

The Consequences to Directors for Deploying Poison Pills

Finance Working Paper N° 918/2023

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ECGI Working Paper Series in Finance

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Abstract

Non-executive directors associated with poison pill adoption 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 among young directors and 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

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The consequences to directors for deploying poison pills^{*}

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Abstract: Non-executive directors associated with poison pill adoption 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 among young directors and 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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I have nothing to disclose.

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I have nothing to disclose.

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I have nothing to disclose.

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