rescission.

The specific mechanisms examined here cannot fully explain why directors risk the negative consequences from adopting poison pills. Directors might derive private but unobservable benefits from their board positions that pills help to protect, or directors might approve pills to avoid conflicts with their managerial teams. There is some evidence that the negative effects on new directorships can be partly offset by rescinding pills. Directors' specific motives and benefits from adopting poison pills, however, remain difficult to explain.

8. Career consequences of pill adoption for executive directors

Executive directors are employed by the firm and may have different motives and consequences for adopting a poison pill compared to non-executive directors. Most notably, a poison pill that successfully deters a takeover bid can enable an executive director to keep their job in addition to their board position. In this section we examine whether executive directors' career consequences for adopting poison pills also differ from those for non-executive directors.

Table 11 reports on our three main outcomes using an expanded panel that includes data on both executive and non-executive directors who serve on boards that adopt poison pills. *Poison pills*

$adopted_{i,t}(ED)$ measures the total number of pills adopted by executive director i as of year t , and $Poison\ pills\ adopted_{i,t}(NED)$ measures the total number of pills adopted by each non-executive director i as of year t . We report two high-dimensional fixed effects models for each outcome variable, including *Director* and *Firm x Year x NED* fixed effects in Models 1, 3, 5, and *Firm x Year x NED* and *Director x Firm* fixed effects in Models 2, 4, and 6.²⁰

Models 1 and 2 show that non-executive directors' vote support declines slightly when they are associated with pill adoption, similar to the results in Table 3. The average effect on executive directors' vote support is similar, but the standard errors are larger and the coefficients are statistically insignificant.

The largest difference between pill-adopting executive and non-executive directors is their likelihood of losing current board seats. Models 3 and 4 show that pill-adopting non-executive directors experience significant increases in their likelihood of turnover, similar to our previous results. Executive directors' turnover likelihood, in contrast, is largely unaffected when they are associated with pill adoption. Given the high-dimensional fixed effects, these are board seats these directors hold in other (i.e., not the pill-adopting) firms. We infer that executive directors face different incentives than non-executive directors and that the director labor market views their associations with pill adoptions differently. A non-executive director's value to the firm is more likely to arise from their ability to protect shareholder interests, so non-executive directors are more likely to lose board seats when they are associated with board actions that investors view as harming shareholder interests. In contrast, executive directors who act in what appears to be their self-interest in enacting a pill that helps to preserve their jobs are less likely to lose their other board positions.

As reported in columns (5) and (6), the impact of pill adoption on EDs' subsequent new directorships positions is similar to that for non-executive directors. For both types of directors, pill adoption is associated with a decrease in the likelihood of acquiring new positions. So, even though pill-adopting executive

²⁰ These models differ from those in the prior tables only due to their inclusion of *Firm x Year x NED* fixed effects rather than *Firm x Year* fixed effects. The additional interaction with *NED* compares pill-adopting executive directors with other executive directors within the same firm-year, and pill-adopting non-executive directors with other non-executive directors within the same firm-year.

directors do not tend to lose their existing board seats, they – like their non-executive director counterparts – are less likely to acquire new board seats after they become associated with pill adoption.

9. Conclusions

The major finding from this paper is that directors suffer negative career consequences when their firms adopt poison pills. In empirical models that use high-dimensional fixed effects to isolate the incremental effect of pill adoption, non-executive directors who sit on boards that adopt new poison pills experience a small decrease in vote support and large effects on their likelihoods of keeping their current directorships and obtaining new directorships. The likelihood that a director will lose at least one of their board positions in the following year increases by 18–37%, and the likelihood of obtaining a new board position decreases by 7–21%. These adverse consequences arise even when the firm is not subject to actual or rumored takeover bids, hedge fund targeting or attention, or proxy fights, and when the firm has performed well over the previous calendar year. We infer that the adverse consequences are attributable to the pill adoption itself and not to the firm, director, the specific director-firm match, or situational characteristics that can motivate boards to adopt pills in the first place.

We also find that pill-associated directors have a lower value in the director labor market than directors who do not adopt any pills. In particular, firm values increase, on average, when a pill-associated director dies – and particularly when the death is sudden and unexpected – while firm values decrease, on average, upon the death of a director who is not associated with pill adoption. Together, these results indicate that directors who adopt poison pills lose both current and future directorships because they are viewed as adding less value to the firms at which they serve.

Further tests help to understand the channels by which these career consequences work. The consequences are most pronounced when the pills are especially costly for shareholders, that is, when (i) the pills have low stock price reactions when they are adopted, (ii) the pills are adopted at more seasoned firms, and (iii) the pills have specific features that are associated with managerial entrenchment and are opposed by shareholders rights groups such as ISS.

Overall, our results indicate that poison pills that are costly for shareholders also tend to be personally costly for the non-executive directors who sit on the boards that adopt them. When it comes to adopting costly poison pills, at least, the director labor market provides some discipline and accountability.

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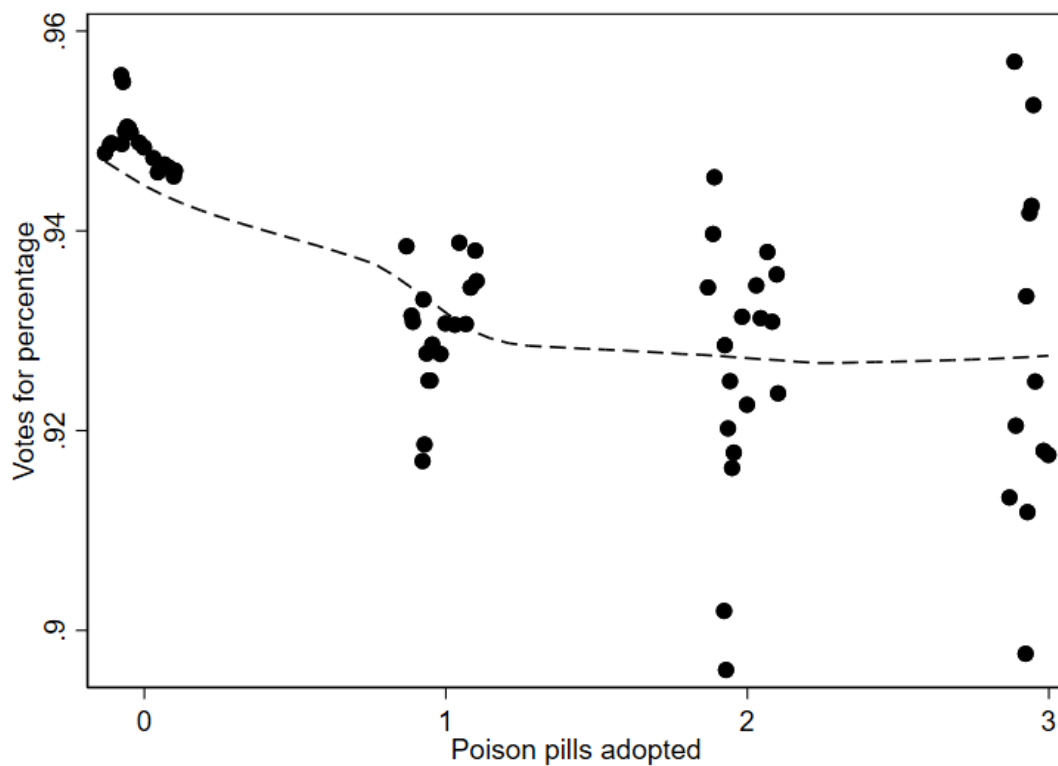
Appendix: Variable definitions

This table reports the definitions of the variables used in our empirical tests.

Variable	Data source	Definition
Director-specific variables		
Votes for percentage $_{i,j,t}$	ISS Voting Analytics data	Director i 's percentage of votes "for" in an uncontested election divided by the total votes cast in year t
I(Lose any board seat $_{i,t}$)	BoardEx Director Employment data	An indicator variable taking the value of one if director i leaves any board in year t
I(New directorship $_{i,t+1}$)	BoardEx Director Employment data	An indicator variable taking the value of one if director i joins a new board in year $t+1$
Adopted poison pill $_i$	SDC Platinum	An indicator variable taking the value of one if the director serves on a board that adopts a poison pill.
Poison pills adopted $_{i,t}$	SDC Platinum	A count variable for the number of firms on which a director serves that have adopted a poison pill.
Normalized Poison pills adopted	SDC Platinum	For each number of pills adopted, we subtract the mean number and divide by the standard deviation.
Director age $_{i,t}$ (years)	BoardEx Director Employment data	Age of director i in year t .
Board tenure $_{i,j,t}$ (years)	BoardEx Director Employment data	Number of years since director i was originally appointed to the board of firm j .
Number of directorships $_{i,t}$	BoardEx Director Employment data	The total number of directorships held by director i in year t .
Unconditional turnover $_{i,j,t}$	BoardEx Director Employment data	An indicator variable taking the value of one if director i leaves board j in year t
ISS against/withhold $_{i,j,t}$	ISS Voting Analytics data	An indicator variable taking a value of one if ISS recommends a vote against a director in a particular year.
Firm-specific variables		
Board size $_{j,t}$	BoardEx Director Employment data	The board size of firm j in year t .
Annual stock return $_{j,t}$ (%)	CRSP	The calendar year stock return for firm j in the calendar year t .
Institutional ownership $_{j,t}$ (%)	Thomas Reuters Institutional (13f) Holdings data	Percentage of total outstanding shares held by institutions for firm j in year t .
Book assets $_{j,t}$	COMPUSTAT	Book value of assets (at) for firm j in year t .
ROA $_{j,t}$ (%)	COMPUSTAT	Net income in the divided by total assets for firm j in year t .
Firm age $_{j,t}$ (years)	CRSP	The number of years since firm j first appeared in the CRSP database.
Tobin's q $_{j,t}$	COMPUSTAT	Firm total assets (at) minus book value of equity (ceq) plus firm market capitalization (csho x prec_f) divided by total assets (at) in year t .

Figure 1: Poison pill adoptions and director election voting

This figure depicts a cross-sectional binscatter plot for *Votes for percentage* by the total number of poison pills adopted by an individual non-executive director. Each black dot within each number of total pill adoptions represents a calendar year in our sample. The dashed line represents the best fit local polynomial approximation. *Votes for percentage* is collected from the Institutional Shareholder Services (ISS) Voting Analytics database and is a continuous variable equal to a director's votes "for" in an uncontested election divided by the total number of votes cast. We use the Securities Data Company (SDC) Poison Pills database to identify all directors who sit on a board that adopts a poison pill.



This figure depicts a cross-sectional binscatter plot for director turnover by the total number of poison pills adopted by an individual non-executive director. Each black dot within each number of total pill adoptions represents a calendar year in our sample. The dashed line represents the best fit local polynomial approximation. $I(\text{Lose any board seat})$ is collected from the BoardEx Employment database and is an indicator variable equal to one if a director leaves any board in year t . We use the Securities Data Company (SDC) Poison Pills database to identify all directors who sit on a board that adopts a poison pill.



Figure 3: Poison pill adoptions and new directorship

This figure depicts a cross-sectional binscatter plot for new directorships by the total number of poison pills adopted by an individual non-executive director. Each black dot within each number of total pill adoptions represents a calendar year in our sample. The dashed line represents the best fit local polynomial approximation. $I(\text{New directorship})$ is collected from the BoardEx Employment database and is an indicator variable equal to one if a director joins any board in year $t+1$. We use the Securities Data Company (SDC) Poison Pills database to identify all directors who sit on a board that adopts a poison pill.

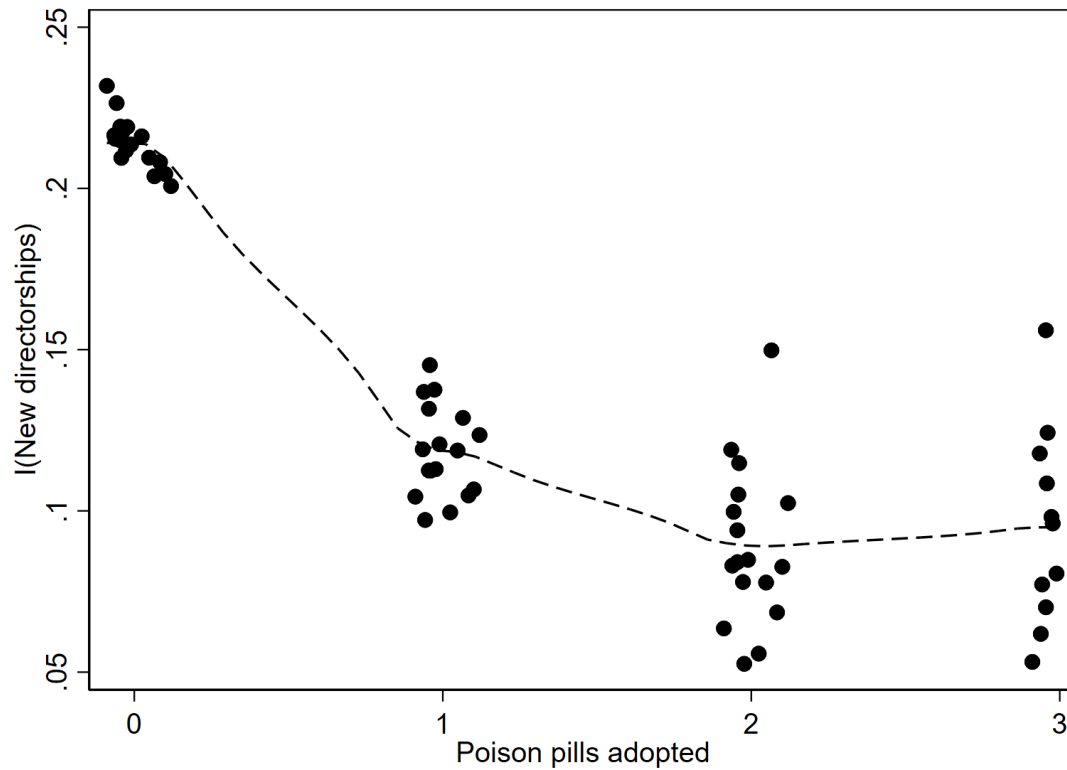


Table 1. Data

This table reports the number of observations of unique directors, firms, and new poison pills each year. The sample consists of 29,242 unique directors in the BoardEx Director Employment database over the period of 2003-2020. We use Securities Data Company (SDC) Poison Pills database to identify firms that adopt a poison pill in any given year.

Year	Unique firms	Unique directors	Firm-director observations	Pills adopted
Pre-2003	-	-	-	669
2003	1,850	8,219	9,514	44
2004	2,017	9,528	11,009	33
2005	2,177	10,339	11,959	56
2006	2,349	11,033	12,824	60
2007	2,551	11,963	14,029	52
2008	2,644	12,374	14,593	106
2009	2,695	12,497	14,757	105
2010	2,595	12,089	14,233	57
2011	2,534	11,910	13,997	59
2012	2,501	11,820	13,855	48
2013	2,544	12,008	14,268	43
2014	2,657	12,462	14,959	24
2015	2,639	12,485	15,051	24
2016	2,579	12,394	14,839	32
2017	2,563	12,401	14,833	22
2018	2,581	12,584	15,147	34
2019	2,560	12,806	15,398	22
2020	2,595	11,752	14,584	35
Total (2003-2020)	4,515	29,242	249,879	856

Table 2. Summary statistics

The sample consists of 29,242 unique directors in the BoardEx Director Employment database over the period of 2003-2020. Variables are defined in the Appendix. Panel A reports director and board characteristics and Panel B reports firm characteristics. We use the Securities Data Company (SDC) Poison Pills database to identify all directors who sit on a board that adopts a poison pill. Data on votes in uncontested director elections is reported in the Institutional Shareholder Services (ISS) Voting Analytics database. Firm characteristic variables are constructed using the Compustat Fundamentals Annual and CRSP databases.

	Obs.	Mean	SD	Min	P25	P50	P75	Max
<i>Panel A: Main outcome variables</i>								
Votes for percentage _{<i>ij,t</i>}	97,277	0.94	0.09	0.00	0.94	0.98	0.99	1.00
I(Lose any board seat) _{<i>i,t</i>}	249,879	0.11	0.31	0.00	0.00	0.00	0.00	1.00
I(New directorship) _{<i>i,t+1</i>}	215,529	0.19	0.39	0.00	0.00	0.00	0.00	1.00
<i>Panel B: Director characteristics</i>								
Adopted poison pill _{<i>i</i>}	29,242	0.18	0.39	0.00	0.00	0.00	0.00	1.00
Poison pills adopted _{<i>i,t</i>}	249,879	0.30	0.66	0.00	0.00	0.00	0.00	6.00
Director age _{<i>i,t</i>} (years)	248,915	69.7	10.1	26.0	63.0	70.0	77.0	106.0
Board tenure _{<i>ij,t</i>} (years)	249,879	5.9	6.2	0.0	1.0	4.0	9.0	57.0
Number of directorships _{<i>i,t</i>}	249,879	1.5	0.8	1.0	1.0	1.0	2.0	8.0
Unconditional turnover _{<i>ij,t</i>}	249,879	0.08	0.27	0.00	0.00	0.00	0.00	1.00
<i>Panel C: Firm characteristics</i>								
Board size _{<i>j,t</i>}	44,601	7.2	2.5	1	5	7	9	25
Firm age _{<i>j,t</i>} (years)	44,601	18.4	17.6	0	5	14	25	95
Book assets _{<i>j,t</i>} (\$B)	44,601	4.3	21.4	0	0.1	0.4	1.9	797.8
Annual Stock Return _{<i>j,t</i>} (%)	44,601	17.7	97.7	-98.8	-21.9	5.9	36.8	9580.6
ROA _{<i>j,t</i>} (%)	44,601	1.6	27..5	-118.7	-0.2	9.6	15.3	39.7
Tobin's q _{<i>j,t</i>}	44,601	2.3	1.8	0.6	1.2	1.7	2.6	10.5

Table 3. Poison pills adopted and director election voting

This table reports the results of linear regression models analyzing director voting outcomes. The sample consists of 18,394 unique non-executive directors in the BoardEx Director Employment database from 2003-2020 that are fuzzy matched to voting results in uncontested director elections from the Institutional Shareholder Services (ISS) Voting Analytics database. The independent variable of interest is the total number of poison pills an individual non-executive director i has adopted in any of his or her appointments up until time t . The dependent variable ($Votes\ for\ percentage$) is a continuous variable equal to a director's percentage of votes "for" in an uncontested election divided by the total number of votes cast. ISS recommendations are also collected from the ISS Voting Analytics database. We use the Securities Data Company (SDC) Poison Pills database to identify all directors who sit on a board that adopts a poison pill. Director control variables are constructed using the BoardEx Director Employment database and firm control variables are constructed using the Compustat Fundamentals Annual and CRSP databases. Robust standard errors, clustered at the director level, are reported in parentheses. ***, **, * denote significance of the parameter estimates at the 0.01, 0.05, and 0.10 levels, respectively.

	<i>Votes for percentage_{i,t}</i>								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Poison pills adopted _{i,t}	-0.019*** (0.002)	-0.012*** (0.001)	-0.010*** (0.001)	-0.005** (0.002)	-0.005*** (0.002)	-0.004*** (0.002)	-0.004* (0.002)	-0.005*** (0.002)	-0.004** (0.002)
Poison pills adopted _{i,t} x ISS against/withhold _{i,j,t}			-0.014*** (0.003)			-0.006*** (0.002)			-0.006*** (0.002)
Director control variables									
ISS against/withhold _{i,j,t}		-0.194*** (0.002)	-0.188*** (0.002)		-0.182*** (0.003)	-0.179*** (0.003)		-0.183*** (0.003)	-0.181*** (0.003)
Number of directorships _{i,t}		-0.005*** (0.001)	-0.005*** (0.001)		-0.003*** (0.000)	-0.003*** (0.000)		-0.003*** (0.001)	-0.003*** (0.001)
Board tenure _{i,j,t}		-0.002*** (0.000)	-0.002*** (0.000)		-0.001*** (0.000)	-0.001*** (0.000)			
Firm control variables									
Board size _{j,t}		-0.001** (0.000)	-0.001** (0.000)						
Log of book assets _{j,t}		0.003*** (0.001)	0.003*** (0.001)						
ROA _{j,t}		0.003 (0.003)	0.003 (0.003)						
Lagged ROA _{j,t}		0.007** (0.003)	0.007** (0.003)						
Annual Stock Return _{j,t}		0.001*** (0.001)	0.002*** (0.001)						
Lagged Annual Stock Return _{j,t}		0.002*** (0.000)	0.002*** (0.000)						
Tobin's q _{j,t}		0.002*** (0.000)	0.002*** (0.000)						
Lagged Tobin's q _{j,t}		0.003*** (0.000)	0.003*** (0.000)						
Institutional ownership _{j,t}		-0.006*** (0.002)	-0.006*** (0.002)						
Director FE	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Firm FE	Yes	Yes	Yes	No	No	No	No	No	No
Year FE	Yes	Yes	Yes	No	No	No	No	No	No
Firm x Year FE	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Director x Firm FE	No	No	No	No	No	No	Yes	Yes	Yes
Observations	92,374	89,348	89,348	85,064	85,064	85,064	82,214	82,214	82,214
R-squared	0.423	0.644	0.645	0.809	0.882	0.882	0.816	0.887	0.887

Table 4: Poison pills adopted and director turnover

This table reports the results of linear regression models analyzing director turnover. The sample consists of 29,242 unique non-executive directors in the BoardEx Director Employment database from 2003-2020. The independent variable of interest is the total number of poison pills an individual non-executive director i has adopted in any of his or her appointments up until time t . The dependent variable ($I(Lose\ any\ board\ seat_{i,t})$) is an indicator variable equal to one if a director loses a position on any board in year t . We use the Securities Data Company (SDC) Poison Pills database to identify all directors who sit on a board that adopts a poison pill. Director control variables are constructed using the BoardEx Director Employment database and firm control variables are constructed using the Compustat Fundamentals Annual and CRSP databases. Robust standard errors, clustered at the director level, are reported in parentheses. ***, **, * denote significance of the parameter estimates at the 0.01, 0.05, and 0.10 levels, respectively.

	<i>I(Lose any board seat_{i,t})</i>					
	(1)	(2)	(3)	(4)	(5)	(6)
Poison pills adopted _{i,t}	0.033*** (0.004)	0.029*** (0.004)	0.062*** (0.006)	0.057*** (0.006)	0.047*** (0.007)	0.047*** (0.007)
Director control variables						
Number of directorships _{i,t}		0.109*** (0.003)		0.111*** (0.003)		0.115*** (0.003)
Board tenure _{i,t}		0.012*** (0.000)		0.015*** (0.000)		
Firm control variables						
Board size _{j,t}		0.033*** (0.001)				
Log of book assets _{j,t}		-0.038*** (0.002)				
ROA _{j,t}		0.026*** (0.007)				
Lagged ROA _{j,t}		-0.036*** (0.007)				
Annual Stock Return _{j,t}		0.002* (0.001)				
Lagged Annual Stock Return _{j,t}		0.004*** (0.001)				
Tobin's q _{i,t}		-0.004*** (0.001)				
Lagged Tobin's q _{i,t}		-0.005*** (0.001)				
Institutional ownership _{j,t}		0.016*** (0.005)				
Director FE	Yes	Yes	Yes	Yes	No	No
Firm FE	Yes	Yes	No	No	No	No
Year FE	Yes	Yes	No	No	No	No
Firm x Year FE	No	No	Yes	Yes	Yes	Yes
Director x Firm FE	No	No	No	No	Yes	Yes
Observations	249,879	229,784	249,395	249,395	244,963	244,963
R-squared	0.223	0.266	0.404	0.425	0.448	0.461

Table 5. Poison pills adopted and new directorships

This table reports the results of linear regression models analyzing new directorships. The sample consists of 29,242 unique non-executive directors in the BoardEx Director Employment database from 2003-2020. The independent variable of interest is the total number of poison pills an individual non-executive director i has adopted in any of his or her appointments up until time t . The dependent variable $I(New\ directorship_{i,t+1})$ is an indicator variable equal to one if a director joins *any* board in year $t+1$. We use the Securities Data Company (SDC) Poison Pills database to identify all directors who sit on a board that adopts a poison pill. Director control variables are constructed using the BoardEx Director Employment database and firm control variables are constructed using the Compustat Fundamentals Annual and CRSP databases. Robust standard errors, clustered at the director level, are reported in parentheses. ***, **, * denote significance of the parameter estimates at the 0.01, 0.05, and 0.10 levels, respectively.

	<i>I(New directorship_{i,t+1})</i>					
	(1)	(2)	(3)	(4)	(5)	(6)
Poison pills adopted _{i,t}	-0.014*** (0.004)	-0.027*** (0.004)	-0.040*** (0.007)	-0.036*** (0.007)	-0.026*** (0.008)	-0.028*** (0.009)
Director control variables						
Number of directorships _{i,t}		0.132*** (0.003)		0.124*** (0.003)		0.158*** (0.004)
Board tenure _{i,j,t}		-0.015*** (0.000)		-0.019*** (0.001)		
Firm control variables						
Board size _{j,t}		0.039*** (0.001)				
Log of book assets _{j,t}		-0.010*** (0.003)				
ROA _{j,t}		0.021** (0.009)				
Lagged ROA _{j,t}		-0.011 (0.009)				
Annual Stock Return _{j,t}		0.002* (0.001)				
Lagged Annual Stock Return _{j,t}		0.002 (0.001)				
Tobin's q _{j,t}		0.002* (0.001)				
Lagged Tobin's q _{j,t}		0.003*** (0.001)				
Institutional ownership _{j,t}		-0.005 (0.006)				
Director FE	Yes	Yes	Yes	Yes	No	No
Firm FE	Yes	Yes	No	No	No	No
Year FE	Yes	Yes	No	No	No	No
Firm x Year FE	No	No	Yes	Yes	Yes	Yes
Director x Firm FE	No	No	No	No	Yes	Yes
Observations	211,432	195,190	210,258	210,258	206,122	206,122
R-squared	0.275	0.304	0.529	0.550	0.548	0.564

Table 6: Shareholder pressure and firm performance

This table reports the results of linear regression models analyzing voting outcomes, director turnover, and new directorships. The sample consists of 29,242 unique non-executive directors in the BoardEx Director Employment database from 2003-2020. In Panel A, the independent variables of interest are (a) the total number of poison pills (n=647 pills) an individual non-executive director has adopted that are *not* in the same year as a takeover bid or rumor, a 13D filing or views of public filings by an activist hedge fund, or a proxy fight (clear-day pills), (b) the total number of poison pills (n=128 pills) an individual non-executive director has adopted that in the same year as a takeover bid or a rumor, (c) the total number of poison pills (n=43 pills) an individual non-executive director has adopted that are in the same year as a 13D filing or views of public filings by an activist hedge fund, and (d) the total number of poison pills (n=98 pills) an individual non-executive director has adopted that are in the same year as a proxy fight, all measured up until time t . In Panel B, the independent variables of interest are (a) the total number of poison pills an individual non-executive director has adopted in which the adopting firm's one-year cumulative stock return before the pill adoption is above the sample median one-year cumulative stock return ("sunny day" pills) and (b) the total number of poison pills an individual non-executive director has adopted in which the adopting firm's one-year cumulative stock return before the pill adoption is below the sample median one-year cumulative stock return ("rainy day" pills). We use the Securities Data Company (SDC) Poison Pills database to identify all directors who sit on a board that adopts a poison pill. Data on takeover rumors around poison pills and views of public filings by activist hedge funds was shared by Ofer Eldar, Tanja Kirmse, and Michael Wittry (see Kirmse, 2023 and Eldar et al., 2023), while data on 13D targets was shared by Alon Brav and Wei Jian (see Brav et al., 2008 and Bebchuk et al., 2015). One-year cumulative stock returns are compiled from CRSP monthly returns for the one-year period directly prior to the pill adoption. Director control variables are constructed using the BoardEx Director Employment database. Robust standard errors, clustered at the director level, are reported in parentheses. ***, **, * denote significance of the parameter estimates at the 0.01, 0.05, and 0.10 levels, respectively.

<i>Panel A: Clear-day vs. Other Pill Adoptions</i>						
Dependent variable =	<i>Votes for percentage_{i,t}</i>		<i>I(Lose any board seat_{i,t})</i>		<i>I(New directorship_{i,t+1})</i>	
	(1)	(2)	(3)	(4)	(5)	(6)
Normalized poison pills adopted _{i,t} (Clear-day) (a)	-0.002*** (0.001)	-0.002*** (0.001)	0.020*** (0.003)	0.013*** (0.003)	-0.015*** (0.003)	-0.011*** (0.004)
Normalized poison pills adopted _{i,t} (Bid or rumor) (b)	-0.001 (0.001)	-0.000 (0.001)	0.003 (0.003)	0.005* (0.003)	-0.000 (0.003)	-0.001 (0.004)
Normalized poison pills adopted _{i,t} (13D, or HF clicks > 90 th percentile) (c)	-0.000 (0.001)	-0.000 (0.001)	0.006** (0.003)	0.006** (0.003)	-0.008*** (0.003)	-0.007** (0.004)
Normalized poison pills adopted _{i,t} (Proxy fight) (d)	0.001 (0.000)	0.001* (0.000)	0.004* (0.003)	0.005 (0.003)	-0.000 (0.003)	0.002 (0.003)
F-stat (a – b)	1.13	3.68*	19.66***	3.51*	10.21***	3.05*
(p-value)	(0.29)	(0.06)	(0.00)	(0.06)	(0.00)	(0.08)
F-stat (a – c)	3.00*	2.38	12.85***	2.15	2.62	0.54
(p-value)	(0.08)	(0.12)	(0.00)	(0.14)	(0.11)	(0.46)
F-stat (a – d)	8.35***	12.01***	16.87***	3.17*	11.71***	5.88**
(p-value)	(0.00)	(0.00)	(0.00)	(0.07)	(0.00)	(0.02)
Director Controls	Yes	Yes	Yes	Yes	Yes	Yes
Director FE	Yes	No	Yes	No	Yes	No
Firm x Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Director x Firm FE	No	Yes	No	Yes	No	Yes
Observations	85,064	82,214	249,395	244,963	210,258	206,122
R-squared	0.882	0.887	0.425	0.461	0.550	0.564

Table 6, continued

<i>Panel B: Rainy Day vs. Sunny Day Pills</i>						
Dependent variable =	<i>Voting for percentage_{i,t}</i>		<i>I(Lose any board seat_{i,t})</i>		<i>I(New directorship_{i,t+1})</i>	
	(1)	(2)	(3)	(4)	(5)	(6)
Normalized poison pills adopted _{i,t} (Sunny) (a)	-0.001 (0.001)	-0.001 (0.001)	0.014*** (0.003)	0.014*** (0.003)	-0.014*** (0.003)	-0.010** (0.004)
Normalized poison pills adopted _{i,t} (Rainy) (b)	-0.002*** (0.001)	-0.002*** (0.001)	0.019*** (0.003)	0.013*** (0.003)	-0.007** (0.003)	-0.006* (0.004)
F-stat (a – b) (p-value)	2.23 (0.14)	1.15 (0.28)	1.42 (0.23)	0.01 (0.93)	2.51 (0.11)	0.30 (0.58)
Director Controls	Yes	Yes	Yes	Yes	Yes	Yes
Director FE	Yes	No	Yes	No	Yes	No
Firm x Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Director x Firm FE	No	Yes	No	Yes	No	Yes
Observations	85,064	82,214	249,395	244,963	210,258	206,122
R-squared	0.882	0.887	0.425	0.461	0.550	0.564

Table 7: Cumulative abnormal returns around the death of a non-executive director

This table reports mean and median values of the abnormal stock price reaction when a firm announces that a non-executive board member passes away while serving as a director. The list of director deaths was graciously shared by Thomas Schmid and Daniel Urban (Schmid and Urban, 2023). When merged with our final sample, we are left with 322 non-executive director deaths from 2003 through 2019, including 70 deaths classified by Schmid and Urban (2023) as sudden. We use the Securities Data Company (SDC) Poison Pills database to identify all non-executive directors who had previously adopted a poison pill. Panel A reports the results from the baseline event study. Panel B analyzes the differential share value impact for directors who have previously adopted a poison pill, and Panel C analyzes the differential share value impact for deaths classified as sudden. Cumulative abnormal returns are calculated using a one factor market model with parameters estimated from day -250 through day -50 relative to the departure announcement. ***, **, * denote significance of the parameter estimates at the 0.01, 0.05, and 0.10 levels, respectively.

<i>Panel A: Abnormal returns in event window around the death of a non-executive director (N = 322)</i>			
Event window	Mean	Median	t-Test (p-value)
-1	-0.22%	-0.37%	-1.93* (0.05)
0	-0.25%	-0.13%	-1.42 (0.16)
+1	-0.12%	-0.02%	-0.78 (0.44)
-1 to 1	-0.60%	-0.53%	-2.36** (0.02)
-3 to 3	-1.04%	-0.33%	-2.61*** (0.01)
<i>Panel B: Abnormal returns for deaths by the prior adoption of a poison pill as a non-executive director (N = 322)</i>			
Director death announcement date CAR (-3,3)			
Prior pill adoption status for death of a director	N	Mean	Median
No prior pill adoption (a)	225	-1.83%	-0.82%
Prior pill adoption (b)	71	0.81%	0.72%
Test of difference (b-a) t-statistic (mean) / Mann-Whitney U-statistic (median) (p-value)		3.09*** (0.01)	2.71*** (0.01)
<i>Panel C: Abnormal returns for sudden deaths by the prior adoption of a poison pill as a non-executive director (N = 70)</i>			
Director death announcement date CAR (-3,3)			
Prior pill adoption status for death of a director	N	Mean	Median
No prior pill adoption (a)	55	-1.20%	-1.73%
Prior pill adoption (b)	15	2.86%	0.91%
Test of difference (b-a) t-statistic (mean) / Mann-Whitney U-statistic (median) (p-value)		2.34** (0.02)	2.56** (0.01)

Table 8. Director labor market outcomes and pill adoption share price reactions

This table reports the results of linear regression models analyzing voting outcomes, director turnover, and new directorships. The sample consists of 29,242 unique non-executive directors in the BoardEx Director Employment database from 2003-2020. The independent variables of interest are (a) the total number of *clear-day* poison pills an individual non-executive director has adopted in which the adopting firm's cumulative abnormal return in the (-3,3) day window around pill adoption is less than the sample median of 0.95% and (b) the total number of *clear-day* poison pills and individual director has adopted in which the adopting firm's cumulative abnormal return in the (-3,3) day window around pill adoption is greater or equal than the sample median of 0.95% . We use the Securities Data Company (SDC) Poison Pills database to identify all directors who sit on a board that adopts a poison pill. Clear-day pills are defined as those that are *not* in the same year as a takeover bid or rumor, a 13D filing or views of public filings by an activist hedge fund, or a proxy fight. Cumulative abnormal returns are calculated using a one factor market model with parameters estimated from day -250 through day -50 relative to the pill adoption. Director control variables are constructed using the BoardEx Director Employment database. Robust standard errors, clustered at the director level, are reported in parentheses. ***, **, * denote significance of the parameter estimates at the 0.01, 0.05, and 0.10 levels, respectively.

Dependent variable =	<i>Votes for percentage_{it,t}</i>		<i>I(Lose any board seat_{it,t})</i>		<i>I(New directorship_{it,t+1})</i>	
	(1)	(2)	(3)	(4)	(5)	(6)
Normalized poison pills adopted _{it,t} (CAR < Median) (a)	-0.001 (0.001)	-0.001** (0.001)	0.014*** (0.003)	0.010*** (0.003)	-0.009*** (0.003)	-0.008** (0.004)
Normalized poison pills adopted _{it,t} (CAR ≥ Median) (b)	-0.001 (0.001)	0.000 (0.001)	0.006** (0.003)	0.002 (0.003)	-0.001 (0.003)	0.002 (0.004)
F-stat (a – b) (p-value)	0.12 (0.73)	0.92 (0.34)	3.44* (0.06)	3.17* (0.07)	2.71* (0.10)	2.83* (0.09)
Director Controls	Yes	Yes	Yes	Yes	Yes	Yes
Director FE	Yes	No	Yes	No	Yes	No
Firm x Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Director x Firm FE	No	Yes	No	Yes	No	Yes
Observations	85,064	82,214	249,395	244,963	210,258	206,122
R-squared	0.969	0.971	0.427	0.462	0.552	0.565

Table 9. Director labor market outcomes for young vs. seasoned firms

This table reports the results of linear regression models analyzing voting outcomes, director turnover, and new directorships. The sample consists of 29,242 unique non-executive directors in the BoardEx Director Employment database from 2003-2020. The independent variables of interest are (a) the total number of poison pills an individual non-executive director has adopted in young firms (Firm age ≤ 4) and (b) the total number of poison pills and individual director has adopted in seasoned firms (Firm age > 4), both measured up until time t . We use the Securities Data Company (SDC) Poison Pills database to identify all directors who sit on a board that adopts a poison pill. Firm age is measured as the number of years since the firm first appeared in the CRSP database. Director control variables are constructed using the BoardEx Director Employment database. Robust standard errors, clustered at the director level, are reported in parentheses. ***, **, * denote significance of the parameter estimates at the 0.01, 0.05, and 0.10 levels, respectively.

Dependent variable =	<i>Votes for percentage_{i,j,t}</i>		<i>I(Lose any board seat_{i,t})</i>		<i>I(New directorship_{i,t+1})</i>	
	(1)	(2)	(3)	(4)	(5)	(6)
Normalized poison pills adopted _{i,t} (Firm age ≤ 4) (a)	0.001 (0.001)	0.001 (0.001)	0.005* (0.003)	0.002 (0.004)	-0.014*** (0.004)	-0.010** (0.005)
Normalized poison pills adopted _{i,t} (Firm age > 4) (b)	-0.002*** (0.001)	-0.002*** (0.001)	0.024*** (0.003)	0.020*** (0.003)	-0.013*** (0.003)	-0.010*** (0.004)
F-stat (a – b)	6.94***	68.56***	20.57***	13.62***	0.09	0.01
(p-value)	(0.01)	(0.00)	(0.00)	(0.00)	(0.76)	(0.93)
Director Controls	Yes	Yes	Yes	Yes	Yes	Yes
Director FE	Yes	No	Yes	No	Yes	No
Firm x Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Director x Firm FE	No	Yes	No	Yes	No	Yes
Observations	85,064	82,214	249,395	244,963	210,258	206,122
R-squared	0.882	0.887	0.425	0.461	0.550	0.564

Table 10: Director labor market outcomes for various poison pill characteristics

This table reports the results of regression models analyzing voting outcomes (Panel A), director turnover (Panel B), and new directorships (Panel C). The sample consists of 29,242 unique non-executive directors in the BoardEx Director Employment database from 2003-2020. The independent variable of interest is the total number of poison pills an individual non-executive director i has adopted up until time t . We further separate the number of pills adopted by an individual non-executive director by different characteristics of the plan. Model (3) in each panel splits by whether the plan includes a requirement that shareholders vote on the plan at the next annual meeting. Model (4) splits by the duration of each plan, and Model (2) in each panel splits by whether the poison pill was designed to protect a firm's tax asset (NOL pill). We use Securities Data Company (SDC) Poison Pills database to identify all directors that sit on a board that adopts a poison pill, as well as for data on poison pill characteristics. Director control variables are constructed using BoardEx Director Employment database. Robust standard errors, clustered at the director level, are reported in parentheses. ***, **, * denote significance of the parameter estimates at the 0.01, 0.05, and 0.10 levels, respectively.

<i>Panel A: Votes for percentage_{i,j,t}</i>			
	(1)	(2)	(3)
Normalized poison pills adopted _{i,t} (Shareholder Vote) (a)	0.001*		
	(0.000)		
Normalized poison pills adopted _{i,t} (No Shareholder Vote) (b)	-0.002***		
	(0.001)		
Normalized poison pills adopted _{i,t} (Duration ≤ 1 year) (a)		0.000	
		(0.000)	
Normalized poison pills adopted _{i,t} (Duration > 1 year) (b)		-0.002***	
		(0.001)	
Normalized poison pills adopted _{i,t} (NOL) (a)			-0.000
			(0.000)
Normalized poison pills adopted _{i,t} (Non-NOL) (b)			-0.002***
			-0.000
F-stat (a-b)	10.07***	9.03***	5.75**
(p-value)	(0.00)	(0.00)	(0.02)
Director Controls	Yes	Yes	Yes
Firm Controls	No	No	No
Firm x Year FE	Yes	Yes	Yes
Director x Firm FE	Yes	Yes	Yes
Observations	82,214	82,214	82,214
R-squared	0.887	0.887	0.887

Table 10, continued

<i>Panel B: I(Lose any board seat_{i,t})</i>			
	(1)	(2)	(3)
Normalized poison pills adopted _{i,t} (Shareholder Vote) (a)	0.003 (0.003)		
Normalized poison pills adopted _{i,t} (No Shareholder Vote) (b)	0.020*** (0.003)		
Normalized poison pills adopted _{i,t} (Duration ≤ 1 year) (a)		0.009*** (0.003)	
Normalized poison pills adopted _{i,t} (Duration > 1 year) (b)		0.017*** (0.003)	
Normalized poison pills adopted _{i,t} (NOL) (a)			0.003 (0.002)
Normalized poison pills adopted _{i,t} (Non-NOL) (b)			0.021*** (0.003)
F-stat (a-b)	18.55***	4.22**	16.13***
(p-value)	(0.00)	(0.04)	(0.00)
Director Controls	Yes	Yes	Yes
Firm Controls	No	No	No
Firm x Year FE	Yes	Yes	Yes
Director x Firm FE	Yes	Yes	Yes
Observations	244,963	244,963	244,963
R-squared	0.461	0.461	0.461

Table 10, continued

<i>Panel C: $I(New\ directorship_{i,t+1})$</i>			
	(1)	(2)	(3)
Normalized poison pills adopted _{<i>i,t</i>} (Shareholder Vote) (a)	-0.002 (0.003)		
Normalized poison pills adopted _{<i>i,t</i>} (No Shareholder Vote) (b)	-0.012*** (0.004)		
Normalized poison pills adopted _{<i>i,t</i>} (Duration ≤ 1 year) (a)		-0.005* (0.003)	
Normalized poison pills adopted _{<i>i,t</i>} (Duration > 1 year) (b)		-0.010** (0.004)	
Normalized poison pills adopted _{<i>i,t</i>} (NOL) (a)			-0.004 (0.003)
Normalized poison pills adopted _{<i>i,t</i>} (Non-NOL) (b)			-0.011*** (0.004)
F-stat (a-b)	4.27**	1.17	1.65
(p-value)	(0.04)	(0.28)	(0.20)
Director Controls	Yes	Yes	Yes
Firm Controls	No	No	No
Firm x Year FE	Yes	Yes	Yes
Director x Firm FE	Yes	Yes	Yes
Observations	206,122	206,122	206,122
R-squared	0.564	0.564	0.564

Table 11: Director labor market outcomes for executive and non-executive pill adopters

This table reports the results of linear regression models analyzing voting outcomes, director turnover, and new directorships. The sample consists of 29,242 unique directors in the BoardEx Director Employment database from 2003-2020. *Poison pills adopted_{i,t}* (ED) is the total number of poison pills an individual executive director i has adopted up until time t , and *Poison pills adopted_{i,t}* (NED) is the total number of poison pills an individual non-executive director i has adopted up until time t . We use the Securities Data Company (SDC) Poison Pills database to identify all directors who sit on a board that adopts a poison pill. Director control variables are constructed using the BoardEx Director Employment database. Robust standard errors, clustered at the director level, are reported in parentheses. ***, **, * denote significance of the parameter estimates at the 0.01, 0.05, and 0.10 levels, respectively.

Dependent variable =	<i>Votes for percentage_{i,t}</i>		<i>I(Lose any board seat_{i,t})</i>		<i>I(New directorship_{i,t+1})</i>	
	(1)	(2)	(3)	(4)	(5)	(6)
Poison pills adopted _{i,t} (NED)	-0.004*** (0.001)	-0.005*** (0.002)	0.058*** (0.006)	0.049*** (0.007)	-0.035*** (0.006)	-0.029*** (0.008)
Poison pills adopted _{i,t} (ED)	-0.004 (0.003)	-0.004 (0.004)	-0.009 (0.010)	-0.008 (0.011)	-0.049*** (0.014)	-0.034** (0.017)
F-stat (a-b) (p-value)	0.01 (0.94)	0.02 (0.88)	36.44*** (0.00)	20.02*** (0.00)	0.85 (0.36)	0.07 (0.79)
Director Controls	Yes	Yes	Yes	Yes	Yes	Yes
Director FE	Yes	No	Yes	No	Yes	No
Firm x Year x NED FE	Yes	Yes	Yes	Yes	Yes	Yes
Director x Firm FE	No	Yes	No	Yes	No	Yes
Observations	98,126	94,966	301,027	297,047	253,742	249,973
R-squared	0.885	0.891	0.435	0.473	0.567	0.593

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