The Consequences to Directors for Deploying Poison Pills

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June 2023

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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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1. Introduction

Do directors face consequences for their actions? In theory, reputational and career concerns motivate non-executive directors to monitor managers and ameliorate agency problems.[1] But the empirical evidence is mixed. Some findings indicate that directors who perform well enjoy career benefits and directors who oversee poor firm performance suffer career consequences.[2] Other findings, however, indicate that directors rarely incur personal liability for poor or illegal firm behavior, that boards are largely self-perpetuating, and that directors of even poorly performing firms are reelected with supermajority support.[3]

This paper investigates whether directors experience consequences for a highly visible and potentially important board decision – the adoption of a poison pill. Poison pills, also known as shareholder rights plans, are extremely effective takeover defenses, as they increase the cost of a hostile acquisition and essentially force an outside bidder to negotiate directly with the firm's board of directors. Poison pills are themselves controversial, so our investigation also provides insight into how investors view poison pills.[4] If directors face consequences for their actions and

[1] E.g., see Alchian and Demsetz (1972), Fama (1980), and Fama and Jensen (1983).

[2] E.g., Harford (2003), Coles and Hoi (2003), Yermack (2004), Masulis and Mobbs (2014), Jiang, Wan, Zhao (2016) find that share value-increasing actions, such as successful acquisitions, are associated with better career outcomes such as an increase in new board positions. Srinivasan (2005), Fich and Shivdasani (2007), and Brochet and Srinivasan (2014) find that directors of sued or restating firms are more likely to lose their board seats, and Fos and Tsoutsoura (2014) find that directors of firms that experience proxy contests lose board seats. Del Guercio, Seery, and Woidtke (2008) and Aggarwal, Dahiya, and Prabhala (2019) find that shareholder votes can affect director outcomes such as turnover. Naaraayanan and Nielsen (2021) show that directors of firms in India face personal liability for corporate malfeasance. Bhattarai, Serfling, and Woidtke (2022) show that there is a director specific impact on firm performance and higher quality directors lead to better firm outcomes.

[3] Black, Cheffins, and Klausner (2006), and Armour, Black, Cheffins, Nolan (2009) show that U.S. and U.K. directors virtually never incur personal liability for their actions as directors, and Ertimur, Ferri, and Maber (2012) show that directors' penalties for option backdating are limited. Cai, Garner, and Walkling (2009) report that nearly all board-nominated directors get elected with supermajorities. Burt, Hrdlicka, and Harford (2020) show that directors can influence firm value, but such influence is not priced in the director labor market.

[4] For descriptions of poison pills, see Catan (2019) and Eldar and Wittry (2021). For evidence supporting the entrenchment view of poison pills, see Malatesta and Walkling (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), Cremers et al. (2019), and Eldar and Wittry (2021).

investors view pills as entrenching and harmful, directors who adopt pills should experience investor backlash and negative career consequences. If directors face consequences and pills serve shareholders' interest by improving the firm's operations or increasing expected takeover premiums, directors should enjoy career benefits. Another possibility is that directors tend not to face consequences for their actions, or the adoption of a poison pill has little impact on the firm, in which case directors who adopt pills would experience neither negative nor positive 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. This allows us to bypass concerns about the potentially confounding effects of a pill on executive directors' employment and to focus on non-executive directors' consequences via the director labor market. 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 x NED* 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 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.

[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).

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 x NED* 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 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 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 and Scripps Networks, 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. A new pill adoption is associated with a small decrease in a director's shareholder votes in subsequent board elections, averaging 1-2 percentage points across all directorships and 0.3-0.4 percentage points at the non-pill adopting firms at which the director serves. Pill adoption has much larger effects in the director labor market. The likelihood that a pill-adopting director leaves one of the boards on which she currently serves

increases by 4–6 percentage points per year across all directorships, including at the non-pill adopting firms at which the director serves. The unconditional probability of director turnover in our sample is 9.3% per year, so a 5-percentage point increase represents a 54% 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 by 1.9–3.8 percentage points, representing an 11–22% decrease from the 17.3% unconditional likelihood of a new board appointment.

The high-dimensional fixed effects models subsume time-varying firm characteristics that could simultaneously motivate both pill adoption and director outcomes, including shareholder pressure and firm performance (e.g., see Catan 2019; Eldar et al., 2022). We nonetheless separately 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 directors face negative consequences for the pills themselves and not only for the circumstances that motivate some boards to adopt a pill.

We also use director deaths to directly test the effect of a director's 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 directors who are associated with the adoption of a poison pill have significantly less value to their firms than non-pill directors.

Additional tests help to isolate the channels by which pill adoption affects directors' careers. The adverse consequences regarding vote support, lost directorships, and new directorships are most pronounced among directors who are younger than 56 years old, indicating that young directors experience the most negative reputational effects. 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]

We also examine whether executive directors (EDs) experience career consequences for adopting poison pills. Like non-executive directors, EDs lose some vote support and gain fewer new directorships after they are associated with pill adoption. Unlike NEDs, however, EDs' turnover rates decrease following pill adoption, indicating that EDs who adopt pills enjoy longer tenures on the boards on which they serve, including at the pill-adopting firm.

[6] These pill characteristics are identified as most entrenching by institutional investment advisors. In its proxy voting guidelines for 2023, for example, Institutional Shareholders 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 defend against an acquisition at a low price due to "short-term market disruptions" (so-called NOL pills) can be acceptable. See also Eldar et al. (2022).

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 lower vote support in subsequent board elections at both the pill-adopting firm and in their other directorships. 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 for young directors, for whom reputational effects are most important, and when the pill is relatively costly for shareholders.

These findings contribute to two areas of the corporate governance literature. First, they indicate that explicit pill adoption is consequential even though all firms have latent pills (e.g., see Coates 2000). This implies that investors 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. 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 run contrary to concerns that directors do not face consequences for their actions (e.g., Armour et al., 2009, Cai et al., 2009). When it comes to the adoption of poison pills, at least, the director labor market recognizes and reacts to directors' actions.

2. Data

Our data consist of a panel of 316,282 director firm-years from 2003–2020, including data of 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 or at other firms where the director serves on the board at the time the pill is adopted.

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 11,105 unique directors at 1,855 unique firms and 13,011 unique firm-director observations. Over the full 2003-2020 sample period, there are 35,056 unique directors at 4,525 unique firms and 316,282 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*$_{i,j,t}$ is the percentage of votes for director *i* at firm *j* in year *t*, as defined by Iliev et al. (2015). Across all director-firm-years, the mean *Votes for percentage*$_{i,j,t}$ is 84.0%.[7] *I(Lose any board seat*$_{i,j,t}$*)* is an indicator variable set equal to one if an existing director *i* leaves any board in year *t*. The unconditional likelihood a director departs a given firm is 6.8% each year. Many directors serve on more than one board, so the mean value of *I(Lose any board seat*$_{i,j,t}$*)*, i.e., the likelihood a director loses at least one board seat in any given year, is 9.3%. *I(New directorship)*$_{i,j,t+1}$ 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)*$_{i,j,t+1}$ is 17.3%. 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 121,409 director-firm-year observations over the 2003–2020 period. We use this smaller sample for tests regarding vote support and the unconstrained sample of 316,282 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 35,056 unique directors in the sample, 20% served on the board of at least one firm that adopted a poison pill. The mean value of *Total pills adopted*$_{i,j,t}$ *(NED)* is 0.26 because some directors serve on more

[7] 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).

than one board that adopts a pill. The average director is 69.7 years old, serves on 1.4 boards, and has served for an average of 6.2 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 44,655 firm-years in the sample, the average board consists of 7.2 directors, 79.4% of whom are non-executive 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 = 9.65%), the mean annual stock return is 17.8%, 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 non-executive directors (NEDs) at annual shareholder meetings. Cai, Garner, and Walkling (2009) report that management-nominated directors nearly always receive a majority vote. Nonetheless, a director's vote support indicates the strength of shareholders' support for that director, and a decrease in shareholder votes signals shareholder dissatisfaction with the director's performance. Aggarwal et al. (2019) find that, even in uncontested director elections, dissenting votes have substantial negative impacts on directors' careers, increasing the likelihood the director will leave the board or be moved to less influential positions, and decreasing the director's future opportunities in the director labor market.

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 (*Total pills adopted (NED)*).[8] Columns (1) – (3) include fixed effects for

[8] 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.

Director, *Firm x NED*, and *Year*, which enable the key regressor, *Total pills adopted (NED)*, 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 directors' vote support. 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. We cluster our 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).[9]

The coefficient for *Total pills adopted* in Column (1) implies that each new pill adoption is associated with a 1.9 percentage point decrease in a director's vote support. Column (2) includes controls for director and firm characteristics, including the director's board tenure and number of directorships, and an indicator that equals one if ISS recommended against the director. Negative ISS recommendations are associated with a 17.2 percentage point decrease in vote support. Column (3) includes an interaction of *Total pills adopted (NED)* and *ISS against/withhold*. The coefficient is negative and statistically significant, indicating that the negative relation between *Total pills adopted (NED)* and a director's vote support is even more negative when ISS recommends that shareholders vote against the director. In column (3),the base coefficient on *Total pills adopted (NED)* indicates a 1.0 percentage point decrease in vote support even when ISS recommends voting for the director's reelection.

Columns (4) – (6) include high-dimensional fixed effects for *Firm x Year x NED*. These fixed effects control for the average change in vote support among all non-executive directors in the pill-adopting firm in the year of pill adoption, thereby controlling for time-varying firm-

[9] Internet Appendix Table IA.3 indicates that the results are robust to alternative levels of clustering, including two-way clusters at the director and firm levels.

specific characteristics such as financial performance. The coefficient on *Total pills adopted (NED)* 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 –0.3 to –0.4 percentage points, depending on the inclusion of controls for director characteristics and ISS support.

Columns (7) – (9) include additional high-dimensional fixed effects for *Director x Firm*. In these models, the coefficient for *Total pills adopted (NED)* 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 effects provide highly precise identification of the effect of pill adoption compared to the pill-adopting director's peer non-pill adopting NED directors and controlling for any director-firm selection effects. In all three models, the coefficient for *Total pills adopted (NED)* equals –0.004 and is statistically significant.

Overall, these results indicate that pill-adopting directors experience a small decrease in vote support that averages 1–2 percentage points, including an average 0.4 percentage point decrease in vote support in their directorships at other (i.e., not the pill-adopting) firms. These results 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).

[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." Institutional Shareholders 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.

3.2. Director turnover

Table 4 reports multivariate OLS tests that are similar to those in Table 3, except the dependent variable is *I(Lose any board seat)*, an indicator variable that equals one when an existing director leaves any board in the given year. Columns (1) and (2) include lower-dimensional fixed effects for *Director*, *Firm x NED*, and *Year*; columns (3) and (4) include high-dimensional *Firm x Year x NED* fixed effects, and columns (5) and (6) add high-dimensional fixed effects for *Director x Firm*.

The coefficient for *Total pills adopted (NED)* in column (1) is 0.045, indicating that pill adoption is associated with a 4.5 percentage point increase in the likelihood that a pill-adopting director will leave a board on which they previously served. Controlling for director and firm characteristics in column (2), the increase is 4.3 percentage points. The unconditional mean turnover probability in our sample is 9.3%, so an increase of 4.3 percentage points represents a 46% increase in turnover likelihood.

Columns (3) and (4) report results including high-dimensional fixed effects for *Firm x Year x NED*, which control for the effects on turnover for non-executive directors at their pill-adopting firms. The coefficients for *Total pills adopted (NED)* 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 5.8 percentage points in column (4) indicates that the likelihood of losing a directorship at another (not the pill-adopting) firm increases by 62% over the unconditional average turnover rate of 9.3%.

Controlling for *Director x Firm* fixed effects in columns (5) and (6), new pill adoption is associated with an increase in turnover likelihood of 5 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.

3.3. New director appointments

Table 5 reports on similar tests as in Tables 3 and 4, but the dependent variable is *I(New directorship)*, which indicates that the focus director acquired one or more new directorships in the following year. The coefficients for *Total pills adopted (NED)* 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 17.3%. So, the coefficient of –0.035 in column (2) represents a 20% decrease in the likelihood of acquiring one or more new board seats following the year the director is associated with a pill adoption.[11]

Once again, columns (3) and (4) include fixed effects for *Firm x Year x NED*, 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 –0.029 for *Total pills adopted (NED)* in column (6) indicates that pill-adopting directors experience a 17% 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.

[11] The *Total pills adopted (NED)* 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.

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 directors who serve on boards that adopt poison pills experience decreased 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.[12] Figure 1 presents a cross-sectional binscatter plot for *Vote for percentage*. Each dot in the figure represents the average 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 84.3%. For directors associated with one pill adoption, the mean of the year-specific dots is 82.6%, with a range from 81.0% to 83.6%. 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.

[12] Internet Appendix Table IA.4 shows similar results for multiple pill adoptions using the high-dimensional fixed effect specifications.

Figure 2 reports a similar binscatter plot for director turnover. Among directors with no association with pill adoption (*Total 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 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.

4. Investor pressure and firm performance

The evidence summarized in Tables 3–5 indicate that a 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 x NED* 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 x NED* 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.

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., 2022). 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. (2022) 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.[13]

In Table 6, Panel A, *Normalized total pills adopted (NED, 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 *Total pills adopted (NED, clear-day)* to provide magnitude-free comparisons with three types of non-clear-day pill adoptions:

- *Normalized total pills adopted (NED, 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 total pills adopted (NED, 13D or HF clicks > 90th percentile of HF clicks)* is the normalized count of the director's association with pills adopted in the

[13] We thank Ofer Eldar, Tanja Kirmse, and Michael Wittry for the data on takeover bid rumors and hedge fund clicks. See Eldar et al.(2022) 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).

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.[14]

- *Normalized total pills adopted (NED, 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.

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 x NED*, 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 directors adopting clear-day poison pills. In column (3), for example, the coefficient for clear-day pill adoptions is 0.014 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. That is, directors' career

[14] 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.

consequences are due primarily to 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 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 total pills adopted (NED, sunny)* is the normalized count of the director's association with pills adopted following above-median performance, and *Normalized total pills adopted (NED, 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 (2022) over the 2003-2019 period.[15] Merging their announcements with our sample yields a total of 322 announcements of a 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 (2022)

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

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 (2022) by focusing on sudden – and likely unanticipated – deaths in Panel C.[16] The 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 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.

[16] We use Schmid and Urban's (2022) 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).

6. Channels by which director consequences accrue

The evidence in prior sections indicates that directors who become associated with the adoption of a poison pill experience a decrease in the value of their director services. The value decrease manifests as 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. Director age effects

Young directors typically have longer career horizons and therefore incur larger reputational consequences compared to older directors. If the career consequences reflect labor market discipline for directors who adopt poison pills, we expect these consequences to be larger for younger directors. Table 8 reports on tests of this hypothesis by partitioning directors into young vs. old cohorts. We define young directors as those under the 10^{th} percentile for director age in our sample (56 years old), although the results are similar if we use other age cutoffs.

The coefficient for *Total pills adopted (NED) x director age ≤ 56* isolates the incremental outcome for young directors compared to older directors. For vote support following pill adoptions, this incremental effect is not statistically significant. For director turnover and new directorships, however, the differences are significant, both statistically and economically. Young pill-adopting directors are more likely to lose director positions, especially director positions in other (i.e., not the pill-adopting) firms. And they are significantly less likely to acquire new

directorships than older pill-adopting directors. These results indicate that the negative career consequences of pill adoption are larger for younger non-executive directors.

6.2. Value-increasing vs. value-decreasing pills

To the extent that director labor markets discipline pill-adopting directors, negative career consequences should accrue especially when the pill is relatively costly to the firm. To identify pills that are relatively 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.[17] The sample median CAR(-3, +3) is 0.95%. In Table 9, *Normalized total pills adopted (NED, 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.

The results in Table 9 indicate that, indeed, directors experience particularly negative career consequences – especially regarding turnover and new directorships – when the adopted pill is relatively costly. In columns (5) and (6) regarding new directorships, for example, the coefficients for *Normalized total pills adopted (NED, CAR < Median)* are negative and significantly different from zero and from the coefficients for *Normalized total pills adopted (NED, CAR > Median)*.

6.3. 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

[17] Clear-day pills are defined in the same was as clear-day pills in Section 4.1 and Table 6, Panel A.

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 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 10 reports the results. The effects on vote support and director turnover are more pronounced when the pill is adopted at more seasoned firms, indicating that these negative career consequences accrue especially to directors who adopt value-decreasing pills. The effects on new directorships, however, are not significantly different for pills adopted at older vs. younger firms.

6.4. Pill characteristics

Institutional Shareholders 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.

[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. (2019), and Field and Lowry (2022).

Table 11 reports on tests that examine whether the consequences to firm managers depend on these pill characteristics, using data on poison pill plan provisions from Eldar et al. (2022).[19] Panel A reports on vote support. The tests in each column include director control variables and high-dimensional fixed effects for *Firm x Year x NED* and *Director x Firm*. Column (1) reports results for all types of pills combined using the Eldar et al. (2022) data and shows an identical point estimate as in column 7 in Table 3. Column (2) distinguishes between pills that are adopted with a shareholder vote and pills adopted without a shareholder vote. Column (3) distinguishes between pills adopted with a one-year sunset compared to pills adopted with a longer duration. And column (4) 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).

Together, the results in Sections 6.2 – 6.4 indicate that 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 6.2), when the pill is adopted at a more seasoned firm (Section 6.3), or when the pill has features that are associated

[19] We are again grateful to Ofer Eldar, Tanja Kirmse, and Michael Wittry for sharing their data on poison pills plan provisions.

with entrenchment (Section 7.4). 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.

6.5. 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.

Table IA.5 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. (2022). The results indicate no significant differences in directors' vote support, turnover, or new directorships between the two groups of firms. Thus, directors' career effects do not depend on whether the firm has a pre-existing classified board.

7. Career consequences of pill adoption for executive directors

Executive directors are employed by the firm and therefore face complicating motives and consequences if the firm adopts a poison pill. One key difference is that executive directors can

benefit directly from a poison pill that successfully deters a takeover bid and enables the executive to keep their job in addition to their board position.

Table 12 reports on our three main outcomes for executive directors who serve on boards that adopt poison pills. While non-executive directors experience negative career consequences when they are associated with pill adoption, the consequences for executive directors (EDs) are less pronounced. In particular, the results in columns (1) and (2) indicate that EDs do not significantly lose vote support, on average, in their various directorships. Columns (3) and (4) indicate that, unlike NEDs, EDs who are associated with pill adoption are not more likely to lose directorships.

We infer that EDs face different incentives than NEDs and that the director labor market views their associations with pill adoptions differently. A NED's value to the firm is more likely to arise from their ability to protect shareholder interests, so NEDs are more likely to experience negative career consequences when they are associated board actions that investors view as harming shareholder interests. The director labor market is less likely to penalize EDs who act in what appears to be their self-interest in enacting a pill that increases the likelihood that their positions at the firm will be jeopardized by an acquisition.

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.

8. 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, 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 roughly 50%, and the likelihood of obtaining a new board position decreases by 11–22%. 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, when a director who is not associated with pill adoption dies. 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 for young directors, implying that they are more severe for directors with a longer work horizon and more reputational capital at stake. The consequences also 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.

Given the negative career consequences, why would directors ever vote to adopt a pill? Although pill adoption can be costly for directors, it is plausible to conjecture that opposing a

manager who wants to adopt a pill also can be costly. Marshall (2010), for example, 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 may trade off the negative career consequences from adopting a pill with the negative consequences of opposing the management team. More broadly, Levit and Malenko (2016) show that directors' local reputational concerns can motivate them to vote for policies such as poison pills, depending on the specific labor market equilibrium.

Either way, our results indicate that poison pills that are costly for shareholders also tend to be personally costly for directors who sit on the boards that adopt them. For this one type of board action, at least, the director labor market is responsive to directors' activities and imposes penalties for directors who pursue policies that shareholders oppose.

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Appendix Table 1: 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's percentage of votes "for" in an uncontested election divided by the total votes cast in year t
I(Loses any board seat$_{i,j,t}$)	BoardEx Director Employment data	An indicator variable taking the value of one if the director leaves any board in year t
I(New directorships$_{i,j,t+1}$)	BoardEx Director Employment data	An indicator variable taking the value of one if the director joins a new board in year t+1
Director age$_{i,t}$ (years)	BoardEx Director Employment data	Ages as provided in BoardEx data.
Board tenure$_{i,j,t}$ (years)	BoardEx Director Employment data	Number of years since the director was originally appointed to the board.
Total number of directorships$_{i,j,t}$	BoardEx Director Employment data	The total number of directorships as reported in the BoardEx data.
Unconditional turnover$_{i,j,t}$	BoardEx Director Employment data	An indicator variable taking the value of one if the director leaves board j in year t
Firm-specific variables		
Board size$_{j,t}$	BoardEx Director Employment data	The board size as reported in the BoardEx data.
Annual stock return$_{j,t}$ (%)	CRSP	The calendar year stock return for the firm in the calendar year.
Institutional ownership$_{j,t}$ (%)	Thomas Reuters Institutional (13f) Holdings data	Percentage of total outstanding shares held by institutions.
Log of book assets$_{j,t}$	COMPUSTAT	Book value of assets (at) in the prior fiscal year.
ROA$_{j,t}$ (%)	COMPUSTAT	Net income in the prior year divided by total assets in the prior year.
Firm age$_{j,t}$ (years)	CRSP	The number of years since the firm first appeared in the CRSP database.

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.

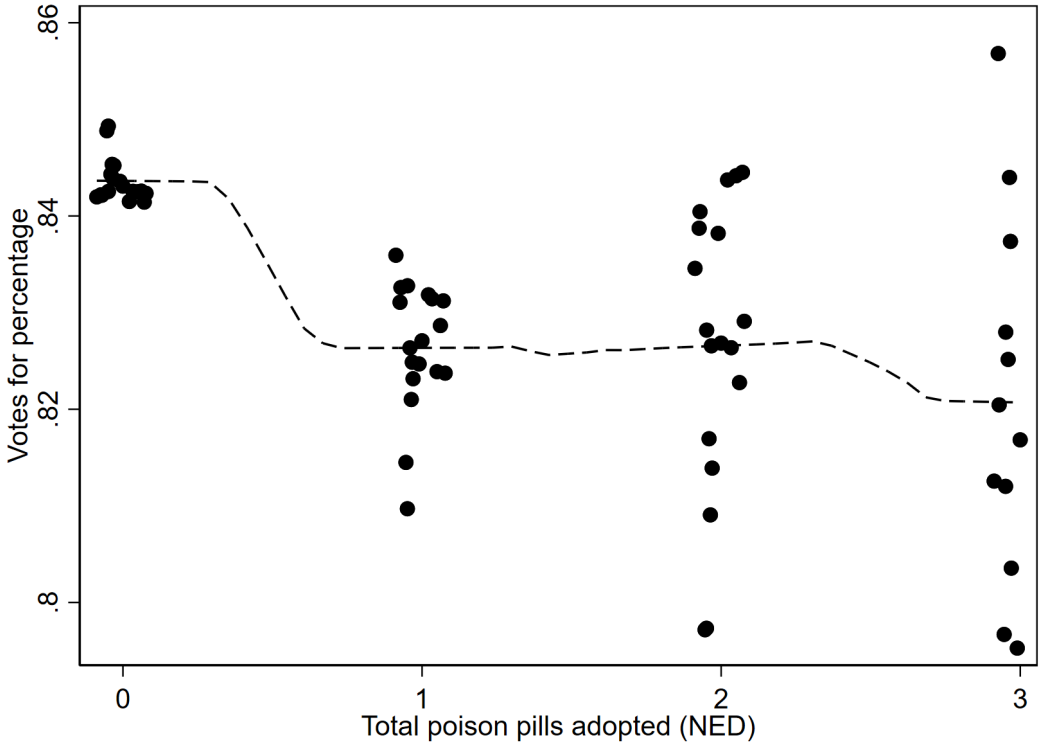

Figure 2: Poison pill adoptions and director turnover

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(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.

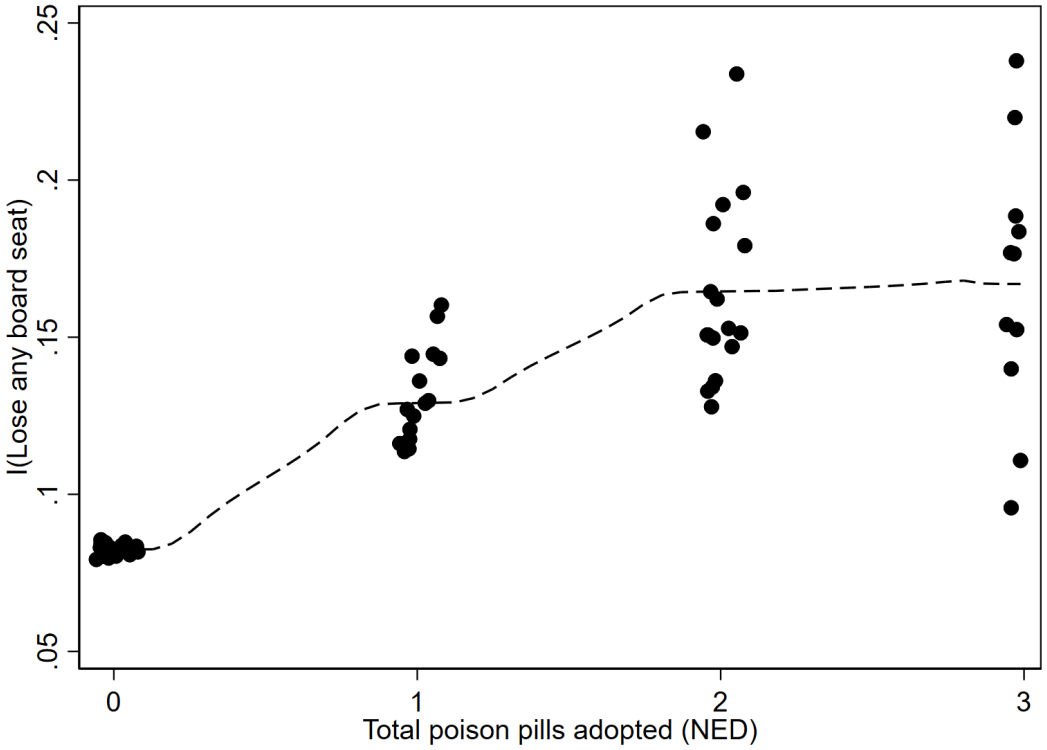

Figure 3: Poison pill adoptions and new directorship

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(New directorships) 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.

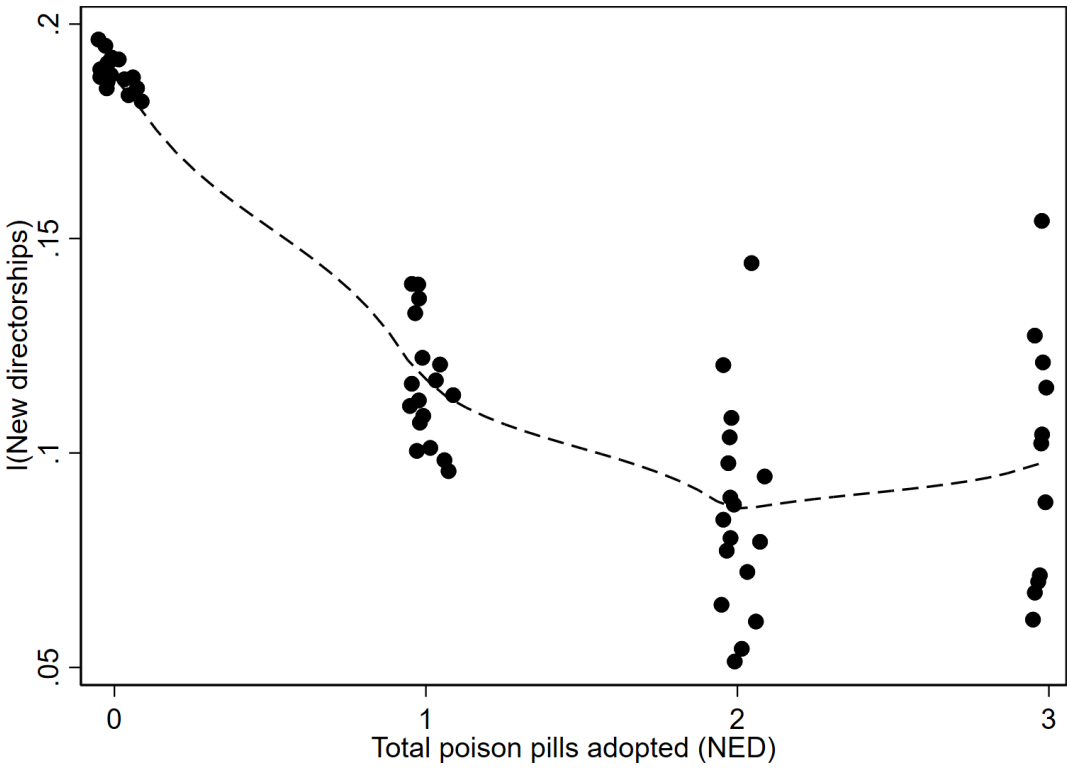

Table 1. Data

This table reports the number of observations of unique directors, firms, and new poison pills each year. The sample consists of 35,056 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	1855	11,105	13,011	44
2004	2021	12,766	14,938	33
2005	2180	13,711	16,126	56
2006	2351	14,540	17,201	60
2007	2554	15,597	18,625	52
2008	2646	16,002	19,269	106
2009	2698	16,048	19,371	105
2010	2597	15,407	18,581	57
2011	2539	15,091	18,209	59
2012	2504	14,852	17,908	48
2013	2547	14,957	18,177	43
2014	2661	15,312	18,766	24
2015	2642	15,132	18,603	24
2016	2579	14,845	18,106	32
2017	2564	14,620	17,796	22
2018	2583	14,536	17,747	34
2019	2563	14,468	17,600	22
2020	2571	13,027	16,248	35
Total (2003-2020)	4,525	35,056	316,282	856

Table 2. Summary statistics

The sample consists of 35,056 unique directors in the BoardEx Director Employment database over the period of 2003-2020. Variables are defined in Appendix Table 1. 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
Panel A: Main outcome variables								
Votes for percentage$_{i,j,t}$	121,409	0.84	0.16	0	0.785	0.891	0.953	1
I(Lose any board seat$_{i,j,t}$)	316,282	0.093	0.291	0	0	0	0	1
I(New directorship$_{i,j,t+1}$)	273,981	0.173	0.379	0	0	0	0	1
Panel B: Director characteristics								
Adopted poison pill$_{i}$	35,056	0.2	0.4	0	0	0	0	1
Total pills adopted$_{i,j,t}$ (NED)	316,282	0.26	0.62	0	0	0	0	6
Director age$_{i,t}$ (years)	315,019	69.7	10.1	26	63	70	77	106
Board tenure$_{i,j,t}$ (years)	316,282	6.2	6.3	0	2	4	9	57
Total number of directorships$_{i,t}$	316,282	1.4	0.8	1	1	1	2	8
Unconditional turnover$_{i,j,t}$	316,282	0.068	0.252	0	0	0	0	1
Panel C: Firm characteristics								
Board size$_{j,t}$	44,655	7.2	2.5	1	5	7	9	25
Non-executive director$_{i,j,t}$ (indicator)	316,282	0.794	0.405	0	1	1	1	1
Firm age$_{j,t}$ (years)	44,655	18.4	17.6	0	5	14	25	95
Book assets$_{j,t}$ ($B)	44,655	4.3	21.4	0	0.1	0.4	1.9	797.8
Annual Stock Return$_{j,t}$ (%)	44,655	17.8	97.9	-99.9	-21.9	5.9	36.8	9580.5
ROA$_{j,t}$ (%)	44,655	1.6	27..5	-118.7	-0.2	9.65	15.3	39.7
Tobin's q$_{j,t}$	44,655	2.3	1.8	0.6	1.2	1.7	2.6	10.5

Table 3. Poison pills adoptions and director election voting

This table reports the results of linear regression models analyzing director voting outcomes. The sample consists of 18,394 unique 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 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.

	Votes for percentage$_{i,j,t}$								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total pills adopted$_{i,j,t}$ (NED)	-0.019***	-0.012***	-0.010***	-0.004**	-0.003**	-0.003**	-0.004*	-0.004***	-0.004**
	(0.002)	(0.002)	(0.002)	(0.002)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)
Total pills adopted$_{i,j,t}$ (NED) x ISS against/withhold$_{i,j,t}$			-0.015***			-0.005**			-0.004**
			(0.003)			(0.002)			(0.002)
Director control variables									
ISS against/withhold$_{i,j,t}$		-0.172***	-0.167***		-0.164***	-0.163***		-0.165***	-0.164***
		(0.002)	(0.003)		(0.003)	(0.003)		(0.003)	(0.003)
Number of directorships$_{i,t}$		-0.002***	-0.002***		-0.002***	-0.002***		-0.002***	-0.002***
		(0.001)	(0.001)		(0.000)	(0.000)		(0.000)	(0.000)
Board tenure$_{i,j,t}$		-0.001***	-0.001***		-0.001***	-0.001***			
		(0.000)	(0.000)		(0.000)	(0.000)			
Firm control variables									
Board size$_{j,t}$		0.002***	0.002***						
		(0.000)	(0.000)						
Log of book assets$_{j,t}$		0.021***	0.021***						
		(0.001)	(0.001)						
ROA$_{j,t}$		-0.007	-0.007						
		(0.005)	(0.005)						
Lagged ROA$_{j,t}$		0.022***	0.022***						
		(0.006)	(0.006)						
Annual Stock Return$_{j,t}$		0.000	0.000						
		(0.001)	(0.001)						
Lagged Annual Stock Return$_{j,t}$		0.004***	0.004***						
		(0.001)	(0.001)						
Tobin's q$_{j,t}$		0.004***	0.004***						
		(0.001)	(0.001)						
Lagged Tobin's q$_{j,t}$		0.006***	0.006***						
		(0.001)	(0.001)						
Institutional ownership$_{j,t}$		0.051***	0.051***						
		(0.004)	(0.004)						
Director FE	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Firm x NED FE	Yes	Yes	Yes	No	No	No	No	No	No
Year FE	Yes	Yes	Yes	No	No	No	No	No	No
Firm x Year x NED FE	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Director x Firm FE	No	No	No	No	No	No	Yes	Yes	Yes
Observations	115,609	111,853	111,853	98,126	98,126	98,126	94,966	94,966	94,966
R-squared	0.711	0.776	0.777	0.953	0.971	0.971	0.956	0.973	0.973

Table 4: Poison pills adoptions and director turnover

This table reports the results of linear regression models analyzing director turnover. The sample consists of 35,056 unique 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 has adopted in any of his or her appointments up until time *t*. The dependent variable (*I(Lose any board seat)*) 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(Lose any board seat$_{i,j,t}$)					
	(1)	(2)	(3)	(4)	(5)	(6)
Total pills adopted$_{i,j,t}$ (NED)	0.045***	0.043***	0.064***	0.058***	0.050***	0.050***
	(0.004)	(0.004)	(0.006)	(0.006)	(0.007)	(0.007)
Director control variables						
Number of directorships$_{i,t}$		0.109***		0.110***		0.116***
		(0.003)		(0.003)		(0.003)
Board tenure$_{i,j,t}$		0.010***		0.014***		
		(0.000)		(0.000)		
Firm control variables						
Board size$_{j,t}$		0.026***				
		(0.001)				
Log of book assets$_{j,t}$		-0.029***				
		(0.002)				
ROA$_{j,t}$		0.023***				
		(0.006)				
Lagged ROA$_{j,t}$		-0.028***				
		(0.006)				
Annual Stock Return$_{j,t}$		0.001				
		(0.001)				
Lagged Annual Stock Return$_{j,t}$		0.003***				
		(0.001)				
Tobin's q$_{j,t}$		-0.003***				
		(0.001)				
Lagged Tobin's q$_{j,t}$		-0.003***				
		(0.001)				
Institutional ownership$_{j,t}$		0.014***				
		(0.004)				
Director FE	Yes	Yes	Yes	Yes	No	No
Firm x NED FE	Yes	Yes	No	No	No	No
Year FE	Yes	Yes	No	No	No	No
Firm x Year x NED FE	No	No	Yes	Yes	Yes	Yes
Director x Firm FE	No	No	No	No	Yes	Yes
Observations	316,282	292,533	301,027	301,027	297,047	297,047
R-squared	0.224	0.262	0.415	0.435	0.460	0.473

Table 5. Poison pills adoptions and new directorships

This table reports the results of linear regression models analyzing new directorships. The sample consists of 35,056 unique 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 has adopted in any of his or her appointments up until time *t*. The dependent variable (I(*New directorship)*) 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(New directorship$_{i,j,t+1}$)					
	(1)	(2)	(3)	(4)	(5)	(6)
Total pills adopted$_{i,j,t}$ (NED)	-0.019***	-0.035***	-0.038***	-0.034***	-0.026***	-0.029***
	(0.004)	(0.004)	(0.006)	(0.006)	(0.007)	(0.008)
Director control variables						
Number of directorships$_{i,t}$		-0.013***		-0.017***		0.160***
		(0.000)		(0.001)		(0.003)
Board tenure$_{i,j,t}$		0.136***		0.125***		
		(0.003)		(0.003)		
Firm control variables						
Board size$_{j,t}$		0.033***				
		(0.001)				
Log of book assets$_{j,t}$		-0.008***				
		(0.002)				
ROA$_{j,t}$		0.015**				
		(0.007)				
Lagged ROA$_{j,t}$		-0.002				
		(0.007)				
Annual Stock Return$_{j,t}$		0.003**				
		(0.001)				
Lagged Annual Stock Return$_{j,t}$		-0.000				
		(0.001)				
Tobin's q$_{j,t}$		0.002*				
		(0.001)				
Lagged Tobin's q$_{j,t}$		0.004***				
		(0.001)				
Institutional ownership$_{j,t}$		-0.006				
		(0.005)				
Director FE	Yes	Yes	Yes	Yes	No	No
Firm x NED FE	Yes	Yes	No	No	No	No
Year FE	Yes	Yes	No	No	No	No
Firm x Year x NED FE	No	No	Yes	Yes	Yes	Yes
Director x Firm FE	No	No	No	No	Yes	Yes
Observations	269,126	249,869	253,742	253,742	249,973	249,973
R-squared	0.278	0.305	0.547	0.567	0.577	0.593

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 35,056 unique 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 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 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 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 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 Eldar et al., 2022), 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.

Panel A: Clear-day vs. Other Pill Adoptions

Dependent variable =	*Votes for percentage*$_{i,j,t}$		*I(Lose any board seat*$_{i,j,t}$*)*		*I(New directorship*$_{i,j,t+1}$*)*	
	(1)	(2)	(3)	(4)	(5)	(6)
Normalized total pills adopted$_{i,j,t}$ (NED, clear-day) (a)	-0.001**	-0.002**	0.020***	0.014***	-0.013***	-0.011***
	(0.001)	(0.001)	(0.003)	(0.003)	(0.003)	(0.004)
Normalized total pills adopted$_{i,j,t}$ (NED, bid or rumor) (b)	-0.001*	-0.001	0.004	0.005**	-0.000	-0.002
	(0.001)	(0.000)	(0.002)	(0.003)	(0.003)	(0.003)
Normalized total pills adopted$_{i,j,t}$ (NED, 13D, or HF clicks > 90th percentile) (c)	0.000	-0.000	0.006**	0.006**	-0.008***	-0.007**
	(0.001)	(0.001)	(0.002)	(0.003)	(0.003)	(0.003)
Normalized total pills adopted$_{i,j,t}$ (NED, proxy fight) (d)	0.001	0.001*	0.005*	0.005*	-0.000	0.001
	(0.000)	(0.001)	(0.002)	(0.003)	(0.002)	(0.003)
F-stat (a – b)	0.13	1.5	20.92***	4.92**	9.19***	3.38*
(p-value)	(0.71)	(0.22)	(0.00)	(0.03)	(0.00)	(0.07)
F-stat (a – c)	2.36	1.94	15.11***	3.17*	1.62	0.76
(p-value)	(0.12)	(0.16)	(0.00)	(0.08)	(0.20)	(0.39)
F-stat (a – d)	6.63***	8.62***	18.70***	4.28**	10.37***	6.17**
(p-value)	(0.01)	(0.00)	(0.00)	(0.04)	(0.00)	(0.01)
Director Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	No	No	No	No	No	No
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	0.971	0.973	0.435	0.473	0.567	0.593

Table 6, continued

Panel B: Rainy Day vs. Sunny Day Pills						
Dependent variable =	Voting for percentage$_{i,j,t}$		I(Lose any board seat$_{i,j,t}$)		I(New directorship$_{i,j,t+1}$)	
	(1)	(2)	(3)	(4)	(5)	(6)
Normalized total pills adopted$_{i,j,t}$ (NED, sunny) (a)	-0.000	-0.001	0.015***	0.014***	-0.013***	-0.009***
	(0.001)	(0.001)	(0.003)	(0.003)	(0.003)	(0.004)
Normalized total pills adopted$_{i,j,t}$ (NED, rainy) (b)	-0.001**	-0.002***	0.019***	0.014***	-0.007**	-0.007**
	(0.001)	(0.001)	(0.002)	(0.003)	(0.003)	(0.003)
F-stat (a – b)	1.56	1.80	1.09	0.00	2.65	0.15
(p-value)	(0.21)	(0.18)	(0.30)	(0.96)	(0.10)	(0.69)
Director Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	No	No	No	No	No	No
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	0.971	0.973	0.435	0.473	0.567	0.593

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

This table reports mean and median values of the abnormal stock price reaction when a firm announces that a board member passes away while serving on as a director. The list of director deaths was graciously shared by Thomas Schmid and Daniel Urban (Schmid and Urban, 2022). When merged with our final sample, we are left with 322 director deaths from 2003 through 2019, including 70 deaths classified by Schmid and Urban (2022) 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.

Panel A: Abnormal returns in event window around the death of a non-executive director (N = 322)

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)

Panel B: Abnormal returns for deaths by the prior adoption of a poison pill as a non-executive director (N = 322)

	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)		3.09***	2.71***
(p-value)		(0.01)	(0.01)

*Panel C: Abnormal returns for **sudden** deaths by the prior adoption of a poison pill as a non-executive director (N = 70)*

	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)		2.34**	2.56**
(p-value)		(0.02)	(0.01)

Table 8: Director labor market outcomes for young vs. older directors

This table reports the results of linear regression models analyzing voting outcomes, director turnover, and new directorships. The sample consists of 35,056 unique 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 has adopted up until time *t*. We interact total pills adopted with an indicator variable equal to one if a director is in the 10th percentile for individual age (equal to 56 years old). 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 =	*Votes for percentage$_{i,j,t}$*		*I(Lose any board seat$_{i,j,t}$)*		*I(New directorship$_{i,j,t+1}$)*	
	(1)	(2)	(3)	(4)	(5)	(6)
Total pills adopted$_{i,j,t}$ (NED)	-0.004***	-0.004***	0.057***	0.048***	-0.030***	-0.024***
	(0.001)	(0.001)	(0.006)	(0.007)	(0.006)	(0.008)
Total pills adopted$_{i,j,t}$ (NED) x director age$_{i,t} \leq 56$	0.003	-0.003	0.022	0.036*	-0.093***	-0.053*
	(0.004)	(0.005)	(0.019)	(0.021)	(0.024)	(0.028)
Director Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	No	No	No	No	No	No
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	0.971	0.973	0.435	0.473	0.567	0.577

Table 9. Director labor market outcomes and pill adoption cumulative abnormal returns (CARs)

This table reports the results of linear regression models analyzing voting outcomes, director turnover, and new directorships. The sample consists of 35,056 unique 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 =	*Votes for percentage$_{i,j,t}$*		*I(Lose any board seat$_{i,j,t}$)*		*I(New directorship$_{i,j,t+1}$)*	
	(1)	(2)	(3)	(4)	(5)	(6)
Normalized total pills adopted$_{i,j,t}$ (NED, CAR < Median) (a)	-0.000	-0.001*	0.013***	0.010***	-0.008***	-0.008**
	(0.001)	(0.001)	(0.003)	(0.003)	(0.003)	(0.004)
Normalized total pills adopted$_{i,j,t}$ (NED, CAR ≥ Median) (b)	-0.001	-0.000	0.007**	0.003	-0.000	0.002
	(0.001)	(0.001)	(0.003)	(0.003)	(0.003)	(0.004)
F-stat (a – b)	0.02	0.45	2.50	3.02*	2.95*	2.82*
(p-value)	(0.89)	(0.50)	(0.11)	(0.08)	(0.09)	(0.09)
Director Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	No	No	No	No	No	No
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	0.971	0.973	0.437	0.474	0.569	0.594

Table 10. 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 35,056 unique 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 =	*Votes for percentage*$_{i,j,t}$		*I(Lose any board seat*$_{i,j,t}$*)*		*I(New directorship*$_{i,j,t+1}$*)*	
	(1)	(2)	(3)	(4)	(5)	(6)
Normalized total pills adopted$_{i,j,t}$ (NED, Firm age ≤ 4) (a)	0.000	0.000	0.005*	0.003	-0.016***	-0.013***
	(0.001)	(0.001)	(0.003)	(0.004)	(0.004)	(0.005)
Normalized total pills adopted$_{i,j,t}$ (NED, Firm age > 4) (b)	-0.001***	-0.002***	0.024***	0.021***	-0.011***	-0.009***
	(0.001)	(0.001)	(0.002)	(0.003)	(0.003)	(0.003)
F-stat (a – b)	2.49	4.49**	24.37***	16.69***	0.83	0.39
(p-value)	(0.11)	(0.03)	(0.00)	(0.00)	(0.36)	(0.53)
Director Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	No	No	No	No	No	No
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	0.971	0.973	0.435	0.473	0.567	0.593

Table 11: 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 35,056 unique 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 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. Data on poison pill characteristics were kindly shared by Ofer Eldar, Tanja Kirmse, and Michael Wittry (see Eldar et al., 2022). 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.

Panel A: Votes for percentage$_{i,j,t}$				
	(1)	(2)	(3)	(4)
Total pills adopted$_{i,j,t}$ (NED)	-0.004**			
	(0.002)			
Normalized total pills adopted$_{i,j,}$ (NED, Shareholder Vote) (a)		-0.000		
		(0.000)		
Normalized total pills adopted$_{i,j,}$ (NED, No Shareholder Vote) (b)		-0.002***		
		(0.001)		
Normalized total pills adopted$_{i,j,}$ (NED, Duration ≤ 1 year) (a)			-0.000	
			(0.000)	
Normalized total pills adopted$_{i,j,}$ (NED, Duration > 1 year) (b)			-0.002***	
			(0.001)	
Normalized total pills adopted$_{i,j,}$ (NED, NOL) (a)				-0.000
				(0.000)
Normalized total pills adopted$_{i,j,}$ (NED, Non-NOL) (b)				-0.002***
				(0.001)
F-stat (a-b)		4.47**	4.83**	5.08**
(p-value)		(0.03)	(0.03)	(0.02)
Director Controls	Yes	Yes	Yes	Yes
Firm Controls	No	No	No	No
Firm x Year FE x NED FE	Yes	Yes	Yes	Yes
Director x Firm FE	Yes	Yes	Yes	Yes
Observations	94,966	94,966	94,966	94,966
R-squared	0.973	0.973	0.973	0.973

Table 11, continued

Panel B: I(Lose any board seat$_{i,j,t}$)				
	(1)	(2)	(3)	(4)
Total pills adopted$_{i,j,}$ (NED)	0.041***			
	(0.007)			
Normalized total pills adopted$_{i,j,}$ (NED, Shareholder Vote) (a)		0.001		
		(0.002)		
Normalized total pills adopted$_{i,j,}$ (NED, No Shareholder Vote) (b)		0.022***		
		(0.003)		
Normalized total pills adopted$_{i,j,}$ (NED, Duration ≤ 1 year) (a)			0.006**	
			(0.002)	
Normalized total pills adopted$_{i,j,}$ (NED, Duration > 1 year) (b)			0.021***	
			(0.003)	
Normalized total pills adopted$_{i,j,}$ (NED, NOL) (a)				0.004*
				(0.002)
Normalized total pills adopted$_{i,j,}$ (NED, Non-NOL) (b)				0.021***
				(0.003)
F-stat (a-b)		28.23***	13.16***	20.45***
(p-value)		(0.00)	(0.00)	(0.00)
Director Controls	Yes	Yes	Yes	Yes
Firm Controls	No	No	No	No
Firm x Year FE x NED FE	Yes	Yes	Yes	Yes
Director x Firm FE	Yes	Yes	Yes	Yes
Observations	297,047	297,047	297,047	297,047
R-squared	0.473	0.473	0.473	0.473

Table 11, continued

Panel C: I(New directorship$_{i,j,t+1}$)				
	(1)	(2)	(3)	(4)
Total pills adopted$_{i,j,}$ (NED)	-0.036***			
	(0.009)			
Normalized total pills adopted$_{i,j,}$ (NED, Shareholder Vote) (a)		-0.004		
		(0.003)		
Normalized total pills adopted$_{i,j,}$ (NED, No Shareholder Vote) (b)		-0.011***		
		(0.004)		
Normalized total pills adopted$_{i,j,}$ (NED, Duration ≤ 1 year) (a)			-0.007**	
			(0.003)	
Normalized total pills adopted$_{i,j,}$ (NED, Duration > 1 year) (b)			-0.010***	
			(0.004)	
Normalized total pills adopted$_{i,j,}$ (NED, NOL) (a)				-0.006*
				(0.003)
Normalized total pills adopted$_{i,j,}$ (NED, Non-NOL) (b)				-0.011***
				(0.004)
F-stat (a-b)		1.78	0.27	1.00
(p-value)		(0.18)	(0.61)	(0.32)
Director Controls	Yes	Yes	Yes	Yes
Firm Controls	No	No	No	No
Firm x Year FE x NED FE	Yes	Yes	Yes	Yes
Director x Firm FE	Yes	Yes	Yes	Yes
Observations	249,973	249,973	249,973	249,973
R-squared	0.593	0.593	0.593	0.593

Table 12: Director labor market outcomes for executive pill adopters

This table reports the results of linear regression models analyzing voting outcomes, director turnover, and new directorships. The sample consists of 35,056 unique directors in the BoardEx Director Employment database from 2003-2020. The independent variable of interest is the total number of poison pills an individual *executive* director 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 =	*Votes for percentage*$_{i,j,t}$		*I(Lose any board seat*$_{i,j,t}$*)*		*I(New directorship*$_{i,j,t+1}$*)*	
	(1)	(2)	(3)	(4)	(5)	(6)
Total pills adopted$_{i,j}$(ED)	-0.005	-0.005	-0.013	-0.011	-0.047***	-0.033*
	(0.003)	(0.003)	(0.010)	(0.012)	(0.014)	(0.017)
Director Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	No	No	No	No	No	No
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	0.971	0.973	0.434	0.473	0.567	0.593

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