

Demand and Career Outcomes for Directors with M&A Experience

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the degree of

Doctor of Philosophy

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Certificate of Original Authorship

I, Davina Jeganathan, declare that this thesis, is submitted in fulfilment of the requirements for the award of Doctor of Philosophy, in the Accounting Discipline Group of the UTS Business School at the University of Technology Sydney.

This thesis is wholly my own work unless otherwise referenced or acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

This document has not been submitted for qualifications at any other academic institution.

This research is supported by the Australian Government Research Training Program.

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Table of Contents

| | |
|---|----------|
| Certificate of Original Authorship | i |
| Acknowledgements | ii |
| Table of Contents | iii |
| List of Tables | vii |
| List of Appendices | viii |
| List of Abbreviations | xiii |
| Abstract | xiv |
| | |
| Chapter 1: Introduction | 1 |
| 1.1 Introduction | 1 |
| 1.2 Thesis structure | 5 |
| | |
| Chapter 2: Labour market outcomes of directors with M&A experience: Accountability and prestige..... | 6 |
| 2.1 Introduction | 6 |
| 2.2 Literature review and theory development | 12 |
| 2.3 Research design | 19 |
| 2.3.1 Acquisition performance and labour market outcomes..... | 19 |
| 2.3.2 Acquisition performance and responsible directors' labour market outcomes | 22 |
| 2.3.3 Acquisition performance and director tenure | 23 |
| 2.3.4 Acquisition performance and directorship prestige | 23 |
| 2.4 Sample construction | 24 |
| 2.5 Empirical results | 25 |
| 2.5.1 Descriptive statistics | 25 |
| 2.5.2 Correlation matrix | 28 |
| 2.5.3 Univariate analysis | 29 |
| 2.5.4 Results using the full sample..... | 33 |
| Acquisition performance and directors' future board seats | 33 |
| Acquisition performance and Chairs' future board seats | 35 |
| Acquisition performance and lead independent directors' future board seats..... | 36 |
| Acquisition performance and long-tenured directors' future board seats | 37 |
| Acquisition performance and prestige of subsequent directorship portfolio | 40 |

| | |
|---|-----|
| 2.6 Additional analysis..... | 42 |
| 2.6.1 Hypotheses testing using <i>Acquisition</i> | 42 |
| 2.6.2 Hypotheses testing using <i>Number of Acquisitions</i> | 43 |
| 2.6.3 Results using the M&A subsample..... | 44 |
| Acquisition performance and Chairs' future board seats..... | 44 |
| Acquisition performance and lead independent directors' future board seats..... | 45 |
| Acquisition performance and long-tenured directors' future board seats..... | 46 |
| Acquisition performance and prestige of subsequent directorship portfolio..... | 46 |
| 2.6.4 Measuring acquisition performance as a percentage of value-destroying acquisitions completed..... | 47 |
| 2.6.5 Redefining measure of directors' future board seats..... | 49 |
| 2.6.6 Redefining positive and negative M&A experience..... | 51 |
| 2.6.7 Winsorized prestige variables..... | 53 |
| 2.6.8 Isolating acquisition performance to one year..... | 53 |
| 2.6.9 Public acquisitions..... | 55 |
| 2.6.10 Propensity score matching..... | 58 |
| 2.6.11 Untabulated additional tests..... | 61 |
| 2.7. Conclusion..... | 61 |
| Main Tables..... | 63 |
| Appendices..... | 79 |
| Appendix A: Definition of variables..... | 79 |
| Appendix B: Alternative measures of acquisition experience..... | 82 |
| Appendix C: Results using the M&A subsample..... | 86 |
| Appendix D: Measuring acquisition performance as percentage of value-destroying acquisitions completed..... | 92 |
| Appendix E: Alternative measure of board seats..... | 104 |
| Appendix F: Alternative measures of acquisition performance..... | 116 |
| Appendix G: Winsorized prestige variables..... | 123 |
| Appendix H: Isolating acquisition performance to one year..... | 125 |
| Appendix I: Public acquisitions..... | 131 |
| Appendix J: Propensity score matching..... | 143 |

| | |
|--|-----|
| Chapter 3: The demand for directors with M&A experience | 153 |
| 3.1 Introduction | 153 |
| 3.2 Literature review and theory development | 160 |
| 3.2.1 The benefits of director expertise | 160 |
| 3.2.2 Resource dependence theory perspective | 161 |
| 3.2.3 Agency theory perspective | 163 |
| 3.2.4 Firm demand for M&A experience | 164 |
| 3.2.5 CEO demand for M&A experience | 166 |
| CEO (in)experience | 166 |
| CEO hubris | 167 |
| CEO age | 167 |
| CEO gender | 168 |
| CEO power | 168 |
| 3.2.6 Firm and CEO demand for poor M&A experience | 169 |
| 3.2.7 M&A experience and compensation incentives | 171 |
| 3.2.8 M&A experience and shareholder voting | 173 |
| 3.3 Research design | 176 |
| 3.3.1 Demand for directors with M&A experience | 176 |
| 3.3.2 M&A experience and compensation incentives | 182 |
| 3.3.3 M&A experience and shareholder voting | 184 |
| 3.4 Sample construction | 185 |
| 3.5 Empirical results | 186 |
| 3.5.1 Descriptive statistics | 186 |
| 3.5.2 Correlation matrix | 188 |
| 3.5.3 Univariate analysis | 189 |
| 3.5.4 Discussion of findings | 191 |
| Firm and CEO demand for directors with M&A experience | 191 |
| M&A experience and compensation incentives | 195 |
| M&A experience and shareholder voting | 199 |
| 3.6 Additional analysis | 202 |
| 3.6.1 Public target vs. private target acquisition experience | 202 |
| 3.6.2 First-time appointments | 203 |
| 3.6.3 Controlling for M&A likelihood in shareholder voting tests | 204 |
| 3.6.4 Descriptive statistics examining directors' compensation | 205 |

| | |
|--|-----|
| 3.6.5 Including directors' general experience as a control variable..... | 205 |
| 3.6.6 Sample excluding directors with only one directorship | 206 |
| 3.7 Conclusion | 207 |
| Main Tables | 209 |
| Appendices..... | 233 |
| Appendix A: Definition of variables | 233 |
| Appendix B: Predicting M&A likelihood | 239 |
| Appendix C: Splitting M&A experience based on M&A target classifications | 240 |
| Appendix D: Sample of first-time appointments | 243 |
| Appendix E: Inclusion of <i>M&A Likelihood</i> as a control | 247 |
| Appendix F: Descriptive statistics examining directors' compensation | 253 |
| Appendix G: Inclusion of directors' general experience as a control | 254 |
| Appendix H: Sample excluding directors with only one directorship | 266 |
| Appendix I: Director fixed effects | 272 |
| | |
| Chapter 4: Conclusion | 278 |
| 4.1 Conclusion | 278 |
| 4.2 Limitations and avenues for future research | 281 |
| | |
| References..... | 283 |

List of Tables

Chapter 2:

| | |
|---|----|
| Table 1: Sample construction..... | 63 |
| Table 2: Descriptive statistics | 64 |
| Table 3: Correlation matrix..... | 66 |
| Table 4: Univariate analyses | 68 |
| Table 5: The association between outside directors' directorships and acquisitions using the full sample..... | 74 |
| Table 6: The association between directorships and acquisition outcomes using the full sample (<i>Acq(+)</i> and <i>Acq(-)</i>) | 75 |
| Table 7: Directorship prestige and acquisition outcomes using the full sample (Part 1) | 77 |
| Table 8: Directorship prestige and acquisition outcomes using the full sample (Part 2) | 78 |

Chapter 3:

| | |
|--|-----|
| Table 1: Sample construction..... | 209 |
| Table 2: Descriptive statistics | 210 |
| Table 3: Correlation matrix..... | 213 |
| Table 4: Univariate analyses | 216 |
| Table 5: The association between firm and CEO demand and the appointment of directors with M&A experience..... | 218 |
| Table 6: The association between firm and CEO demand and the appointment of directors with poor M&A experience | 220 |
| Table 7: The association between directors' M&A experience and director compensation | 223 |
| Table 8: The association between the quality of directors' M&A experience and director compensation | 225 |
| Table 9: The association between directors' M&A experience and shareholder dissent | 228 |
| Table 10: The association between the quality of directors' M&A experience and shareholder dissent | 230 |

List of Appendices

Chapter 2:

Appendix A: Definition of Variables

| | |
|-------------------------------------|----|
| Table A1: Variable Definitions..... | 79 |
|-------------------------------------|----|

Appendix B: Alternative measures of acquisition experience

| | |
|---|----|
| Table B1: The association between directorships and acquisition outcomes using the full sample (<i>Acq(-)</i>)..... | 82 |
| Table B2: The association between directorships and acquisition outcomes using the full sample (<i>Number of Acquisitions</i>)..... | 84 |

Appendix C: Results using the M&A subsample

| | |
|---|----|
| Table C1: The association between directorships and acquisition outcomes using the M&A subsample (<i>Acq(-)</i>)..... | 86 |
| Table C2: The association between directorships and acquisition outcomes using the M&A subsample (<i>Number of Acquisitions</i>)..... | 88 |
| Table C3: Directorship prestige and acquisition outcomes using the M&A subsample (Part 1)..... | 90 |
| Table C4: Directorship prestige and acquisition outcomes using the M&A subsample (Part 2)..... | 91 |

Appendix D: Measuring acquisition performance as percentage of value-destroying acquisitions

| | |
|---|----|
| Table D1: Chairpersons' directorships and acquisition outcomes (using % of <i>Acq(-)</i>)..... | 92 |
| Table D2: Lead independent directors' directorships and acquisition outcomes (using % of <i>Acq(-)</i>)..... | 93 |
| Table D3: Long-tenured directors' directorships and acquisition outcomes (using % of <i>Acq(-)</i>)..... | 94 |
| Table D4: Directorship prestige and acquisition outcomes (using % of <i>Acq(-)</i>) (Full Sample)..... | 95 |
| Table D5: Directorship prestige and acquisition outcomes (using % of <i>Acq(-)</i>) (M&A subsample)..... | 96 |

| | |
|--|-----|
| Table D6: Chairpersons’ directorships and acquisition outcomes partitioned by number of acquisitions completed | 97 |
| Table D7: Lead independent directors’ directorships and acquisition outcomes partitioned by number of acquisitions completed | 98 |
| Table D8: Long-tenured directors’ directorships and acquisition outcomes partitioned by number of acquisitions completed | 99 |
| Table D9: Directorship prestige and acquisition outcomes partitioned by number of acquisitions completed (Full sample Part 1) | 100 |
| Table D10: Directorship prestige and acquisition outcomes partitioned by number of acquisitions completed (Full sample Part 2) | 101 |
| Table D11: Directorship prestige and acquisition outcomes partitioned by number of acquisitions completed (M&A subsample Part 1) | 102 |
| Table D12: Directorship prestige and acquisition outcomes partitioned by number of acquisitions completed (M&A subsample Part 2) | 103 |

Appendix E: Alternative measures of board seats

| | |
|---|-----|
| Table E1: The association between directorships and acquisition outcomes using change in directorships (Full sample – <i>Acq(+)</i> and <i>Acq(-)</i>) | 104 |
| Table E2: The association between directorships and acquisition outcomes using change in directorships (Full sample – <i>Acquisition</i>) | 106 |
| Table E3: The association between directorships and acquisition outcomes using change in directorships (Full sample – <i>Number of Acquisitions</i>) | 108 |
| Table E4: The association between directorships and acquisition outcomes using change in directorships (M&A subsample – <i>Acq(-)</i>) | 110 |
| Table E5: The association between directorships and acquisition outcomes using change in directorships (M&A subsample – <i>Acquisition</i>) | 112 |
| Table E6: The association between directorships and acquisition outcomes using change in directorships (M&A subsample – <i>Number of Acquisitions</i>) | 114 |

Appendix F: Alternative measures of acquisition performance

| | |
|--|-----|
| Table F1: Directors’ directorships and acquisition outcomes (using <i>Extreme Acq(+)</i> and <i>Extreme Acq(-)</i>) | 116 |
| Table F2: Directors’ directorships and acquisition outcomes for the full sample (using <i>Extreme Acq(+)</i> and <i>Extreme Acq(-)</i>) | 117 |

| | |
|--|-----|
| Table F3: Directors’ directorships and acquisition outcomes for the M&A subsample (using <i>Extreme Acq(-)</i>)..... | 119 |
| Table F4: Directorship prestige and acquisition outcomes (using <i>Extreme Acq(+)</i> and <i>Extreme Acq(-)</i>) (Full sample)..... | 121 |
| Table F5: Directorship prestige and acquisition outcomes (using <i>Extreme Acq(-)</i>) (M&A subsample) | 122 |

Appendix G: Winsorized prestige variables

| | |
|--|-----|
| Table G1: Directorship prestige and acquisition outcomes (using winsorized dependent variables) (Full sample) | 123 |
| Table G2: Directorship prestige and acquisition outcomes (using winsorized dependent variables) (M&A subsample)..... | 124 |

Appendix H: Isolating acquisition performance to 1 year

| | |
|---|-----|
| Table H1: Labour market outcomes and acquisition outcomes using <i>CAR(+)</i> and <i>CAR(-)</i> .. | 125 |
| Table H2: Labour market outcomes and acquisition outcomes using <i>Extreme CAR(+)</i> and <i>Extreme CAR(-)</i> | 127 |
| Table H3: Labour market outcomes and acquisition outcomes using <i>Recent Acq(+)</i> and <i>Recent Acq(-)</i> | 129 |

Appendix I: Results including only public acquisitions

| | |
|---|-----|
| Table I1: The association between directors’ directorships and acquisitions including only public acquisitions (full sample)..... | 131 |
| Table I2: The association between directorships and acquisition outcomes including only public acquisitions (full sample – <i>Acq(+)</i> and <i>Acq(-)</i>)..... | 132 |
| Table I3: The association between directorships and acquisition outcomes including only public acquisitions (full sample – <i>Acquisition</i>)..... | 134 |
| Table I4: The association between directorships and acquisition outcomes including only public acquisitions (full sample – <i>Number of Acquisitions</i>) | 136 |
| Table I5: The association between directors’ directorships and acquisitions including only public acquisitions (M&A subsample) | 138 |
| Table I6: The association between directorships and acquisition outcomes including only public acquisitions (M&A subsample – <i>Acq(-)</i>) | 139 |

| | |
|---|-----|
| Table I7: The association between directorships and acquisition outcomes including only public acquisitions (M&A subsample – <i>Number of Acquisitions</i>)..... | 141 |
|---|-----|

Appendix J: Propensity score matching

| | |
|--|-----|
| Table J1: First Stage Prediction Model for Propensity Score Matching | 143 |
| Table J2: Univariate analysis for PSM treated and control sample | 144 |
| Table J3: Propensity score matched sample | 146 |
| Table J4: PSM using <i>Acq(+)</i> and <i>Acq(-)</i> | 147 |
| Table J5: PSM using <i>Acquisition</i> | 149 |
| Table J6: PSM using <i>Number of Acquisitions</i> | 151 |

Chapter 3:

Appendix A: Definition of Variables

| | |
|-------------------------------------|-----|
| Table A1: Variable Definitions..... | 233 |
|-------------------------------------|-----|

Appendix B: Predicting M&A Likelihood

| | |
|--|-----|
| Table B1: Estimating <i>M&A Likelihood</i> | 239 |
|--|-----|

Appendix C: Splitting M&A experience based on M&A target classifications

| | |
|---|-----|
| Table C1: The association between directors' M&A experience and director compensation based on public vs. private target experience | 240 |
|---|-----|

Appendix D: Sample of first-time appointments

| | |
|---|-----|
| Table D1: The association between directors' M&A experience and compensation (restricted to first-time appointments)..... | 243 |
| Table D2: The association between directors' M&A experience and shareholder dissent (restricted to first-time appointments) | 245 |

Appendix E: Inclusion of *M&A Likelihood* as a control

| | |
|---|-----|
| Table E1: The association between directors' M&A experience and shareholder dissent (including <i>M&A Likelihood</i> as a control) | 247 |
| Table E2: The association between the quality of directors' M&A experience and shareholder dissent (including <i>M&A Likelihood</i> as a control) | 250 |

Appendix F: Descriptive statistics examining directors' compensation

| | |
|--|-----|
| Table F1: Descriptive statistics analysing compensation differences by firm..... | 253 |
|--|-----|

Appendix G: Inclusion of directors' general experience as a control

| | |
|--|-----|
| Table G1: The association between directors' M&A experience and director compensation including <i>Ln(NED Experience)</i> as a control | 254 |
|--|-----|

| | |
|---|-----|
| Table G2: The association between the quality of directors' M&A experience and director compensation including <i>Ln(NED Experience)</i> as a control | 257 |
|---|-----|

| | |
|--|-----|
| Table G3: The association between directors' M&A experience and shareholder dissent including <i>Ln(NED Experience)</i> as a control | 260 |
|--|-----|

| | |
|---|-----|
| Table G4: The association between the quality of directors' M&A experience and shareholder dissent including <i>Ln(NED Experience)</i> as a control | 263 |
|---|-----|

Appendix H: Sample excluding directors with only one directorship

| | |
|--|-----|
| Table H1: The association between directors' M&A experience and compensation (restricted to directors with more than one directorship) | 266 |
|--|-----|

| | |
|---|-----|
| Table H2: The association between directors' M&A experience and shareholder dissent (restricted to directors with more than one directorship) | 269 |
|---|-----|

Appendix I: Director fixed effects

| | |
|---|-----|
| Table I1: The association between directors' M&A experience and compensation (using director fixed effects) | 272 |
|---|-----|

| | |
|---|-----|
| Table I2: The association between directors' M&A experience and shareholder voting (using director fixed effects) | 275 |
|---|-----|

List of Abbreviations

| | |
|------|--|
| BHAR | Buy-and-hold abnormal return |
| CAR | Cumulative abnormal return |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| COO | Chief Operating Officer |
| CRSP | Center for Research in Security Prices |
| FE | Fixed effects |
| ISS | Institutional Shareholder Services |
| M&A | Mergers and acquisitions |
| MTB | Market to book |
| MVE | Market value of equity |
| OLS | Ordinary least squares |
| PSM | Propensity score matching |
| ROA | Return on assets |
| SDC | Securities Data Company |
| SEC | Securities and Exchange Commission |
| SIC | Standard Industrial Classification |
| SSC | Statistical Software Components |
| TA | Total assets |
| US | United States |
| USD | United States Dollar |
| VIF | Variance inflation factor |
| WRDS | Wharton Research Data Services |

Abstract

The corporate governance literature shows that directors receive additional directorships for engaging in mergers and acquisitions (M&A) even if their experience does not create value for shareholders. This occurs despite prior research finding that directors only create value for shareholders during subsequent acquisitions if their prior experience is positive. This thesis further investigates the demand for directors with M&A experience in the director labour market. First, using US data, this thesis shows that acquisition experience leads to more prestigious directorships for acquiring directors both in value-increasing and value-destroying acquisitions. However, higher director responsibility is not associated with penalties following poor M&A decisions. This reinforces that, in terms of acquisitions, experience is valued over ability. Second, this thesis identifies an association between firm and CEO characteristics and the appointment of directors with M&A experience to the board. The results also suggest that directors with M&A experience are compensated more highly than other directors. Finally, even though firms demand experienced directors, shareholders vote against the appointment of directors with M&A experience.

JEL classification: G30, G34, J24, L22, M51

Keywords: Director labour market, director expertise, board of directors, mergers and acquisitions, director incentives, shareholder voting

Chapter 1: Introduction

1.1 Introduction

The director labour market rewards and penalises outside directors (hereafter referred to as ‘directors’) based on their ability to create value for shareholders, which is referred to as the ex-post settling-up hypothesis (Brochet & Srinivasan, 2014; Fich & Shivdasani, 2007; Fos & Tsoutsoura, 2014; Srinivasan, 2005). Specifically, directors receive additional directorships for increasing firm performance (Yermack, 2004), while directors presiding on boards of firms involved in destructive events such as proxy contests, fraud, accounting restatements, dividend cuts and bankruptcy are penalised through fewer subsequent directorships (Fich & Shivdasani, 2007; Fos & Tsoutsoura, 2014; Gilson, 1990; Kaplan & Reishus, 1990; Srinivasan, 2005). However, inconsistent with the ex-post settling-up hypothesis, directors that engage in mergers and acquisitions (hereafter referred to as ‘M&A’ or ‘acquisitions’) are rewarded by the director labour market even when they engage in value-destructive acquisitions (Harford and Schonlau, 2013).¹ The lack of labour market penalties for directors with value-destructive M&A experience is puzzling, particularly as these directors continue to engage in value-destructive acquisitions during their future board appointments (Field & Mkrtyan, 2017).²

While prior literature demonstrates that directors gain directorships regardless of their prior M&A performance (Harford & Schonlau, 2013), to date, this finding has not been examined in further detail. One potential explanation for the lack of penalty for directors with value-destroying M&A experience may be the varying levels of board monitoring responsibility

¹ Directors’ M&A experience is considered to be value-enhancing if the sum of the cumulative abnormal returns (CAR) of the acquisitions they have been involved in are positive. Directors’ M&A experience is considered to be value-destroying if the sum of the CAR of the acquisitions they have been involved in are negative.

² These results are replicated and confirmed in Jeganathan, Ghannam and Bugeja (2021), and the process of replicating and generating a research pitch based on Field and Mkrtyan (2017)’s study is discussed in Jeganathan (2021).

assigned to directors. Chapter 2 explores if the accountability of the Chair of the Board (Chair), lead independent director and long-tenured directors for acquisition performance differs to that for other directors. In addition, the chapter explores whether the prestige of directors' future directorships is a channel through which the director labour market provides ex-post settling-up following acquisitions. The findings demonstrate that directors with more responsibility are not held more accountable for poor acquisition decisions compared with their counterparts. In addition, the chapter provides further evidence of a lack of ex-post settling-up in the director labour market, as not only do directors receive additional directorships following both value-enhancing and value-destroying acquisitions, but the directorships they receive are also more prestigious.

As the results presented in Chapter 2 are inconclusive as to why directors with M&A experience are appointed to boards following acquisition engagement, Chapter 3 further investigates the demand for directors with M&A experience in the director labour market. This chapter examines if firm and shareholder demand for directors stems from two perspectives that are not mutually exclusive: resource dependence theory and agency theory.³ Consequently, Chapter 3 examines the firm and CEO characteristics as determinants of appointing directors with M&A experience. The chapter also studies if firms compensate directors with M&A experience more highly than other directors, and whether shareholders approve the appointment of directors with M&A experience compared to those without M&A experience (in terms of shareholder voting).

³ Instilled in resource dependence theory is the idea that directors provide essential resources and experience to the board of the firm, and are therefore recruited and compensated for their ability to enhance board performance (Hillman & Dalziel, 2003), while agency theory highlights that directors should be appointed with the intention of serving shareholders' best interests (Fama & Jensen, 1983; Jensen & Meckling, 1976).

In line with resource dependence theory, firms with a higher likelihood of engaging in acquisitions and those which have CEOs with no prior M&A experience are more likely to appoint directors with M&A experience to the board. However, boards with a higher percentage of directors with M&A experience and younger Chief Executive Officers (hereafter referred to as ‘CEOs’) also have a higher propensity to appoint directors with M&A experience to the board, suggestive of agency issues within the firm.

The results also demonstrate that compensation is not a sufficient ex-post settling-up incentive for directors with M&A experience. Indicative of both resource dependence and agency issues, directors with M&A experience are offered additional compensation in comparison to other directors, regardless of whether their prior acquisition experience creates or destroys shareholder value. However, while there is a demand for directors with M&A experience from the perspective of the firm and the board, shareholders vote against directors with M&A experience during director elections. Thus, shareholder actions suggest they view the appointment of directors with M&A experience as evidence of agency issues within the board. Shareholder disapproval also does not vary based on the quality of directors’ M&A experience.

This thesis makes a number of contributions. First it extends the literature on the labour market for directorships (Brochet & Srinivasan, 2014; Fich & Shivdasani, 2007; Fos & Tsoutsoura, 2014; Gilson, 1990; Harford, 2003; Kaplan & Reishus, 1990; Srinivasan, 2005), by providing an analysis of the director labour market rewards and penalties received by directors with M&A experience. This thesis is the first to explore why directors with value-destroying M&A experience continue to be highly demanded in the director labour market, despite evidence demonstrating they are not value-adding to firms in terms of subsequent acquisition involvement (Field & Mkrtyan, 2017). In addition, consistent with Harford and Schonlau (2013) who demonstrate that ex-post settling-up in the director labour market is not effective

for CEOs and directors with value-destroying M&A experience, this thesis shows that directors with M&A experience are also not disciplined through reputation loss of directorships. Instead, they receive more prestigious directorships following both value-creating and value-destructive acquisitions. Consequently, this thesis provides further insight on why M&A experience is demanded, and how this demand is exhibited, in the director labour market.

The results of this thesis also contribute to the body of research on director compensation (Adams & Ferreira, 2008; Deutsch, Keil, & Laamanen, 2007; Fedaseyeu et al., 2018; Ghannam et al., 2019; Lahlou & Navatte, 2017; Masulis & Mobbs, 2014; Yermack, 2004). The findings demonstrate that firms compensate directors with M&A experience more highly than other directors, regardless of M&A ability. Consistent with prior literature (Fedaseyeu et al., 2018), this evidence of higher pay suggests that directors with M&A experience bring other valuable skills to boards they preside on. Interestingly, when awarding compensation for directors with M&A experience, acquisition experience itself is valuable enough that acquisition ability is relatively unimportant. Despite prior literature highlighting a need for compensation to provide directors with incentives during acquisitions (Harford & Schonlau, 2013), the findings reported in this thesis reaffirm a lack of ex-post settling-up in terms of compensation for directors following poor acquisition decisions.

The evidence presented in this thesis also adds to our understanding of board hiring decisions and shows that director appointments for directors with M&A experience are inconsistent with the views of shareholders. While prior evidence clearly demonstrates a high level of firm demand for directors with M&A experience (Harford & Schonlau, 2013), to date there is no evidence determining whether shareholders reflect this view. Shareholders' dissent surrounding the appointment of directors with M&A experience suggests that shareholders view their appointment as an indication of agency issues within firms, rather than as a value-

adding resource. This finding adds to the ongoing debate about whether shareholder voting is an effective instigator for governance and board changes (Aggarwal, Dahiya, & Prabhala, 2019; Cai, Garner, & Walkling, 2009; Iliev, Lins, Miller, & Roth, 2015; Sauerwald, van Oosterhout, Van Essen, & Peng, 2018). Directors with M&A experience being appointed to boards despite shareholder dissent reinforces the findings of prior literature that assume a level of scepticism of the effectiveness of shareholder voting during director elections (Cai, Garner, & Walkling, 2009).

1.2 Thesis structure

The remainder of this thesis is structured as follows. The accountability of directors for M&A performance is investigated in Chapter 2, by examining the directorship opportunities received by directors with more responsibility post-M&A. Chapter 2 also investigates if the prestige and quality of directorships obtained by directors with M&A experience varies based on the quality of their prior M&A experience. Chapter 3 examines the demand for directors with M&A experience, using resource dependence theory and agency theory to identify the determinants of the firms and CEOs hiring them. In addition, Chapter 3 also explores if directors with M&A experience receive higher compensation, and studies if shareholders value directors with M&A experience by examining shareholder voting. Finally, Chapter 4 provides concluding remarks for the thesis, discussing research limitations as well as avenues for future research.

Chapter 2: Labour market outcomes of directors with M&A experience: Accountability and prestige

2.1 Introduction

The primary role of outside directors is to monitor and advise the top management of a firm (Linck, Netter, & Yang, 2008). As directors may be motivated by future directorship opportunities (Armstrong, Kepler, & Tsui, 2018; Fama, 1980; Srinivasan, 2005; Yermack, 2004), an efficient director labour market should incentivise them to act in shareholders' interests, providing rewards for value enhancement and penalties for value destruction. Prior research is generally consistent with this notion. Directors receive additional directorships for increasing firm performance (Yermack, 2004), while directors presiding on boards of firms involved in activities such as proxy contests, fraudulent activities, accounting restatements, dividend cuts and bankruptcy are penalised through fewer subsequent directorships (Fich & Shivdasani, 2007; Fos & Tsoutsoura, 2014; Gilson, 1990; Kaplan & Reishus, 1990; Srinivasan, 2005).

Due to their economic significance, it is imperative that director rewards and penalties surrounding acquisitions are designed in alignment with shareholders' interests. This is particularly important as directors are primarily responsible for monitoring and advising on firm activities. Harford and Schonlau (2013), however, demonstrate that the M&A setting is an exception to an otherwise efficient functioning director labour market, as directors are rewarded through additional directorships irrespective of whether an M&A is value-enhancing to the firm. This suggests in an M&A context, career incentives do not mitigate agency concerns, as the director labour market seems to only consider M&A experience rather than M&A outcomes (Harford & Schonlau, 2013; Hölmstrom, 1999). To date, the puzzling results in Harford and Schonlau (2013) have not been explored. This chapter aims to examine and

extend the finding that directors are rewarded for both value-enhancing and value-destroying acquisitions.

This chapter investigates whether there is differential accountability for M&A decisions in the US, dependent on the role and characteristics of the director, measured through directors' subsequent directorships. First, this chapter replicates Harford and Schonlau's (2013) study and identifies whether directors' M&A decisions affect their future career prospects. Second, this chapter explores whether the director labour market holds certain directors more accountable for M&A outcomes than others. Specifically, this chapter examines whether the independent Chair of the Board (Chair) and lead independent director are more accountable for M&A decisions due to their perceived increased responsibility for board monitoring.⁴ The association between long-tenured directors' future career prospects and M&A outcomes is also explored, as they are expected to have a better understanding of the firm they work for and have greater incentives to achieve firm goals (Vafeas, 2003), consequently assuming more advising responsibilities.⁵ This chapter also determines whether director prestige is a channel where directors are penalised for value-destruction during M&A activities, by providing evidence on the quality of directorship appointments following acquisitions.

As prior research has failed to allow for the varying levels of board monitoring responsibility regarding acquisitions, this chapter argues that directors with greater monitoring responsibilities are held more accountable for M&A decisions. First, the chairperson and lead independent director of a firm may have heightened monitoring and decision-making

⁴ When the Chair of the Board is not independent, the lead independent director position is essential to ensure there is an independent counterbalance to the non-independent Chair or CEO/Chair (Plouhinec, 2018). The lead independent director is an intermediary between the Chair, the board and the stakeholders of the board, contributing to the functioning of the board and assisting in facilitating the resolution of issues (Plouhinec, 2018).

⁵ Directors are considered to be long-tenured if they have been at the firm for at least 10 years (Huang & Hilary, 2018).

responsibilities during acquisitions, due to their assigned role as independent leader of the board. The importance of an independent chair has become particularly evident with regulatory bodies advocating for the minimisation of CEO/Chair duality, to allow the Chair to provide increased monitoring over executives (Brickley et al., 1997). Similarly, having lead independent directors is frequently promoted to combat potential agency conflicts that arise from CEO duality (Krause et al., 2017; Lamoreaux et al., 2018). Thus, due to the Chair and lead director's monitoring responsibilities, they may be expected to further protect shareholders from value-destroying M&A transactions.

Second, long-tenured directors are believed to have greater advising capabilities due to their extensive knowledge of the firm (Kim, Mauldin, & Patro, 2014), and as such it is hypothesised they are held more accountable for M&A outcomes. Long-tenured directors may also have heightened monitoring abilities, as they constantly obtain internal firm knowledge informally throughout their tenure (Kim et al., 2014), helping directors make informed decisions in shareholders' interests. Conversely, an incomplete understanding of a firm's history may diminish monitoring and advising effectiveness (Huang & Hilary, 2018). As prior literature shows more responsibility is allocated to directors with longer tenure (Huang & Hilary, 2018), it is possible that the director labour market provides them with stronger incentives to engage in M&A with favourable outcomes, and penalises them more severely for value destruction.

Director labour market effects in the M&A setting are potentially more complex than simply reviewing the number of directorships gained by directors in the post-acquisition period; both director prestige and reputation can be affected following value-destructive firm activities. This chapter examines the prestige of directorships gained and retained by directors following acquisitions, and whether they face reputational costs in the event of value-destroying acquisitions. This chapter argues that directors who destroy shareholder value face reputational

costs by either losing directorships in prestigious firms or not gaining new appointments to more reputable firms. While Harford and Schonlau's (2013) study assumes all directorships are equal, prior research notes directorships vary in quality (Boivie, Graffin, & Pollock, 2012; Fahlenbrach, Low, & Stulz, 2017; Masulis & Mobbs, 2014). In addition, more recent studies demonstrate the differing value, time and effort directors allocate to directorships according to their prestige.⁶ As a result, this chapter contends that the career consequences arising from M&A performance may be linked to the prestige of board appointments received or lost.

The hypotheses are tested using a US sample of 236,534 director-firm-years over the period 2001–2015.⁷ Directors' future career outcomes are examined using the total number of board seats held by the director 2 years after an acquisition. The empirical results are contrary to predictions and indicate the director labour market does not hold the Chair or lead independent director more accountable for acquisition decisions. Unexpectedly, the findings examining long-tenured directors' career outcomes indicate that they hold fewer board seats 2 years post-acquisition when completing value-enhancing acquisitions. The findings also show long-tenured directors are held responsible for poor acquisition decisions, as they obtain fewer additional directorships after completing value-destroying acquisitions. These results are consistent with long-tenured directors being allocated more responsibility compared to other directors, and thus being held more accountable for poor firm decision-making.

To investigate the possibility that directors are penalised by other channels not captured by the number of directorships held post-acquisition, analyses are conducted to determine whether the labour market penalises directors through directorship prestige. Surprisingly, the analyses

⁶ Directors experience reputational benefits associated with presiding on boards of more prestigious firms (Boivie et al., 2012) and prefer to provide their services to firms that offer more worthwhile financial and reputational benefits (Fahlenbrach et al., 2017; Masulis & Mobbs, 2014).

⁷ The sample ends in 2015 as the chapter tracks director careers for 2 years post-acquisition.

demonstrate the labour market rewards directors with prestigious directorships for M&A experience irrespective of M&A performance. Thus, it appears that not only are directors not penalised by holding fewer board seats, but this data shows they are rewarded by increasing the prestige of their directorships.

The results of additional analyses address potential concerns with the main findings. First, the evidence remains insignificant using the full sample and M&A subsample, as well as using redefined measures of acquisition performance.⁸ Further tests identify the percentage of acquisitions completed which are value-destroying as another proxy of acquisition performance, to identify whether directors' board seats and prestige are affected by the magnitude of directors' value destruction; most results are consistent with the main findings. Additional tests are conducted using measures of extreme acquisition performance to determine whether the results are driven by value destruction on a magnified scale. To isolate whether there is an effect based on the size of directors' acquisition portfolios, analyses are conducted using samples partitioned by the number of acquisitions directors have undertaken. The results for these additional tests are largely insignificant, further reinforcing the idea that directors allocated with more responsibilities are not penalised through a lack of acquiring new board seats. Restricting the analysis to include only public acquisitions also yields largely insignificant results. Propensity score matching is used to address any potential issues of endogeneity, with a sample of directors with M&A experience matched to a sample of directors with no M&A experience. The results are generally consistent with those reported in the main findings, showing that long-tenured directors gain fewer board seats following acquisitions.⁹

⁸ The redefined measures examine whether directors are rewarded or penalised for acquisition experience irrespective of acquisition performance, as well as whether the rewards and penalties differ as their portfolio of acquisitions increases.

⁹ The chapter also redefines the dependent variable and uses a change in directorships as the independent variable. Furthermore, the main measures are redefined as $CAR(+)$ and $CAR(-)$, to isolate acquisition experience to 1 year.

This chapter makes two main contributions to the literature examining directors' career incentives arising from labour market rewards and penalties. The primary contribution of this chapter is the detailed analysis of a perceived anomaly in the efficient functioning of the director labour market for directors with M&A experience; further, whether the career outcomes for directors with M&A experience differ due to the varying perceptions of their monitoring responsibility attached to their role. Prior literature shows there are negative consequences for directors' careers when their firms are involved in negative events such as bankruptcy, dividend cuts, financial fraud, earnings restatements, proxy contests, or the rejection of takeover offers (Fich & Shivdasani, 2007; Fos & Tsoutsoura, 2014; Gilson, 1990; Harford, 2003; Kaplan & Reishus, 1990; Srinivasan, 2005). However, directors' careers appear to benefit from value-enhancing M&As as well as value-destructive M&As (Harford & Schonlau, 2013). While the literature has documented this inefficiency in the director labour market, it has not examined the complexities and nuances that may cause this anomaly to occur. The importance of the varying roles held by directors has been documented, even in relation to acquisitions (Field & Mkrtychyan, 2017); however, no prior literature considers whether directors have varying accountability according to the monitoring responsibilities assigned to them. This chapter indicates the anomaly identified in the director labour market is more extreme than initially identified in Harford and Schonlau (2013) and demonstrates that director labour market decisions are multifaceted, rather than simply rewarding positive outcomes and penalising negative outcomes.

This chapter also extends the body of research which documents the reputational choices and consequences faced by directors (Dou, 2017; Fahlenbrach et al., 2017; Knyazeva, Knyazeva, & Masulis, 2013). Previous studies focus on the directorships retained or forfeited when a firm engages in activities that could tarnish the director's reputation. In contrast, this chapter focuses on how the director labour market responds to directors' M&A decisions through the prestige

of future directorships offered to them compared to the prestige of the directorships already held. The findings indicate directors do not suffer penalties through the quality of the directorships held post-acquisition, even after value-destroying M&A decisions. This chapter also adds to the body of research about whether enhancing director reputation is a primary motivator for outside directors' actions (Fama, 1980; Fama & Jensen, 1983; Masulis & Mobbs, 2014); this study contradicts prior findings and indicates that the potential of future prestigious directorships does not deter directors from poor M&A performance, because they are rewarded regardless.

The remainder of this chapter is structured as follows. Section 2.2 reviews the literature on the director labour market and develops the hypotheses tested in this chapter. Section 2.3 details the measures of acquisition performance and presents the regression models used to test the hypotheses. Section 2.4 illustrates the sample construction process, while the descriptive statistics and empirical results are detailed in Section 2.5. Section 2.6 discusses additional analysis. Finally, Section 2.7 provides some concluding remarks to the chapter.

2.2 Literature review and theory development

Outside directors are responsible for monitoring and advising firms' top managers in order to mitigate agency conflicts arising from the separation of ownership and control (Fama & Jensen, 1983). Thus, their presence should increase the likelihood of corporate decisions being made in favour of shareholders, as they are perceived to be effective monitors (Byrd & Hickman, 1992; Cotter, Shivdasani, & Zenner, 1997; Paul, 2007). An efficiently functioning director labour market is supposed to serve as a motivating mechanism for directors to work in shareholders' best interests (Fama, 1980; Fama & Jensen, 1983), by rewarding (penalising) them for good (poor) performance. Prior literature shows director career concerns have the potential to mitigate agency problems that occur between the board of directors and

shareholders (Brickley, Linck, & Coles, 1999). As the presence of outside directors is the only independent representation provided to shareholders in the firms they own, it is vital that directors' interests are aligned with those of shareholders (Cai, Garner, & Walkling, 2009). Consequently, the career incentives received by directors should lead to positive outcomes for shareholders.

A number of studies support the premise of an efficiently functioning director labour market, demonstrating that directors with superior performance generally receive more directorships, while directors who exhibit poorer performance are allocated fewer board seats (Fich & Shivdasani, 2007; Fos & Tsoutsoura, 2014; Kaplan & Reishus, 1990; Srinivasan, 2005; Yermack, 2004). Similarly, the literature shows directors who serve on larger firms and sit on larger boards are more likely to attract new directorships (Ferris, Jagannathan, & Pritchard, 2003). Additionally, firms with better internal governance mechanisms are more likely to hire shareholder-friendly directors and dismiss shareholder-unfriendly directors, therefore rewarding directors who act in shareholders' interests (Lel & Miller, 2018). This supports the conjecture that the director labour market creates powerful incentives that help ensure directors act in shareholders' best interests (Fama & Jensen, 1983).

Directors face reputational costs for financial reporting and corporate failures (Fos & Tsoutsoura, 2014; Gilson, 1990; Srinivasan, 2005). For example, while penalties from lawsuits and the Securities Exchange Commission (SEC) are limited for directors when their firms experience accounting restatements, they experience substantial labour market penalties – losing 25% of their positions on other boards (Srinivasan, 2005). Proxy contests, lawsuits, earnings restatements and the occurrence of financial fraud also have significant adverse effects on directors' careers, indicated through a decline in the number of board seats held following such events (Dou, 2017; Fich & Shivdasani, 2007; Fos & Tsoutsoura, 2014; Krause et al.,

2017). Similarly, directors involved in dividend cuts are less likely to receive additional outside directorships (Kaplan & Reishus, 1990).

Corporate governance mechanisms assist in the efficient functioning of the director labour market. Firms with strong corporate governance are less likely to retain directors accused of engaging in fraudulent activities (Brochet & Srinivasan, 2014; Fich & Shivdasani, 2007).¹⁰ Similarly, managers are more likely to be removed from the boards of firms for negative events when the firm exhibits a higher quality of corporate governance, the directorship is relatively more prestigious, or when harm to shareholder value is significant (Karpoff, Lee, & Martin, 2008; Masulis & Mobbs, 2017). Furthermore, experience gained at firms considered older, larger, more complex, more transparent, better governed, qualitatively reputable and high performing is beneficial for directors, as they are more likely to be candidates for other directorships (Do, Nguyen, & Rau, 2015). The director labour market also rewards directors from superior performing firms by offering them higher quality directorships (Gupta, Otley, & Young, 2008). Thus, firms exhibiting higher levels of corporate governance are more likely to penalise poor-performing directors, and directors from said firms are more likely to receive labour market benefits.

As acquisitions are major capital decisions that are often wealth-destructive for acquiring shareholders, it is important for directors' incentives surrounding acquisitions to be aligned with shareholders' interests. Managerial objectives may drive bad acquisitions; further, managers of acquiring firms may be influenced by hubris, overpaying for target firms as they overestimate their value and their own ability to run them (Morck, Shleifer, & Vishny, 1990; Roll, 1986). Managers may pursue acquisitions for self-serving purposes such as increased

¹⁰ Strong corporate governance is measured by the Gompers, Ishii and Metrick (2003) score. Firms are allocated one point for every provision present that restricts shareholder rights, and provisions are listed in Gompers et al. (2003). Thus, firms with a lower score exhibit stronger corporate governance.

compensation or empire building, which can result in value destruction (Brown & Sarma, 2007). Thus, it is critical for directors to be provided with the appropriate incentives to limit their self-serving motives and maximise shareholder value (Avery, Chevalier, & Schaefer, 1998; Byrd & Hickman, 1992; Wright, Kroll, & Elenkov, 2002).

While empirical evidence suggests that the director labour market is mostly efficient, rewarding and penalising directors appropriately for their performance, acquisitions are one instance where directors' actions are not rewarded appropriately, particularly from the perspective of the acquiring firm. As extant literature focuses on the importance of the monitoring function of directors during acquisitions, directors' incentives should be aligned with shareholders' interests. However, this is not always the case; Harford and Schonlau (2013) find that acquisition experience is rewarded through additional future directorships 2 years post-acquisition irrespective of M&A performance. The findings reported by Harford and Schonlau (2013) suggest the director labour market values acquisition experience rather than acquisition ability or skill, thus demonstrating the valuable nature of M&A experience. Therefore, it is hypothesised that:

Hypothesis 1: Directors that complete acquisitions gain additional board seats, regardless of acquisition value creation.

Directors assume varying levels of monitoring and advising responsibility dependent on their board roles. In accordance with agency theory, the separation of CEO and Chair positions benefits shareholders, potentially at the expense of clear hierarchical leadership (Krause et al., 2017). Alternatively, where firms choose to preserve CEO/Chair duality, many have opted to appoint a lead independent director. Prior literature demonstrates that an independent Chair or lead independent director are among the most prominent roles on the board, as they are responsible for establishing and securing effective corporate governance and ensuring the

board of directors fulfils its central duties. Lead independent directors are allocated additional responsibilities compared with other directors, including liaising between directors and the CEO, approving board meeting agendas, and chairing board meetings (Lamoreaux et al., 2018). Further emphasising their importance, legislators and regulators advocate for the separation of the Chair and CEO position in order to lessen the power of executives over directors (Brickley et al., 1997).¹¹ As such, their presence should increase the monitoring capabilities of a firm (Lamoreaux et al., 2018).

Shareholders require the Chair and lead independent director to limit the CEO's ability to advance their self-serving preferences; in particular, preferences that may reduce directors' ability to monitor the CEO conflict with shareholders' interests (Lamoreaux et al., 2018). Thus, their presence should improve the effectiveness of directors and result in less value destruction for shareholders. Prior literature suggests lead independent directors are more likely to be appointed when the anticipated benefits of monitoring by the lead independent director are increased (Lamoreaux et al., 2018). The independent Chair and the lead independent director are more visible to shareholders, providing them with greater reputational incentives to act in shareholders' interests. As the Chair and lead independent director are expected to advocate for stronger monitoring over the CEO and executives, it is expected that they hold more responsibility and are more accountable for firm decisions and defending shareholders' interests in comparison to other directors. Additionally, acquiring firms are more likely to employ a lead independent director if the firm has a takeover defence mechanism in place (Lamoreaux et al., 2018), reinforcing the idea that lead independent directors assume more

¹¹ Regulators are advocating for a lead independent director to be present on the boards of firms where the CEO and Chair position are held by the same individual (CEO duality).

responsibility surrounding large firm decisions such as acquisitions. Accordingly, it is predicted that:

Hypothesis 2a: The career outcomes of the Chair of the acquiring firm are positively associated with acquisition performance.

Hypothesis 2b: The career outcomes of the lead independent director of the acquiring firm are positively associated with acquisition performance.

Boards' advising ability depends on the quality of information directors have about the firm (Armstrong, Guay, & Weber, 2010). Acquisition decisions are strategic decisions that are considered typical board advisory functions (Kim et al., 2014). As directors on the board are held accountable for both monitoring and advising functions, it is important to examine the directors who may be more responsible for advising the firm. Kim et al. (2014) argue that directors' essential knowledge about a firm increases with tenure. This is because they gain firm-specific knowledge, which reduces information asymmetry and attenuates informational conflict between the board and management. Furthermore, long-term director engagement may lead to directors having greater experience, commitment and competence (Vafeas, 2003).

Also, as long-tenured directors have been present on the board for an extended period, it is less likely they have been co-opted.¹² Prior research determines that directors appointed during the CEO's term have allegiance to the CEO, resulting in decreased board monitoring abilities (Coles, Daniel, & Naveen, 2014). Specifically, co-opted boards are more likely to engage in fraudulent activities (Khanna, Kim, & Lu, 2015) and increase CEO pay levels (Coles et al., 2014). Therefore, it is argued that as long-tenured directors have superior monitoring and

¹² Co-opted directors are directors appointed after the CEO assumed their position (Coles et al., 2014).

advising capabilities they are perceived as more responsible for M&A decisions, leaving them more accountable when acquisitions are value-destroying. Thus, it is hypothesised that:

Hypothesis 3: The career outcomes of long-tenured directors on the board of the acquiring firm are positively associated with acquisition performance.

Prior research indicates directors are aware of the labour market's perception of their performance, and directors seek to maintain and enhance their reputation as it improves their human capital on the boards they preside on and increases their attractiveness as candidates for other board appointments (Zajac & Westphal, 1996). This is evident when directors pre-emptively depart firms prior to negative firm events (Fahlenbrach et al., 2017). Although directors' pre-emptive departures are intended to avoid negative reputation effects, early departures have adverse effects for directors through labour market penalties (Dou, 2017). Directors are also more likely to resign from firms that perform poorly as they are associated with lower prestige and greater workloads (Fahlenbrach et al., 2017). Similarly, directors are more willing to forfeit lower ranking directorships when that firm is performing badly to avoid negative reputation effects (Masulis & Mobbs, 2014). This demonstrates that directors are motivated to protect their perceived reputation in the director labour market.

Prior studies also report that directors value their more prestigious directorships highly, as they are less willing to forfeit these directorships during times of hardship (Knyazeva et al., 2013; Masulis & Mobbs, 2014). In addition, outside directors who have an external directorship considered to be relatively high-ranking also improve firm value and operating performance (Masulis & Mobbs, 2014). Based on these findings, in an efficient functioning director labour market, it would be expected that the quality of directors' acquisition experience matters. Thus, it is conjectured that prestigious and reputable firms are less likely to appoint outside directors with proven poor acquisition performance. Formally, it is hypothesised that:

Hypothesis 4: There is a positive association between the prestige of acquiring firms' outside directors' future directorships and acquisition performance.

2.3 Research design

2.3.1 Acquisition performance and labour market outcomes

The study follows the methodology used by Brickley et al. (1999) and Harford and Schonlau (2013) to test Hypotheses 1, 2 and 3, estimating ordered logit models for director-firm-years to explain the number of outside board seats held by directors. The ordered logit model to test Hypothesis 1 is as follows:

$$\text{Board Seats } t+2 = \alpha + \beta_1 \text{Acquisition} + \beta_2 \text{SumCAR} + \beta_j \text{Control Variables} + \varepsilon_i \quad (1)$$

The dependent variable in year t for each observation in the director-firm-year panel is *Board Seats $t+2$* , the number of total outside directorships held by outside directors in year $t+2$. The dependent variable takes on values from zero to four, representing five categories: the director holds either 0, 1, 2, 3, or 4 or more outside directorships, i.e. any directors holding more than four directorships are coded as having four directorships.¹³ An ordered logit model is appropriate in this setting as while the dependent variable is ordinal, the model does not assume that the difference between board seats is the same (Brickley et al., 1999; Harford & Schonlau, 2013).^{14,15} To determine whether outside directors are rewarded and penalised for acquisitions

¹³ *Board Seats $t+2$* is calculated as the number of directorships held by directors two calendar years after the announcement date rather than the fiscal year 2 years post-announcement, in order to ensure the accuracy of results.

¹⁴ Additional tests are conducted using ordinary least squares (OLS) models with *Board Seats $t+2$* as a continuous variable, and results remain unchanged.

¹⁵ OLS regressions are also conducted to test the hypotheses using the change in board seats held by directors from year t to year $t+2$. The hypotheses are also tested using total number of board seats excluding the board seat the director holds at the acquiring firm. Following Ellis, Guo and Mobbs (2018), the dependent variable is also redefined as an indicator variable equal to one if a director experienced a loss in directorships from year t to year $t+2$, and zero otherwise, and logit regressions are conducted using this variable.

through additional board seats, four measures of acquisition performance are used as the variables of interest – *Acquisition*, *Number of Acquisitions*, *Acq(+)* and *Acq(-)*. *Acquisition* is an indicator variable in year t equal to one if the director has made a large acquisition in any year since 2001, up to and including year t , and zero otherwise. An acquisition is classified as large if the target size, as measured by the Securities Data Company's (SDC) transaction value, is at least 5% of the size of the market value of the acquirer at the end of the prior calendar year and the target firm is worth at least \$50 million.¹⁶ *Number of Acquisitions* is the total number of large acquisitions completed by the director since 2001 up to and including year t . *Acq(+)* (*Acq(-)*) is an indicator variable in year t for whether the sum of the director's past large acquisition announcements is positive (negative), and zero otherwise. The abnormal returns are calculated from a market model using the Center for Research in Security Prices (CRSP) value-weighted market return. The parameters of the market model are estimated using data from days -280 to -61 relative to the announcement date (Fahlenbrach, Low, & Stulz, 2010).

Numerous characteristics are controlled for, based on prior M&A and governance research (Harford & Schonlau, 2013). First, controls for acquirer and deal characteristics are included. *SumCAR* is the sum of the 3-day cumulative abnormal returns (CAR) for all large acquisitions completed by an outside director in any year since 2001 up to year t . This variable is set to zero if the director has made no previous large acquisitions. The variable is standardised such that a unit increase is associated with a standard deviation increase and is winsorized at the 0.5% level. *SumCAR* is not included as a control variable when *Acq(+)* and *Acq(-)* are the variables of interest due to the high correlation between the variables. *Diversifying* is measured as an indicator variable equal to one in year t if the director made at least one diversifying acquisition since 2001, and zero otherwise. An acquisition is considered diversifying if the target firm's

¹⁶ All monetary values are presented in US dollars.

industry differs from the acquirer's industry.¹⁷ *Yrs Since Last Acquisition* is the number of years since the director engaged in a large acquisition. This variable is set to zero if the director has made no previous large acquisitions. *Ind Adj ROA* is measured as the change from year $t-1$ to year t in the firm's industry-adjusted return on assets (ROA).¹⁸ *Prior BHAR* are annualised buy-and-hold abnormal returns over the financial year $t-1$. *Firm Size* is measured as the natural logarithm of the market capitalisation of the firm in year $t-1$.¹⁹

This study also controls for governance measures that may influence the likelihood of an acquisition and impact acquisition outcomes. *Past Directorships* are measured as the number of directorships held by the director in the previous year. *Director Tenure* is defined as the number of years since the director first became a director at any firm in the sample. *Director Age* is the age of the director in years.

Following Harford and Schonlau (2013), two potential alternative explanations for the findings are considered. First, an unobserved omitted variable could explain both the acquisition and future board seats, as directors who are better at working with boards could be the same directors who are able to convince their boards to make acquisitions. To address this possibility, the chapter controls for directors' prior board seats and firm performance. Another explanation may be the possibility that inter-industry experience or reputation gained via the acquisition process, rather than the acquisition itself, leads to subsequent board seats. This concern is eliminated by controlling for diversifying acquisitions (*Diversifying*).

¹⁷ A proxy for firm diversification is included as acquisitions are a way of generating synergies by restructuring and consolidating operations (Andrade & Stafford, 2004).

¹⁸ The chapter controls for a change in ROA as firms with considerable ROA are better positioned to become acquirers (Harford, 1999).

¹⁹ Firm size is controlled for as more resources are required to acquire larger targets; thus, the size of a firm could serve as an effective takeover defence (Masulis, Wang & Xie, 2007).

In the specifications, potentially endogenous sources of variation in the number of directorships held by directors are addressed. Aggregate trends in the labour market for directorships may drive changes in directorships. Specifications are augmented with year fixed effects to address this concern (Fos & Tsoutsoura, 2014). This chapter also controls for industry fixed effects.²⁰ Standard errors are clustered by director, as the same directors are present in the data set across multiple years.

2.3.2 Acquisition performance and responsible directors' labour market outcomes

The prediction that directors with more responsible board positions are more accountable for poor acquisition decisions (Hypothesis 2) is empirically tested by estimating the following model, using *Board Seats* $t+2$ as the dependent variable:

$$\begin{aligned} \text{Board Seats } t+2 = & \alpha + \beta_1 \text{Acq}(+) \times \text{Chair}(\text{Lead}) + \beta_2 \text{Acq}(-) \times \text{Chair}(\text{Lead}) + \beta_3 \text{Acq}(+) + \\ & \beta_4 \text{Acq}(-) + \beta_5 \text{Chair}(\text{Lead}) + \beta_j \text{Control Variables} + \varepsilon_i \end{aligned} \quad (2)$$

Hypothesis 2a is tested using interaction terms $\text{Acq}(+) \times \text{Chair}$ and $\text{Acq}(-) \times \text{Chair}$ as the variables of interest. *Chair* is an indicator variable equal to one if the director is the independent chair of the firm, and zero otherwise. Hypothesis 2b is tested using $\text{Acq}(+) \times \text{Lead}$ and $\text{Acq}(-) \times \text{Lead}$ as the variables of interest. *Lead* is an indicator variable equal to one if the director is the lead independent director of the firm, and zero otherwise. The controls for Hypothesis 2a and 2b are consistent with those discussed in Section 2.3.1. Additional testing is conducted using *Acquisition* and *Number of Acquisitions*, and their interaction terms with *Chair* and *Lead* as the variables of interest. When these tests are conducted, *SumCAR* is included as a control variable. *SumCAR* has been excluded from the main testing with $\text{Acq}(+)$

²⁰ Two-digit SIC codes are used to define the indicator variables for industry.

and $Acq(-)$, as these variables have been calculated using $SumCAR$ and are therefore highly correlated.

2.3.3 Acquisition performance and director tenure

An ordered logit model is estimated to examine the association between directors' tenure and post-acquisition labour market opportunities (Hypothesis 3):

$$Board\ Seats\ t+2 = \alpha + \beta_1 Acq(+)\ \times\ Tenure\ Dummy + \beta_2 Acq(-)\ \times\ Tenure\ Dummy + \beta_3 Acq(+)\ +\ \beta_4 Acq(-)\ +\ \beta_5 Tenure\ Dummy + \beta_j Control\ Variables + \varepsilon_i \quad (3)$$

The dependent variable is $Board\ Seats\ t+2$. Hypothesis 3 is tested using $Acq(+)\ \times\ Tenure\ Dummy$ ($Acq(-)\ \times\ Tenure\ Dummy$) as the variable of interest. $Tenure\ Dummy$ is defined as an indicator variable equal to one if a director has served on the board of the firm for at least 10 years, and zero otherwise. Director tenure of 10 years was chosen as firm value reaches a maximum when the average tenure of directors is approximately 10 years (Huang & Hilary, 2018).²¹ The controls are consistent with those used in Model (1), as described above.

2.3.4 Acquisition performance and directorship prestige

The following model is estimated to examine the impact acquisition performance has on the prestige of directors' post-acquisition directorships:

$$Dependent\ variable = \alpha + \beta_1 Acq(+)\ +\ \beta_2 Acq(-)\ +\ \beta_j Control\ Variables + \varepsilon_i \quad (4)$$

Hypothesis 4 is tested using logit regressions and OLS regressions, according to the dependent variable specified. The dependent variable, which proxies for directorship prestige, is measured

²¹ Other measures of M&A performance such as ROA are explored in untabulated additional testing (following Harford and Schonlau, 2013).

in seven ways. *Prestige comparing t and t+2* (*Prestige comparing t+2*) is a variable coded one if the new directorship obtained post-acquisition in year $t+2$ is larger than the average size of the other directorships held by the director in year t ($t+2$), excluding the acquisition firm. The calculation of *High ranked new directorship* follows Masulis and Mobbs (2014), coded one if the new directorship obtained by the director in $t+2$ is at least 10% larger than their smallest directorship in year t . These three measures use a firm's market value of equity to determine firm size. Following Dou (2017), the prestige measure *Percent change in TA* (*Percent change in MVE*) is calculated as the percentage change in the total assets (market value of equity) of the largest firm the director works for from year t to year $t+2$, excluding the acquisition firm. Finally, *Change in TA from t to t+2* (*Change in Total MVE from t to t+2*) is calculated as the sum of the market value of equity (total assets) of a director's other directorships in year $t+2$ minus the sum of the market value of equity (total assets) of a director's other directorships at year t , excluding the acquisition firm.

The variables of interest for Hypothesis 4 are *Acq(+)* and *Acq(-)*. *Acquisition* and *Number of Acquisitions* are used as the variables of interest in additional testing. The controls used in Model (4) are largely consistent with controls in Model (1).

2.4 Sample construction

The sample of M&A transactions is obtained from the SDC US Mergers and Acquisitions database. The M&A transactions included in the sample are those announced between 2001 and 2015, where US publicly listed firms acquire public or private US and non-US targets. The sample ends in 2015 to allow for directorships to be tracked for 2 years post-acquisition, to test whether acquisitions are related to directors' future board seats. Applying the standard filters used in the M&A literature, small transactions in which the deal value is less than \$50 million or less than 1% of the acquirer's market capitalisation are excluded, and the sample is restricted

to deals in which the acquirer obtains at least 51% of the target's shares. The M&A data obtained from SDC is matched to BoardEx data to identify those directors who have been involved in M&As. These observations must have both complete BoardEx and Compustat data. The main tests of this chapter are conducted using a director-firm-year panel consisting of all outside directors.²² Directors may appear more than once in a given year if they serve on multiple boards. The main results in this thesis do not distinguish between focal firms, where a director is newly appointed, and acquisition firms, where the director has gained M&A experience. Financial data are obtained from Compustat and stock price data from CRSP and Wharton Research Data Services (WRDS) Event Study. A summary of the sample selection process is documented in Table 1. The final sample consists of 236,534 usable observations.

[Insert Table 1 here]

2.5 Empirical results

2.5.1 Descriptive statistics

Table 2 presents the descriptive statistics for all variables used in Model (1) to Model (4), for the full sample of directors (Table 2 Panel A) and the M&A subsample (Table 2 Panel B). Within the full sample of directors, the average director has 1.75 directorships in the current year (*Board Seats* t), 1.69 directorships in year $t-1$ (*Past Directorships*) and 1.45 directorships in year $t+2$ (*Board Seats* $t+2$) (all with a median of one). The descriptive statistics for directors in the M&A subsample in Table 2 Panel B follow a similar trend to those presented in the full sample, reporting an average of 1.85 directorships in the current year (*Board Seats* t), 1.63 directorships in $t+2$ (*Board Seats* $t+2$), and 1.79 directorships in the year prior to the acquisition (*Past Directorships*). These statistics are largely consistent with those reported in Harford and

²² Robustness testing is conducted using a panel consisting of directors with M&A experience.

Schonlau (2013), who report descriptive statistics for CEOs' terminal years.²³ The descriptive statistics do not provide preliminary support for the hypotheses, as while board seats appear to decrease from year t to year $t+2$, directors on average appear to perform value-enhancing acquisitions as indicated by the mean of 0.02 (0.25) for *SumCAR* for the full (M&A) sample. As this chapter predicts the labour market rewards and penalises directors according to their acquisition performance, it goes against expectations that there is a decrease in directors' board seats from year t to year $t+2$ when, on average, acquisition performance is positive.

[Insert Table 2 Panel A here]

Within the full sample, approximately 42% of directors have engaged in acquisitions including their current year acquisition (*Acquisition*). Within the M&A subsample, the sum of directors' cumulative abnormal returns surrounding acquisition announcements (*SumCAR*) is positive on average (0.25). Within the full sample, the sum of directors' cumulative abnormal returns surrounding acquisition announcements is 0.02 on average, similar to Harford and Schonlau (2013) who report a mean of zero. This is also consistent with Dhaliwal et al. (2016) and Betton, Eckbo and Thorburn (2009), who also report summary statistics for acquirer announcement returns close to zero.

[Insert Table 2 Panel B here]

Directors within the full sample have undertaken on average 0.77 acquisitions, including their current-year acquisition (*Number of Acquisitions*). This average is similar to Harford and Schonlau (2013), who report an average of 0.88 acquisitions in their descriptive statistics based on CEOs' terminal years. Directors within the M&A subsample have been involved in 2.22

²³ Harford and Schonlau (2013) execute tests using a sample of only CEOs' terminal years, which is the year the CEO retired from their role. CEO terminal years were focused on to account for the possibility that CEOs have more time and freedom to pursue outside directorships after retirement (Harford and Schonlau, 2013).

acquisitions on average, including the current acquisition being undertaken (*Number of Acquisitions*). Within the full sample, approximately 29% of directors have made acquisitions that are on average net value-enhancing according to the sum of the CAR surrounding the acquisition announcement (*Acq(+)*), while approximately 20% of directors have made net value-destroying acquisitions (*Acq(-)*).

Several proxies of director prestige are included in the chapter, and the descriptive statistics are documented in Table 2. The prestige of directors' other board appointments within the full sample (Table 2 Panel A) increases by 13%, using a percentage change in the total assets of the largest firm a director works for, from year t to year $t+2$ excluding the M&A firm (*Percent change in TA*). Using *Percent change in MVE* also yields a positive mean, with directorships increasing in market value of equity by 24.9% on average within the full sample. This change in total assets and market value of equity indicates that many directors assumed a new role 2 years post-acquisition. The means for *Percent change in TA* and *Percent change in MVE* are notably higher in the M&A subsample, at 64% and 84% respectively. However, when comparing directors' new directorships post-M&A in year $t+2$ to the average size of the other directorships held in year t (*Prestige comparing t and $t+2$*), the mean is 0. This is also consistent for *Prestige comparing $t+2$* . This indicates the market value of equity of new directorships is less than the average of the other directorships held.

Approximately 5% of directors are the Chair of the Board (*Chair*), while 4% hold the position of lead independent director in both the full and M&A subsample (*Lead*). Further, 28% of directors in the M&A subsample have held a position on the board of the firm for at least 10 years (*Tenure Dummy*); this is comparable to the full sample, which documents a mean of 30%. Directors have held their position on the board of the firm for approximately 8 years on average, in both the full sample and the M&A subsample (*Director Tenure*).

2.5.2 Correlation matrix

A correlation matrix for all variables included in the regression models are presented in Table 3. Pairwise correlation coefficients are reported in this table, and all significant coefficients are reported at the 1%, 5% and 10% levels. The correlation table reveals that *Board Seats t* is positively and significantly correlated with *Board Seats t+2* as expected (correlation of 0.81). Consistent with predictions, there is a positive and significant correlation between *Board Seats t+2* and *Acquisition*. Similarly, the correlation between *Board Seats t+2* and *Number of Acquisitions* is positive and significant (correlation of 0.213), providing preliminary evidence supporting Hypothesis 1. *Acq(+)* and *Acq(-)* are both positively and significantly correlated with *Board Seats t+2* at the 1% level. These correlations are consistent with the findings reported in Harford and Schonlau (2013), and are also congruous with the predictions documented in this chapter. *Chair*, *Lead*, and *Tenure Dummy* are all positively and significantly correlated with *Acq(+)*, and *Lead* and *Tenure Dummy* have significant and positive correlations with *Acq(-)*. However, the correlation between *Chair* and *Acq(-)* is positive but insignificant. *Lead* has a positive and significant correlation with *Board Seats t+2*, and *Tenure Dummy* is negatively and significantly correlated with *Board Seats t+2* (correlation of -0.105).

Board Seats t+2 is positively and significantly correlated with all prestige variables at the 1% level, with the exception of *Percent change in MVE*. *Acquisition* is positively and significantly correlated with *Prestige comparing t and t+2*, *Prestige comparing t+2*, *High ranked new directorship*, *Percent change in TA*, and *Percent change in MVE* at the 1% level. However, *Acquisition* is negatively and significantly correlated with *Change in TA from t to t+2* at the 1% level, and it is not significantly correlated with *Change in total MVE from t to t+2*. These correlation patterns between the prestige variables and acquisition performance remain the same using other measures of acquisition performance (*Number of Acquisitions*, *Acq(+)* and

Acq(-). *Director Tenure* is negatively and significantly correlated with all prestige variables at the 1% level, with the exception of *Percent change in TA* and *Percent change in MVE*, which have insignificant correlations with *Director Tenure*. Similarly, *Director Age* is significantly and negatively correlated with all prestige measures at the 1% level with the exception of *Percent change in TA* and *Percent change in MVE*.

[Insert Table 3 here]

There is a significant and positive correlation between *Firm Size* and *Acquisition* (0.423), as well as *Firm Size* and *Number of Acquisitions* (0.279), as expected. *Firm Size* is also positively and significantly correlated with *Diversifying*. The correlation matrix also displays negative and significant correlation coefficients between *Board Seats t+2* and *Director Tenure*, and between *Board Seats t+2* and *Director Age*. The correlation coefficients between *Director Tenure* and *Director Age* are significant and positive, as expected.²⁴

2.5.3 Univariate analysis

Table 4 presents univariate analyses for different subsamples. The univariate analysis reported in Panel A compares acquiring and non-acquiring directors. The results reveal that directors' past directorships (*Past Directorships*), directorships in the current year (*Board Seats t*), and directorships in year *t+2* (*Board Seats t+2*) are statistically different between non-acquiring directors and acquiring directors. Specifically, in Column (5) of Panel A, the results show non-acquiring directors have 0.711 (0.613) less board seats in year *t* (year *t+2*) on average than acquiring directors. This mean difference is statistically significant at the 1% level. Acquiring directors also held more directorships than non-acquiring directors prior to acquisition (*Past*

²⁴ The variance inflation factor (VIF) is measured when running the regressions to confirm the absence of significant collinearity.

Directorships), significant at the 1% level. The results for the prestige proxies indicate that non-acquiring directors have less prestigious directorships in year $t+2$ compared with acquiring directors, denoted by the statistically significant differences on all prestige variables. The difference in means on *Chair* and *Lead* indicate that a higher percentage of acquiring directors hold the Chair or lead position compared with non-acquiring directors, and these differences in means are significant at the 1% level. The testing reported in Column (5) of Panel A also reveals acquiring directors have longer average tenure than non-acquiring directors (*Director Tenure*), significant at the 1% level. The difference in means of 2.299 for *Director Age*, significant at the 1% level, indicates the average acquiring director is over 2 years older than the average non-acquiring director.

[Insert Table 4 Panel A here]

Panel B of Table 4 reports analyses comparing directors who have engaged in net value-enhancing acquisitions ($Acq(+)=1$) with all other directors. The univariate tests show directors with value-enhancing acquisition experience hold more board seats currently (mean of 1.629 versus a mean of 2.047 for variable *Board Seats t*) and hold more board seats 2 years post-acquisition (mean of 1.357 versus a mean of 1.699 for variable *Board Seats t+2*). These differences are both statistically significant at the 1% level. Directors with value-enhancing acquisition experience also hold more prestigious directorships in year $t+2$ compared to all other directors, and all prestige variables are statistically significant at the 1% level. The positive and significant difference in means of 0.016 at the 1% level on *Lead* shows value-enhancing directors are more likely to hold the position of lead independent director. Value-enhancing acquirers also have longer tenure than other directors, demonstrated by the positive and significant difference in means for *Tenure Dummy* and *Director Tenure*. The positive and

significant difference in means on *Firm Size* indicates that value-enhancing directors work at larger firms compared to all other directors, on average.

[Insert Table 4 Panel B here]

Panel C of Table 4 reports univariate tests analysing the differences between directors with net value-destroying acquisition experience, measured by the CAR surrounding the acquisition announcement, and all other directors. In the current year, the means reveal directors with net value-destroying acquisition experience hold more board seats than other directors. Specifically, they have 0.507 more board seats on average, and this difference is statistically significant at the 1% level. Similarly, in year $t+2$, they have on average an additional 0.443 board seats, statistically significant at the 1% level. The positive and significant differences in means for *Prestige comparing t and t+2*, *Prestige comparing t+2*, *High ranked new directorship*, *Percent change in TA*, *Percent change in MVE*, *Change in TA from t to t+2*, and *Change in total MVE from t to t+2* indicate directors with net value-destroying M&A experience receive more prestigious directorships in year $t+2$ relative to other directors. This breakdown suggests the prestige effect is not isolated to directors with specific acquisition experience, and that neither value-enhancing nor value-destructive acquirers drive the significant difference reported in Table 4 Panel A. The positive and significant difference in mean for *Lead* indicates that value-destroying directors are more likely to hold the lead director position. Furthermore, the positive and significant differences in means on *Tenure Dummy* and *Director Tenure* suggest, on average, value-destroying directors have held their positions on the board for longer than other directors. Value-destroying directors also hold positions on boards of larger firms compared with all other directors (*Firm Size*). Finally, value-destroying directors also tend on average to be older than other directors (63.28 years compared to 61.60 years; *Director Age*).

[Insert Table 4 Panel C here]

Panel D of Table 4 reports univariate tests analysing the differences between value-enhancing acquirers and value-destroying acquirers. Thus, the sample reported in this table is limited to acquirers. Interestingly, there is no significant difference in the number of board seats held by value-enhancing acquirers and value-destroying acquirers in both year t (*Board Seats t*) and year $t+2$ (*Board Seats $t+2$*). Value-enhancing acquirers have significantly higher prior BHARs than value-destroying acquirers at the 1% level, and they are higher by 0.031. Value-destroying acquirers are more likely to work at larger firms compared to value-enhancing acquirers, demonstrated by the difference in means, significant at the 1% level. Value-destroying directors are also slightly older than value-enhancing directors, significant at the 5% level.

[Insert Table 4 Panel D here]

Within the non-Chair sample and Chair sample, displayed in Panel E of Table 4, univariate tests produce similar results. In the non-chair (Chair) sample, non-acquiring directors have 0.710 (0.703) fewer board seats than directors who acquire. These results are similar for directors' board seats in year $t+2$. Within both the chair sample and non-chair sample, acquirers have higher tenure than non-acquirers, and this difference in means is significant at the 1% level (*Tenure Dummy*). Interestingly, *Director Tenure* has an insignificant difference in means. Within both samples, acquirers are also older than non-acquirers on average, and this difference in means is significant at the 1% level (*Director Age*).

[Insert Table 4 Panel E here]

Panel F reports univariate testing for the non-lead sample and lead sample. In year t (year $t+2$), non-acquiring directors within the non-lead sample have a mean of 1.445 (1.194) board seats, as reported in Column (2) of Panel F. The means are slightly lower than those for acquiring

directors within the non-lead sample, who have a mean of 2.156 board seats in year t and 1.810 board seats in year $t+2$, reported in Column (4). Thus, in year t (year $t+2$), within the non-lead sample, acquiring directors hold approximately 0.711 (0.616) more directorships than non-acquiring directors, and this difference in means is significant at the 1% level. This is consistent within the lead sample, where again acquiring directors on average have more board seats than non-acquiring directors.

[Insert Table 4 Panel F here]

Panel G presents univariate results for the non-tenure sample and the tenure sample. For the non-tenure sample presented in Columns (1) to (5) of Panel G, in year t (year $t+2$), acquiring directors have on average 0.758 (0.675) more board seats than non-acquiring directors, and this mean difference is statistically significant at the 1% level. Within the tenure sample in Panel G Column (10), in year t (year $t+2$), non-acquiring directors have on average 0.636 (0.519) fewer directorships than acquiring directors. The mean difference is statistically significant at the 1% level.

[Insert Table 4 Panel G here]

2.5.4 Results using the full sample

Acquisition performance and directors' future board seats

Hypothesis 1 is tested, examining whether outside directors who preside on boards that complete acquisitions are more likely to gain additional board seats than directors without acquisition experience. Ordered logit models are estimated to explain the number of directorships held by directors 2 years post-acquisition. The results presented in Table 5 confirm the findings reported by Harford and Schonlau (2013) using the full sample of directors. The results indicate that directors' board positions in year $t+2$ are significantly and

positively related to the differing measures of acquisition activity. The significant and positive coefficient on *Acquisition* in Column (1) suggests directors who undertake acquisitions are associated with an increase in the number of directorships held in year $t+2$. The coefficient of 0.146 indicates that directors experience an increase of 0.146 directorships in year $t+2$ for simply engaging in acquisitions. The relation between *Board Seats $t+2$* and *Number of Acquisitions* is positive and significant, indicating that the relationship between acquisition experience and the number of directorships held in year $t+2$ is increasing according to the number of acquisitions completed. In terms of economic significance, a one-unit increase in the number of acquisitions completed by a director increases the board seats held by them in year $t+2$ by 0.021. The coefficients on *Acq(+)* and *Acq(-)* in Column (3) are both positive and significant, suggesting the director labour market rewards directors for both value-enhancing and value-destructive acquisitions. Specifically, the coefficients reported on *Acq(+)* and *Acq(-)* in Column (3) of Table 5 suggest directors who engage in value-enhancing (value-destroying) acquisitions experience an increase in the number of directorships held 2 years post-acquisition by 0.112 (0.172). These coefficients demonstrate directors experience a higher increase in board seats when they are associated with negative acquisition returns. The coefficient of *Acq(-)* being higher than that of *Acq(+)* suggests that directors' experience in poorly-performing M&A deals serves as a signal for lax monitoring abilities. Under agency theory, firms may demand directors who are perceived to provide lower monitoring of CEOs when serving on the board. This concept is explored in detail in Chapter 3. Overall, the results indicate M&A experience is more highly valued than ability in the director labour market.²⁵

²⁵ The results for the control variables are largely consistent with those reported in Harford and Schonlau (2013). *Past Directorships*, *Prior BHARs*, and *Firm Size* are all positive and significant, while *Director Tenure* is negative and significant. However, unlike Harford and Schonlau (2013) who report an insignificant coefficient on *SumCAR*, the positive and significant association between *SumCAR* and *Board Seats $t+2$* is noted in Column (3). This indicates that directors reap larger labour market rewards for having, on average, value-enhancing acquisition experience.

[Insert Table 5 here]

Acquisition performance and Chairs' future board seats

The hypotheses in this chapter focus on determining whether directors with varying degrees of responsibility within the board receive differing levels of reward or penalty in the director labour market based on their perceived responsibility. An independent Chair is expected to alleviate the power executives have over directors (Brickley et al., 1997) and act as a strong monitor (Lamoreaux et al., 2018). Therefore, it is predicted that the Chair may be held more accountable for acquisition decisions, and thus should be rewarded and penalised by the director labour market accordingly.

Table 6 reports the analyses regarding the Chair's acquisition performance and labour market outcomes post-acquisition using the full sample of directors. Hypothesis 2a predicts a positive association between the Chair's M&A returns and future directorships. Column (1) of Table 6 reports the findings using *Chair* as a control, while Column (2) includes the interaction variables of interest ($Acq(+)$ \times *Chair* and $Acq(-)$ \times *Chair*). The coefficient on variable $Acq(+)$ \times *Chair* is negative and insignificant, providing no indication the Chair is rewarded differently in the director labour market for value-enhancing acquisitions. The coefficient on $Acq(-)$ \times *Chair* is also negative and insignificant, providing no support for the hypothesis that the chairperson is penalised more severely in the director labour market for engaging in value-destroying acquisitions. The inference that can be drawn from the results presented in Column (1) and Column (2) of Table 6 is that the quality of the Chair's completed acquisitions has no impact on the number of directorships held by them in year $t+2$. Thus, the findings provide no support for Hypothesis 2a and the conjecture that the Chair of the board is rewarded and penalised accordingly based on the quality of acquisitions completed.

[Insert Table 6 here]

The results for the control variables are mainly consistent with the findings reported by Harford and Schonlau (2013). The coefficient on *Past Directorships* is positive and significant. *Firm Size* and *Prior BHAR* have positive and significant relationships with *Board Seats t+2*. Consistent with Dou (2017), who uses directors' change in directorships as the dependent variable, *Director Age* and *Director Tenure* negatively impact the number of future directorships held by directors in $t+2$.

Acquisition performance and lead independent directors' future board seats

Table 6 presents the results examining the relationship between lead directors' acquisition outcomes and future career prospects. Lead independent directors are directors who are allocated additional important responsibilities compared with other directors. These monitoring and advisory responsibilities include liaising between directors and the CEO, approving board meeting agendas, and chairing board meetings (Lamoreaux et al., 2018). As the lead independent director of a firm is expected to limit the self-serving motives of CEOs and act in shareholders' interests (Lamoreaux et al., 2018), it is posited that lead independent directors will be rewarded in the director labour market for value-enhancement but will be held more accountable for poor decision-making through a loss in directorships, 2 years after acquisition decisions are made.

Column (3) of Table 6 presents results for the association between directors' acquisition quality and labour market outcomes, including *Lead* as a control variable. Column (4) of Table 6 reports results for Hypothesis 2b, and includes the two interaction variables of interest – $Acq(+)$ \times *Lead* and $Acq(-)$ \times *Lead*. Similar to the results presented in the Chair tests, the positive and significant coefficients on $Acq(+)$ and $Acq(-)$ demonstrate directors are rewarded for acquisition experience irrespective of acquisition profitability, when *Lead* is present as a control variable. The coefficient on $Acq(+)$ \times *Lead* in Column (4) of Table 6 is insignificant,

suggesting that lead independent directors' future directorships are not differentially impacted by value-enhancing acquisition experience. Specifically, this provides no support for Hypothesis 2b, which posits that the director labour market rewards lead independent directors for value-enhancing acquisitions, through increased directorships 2 years post-acquisition.

The coefficient on $Acq(-) \times Lead$ in Column (4) is negative but insignificant, indicating lead independent directors' future directorships are not affected by the quality of their acquisition experience. While the negative coefficient is as expected, it does not support the hypothesis that lead independent directors are held more accountable through the director labour market for advisory decisions made surrounding acquisitions.

The findings on the control variables reported in Table 6 Columns (3) and (4) are consistent with those reported in Columns (1) and (2). The coefficient on *Lead* is negatively and significantly associated with *Board Seats t+2* at the 1% level in Columns (3) and (4). This demonstrates that the lead independent director holds fewer directorships in $t+2$. Specifically, the significant and negative coefficient in Column (3) (Column (4)) highlights that lead independent directors hold 0.142 (0.128) fewer board seats 2 years post-acquisition. This result may suggest lead independent directors are less likely to seek other board seats, presumably due to the increased responsibilities associated with the lead director role leaving them with less capacity to take on additional directorships. *Director Tenure* and *Director Age* are negative and significant at the 1% level, consistent with prior findings. *SumCAR*, *Past Directorships*, *Prior BHAR* and *Firm Size* are all positively and significantly associated with *Board Seats t+2*.

Acquisition performance and long-tenured directors' future board seats

Directors with longer tenure are considered an integral part of the advisory function of the board due to the extensive firm- and manager-specific knowledge gained throughout their time with the firm (Brickley & Zimmerman, 2010; Kim et al., 2014). This could lead to them having

more influence over activities that could be classified as advising, like decision-making surrounding acquisition engagement. Thus, this section explores the idea that long-tenured directors may be held more accountable for acquisition decisions, leading to greater rewards and penalties in the director labour market. Specifically, it is posited that long-tenured directors experience an increase in directorships in year $t+2$ following value-enhancing acquisitions, and conversely experience a decrease in directorships held in year $t+2$ following value-destructive acquisitions.

Columns (5) and (6) of Table 6 examine this conjecture using the full sample of directors. In this test, directors are considered to have “longer tenure” if they have been present on the board for more than 10 years. The results presented in Column (5) only include indicator variable *Tenure Dummy*. The formal hypothesis is tested using interaction variables $Acq(+)$ \times *Tenure Dummy* and $Acq(-)$ \times *Tenure Dummy*, with the results using the interaction variables reported in Column (6).

The results presented in Columns (5) and (6) of Table 6 demonstrate there is a significant and negative relationship between long-tenured directors and future directorships, indicated by the negative coefficient on *Tenure Dummy* at the 1% level. Specifically, it appears that directors who have held their position on the board for more than 10 years receive fewer board seats in the director labour market. Thus, it appears directors with long tenure are generally less likely to benefit within the director labour market in comparison to other directors in terms of future board appointments. This result may be attributed to long-tenured directors being older or more entrenched in the acquisition firm. Column (5) of Table 6 indicates that directors are rewarded for both value-enhancing and value-destroying acquisitions, showcased by the positive and significant coefficients on $Acq(+)$ and $Acq(-)$ at the 1% level, respectively, even when the variable *Tenure Dummy* is included as a control variable. The coefficient on $Acq(+)$ \times *Tenure*

Dummy in Column (6) of Table 6 is negative and significant at the 1% level. This demonstrates that long-tenured directors hold fewer directorships 2 years after completing value-enhancing acquisitions. Specifically, the coefficient of -0.049 on $Acq(+)$ \times *Tenure Dummy* shows long-tenured directors with value-enhancing acquisition experience hold 0.049 fewer directorships in year $t+2$ compared to other directors. This finding is contradictory to the hypothesis, which predicts a positive association between $Acq(+)$ \times *Tenure Dummy* and *Board Seats* $t+2$. This finding may be due to long-tenured directors being perceived as worse monitors in comparison to other directors, as they may be loyal to the CEO, thus adhering to their requests.

While the negative and significant coefficient on $Acq(+)$ \times *Tenure Dummy* does not support Hypothesis 3, the negative and significant coefficient on $Acq(-)$ \times *Tenure Dummy* is consistent with expectations and suggests long-tenured directors do not obtain as many additional directorships after completing value-destroying acquisitions compared to other directors. Specifically, the coefficient of -0.118 on $Acq(-)$ \times *Tenure Dummy* demonstrates that long-tenured directors who have engaged in predominantly value-destroying acquisitions up to year t hold 0.118 fewer board seats in year $t+2$ compared with directors who have not engaged in acquisition activity. Directors who have a long tenure are thought to accumulate more experience, competence and firm knowledge (Vafeas, 2003), resulting in them being an integral part of the advisory function of the board. Thus, it appears the director labour market holds long-tenured directors accountable for poor advisory decisions; this could be due to the expectation that they are equipped with enough knowledge to make decisions in shareholders' best interests, especially because acquisition decisions are advisory in nature (Kim et al., 2014). These findings provide partial support for the conjecture, as it appears the director labour market does not reward long-tenured directors with additional directorships 2 years post-acquisition for engaging in value-destroying acquisitions. On one hand, the findings suggest that the director labour market could be penalising long-tenured directors for engaging in

acquisitions. On the other hand, negative and significant results on both $Acq(+)$ \times *Tenure Dummy* and $Acq(-)$ \times *Tenure Dummy* could also indicate, rather than finding additional work externally in the form of new directorships, that long-tenured directors who engage in acquisitions may focus their energies on the firm that has been expanded through acquisition activity, as firm size increases substantially following M&A activity.

The results for the control variables are consistent with those generated in previous tests. *Tenure Dummy* is negative and significant at the 1% level in all columns. The coefficient on *Director Age* is negative and significant, while *Prior BHAR* and *Firm Size* have positive and significant coefficients.

Acquisition performance and prestige of subsequent directorship portfolio

Directors generally strive to develop and maintain a favourable reputation as those with better reputations are more highly sought after in the director labour market (Zajac & Westphal, 1996). Consequently, directors are often willing to forfeit their board positions at poorly-performing firms to avoid adverse reputational effects (Masulis & Mobbs, 2014). Prior studies demonstrate directors are rewarded for positive firm performance (Yermack, 2004); therefore, Table 7 and Table 8 examine whether directors' acquisition experience leads to changes in the prestige of directorships held and obtained. Specifically, this chapter hypothesises that acquiring firm directors who engage in value-destroying acquisitions are penalised with a loss in directorships from reputable and prestigious boards, or are associated with fewer future appointments to reputable and prestigious boards.

To test Hypothesis 4, following prior studies, seven alternative dependent variables measuring prestige are used.²⁶ When calculating the prestige variables, the acquisition firm is excluded as generally firm size automatically increases post-acquisition. Prestige is determined by firm size, either using total assets or the market value of equity.

[Insert Table 7 here]

[Insert Table 8 here]

The positive and significant coefficients on *Acq(+)* and *Acq(-)* in Columns (3), (6) and (9) of Table 7, and Columns (3), (6) and (12) of Table 8 show that directors are rewarded through increases in the prestige of subsequent board appointments for the completion of both value-enhancing and value-destroying acquisitions. Thus, this finding demonstrates that the labour market does not penalise directors through a loss in prestigious directorships for poor acquisition decisions. Consequently, Hypothesis 4 which predicts that the director labour market penalises directors through a loss in high quality directorships, or a reduction in obtaining fewer high-quality directorships, is not supported.

In terms of the control variables, *Director Tenure* and *Director Age* negatively affect the prestige of board seats held by directors, denoted by the negative and significant coefficients at the 1% level in Table 7. Similarly, in some of the tests, the number of directorships held in the year prior to the acquisition engagement (*Past Directorships*) has a negative and significant impact on the prestige of subsequent directorships held by directors. These results are consistent with those reported by Dou (2017).

²⁶ The seven dependent variables have been discussed in Section 2.3.4 and variable definitions can be found in Appendix A.

2.6 Additional analysis

The tabulated results of additional tests are presented in the appendices to this chapter.

2.6.1 Hypotheses testing using *Acquisition*

The results presented using *Acquisition* as the variable of interest aim to determine whether the director labour market rewards directors for simply undertaking an acquisition and is a broader test than those reported in the main findings in Table 6. *Acquisition* is an indicator variable equal to one if a director has made a large acquisition in any year since 2001, up to and including year t , and zero otherwise. An acquisition is considered “large” if the deal value exceeds \$50 million. Consistent with Harford and Schonlau (2013), the coefficients on *Acquisition* in Columns (1) and (2) of Table B1 are positively associated with the number of board seats held by a director 2 years post-acquisition when *Chair* is included as a control variable. However, the coefficient on the interaction $Acquisition \times Chair$ in Column (2) of Table B1 is insignificant, suggesting no differential impact for the Chair of the Board with oversight of an M&A on their future directorships. Similarly, the additional testing conducted around the lead independent director reported in Columns (3) and (4) is also negative and insignificant, suggesting there is no association between the lead independent directors’ career outcomes and acquisition experience.

The coefficient on the interaction term $Acquisition \times Tenure Dummy$ in Column (6) of Table B1 is negative and significant at the 1% level. This result demonstrates that directors with longer tenure obtain fewer directorships 2 years after completing an acquisition compared with other directors. This result could indicate that as long-tenured directors may have assumed more responsibility, they may be less willing to take on other board seats as doing so would increase their workload. Specifically, the coefficient of -0.127 suggests that directors who have engaged in acquisitions in any year up to and including the current year hold 0.127 fewer

directorships two-years post-acquisition compared with other directors who have not engaged in acquisition activity.

[Insert Table B1 here]

2.6.2 Hypotheses testing using *Number of Acquisitions*

Table B2 reports additional testing of the hypotheses using *Number of Acquisitions* as a proxy for acquisition experience. The positive and significant coefficients on *Number of Acquisitions* in Columns (1), (3) and (5) indicate that directors experience positive changes in the number of directorships they hold in year $t+2$ as their portfolio of acquisitions increases. The coefficient on the interaction term of interest (*Number of Acquisitions* \times *Chair*) in Column (2) of Table B2 is insignificant, suggesting there is no differential association between the number of acquisitions undertaken by the Chair of the Board and the board seats held by them 2 years post-acquisition.

The coefficient on the interaction variable *Number of Acquisitions* \times *Lead* in Column (4) is negative but insignificant. This suggests that the relation between the number of acquisitions completed by a lead independent director and the number of directorships they have 2 years after the acquisition engagement does not differ compared to other directors.

Similarly, Column (6) of Table B2 presents results for Hypothesis 3 using *Number of Acquisitions* as a proxy of acquisition experience. The negative and significant coefficient on *Number of Acquisitions* \times *Tenure Dummy* at the 1% level suggests that long-tenured directors do not receive more directorships relative to other directors as their acquisition portfolio increases. This result could be due to the fact that as long-tenured directors are already valued for their wealth of knowledge and prior experience (Vafeas, 2003), the additional experience gained may not be viewed as valuable in the director labour market. Specifically, the negative

and significant coefficient of -0.034 on *Number of Acquisitions* \times *Tenure Dummy* indicates that as long-tenured directors increase their acquisition portfolio by one acquisition, they are present on the board of 0.034 less firms 2 years post-acquisition.

[Insert Table B2 here]

2.6.3 Results using the M&A subsample

Acquisition performance and Chairs' future board seats

Columns (1) and (2) of Tables C1 and C2 present results for the analysis of the Chair's career outcomes following acquisitions, using a sample restricted to directors who are on the boards of firms that have undertaken an M&A. Using the M&A subsample, no significant associations between *Acq(-)* and *Board Seats* $t+2$ (Table C1), and *Number of Acquisitions* and *Board Seats* $t+2$ (Table C2) are identified in Column (1). Thus, directors appear to receive no additional rewards or penalties for increasing their acquisition portfolios or for engaging in value-enhancing acquisitions or value-destroying acquisitions, within the M&A subsample of independent directors.

[Insert Table C1 here]

Similarly, a negative but insignificant coefficient on *Acq(-)* \times *Chair* is documented in Column (2) of Table C1. Thus, conducting tests using the M&A subsample provides no support for Hypothesis 2a. In Column (2) of Table C2, the coefficient on *Number of Acquisitions* \times *Chair* is insignificant, indicating there is no association between a Chair of the Board's directorships 2 years post-acquisition and the number of acquisitions completed by them.

Director Tenure and *Director Age* are significant and negative at the 1% level in all tests reported in Columns (1) and (2) of Tables C1 and C2, consistent with previous tests. Similarly,

the coefficient on *Past Directorships* remains positive and significant at the 1% level in all columns. The coefficient on *Chair* is positive and significant at the 10% level in Column (1) of Table C1 and Table C2.

Acquisition performance and lead independent directors' future board seats

Columns (3) and (4) of Tables C1 and C2 report findings examining the association between lead independent directors' board seats at $t+2$ and acquisition outcomes using a restricted M&A subsample. Column (3) presents results for directors, and includes a *Lead* indicator variable, while Column (4) also includes the variables of interest, interaction terms $Acq(-) \times Lead$ (Table C1) and $Number\ of\ Acquisitions \times Lead$ (Table C2).

[Insert Table C2 here]

The coefficients on *Number of Acquisitions* and $Acq(-)$ are insignificant in Columns (3) and (4) of Table C1 and C2, providing no evidence, within the M&A subsample, that directors receive greater rewards or penalties for involvement in more or less profitable acquisitions. The coefficient on $Acq(-) \times Lead$ is insignificant, providing no support for Hypothesis 2b, that the director labour market holds lead independent directors more accountable for acquisition decisions. Columns (3) and (4) of Table C1 and Column (3) of Table C2 display negative and significant coefficients for *Lead*. This suggests that within the M&A subsample, lead independent directors are awarded fewer directorships in year $t+2$, or hold fewer directorships compared with other directors with M&A experience. The coefficients on the control variables are largely consistent with those reported in the Chair tests in Columns (1) and (2) of Table C1 and Table C2.

Acquisition performance and long-tenured directors' future board seats

The association between long-tenured directors' acquisition engagements and future directorship outcomes is further explored using the M&A subsample. Columns (5) and (6) of Tables C1 and C2 report the results for these tests. *Tenure Dummy* is negative and significant at the 1% level in all columns, suggesting directors with tenure longer than 10 years obtain or hold fewer other board seats in year $t+2$. The coefficient on *Number of Acquisitions* \times *Tenure Dummy* is positive and significant in Column (6) of Table C2, indicating that within the M&A subsample, long-tenured directors are more likely to receive additional board seats as the number of acquisitions they are involved in increases. However, the coefficients on the variable of interest, *Acq(-)* \times *Tenure Dummy* in Table C1 Column (6), is insignificant. This suggests, when using the M&A subsample, that there is no differential association between long-tenured directors' acquisition quality and their prospective board seats 2 years post-acquisition. The control variables' coefficients remain consistent with the coefficients reported in prior tests. *Past Directorships* and *Firm Size* are positive and significantly associated with *Board Seats* $t+2$, and *Director Age* has a negative and significant association with *Board Seats* $t+2$.

Acquisition performance and prestige of subsequent directorship portfolio

The results presented in Tables C3 and C4 display the results for the prestige tests using the M&A subsample. The findings do not produce any statistically significant results, with the exception of two directorship prestige proxies (*Change in TA from t to $t+2$* and *Change in Total MVE from t to $t+2$*). The coefficient on *Number of Acquisitions* in Column (5) and Column (7) of Table C4 is negative and significant, suggesting that directors who engage in more acquisitions are subject to a reduction in the prestige of the directorships held 2 years post-acquisition.

[Insert Table C3 here]

[Insert Table C4 here]

The control variables suggest *Firm Size* is positively associated with all measures of directorship prestige, as expected, with the exception of Columns (3) to (6) in Table C4. The coefficient on *Director Tenure* is negative and significant in all columns of Table C3, suggesting directors experience a decrease in the prestige of directorships held in subsequent years, as they invest more time on the board of a firm. *Director Age* also has a significant and negative association with most measures of directorship prestige.

2.6.4 Measuring acquisition performance as a percentage of value-destroying acquisitions completed

Tables D1 to D5 present results for the hypotheses using a different proxy of acquisition quality, *% of Acq(-)*, calculated as the number of value-destroying acquisitions completed by a director divided by the total number of acquisitions completed by the director. Acquisitions are considered to be value-destroying if the cumulative abnormal returns surrounding the acquisition announcement are negative. Columns (1) and (2) of Tables D1 to D3 and Table D4 display findings for the full sample, while Columns (3) and (4) of Tables D1 to D3 and Table D5 showcase findings for the M&A subsample.

[Insert Table D1 here]

Table D1 presents insignificant coefficients on *% of Acq(-) × Chair* for both the full sample and M&A subsample when the chair tests are conducted, providing no additional support for Hypothesis 2a. This indicates that the proportion of poor acquisitions undertaken has no impact on the Chair's future board seats. Table D2 displays results for the lead tests. The coefficient on *% of Acq(-) × Lead* is insignificant using the full and M&A subsample. Table D3, which presents results for long-tenured directors reports insignificant coefficients on the variable of

interest, $Acq(-) \times Tenure Dummy$, for both the full sample in Column (2) and the M&A subsample in Column (4).

[Insert Table D2 here]

[Insert Table D3 here]

Table D4 (Table D5) reports results for the full sample (M&A subsample) for the association between directorship prestige and acquisition outcomes using $\% of Acq(-)$. Within the full sample, in Columns (1)–(3) of Table D4, the coefficients on $\% of Acq(-)$ are positive and significant, suggesting the prestige of directors’ subsequent board seats increases as the magnitude of their involvement in value-destroying acquisitions increases. However, within the M&A subsample in Table D5, only the coefficient on $\% of Acq(-)$ in Column (6) is positive and significant.

[Insert Table D4 here]

[Insert Table D5 here]

Tables D6 to D8 report additional findings for Hypothesis 2 and Hypothesis 3 using $\% of Acq(-)$ as a proxy of acquisition quality. These tests, partitioned by the number of acquisitions a director has engaged in, identify whether directors with differing levels of M&A experience have varying labour market outcomes 2 years post-acquisition. The sample has been partitioned into two subsamples: directors who have completed one acquisition and those who have completed two or more acquisitions. Column (1) and Column (3) report results for directors who have only engaged in one acquisition, and Column (2) and Column (4) report results for directors who have engaged in at least two acquisitions. Results for the full sample are documented in Columns (1) and (2), and the M&A subsample are reported in Columns (3) and (4). The coefficients on $\% of Acq(-) \times Chair$ in all columns of Table D6 are insignificant,

indicating the size of a director's acquisition portfolio does not affect board seat outcomes. The coefficient on $\% \text{ of Acq}(-) \times \text{Lead}$ is negative and significant in Column (1) of Table D7. The results partitioned by the number of acquisitions are insignificant for the tests examining long-tenured directors, reported in Table D8. Tables D9 to D12 report results for the prestige tests. The results in Column (8) of Table D10 and Table D12 are positive and significant, indicating directors who have completed two or more acquisitions receive prestigious directorships post-acquisition, using *Change in Total MVE from t to t+2* as a proxy for prestige.

[Insert Table D6 here]

[Insert Table D7 here]

[Insert Table D8 here]

[Insert Table D9 here]

[Insert Table D10 here]

[Insert Table D11 here]

[Insert Table D12 here]

2.6.5 Redefining measure of directors' future board seats

Following Dou (2017), Tables E1 to E6 use *Change in Directorships* as the dependent variable. *Change in Directorships* is the difference between the directorships held by a director in year $t+2$ and year t . The negative and significant coefficients on $\text{Acq}(+) \times \text{Tenure Dummy}$ and $\text{Acq}(-) \times \text{Tenure Dummy}$ in Column (6) of Table E1 are consistent with the main findings, suggesting long-tenured directors experience a reduction in the number of board seats held following value-enhancing and value-destructive acquisitions. The coefficient on *Acquisition*

\times *Tenure Dummy* in Column (6) of Table E2 is negative and significant. This suggests that long-tenured directors experience negative changes in board seats held after engaging in acquisitions. Additionally, in Column (6) of Table E3, the coefficient on *Number of Acquisitions* \times *Tenure Dummy* is negative and significant, also suggesting negative implications for long-tenured directors' future board seats as the number of acquisitions they have completed increases. The interaction variables *Acquisition* \times *Chair*, *Number of Acquisitions* \times *Chair*, *Acq(+)* \times *Chair*, and *Acq(-)* \times *Chair* are all insignificant, providing no support for Hypothesis 2. The results for the lead independent director tests in Tables E1 and E2 also yield insignificant results on the interaction variables of interest with the exception of the interaction in Table E1 Column (4).

[Insert Table E1 here]

[Insert Table E2 here]

[Insert Table E3 here]

Tables E4 to E6 report results for the hypotheses using the M&A subsample. The coefficient on *Acq(-)* \times *Tenure Dummy* (Table E4 Column (6)) and *Acquisition* \times *Lead* (Table E5 Column (4)) are negative and significant. None of the other variables of interest are significant, providing no support for all hypotheses.

[Insert Table E4 here]

[Insert Table E5 here]

[Insert Table E6 here]

2.6.6 Redefining positive and negative M&A experience

Tables F1 to F5 present results using *Extreme Acq(+)* and *Extreme Acq(-)* as proxies of acquisition quality. *Extreme Acq(+)* is coded one if the cumulative abnormal returns of acquisitions completed by an outside director were in the top 25th percentile, and zero otherwise. *Extreme Acq(-)* is coded one if the cumulative abnormal returns of acquisitions completed by a director were in the bottom 25th percentile, and zero otherwise.

[Insert Table F1 here]

Table F1 presents additional results for Hypothesis 1 for the full sample and the M&A subsample of directors, excluding any additional test variables (*Chair*, *Lead*, *Tenure Dummy* and all interaction variables). Tables F2 and F3 present results using the full and M&A subsample respectively, and include the interaction variables to test the robustness of results for Hypothesis 2 and 3. For the *Chair* tests in Table F2, the coefficients on *Extreme Acq(+)* and *Extreme Acq(-)* are insignificant in Columns (1) and (2), suggesting directors are not rewarded or penalised in the director labour market post-acquisition. The interaction variables of interest, *Extreme Acq(+)* × *Chair* and *Extreme Acq(-)* × *Chair* are also insignificant, providing no support for Hypothesis 2a. However, the coefficient on *Extreme Acq(-)* × *Chair* in Column (2) of Table F3 is negative and significant. This suggests that chairs who have performed poorly compared to other directors receive a lower reward in the director labour market. The lead tests in Column (3) and (4) of Table F2 provide insignificant results on the variables of interest. The additional tests using *Extreme Acq(+)* and *Extreme Acq(-)* provide some support for the tenure hypothesis, as shown by the negative and significant coefficient on *Extreme Acq(-)* × *Tenure Dummy* at the 5% level in Column (6) of Table F2. This finding suggests long-tenured directors are held responsible for acquisition decisions given they do not receive additional directorships following value-destroying acquisitions.

[Insert Table F2 here]

[Insert Table F3 here]

In terms of directorship prestige, the results for the full sample in Table F4 show positive and significant coefficients on *Extreme Acq(+)* and *Extreme Acq(-)* in Column (1), (2), (3), and (5) of Table F4, indicating that following acquisitions, directors experience increases in directorship prestige.²⁷ However, the negative and significant coefficient on *Extreme Acq(-)* in Column (6) shows directors experience a loss in prestige following value-destroying acquisitions when measured through a change in total assets of the firms they hold a board position on from year t to year $t+2$.

[Insert Table F4 here]

Tests using the M&A subsample are presented in Table F3, Table F5 and in Column (2) of Table F1. Similar to the results using the main measure of acquisition performance (*Acq(-)*), the interaction variables in all tables are insignificant, with the exception of *Acq(-) × Chair* in Column (2) of Table F3 which is negative and significant at the 10% level. This suggests that within the M&A subsample, the chairperson receives fewer board seats post-acquisition after engaging in value-destroying acquisitions. This is consistent with Hypothesis 2a, suggesting the chairperson is held accountable for acquisition decisions. Table F5 presents results for the prestige tests using the M&A subsample; while most proxies of directorship prestige are

²⁷ The coefficient on *Extreme Acq(+)* is also positive and significant at the 10% level in Column (7), indicating that directors experience increases in the prestige of their directorships following value-enhancing acquisitions. The coefficient on *Extreme Acq(-)* is positive and significant in Column (4), suggesting that following value-destroying acquisitions, directors experience increases in the size of directorships held (measured as a percentage change in total assets of the firms they hold a board position with from year t to year $t+2$). These results further corroborate the findings.

insignificant, the coefficient on *Extreme Acq(-)* is positive and significant at the 1% level in Column (2).

[Insert Table F5 here]

2.6.7 Winsorized prestige variables

Table G1 displays results for the directorship prestige tests for the full sample of directors, using winsorized variables for the continuous dependent variables. The variables are winsorized at the 5% and 95% level. The coefficients on *Acquisition*, *Number of Acquisitions*, *Acq(+)* and *Acq(-)* are positive and significant at the 1% level in all columns, with the exception of Column (8) which yields negative and significant results. The positive and significant coefficient on *Acquisition* suggests that directors experience positive changes in the prestige of directorships held following acquisitions. Directors experience an increase in directorship prestige following both value-enhancing and value-destroying acquisitions, as suggested by the positive and significant coefficients on *Acq(+)* and *Acq(-)* at the 1% level.

[Insert Table G1 here]

Within the M&A subsample in Table G2, the coefficient on *Number of Acquisitions* is negative and significant. This suggests directors experience adverse changes to the prestige of their directorships as the size of their acquisition portfolios increase. Directors appear to compromise on the prestige of their directorships after engaging in multiple acquisitions.

[Insert Table G2 here]

2.6.8 Isolating acquisition performance to one year

Tables H1 to H3 report results for the hypotheses using alternative measures of acquisition performance. *CAR(+)* and *CAR(-)* are the measures of performance used in Table H1, and

isolate acquisition performance to 1 year. Specifically, $CAR(+)$ and $CAR(-)$ are indicator variables in year t coded one if the director's acquisition announcement return for the current acquisition is positive or negative respectively, and zero otherwise. These indicators are set to zero in year t if the director has not previously made a large acquisition. The positive and significant coefficients on $CAR(+)$ and $CAR(-)$ at the 1% level in Columns (1), (3) and (5) indicate that directors experience increases in the number of directorships held in year $t+2$ for both value-enhancing ($CAR(+)$) and value-destroying ($CAR(-)$) acquisitions undertaken in the current year. The positive and significant coefficient on interaction term $CAR(+)$ \times *Chair* at the 1% level in Column (2) of Table H1 indicates that the chairperson experiences an increase in the number of directorships held by them in year $t+2$. Specifically, they experience an increase in board seats of 0.158 after engaging in a value-enhancing acquisition, indicated by the coefficient which is consistent with the hypotheses. The coefficients on $CAR(+)$ \times *Tenure Dummy* and $CAR(-)$ \times *Tenure Dummy* in Column (6) of Table H1 are negative and significant at the 1% level, indicating that long-tenured directors do not receive additional board seats 2 years post-acquisition, irrespective of whether they were associated with value-enhancing or value-destroying acquisitions.

[Insert Table H1 here]

Table H2 reports results for the hypotheses using *Extreme CAR(+)* and *Extreme CAR (-)* as the measures of acquisition performance. These variables are indicator variables in year t , coded one if the director's acquisition announcement return for the current acquisition is in the bottom 25% (*Extreme CAR(-)*) or top 25% (*Extreme CAR(+)*), and zero otherwise. These indicators are set to zero in year t if the director has not previously made a large acquisition. None of the interaction terms of interest are significant for this additional test, with the exception of *Extreme CAR(-)* \times *Tenure Dummy*. The coefficient is negative and significant at the 10% level,

suggesting long-tenured directors do not receive additional directorships when their value-destroying acquisition experience is more severe. However, this effect is weaker than the tests for $CAR(-) \times Tenure Dummy$ in Table H1, which is negative and significant at the 1% level.

[Insert Table H2 here]

Table H3 reports results for directors' labour market outcomes and acquisition outcomes using *Recent Acq(+)* and *Recent Acq(-)* as proxies of acquisition performance. *Recent Acq(+)* and *Recent Acq(-)* are defined as indicator variables in year t , coded one if the acquisition announcement return completed by the director in the past 3 years is negative or positive. These indicators are set to zero in year t if the director has not previously made a large acquisition. The coefficient on $Recent Acq(-) \times Chair$ in Column (2) is positive and significant, indicating that the Chair of the Board receives additional directorships in year $t+2$ if they have recently engaged in a value-destructive acquisition. The positive and significant coefficient on $Recent Acq(+)$ suggests that lead independent directors increase the number of board seats held in year $t+2$ if they have recent acquisition experience considered value-enhancing.

[Insert Table H3 here]

2.6.9 Public acquisitions

Tables I1 to I7 present the results for the main hypotheses using a sample that only includes public acquisitions. Table I1 shows directors are rewarded through the director labour market for engaging in public acquisitions (*Acquisition*). However, the results displayed in Column (2) indicate that the number of board seats held by directors does not increase as their portfolio of acquisitions increases. Column (3) examines the relationship between directors' acquisition performance and their future directorship outcomes. The insignificant coefficient on $Acq(+)$ suggests there is no association between directors' future directorship outcomes and their

involvement in public acquisitions. However, the coefficient on $Acq(-)$ is positive and significant at the 1% level, indicating that directors are rewarded in the director labour market for having a portfolio of public acquisitions considered to be value-destroying overall, based on cumulative abnormal returns.

[Insert Table I1 here]

Table I2 reports analyses for Hypothesis 2 and 3 using the full sample of directors, including the interaction variables of interest. Column (2) examines whether the chairperson is rewarded or penalised for engaging in public acquisitions. The coefficients on the interaction variables ($Acq(+) \times Chair$ and $Acq(-) \times Chair$) are insignificant, suggesting the Chair is not rewarded or penalised in the director labour market. Similarly, based on the insignificant coefficients on the interaction terms in Columns (3) and (4), the same is true for lead independent directors. Columns (5) and (6) report results for *Tenure Dummy*, and the interaction terms on both $Acq(+) \times Tenure Dummy$ and $Acq(-) \times Tenure Dummy$. The coefficients on both interaction terms are negative and significant. The negative and significant coefficient on $Acq(+) \times Tenure Dummy$ suggests long-tenured directors receive fewer board seats after engaging in positive public acquisitions. The negative and significant relationship between $Acq(-) \times Tenure Dummy$ and *Board Seats* $t+2$ indicates that long-tenured directors also gain fewer board seats after engaging in public acquisitions which are value-destroying for the acquiring firm. The coefficients on $Acq(+)$ and $Acq(-)$ are positive and significant in all columns, highlighting that directors generally gain more board seats following value-enhancing and value-destructive public acquisitions.

[Insert Table I2 here]

Table I3 presents results for the full sample using *Acquisition* as the variable of interest. The positive and significant coefficient on *Acquisition* in all columns of Table I3 suggests the labour

market rewards directors for public acquisition engagement. Similar to the results presented in Table I2, Chairs' and lead independent directors' career outcomes are not affected by their decision to engage in public acquisitions, evident by the insignificant coefficients on interaction terms *Acquisition* × *Chair* and *Acquisition* × *Lead* in Column (2) and Column (4) of Table I3, respectively. The coefficient on *Acquisition* × *Tenure Dummy* in Column (6) is negative and significant at the 1% level, suggesting long-tenured directors experience adverse career effects 2 years post-M&A for engaging in public acquisitions.

[Insert Table I3 here]

Table I4 examines whether directors' future board opportunities differ according to the number of acquisitions undertaken by them. The coefficients on *Number of Acquisitions* × *Chair* and *Number of Acquisitions* × *Lead* are insignificant, indicating that the Chair's and lead independent director's career outcomes are not associated with the number of public acquisitions they have completed. However, the negative and significant association between *Number of Acquisitions* × *Tenure Dummy* in Column (6) suggests that long-tenured directors receive fewer board seats as their portfolio of acquisitions increases.

[Insert Table I4 here]

Tables I5 to I7 report analyses using the M&A subsample, including only public target acquisitions. Column (1) of Table I5 shows there is no association between directors' acquisition performance and their future board seats, and Column (2) presents no association between the number of acquisitions directors are involved in and their future board seats. The insignificant interaction terms reported in Table I6 indicate that the Chair (*Acq(-)* × *Chair*), lead independent director (*Acq(-)* × *Lead*) and long-tenured directors' (*Acq(-)* × *Tenure Dummy*) future careers are not affected by their public acquisition outcomes, either positively or negatively. Columns (2) and (4) of Table I7 reveal that the future career outcomes of both

the Chair and lead independent director are not affected by the number of public acquisitions they engage in. However, the positive and significant coefficient on *Number of Acquisitions* × *Tenure Dummy* in Column (6) suggests long-tenured M&A directors are rewarded for having a larger portfolio of public acquisitions.

[Insert Table I5 here]

[Insert Table I6 here]

[Insert Table I7 here]

2.6.10 Propensity score matching

Propensity score matching is utilised to mitigate endogeneity concerns arising from the variables which predict directors receiving M&A experience (Rosenbaum & Rubin, 1983; Shipman, Swanquist, & Whited, 2017). Specifically, propensity score matching pairs observations from treatment and control groups based on multiple dimensions (Shipman et al., 2017). It is possible that directors self-select and choose to engage in acquisitions. Thus, the propensity score matching technique is used to eliminate the potential self-selection issue present in the study.

Tables J1 to J6 report analyses using propensity scores. To begin, a first stage prediction model calculates the propensity score for each treatment as follows:

$$\text{Prob}(\textit{Acquisition}) = \alpha + \beta_1 \textit{Past Directorships} + \beta_2 \textit{Ind Adj ROA} + \beta_3 \textit{Prior BHAR} + \beta_4 \textit{MTB} + \beta_5 \textit{Firm Size} + \beta_6 \textit{Director Tenure} + \beta_7 \textit{Director Age} + \varepsilon_i \quad (5)$$

The output for the first stage prediction model, which computes the propensity scores, is reported in Table J1. This model is estimated for each year from 2001 to 2015 to match each director with M&A experience to a director without M&A experience in the same fiscal year.

Univariate testing showing the statistical differences between the sample and matched sample are reported in Table J2, and the final testing using the matched sample is documented in Tables J3 to J6. The sample are directors who have made a large acquisition in any year from 2001 (up to and including the current year), while the matched sample consists of all other directors.

[Insert Table J1 here]

This study employs the design choice of one-to-one matching without replacement and matches directors using a 0.01 caliper.²⁸ The choice of matching without replacement ensures that each matched observation will be matched only once, even if it is the best match for several observations of directors with M&A experience. These design choices remove the possibility that propensity scores are heavily weighted, thus leading to incorrect inferences, but can result in a considerable number of observations being discarded as there are not enough matched observations available (Shipman et al., 2017).

The first stage prediction models displayed in Columns (1) to (4) of Table J1 report that all covariates significantly impact the likelihood of a director engaging in an acquisition. The significant coefficients on all covariates included in the first stage models in Columns (1) to (4) indicate that the likelihood of a director engaging in an acquisition is driven by all the selected factors, even when additional covariates are included (Columns (2) to (4)). The pseudo R^2 for *Acquisition* is approximately 0.25 in all columns for the varying first stage models reported in Table J1. Studies suggest that a high explanatory power of the first stage is desirable for propensity score matching; however, it is largely driven by the nature of matching (Shipman et al., 2017).

²⁸ A caliper of 0.5 and 0.1 were also tested, but in order to achieve the most similarities between the treated and control sample, a caliper of 0.01 is used in the tabulated tests. The sample size does not decrease significantly with this design choice.

After matching directors with similar characteristics, the results show minimal statistical differences between acquisition directors and non-acquisition directors. The exception to this is *Firm Size* in all panels of Table J2. The statistical similarity between treatment and control directors allows analysis to be conducted to address the issue of self-selection. Table J3 presents results excluding the interaction terms; results are comparable to those reported in Table 5. For propensity score matching, the variables of interest are *Acquisition*, *Number of Acquisitions*, *Acq(+)* and *Acq(-)*, and the dependent variable is *Board Seats t+2*. Using the propensity score matched sample, the coefficients on all variables of interest are positive and significant at the 1% level, indicating that all directors receive rewards for acquisition engagement, regardless of the acquisition outcome. This reiterates the findings reported in Table 5.

[Insert Table J2 here]

[Insert Table J3 here]

Tables J4 to J6 report results for the main hypotheses. The results from propensity score matching are consistent with those reported in the main findings. The insignificant coefficients on *Acq(+)* × *Chair*, *Acq(-)* × *Chair*, *Acq(+)* × *Lead*, and *Acq(-)* × *Lead* suggest that Chairs and lead directors are not rewarded or penalised for engaging in either value-enhancing or value-destroying acquisitions. However, within the matched sample, the negative and significant coefficients on *Acq(+)* × *Tenure Dummy* and *Acq(-)* × *Tenure Dummy* suggest long-tenured directors receive fewer board seats following all acquisitions, regardless of whether they were value-creating or value-destroying. The results in Table J5 and Table J6 reiterate these findings. The insignificant coefficients on the interactions for *Chair* and *Lead* suggest no association between their involvement in acquisitions and future directorship opportunities, while the negative and significant coefficients on *Acquisition* × *Tenure Dummy*

and *Number of Acquisitions* × *Tenure Dummy* suggest that long-tenured directors are penalised in the director labour market when they have acquisition experience, especially as their acquisition experience increases.

[Insert Table J4 here]

[Insert Table J5 here]

[Insert Table J6 here]

2.6.11 Untabulated additional tests

Additional tests were conducted examining whether the sample period affects results. Specifically, the sample was split into two periods – 2001–2008 and 2009–2016 – and the tests for the hypotheses were conducted for these two periods. The results are insignificant and have not been tabulated. Similarly, different subsamples were created to test the hypotheses. Tests were conducted using Chair and non-Chair subsamples and Lead and non-Lead subsamples to examine Hypothesis 2, and Tenured and non-Tenured subsamples to further examine Hypothesis 3. These results were insignificant and again have not been tabulated.

2.7. Conclusion

An inefficiency in the director labour market exists, suggesting directors with M&A experience are rewarded for both value-enhancing and value-destroying acquisitions. The reason for this anomaly has not been considered in detail in prior literature. This chapter extends Harford and Schonlau's (2013) study by examining whether there are differing levels of accountability among outside directors for M&A decisions in terms of their career outcomes, as well as investigating whether the prestige of directors' future directorships changes according to their M&A performance. Using a sample of 236,534 US director-firm-years, four proxies are used

to capture directors' acquisition performance – *Acquisition, Number of Acquisitions, Acq(+)* and *Acq(-)*. Contrary to expectations, this chapter documents that directors with long tenure have fewer board seats post-acquisition, following both value-enhancing acquisitions and value-destructive acquisitions. This chapter also finds that, with the exception of long-tenured directors, directors with more board responsibilities are not held more accountable for acquisitions. Specifically, the findings indicate that the Chair of the Board and the lead independent director do not experience any differential labour market rewards or penalties post-acquisition.

Results also confirm that directors are not penalised for value-destroying acquisitions through a loss in the prestige of directorships held. Contrary to expectations, directors are appointed to the boards of more reputable and prestigious firms following both value-enhancing and value-destroying acquisitions. The findings demonstrate that directors are not held accountable by the labour market for the outcome of acquisitions through either a change in the number of directorships held or a change in the level of prestige of directorships held post-acquisition. This suggests there may be other factors driving the career outcomes of directors with M&A experience. Thus, further research is necessary to examine why firms demand directors with acquisition experience, regardless of their capabilities. This is addressed in the next chapter of this thesis.

Main Tables

Table 1: Sample construction

| | Director-firm-years |
|--|---------------------|
| Director-firm-years present in the BoardEx dataset from 2001–2015 | 704,320 |
| <i>Less Deletions:</i> | |
| Executive directors | (129,921) |
| Observations with missing BoardEx data | (85,373) |
| Observations with missing Compustat data | (41,924) |
| Observations with missing CRSP data | (165,378) |
| Directors involved in an M&A which had a deal value of less than \$50 million or had a relative size of less than 5% | (45,190) |
| Total usable observations | 236,534 |

Table 2: Descriptive statistics***Panel A: Descriptive statistics for full sample***

| | Observations | Mean | Median | SD | 25 th percentile | 75 th percentile |
|--|--------------|----------|--------|----------|-----------------------------|-----------------------------|
| <i>Board Seats t</i> | 236,534 | 1.75 | 1.00 | 1.21 | 1.00 | 2.00 |
| <i>Board Seats t+2</i> | 236,534 | 1.45 | 1.00 | 1.24 | 1.00 | 2.00 |
| <i>Prestige comparing t and t+2</i> | 236,534 | 0.00 | 0.00 | 0.03 | 0.00 | 0.00 |
| <i>Prestige comparing t+2</i> | 236,534 | 0.00 | 0.00 | 0.03 | 0.00 | 0.00 |
| <i>High ranked new directorship</i> | 236,534 | 0.00 | 0.00 | 0.06 | 0.00 | 0.00 |
| <i>Percent change in TA</i> | 155,111 | 13.17 | 7.43 | 54.60 | -7.44 | 23.52 |
| <i>Percent change in MVE</i> | 154,929 | 24.90 | 9.93 | 83.17 | -26.19 | 50.67 |
| <i>Change in TA from t to t+2</i> | 184,690 | 1,203.17 | 105.27 | 4,754.09 | -66.22 | 1,090.27 |
| <i>Change in Total MVE from t to t+2</i> | 162,949 | 567.80 | 23.76 | 4,620.86 | -381.90 | 924.41 |
| <i>Acquisition</i> | 236,534 | 0.42 | 0.00 | 0.49 | 0.00 | 1.00 |
| <i>Number of Acquisitions</i> | 236,534 | 0.77 | 0.00 | 1.45 | 0.00 | 1.00 |
| <i>Acq(+)</i> | 236,534 | 0.29 | 0.00 | 0.45 | 0.00 | 1.00 |
| <i>Acq(-)</i> | 236,534 | 0.20 | 0.00 | 0.40 | 0.00 | 0.00 |
| <i>Chair</i> | 236,534 | 0.05 | 0.00 | 0.23 | 0.00 | 0.00 |
| <i>Lead</i> | 236,534 | 0.04 | 0.00 | 0.19 | 0.00 | 0.00 |
| <i>Tenure Dummy</i> | 236,534 | 0.30 | 0.00 | 0.46 | 0.00 | 1.00 |
| <i>SumCAR</i> | 236,534 | 0.02 | -0.11 | 1.09 | -0.11 | 0.03 |
| <i>Diversifying</i> | 236,534 | 0.44 | 0.00 | 0.50 | 0.00 | 1.00 |
| <i>Past Directorships</i> | 236,534 | 1.69 | 1.00 | 1.27 | 1.00 | 2.00 |
| <i>Ind Adj ROA</i> | 236,534 | -0.00 | 0.00 | 0.11 | -0.02 | 0.02 |
| <i>Prior BHAR</i> | 236,534 | 0.04 | -0.03 | 0.69 | -0.33 | 0.27 |
| <i>Firm Size</i> | 236,534 | 6.77 | 6.76 | 2.02 | 5.37 | 8.13 |
| <i>Director Tenure</i> | 236,534 | 8.19 | 6.30 | 7.24 | 2.80 | 11.30 |
| <i>Director Age</i> | 236,534 | 61.90 | 62.00 | 9.04 | 56.00 | 68.00 |

Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles, with the exception of the prestige variables which are winsorized at the 5% and 95% percentiles.

Panel B: Descriptive statistics for M&A subsample

| | Observations | Mean | Median | SD | 25 th percentile | 75 th percentile |
|--|--------------|----------|----------|----------|-----------------------------|-----------------------------|
| <i>Board Seats t</i> | 17,843 | 1.85 | 1.00 | 1.24 | 1.00 | 2.00 |
| <i>Board Seats t+2</i> | 17,843 | 1.63 | 1.00 | 1.26 | 1.00 | 2.00 |
| <i>Prestige comparing t and t+2</i> | 17,843 | 0.01 | 0.00 | 0.11 | 0.00 | 0.00 |
| <i>Prestige comparing t+2</i> | 17,843 | 0.01 | 0.00 | 0.10 | 0.00 | 0.00 |
| <i>High ranked new directorship</i> | 17,843 | 0.05 | 0.00 | 0.22 | 0.00 | 0.00 |
| <i>Percent change in TA</i> | 5,523 | 64.38 | 19.68 | 100.98 | -3.14 | 205.06 |
| <i>Percent change in MVE</i> | 5,473 | 84.22 | 37.03 | 131.61 | -14.50 | 187.63 |
| <i>Change in TA from t to t+2</i> | 14,201 | 2,067.33 | 486.07 | 5,648.77 | -133.32 | 2,849.66 |
| <i>Change in Total MVE from t to t+2</i> | 6,131 | 3,131.32 | 1,424.06 | 6,339.02 | -108.42 | 7,143.50 |
| <i>Acquisition</i> | 17,843 | 1.00 | 1.00 | 0.00 | 1.00 | 1.00 |
| <i>Number of Acquisitions</i> | 17,843 | 2.22 | 2.00 | 1.76 | 1.00 | 3.00 |
| <i>Acq(+)</i> | 17,843 | 0.55 | 1.00 | 0.50 | 0.00 | 1.00 |
| <i>Acq(-)</i> | 17,843 | 0.45 | 0.00 | 0.50 | 0.00 | 1.00 |
| <i>Chair</i> | 17,843 | 0.05 | 0.00 | 0.22 | 0.00 | 0.00 |
| <i>Lead</i> | 17,843 | 0.04 | 0.00 | 0.20 | 0.00 | 0.00 |
| <i>Tenure Dummy</i> | 17,843 | 0.28 | 0.00 | 0.45 | 0.00 | 1.00 |
| <i>SumCAR</i> | 17,843 | 0.25 | 0.04 | 1.66 | -0.66 | 0.98 |
| <i>Diversifying</i> | 17,843 | 0.80 | 1.00 | 0.40 | 1.00 | 1.00 |
| <i>Past Directorships</i> | 17,843 | 1.79 | 1.00 | 1.31 | 1.00 | 2.00 |
| <i>Ind Adj ROA</i> | 17,843 | -0.01 | -0.00 | 0.07 | -0.03 | 0.01 |
| <i>Prior BHAR</i> | 17,843 | 0.03 | -0.02 | 0.55 | -0.29 | 0.25 |
| <i>Firm Size</i> | 17,843 | 7.70 | 7.50 | 1.47 | 6.70 | 8.50 |
| <i>Director Tenure</i> | 17,843 | 7.87 | 6.00 | 6.84 | 2.80 | 10.90 |
| <i>Director Age</i> | 17,843 | 62.01 | 63.00 | 8.44 | 57.00 | 68.00 |

Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles, with the exception of the prestige variables which are winsorized at the 5% and 95% percentiles.

Table 3: Correlation Matrix

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|----|-----------|-----------|-----------|-----------|-----------|----------|----------|-----------|-----------|----------|----------|-----------|
| 1 | 1 | | | | | | | | | | | |
| 2 | 0.810*** | 1 | | | | | | | | | | |
| 3 | 0.010*** | 0.048*** | 1 | | | | | | | | | |
| 4 | 0.011*** | 0.047*** | 0.857*** | 1 | | | | | | | | |
| 5 | 0.070*** | 0.083*** | 0.275*** | 0.265*** | 1 | | | | | | | |
| 6 | 0.011*** | 0.011*** | 0.002 | 0.002 | 0.009*** | 1 | | | | | | |
| 7 | 0.003 | 0.002 | 0.002 | 0.001 | 0.005* | 0.316*** | 1 | | | | | |
| 8 | -0.016*** | 0.039*** | 0.018*** | 0.017*** | 0.015*** | 0.020*** | 0.002 | 1 | | | | |
| 9 | -0.023*** | 0.024*** | 0.014*** | 0.012*** | 0.024*** | 0.079*** | 0.029*** | 0.219*** | 1 | | | |
| 10 | 0.291*** | 0.245*** | 0.035*** | 0.033*** | 0.071*** | 0.027*** | 0.014*** | -0.015*** | -0.002 | 1 | | |
| 11 | 0.270*** | 0.213*** | 0.027*** | 0.026*** | 0.072*** | 0.018*** | 0.011*** | -0.042*** | -0.004 | 0.623*** | 1 | |
| 12 | 0.157*** | 0.125*** | 0.018*** | 0.015*** | 0.035*** | 0.013*** | 0.008*** | -0.005** | 0.001 | 0.470*** | 0.323*** | 1 |
| 13 | 0.168*** | 0.143*** | 0.019*** | 0.020*** | 0.039*** | 0.016*** | 0.007*** | -0.010*** | -0.003 | 0.579*** | 0.326*** | -0.314*** |
| 14 | 0.019*** | -0.002 | -0.002 | -0.001 | 0.002 | 0.006** | 0.006** | -0.006*** | 0.001 | 0.009*** | 0.030*** | 0.017*** |
| 15 | 0.028*** | 0.011*** | -0.004** | -0.006*** | 0.002 | -0.001 | -0.001 | -0.004 | -0.004 | 0.061*** | 0.069*** | 0.038*** |
| 16 | -0.069*** | -0.105*** | -0.013*** | -0.014*** | -0.017*** | -0.001 | 0.000 | -0.015*** | -0.012*** | 0.052*** | 0.085*** | 0.042*** |
| 17 | 0.024*** | 0.017*** | 0.004** | 0.001 | 0.008*** | 0.001 | 0.003 | 0.006*** | 0.001 | 0.106*** | 0.155*** | 0.609*** |
| 18 | 0.271*** | 0.216*** | 0.020*** | 0.019*** | 0.047*** | 0.024*** | 0.012*** | -0.016*** | -0.002 | 0.688*** | 0.495*** | 0.476*** |
| 19 | 0.911*** | 0.727*** | 0.010*** | 0.010*** | 0.063*** | 0.010*** | 0.003 | -0.022*** | -0.026*** | 0.318*** | 0.299*** | 0.178*** |
| 20 | 0.000 | 0.006*** | -0.002 | -0.003 | -0.006*** | -0.004 | -0.004 | 0.000 | -0.002 | -0.004** | -0.002 | -0.006*** |
| 21 | 0.015*** | 0.024*** | -0.001 | 0.000 | 0.003 | 0.002 | 0.002 | 0.003 | 0.024*** | 0.001 | -0.003 | 0.009*** |
| 22 | 0.244*** | 0.253*** | 0.024*** | 0.024*** | 0.041*** | 0.009*** | 0.004* | -0.011*** | -0.017*** | 0.423*** | 0.279*** | 0.156*** |
| 23 | -0.080*** | -0.124*** | -0.017*** | -0.017*** | -0.020*** | 0.000 | 0.001 | -0.015*** | -0.015*** | 0.057*** | 0.081*** | 0.050*** |
| 24 | 0.020*** | -0.053*** | -0.010*** | -0.010*** | -0.012*** | 0.005* | 0.003 | -0.034*** | -0.025*** | 0.126*** | 0.143*** | 0.078*** |

A pairwise correlation is reported in this table. Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles, with the exception of the prestige variables which are winsorized at the 5% and 95% percentiles. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Legend

- | | | |
|--|---|------------------------|
| 1. Board Seats (<i>t</i>) | 9. Change in Total MVE from <i>t</i> to <i>t</i> +2 | 17. SumCAR |
| 2. Board Seats (<i>t</i> +2) | 10. Acquisition | 18. Diversifying |
| 3. Prestige comparing <i>t</i> and <i>t</i> +2 | 11. Number of Acquisitions | 19. Past Directorships |
| 4. Prestige comparing <i>t</i> +2 | 12. Acq(+) | 20. Ind Adj ROA |
| 5. High ranked new directorship | 13. Acq(-) | 21. Prior BHARs |
| 6. Percent change in TA | 14. Chair | 22. Firm Size |
| 7. Percent change in MVE | 15. Lead | 23. Director Tenure |
| 8. Change in TA from <i>t</i> to <i>t</i> +2 | 16. Tenure Dummy | 24. Director Age |

Table 3 (cont.): Correlation Matrix

| | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 |
|----|-----------|-----------|----------|-----------|-----------|----------|----------|----------|-----------|-----------|----------|----|
| 13 | 1 | | | | | | | | | | | |
| 14 | 0.001 | 1 | | | | | | | | | | |
| 15 | 0.034*** | -0.014*** | 1 | | | | | | | | | |
| 16 | 0.032*** | 0.114*** | 0.077*** | 1 | | | | | | | | |
| 17 | -0.466*** | 0.009*** | 0.008*** | 0.021*** | 1 | | | | | | | |
| 18 | 0.399*** | 0.019*** | 0.065*** | 0.075*** | 0.099*** | 1 | | | | | | |
| 19 | 0.183*** | 0.037*** | 0.045*** | -0.013*** | 0.030*** | 0.304*** | 1 | | | | | |
| 20 | 0.000 | -0.001 | -0.001 | 0.000 | -0.004* | -0.004* | -0.002 | 1 | | | | |
| 21 | -0.012*** | 0.001 | 0.000 | -0.002 | 0.015*** | -0.002 | 0.014*** | 0.106*** | 1 | | | |
| 22 | 0.272*** | -0.072*** | 0.039*** | -0.006*** | -0.007*** | 0.300*** | 0.239*** | 0.032*** | 0.049*** | 1 | | |
| 23 | 0.035*** | 0.154*** | 0.072*** | 0.795*** | 0.023*** | 0.080*** | 0.003 | 0.000 | -0.004* | -0.015*** | 1 | |
| 24 | 0.076*** | 0.089*** | 0.068*** | 0.343*** | 0.018*** | 0.134*** | 0.083*** | -0.003 | -0.006*** | 0.041*** | 0.416*** | 1 |

A pairwise correlation is reported in this table. Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles, with the exception of the prestige variables which are winsorized at the 5% and 95% percentiles. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Legend

- | | | |
|--|---|------------------------|
| 1. Board Seats (<i>t</i>) | 9. Change in Total MVE from <i>t</i> to <i>t</i> +2 | 17. SumCAR |
| 2. Board Seats (<i>t</i> +2) | 10. Acquisition | 18. Diversifying |
| 3. Prestige comparing <i>t</i> and <i>t</i> +2 | 11. Number of Acquisitions | 19. Past Directorships |
| 4. Prestige comparing <i>t</i> +2 | 12. Acq(+) | 20. Ind Adj ROA |
| 5. High ranked new directorship | 13. Acq(-) | 21. Prior BHARs |
| 6. Percent change in TA | 14. Chair | 22. Firm Size |
| 7. Percent change in MVE | 15. Lead | 23. Director Tenure |
| 8. Change in TA from <i>t</i> to <i>t</i> +2 | 16. Tenure Dummy | 24. Director Age |

Table 4: Univariate analyses**Panel A: Univariate testing for acquirers and non-acquirers**

| | (1) | (2) | (3) | (4) | (5) |
|--|-----------------------------------|---------|-------------------------------|-----------|--------------|
| | Non-acquirer (Acquisition = 0) | | Acquirer (Acquisition = 1) | | |
| | Observations | Mean | Observations | Mean | Difference |
| <i>Board Seats t</i> | 136,129 | 1.447 | 100,405 | 2.158 | 0.711*** |
| <i>Board Seats t+2</i> | 136,129 | 1.194 | 100,405 | 1.808 | 0.613*** |
| <i>Prestige comparing t and t+2</i> | 136,129 | 0.000 | 100,405 | 0.002 | 0.002*** |
| <i>Prestige comparing t+2</i> | 136,129 | 0.000 | 100,405 | 0.002 | 0.002*** |
| <i>High ranked new directorship</i> | 136,129 | 0.000 | 100,405 | 0.009 | 0.009*** |
| <i>Percent change in TA</i> | 90,905 | 11.430 | 64,206 | 15.623 | 4.192*** |
| <i>Percent change in MVE</i> | 90,843 | 21.818 | 64,086 | 29.265 | 7.447*** |
| <i>Change in TA from t to t+2</i> | 102,621 | 724.284 | 82,069 | 1,801.974 | 1,077.690*** |
| <i>Change in Total MVE from t to t+2</i> | 95,038 | 335.900 | 67,911 | 892.322 | 556.422*** |
| <i>Chair</i> | 136,129 | 0.053 | 100,405 | 0.057 | 0.004*** |
| <i>Lead</i> | 136,129 | 0.028 | 100,405 | 0.052 | 0.023*** |
| <i>Tenure Dummy</i> | 136,129 | 0.277 | 100,405 | 0.326 | 0.049*** |
| <i>Past Directorships</i> | 136,129 | 1.341 | 100,405 | 2.155 | 0.813*** |
| <i>Ind Adj ROA</i> | 136,129 | -0.001 | 100,405 | -0.002 | -0.001*** |
| <i>Prior BHAR</i> | 136,129 | 0.042 | 100,405 | 0.044 | 0.002 |
| <i>Firm Size</i> | 136,129 | 6.040 | 100,405 | 7.770 | 1.730*** |
| <i>Director Tenure</i> | 136,129 | 7.835 | 100,405 | 8.675 | 0.840*** |
| <i>Director Age</i> | 136,129 | 60.923 | 100,405 | 63.223 | 2.299*** |

Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles, with the exception of the prestige variables which are winsorized at the 5% and 95% percentiles. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Panel B: Univariate testing for value-enhancing acquirers

| | (1) | (2) | (3) | (4) | (5) |
|--|---|-----------|--|----------|------------|
| | All other directors (<i>Acq(+)</i> = 0) | | Value-enhancing director (<i>Acq(+)</i> = 1) | | |
| | Observations | Mean | Observations | Mean | Difference |
| <i>Board Seats t</i> | 168,862 | 1.629 | 67,672 | 2.047 | 0.418*** |
| <i>Board Seats t+2</i> | 168,862 | 1.357 | 67,672 | 1.699 | 0.342*** |
| <i>Prestige comparing t and t+2</i> | 168,862 | 0.001 | 67,672 | 0.002 | 0.001*** |
| <i>Prestige comparing t+2</i> | 168,862 | 0.001 | 67,672 | 0.001 | 0.001*** |
| <i>High ranked new directorship</i> | 168,862 | 0.002 | 67,672 | 0.007 | 0.005*** |
| <i>Percent change in TA</i> | 111,918 | 12.431 | 43,193 | 15.070 | 2.639*** |
| <i>Percent change in MVE</i> | 111,821 | 23.633 | 43,108 | 28.179 | 4.545*** |
| <i>Change in TA from t to t+2</i> | 130,567 | 1,106.607 | 54,123 | 1436.109 | 329.501*** |
| <i>Change in Total MVE from t to t+2</i> | 117,373 | 507.204 | 45,576 | 723.839 | 216.635*** |
| <i>Chair</i> | 168,862 | 0.052 | 67,672 | 0.061 | 0.009*** |
| <i>Lead</i> | 168,862 | 0.034 | 67,672 | 0.050 | 0.016*** |
| <i>Tenure Dummy</i> | 168,862 | 0.286 | 67,672 | 0.328 | 0.042*** |
| <i>Past Directorships</i> | 168,862 | 1.544 | 67,672 | 2.043 | 0.499*** |
| <i>Ind Adj ROA</i> | 168,862 | -0.000 | 67,672 | -0.002 | -0.002*** |
| <i>Prior BHAR</i> | 168,862 | 0.039 | 67,672 | 0.052 | 0.013*** |
| <i>Firm Size</i> | 168,862 | 6.573 | 67,672 | 7.276 | 0.703*** |
| <i>Director Tenure</i> | 168,862 | 7.963 | 67,672 | 8.760 | 0.796*** |
| <i>Director Age</i> | 168,862 | 61.454 | 67,672 | 63.010 | 1.555*** |

Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles, with the exception of the prestige variables which are winsorized at the 5% and 95% percentiles. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Panel C: Univariate testing for value-destroying acquirers

| | (1) | (2) | (3) | (4) | (5) |
|--|---|----------|--|----------|------------|
| | All other directors (<i>Acq(-)</i> = 0) | | Value-destroying director (<i>Acq(-)</i> = 1) | | |
| | Observations | Mean | Observations | Mean | Difference |
| <i>Board Seats t</i> | 189,709 | 1.648 | 46,825 | 2.156 | 0.507*** |
| <i>Board Seats t+2</i> | 189,709 | 1.367 | 46,825 | 1.810 | 0.443*** |
| <i>Prestige comparing t and t+2</i> | 189,709 | 0.001 | 46,825 | 0.002 | 0.001*** |
| <i>Prestige comparing t+2</i> | 189,709 | 0.001 | 46,825 | 0.002 | 0.001*** |
| <i>High ranked new directorship</i> | 189,709 | 0.003 | 46,825 | 0.009 | 0.006*** |
| <i>Percent change in TA</i> | 125,194 | 12.713 | 29,917 | 15.059 | 2.346*** |
| <i>Percent change in MVE</i> | 125,057 | 24.119 | 29,872 | 28.162 | 4.044*** |
| <i>Change in TA from t to t+2</i> | 146,312 | 1002.438 | 38,378 | 1968.426 | 965.989*** |
| <i>Change in Total MVE from t to t+2</i> | 131,282 | 477.201 | 31,667 | 943.374 | 466.173*** |
| <i>Chair</i> | 189,709 | 0.055 | 46,825 | 0.055 | 0.000 |
| <i>Lead</i> | 189,709 | 0.035 | 46,825 | 0.051 | 0.016*** |
| <i>Tenure Dummy</i> | 189,709 | 0.290 | 46,825 | 0.328 | 0.038*** |
| <i>Past Directorships</i> | 189,709 | 1.572 | 46,825 | 2.151 | 0.579*** |
| <i>Ind Adj ROA</i> | 189,709 | -0.001 | 46,825 | -0.001 | 0.000 |
| <i>Prior BHAR</i> | 189,709 | 0.046 | 46,825 | 0.027 | -0.019*** |
| <i>Firm Size</i> | 189,709 | 6.502 | 46,825 | 7.877 | 1.375*** |
| <i>Director Tenure</i> | 189,709 | 8.066 | 46,825 | 8.700 | 0.634*** |
| <i>Director Age</i> | 189,709 | 61.559 | 46,825 | 63.280 | 1.722*** |

Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles, with the exception of the prestige variables which are winsorized at the 5% and 95% percentiles. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Panel D: Univariate testing comparing value-enhancing acquirers and value-destroying acquirers

| | (1) | (2) | (3) | (4) | (5) |
|--|---------------------------|-----------|--------------------------|-----------|-------------|
| | Value-destroying director | | Value-enhancing director | | Difference |
| | Observations | Mean | Observations | Mean | |
| <i>Board Seats t</i> | 46,825 | 2.156 | 53,580 | 2.160 | 0.004 |
| <i>Board Seats t+2</i> | 46,825 | 1.810 | 53,580 | 1.806 | -0.004 |
| <i>Prestige comparing t and t+2</i> | 46,825 | 0.002 | 53,580 | 0.002 | 0.000 |
| <i>Prestige comparing t+2</i> | 46,825 | 0.002 | 53,580 | 0.002 | -0.000 |
| <i>High ranked new directorship</i> | 46,825 | 0.009 | 53,580 | 0.009 | 0.000 |
| <i>Percent change in TA</i> | 29,917 | 15.059 | 34,289 | 16.115 | 1.056* |
| <i>Percent change in MVE</i> | 29,872 | 28.162 | 34,214 | 30.228 | 2.065*** |
| <i>Change in TA from t to t+2</i> | 38,378 | 1,968.426 | 43,691 | 1,655.763 | -312.663*** |
| <i>Change in Total MVE from t to t+2</i> | 31,667 | 943.374 | 36,244 | 847.717 | -95.656** |
| <i>Chair</i> | 46,825 | 0.055 | 53,580 | 0.059 | 0.004*** |
| <i>Lead</i> | 46,825 | 0.051 | 53,580 | 0.052 | 0.001 |
| <i>Tenure Dummy</i> | 46,825 | 0.328 | 53,580 | 0.324 | -0.004 |
| <i>Past Directorships</i> | 46,825 | 2.151 | 53,580 | 2.158 | 0.007 |
| <i>Ind Adj ROA</i> | 46,825 | -0.001 | 53,580 | -0.002 | -0.001* |
| <i>Prior BHAR</i> | 46,825 | 0.027 | 53,580 | 0.058 | 0.031*** |
| <i>Firm Size</i> | 46,825 | 7.877 | 53,580 | 7.677 | -0.200*** |
| <i>Director Tenure</i> | 46,825 | 8.700 | 53,580 | 8.652 | -0.048 |
| <i>Director Age</i> | 46,825 | 63.280 | 53,580 | 63.172 | -0.108** |

Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles, with the exception of the prestige variables which are winsorized at the 5% and 95% percentiles. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Panel E: Univariate testing for non-chair and chair sample

| | (1) | (2) | (3) Non-chair sample | | | (4) | (5) | (6) | (7) | (8) Chair sample | | (9) | (10) |
|---------------------------|---------------|--------|----------------------|--------|------------|---------------|--------|--------------|--------|------------------|--------------|------|------------|
| | Non-acquirers | | Acquirers | | Difference | Non-acquirers | | Acquirers | | Difference | Observations | Mean | Difference |
| | Observations | Mean | Observations | Mean | | Observations | Mean | Observations | Mean | | | | |
| <i>Board Seats t</i> | 128,900 | 1.443 | 94,671 | 2.153 | 0.710*** | 7,247 | 1.533 | 5,741 | 2.236 | 0.703*** | | | |
| <i>Board Seats t+2</i> | 128,900 | 1.197 | 94,671 | 1.808 | 0.612*** | 7,247 | 1.169 | 5,741 | 1.787 | 0.619*** | | | |
| <i>Lead</i> | 128,900 | 0.028 | 94,671 | 0.053 | 0.025*** | 7,247 | 0.024 | 5,741 | 0.032 | 0.009*** | | | |
| <i>Tenure Dummy</i> | 128,900 | 0.265 | 94,671 | 0.313 | 0.049*** | 7,247 | 0.502 | 5,741 | 0.528 | 0.026*** | | | |
| <i>Past Directorships</i> | 128,900 | 1.330 | 94,671 | 2.146 | 0.815*** | 7,247 | 1.541 | 5,741 | 2.307 | 0.766*** | | | |
| <i>Ind Adj ROA</i> | 128,900 | -0.000 | 94,671 | -0.002 | -0.001 | 7,247 | -0.002 | 5,741 | -0.000 | 0.002 | | | |
| <i>Prior BHAR</i> | 128,900 | 0.042 | 94,671 | 0.043 | 0.001 | 7,247 | 0.037 | 5,741 | 0.053 | 0.016 | | | |
| <i>Firm Size</i> | 128,900 | 6.075 | 94,671 | 7.810 | 1.735*** | 7,247 | 5.420 | 5,741 | 7.113 | 1.693*** | | | |
| <i>Director Tenure</i> | 128,900 | 7.555 | 94,671 | 8.424 | 0.869*** | 7,247 | 12.870 | 5,741 | 12.771 | -0.099 | | | |
| <i>Director Age</i> | 128,900 | 60.713 | 94,671 | 63.061 | 2.348*** | 7,247 | 64.679 | 5,741 | 65.897 | 1.218*** | | | |

Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles, with the exception of the prestige variables which are winsorized at the 5% and 95% percentiles. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Panel F: Univariate testing for non-lead and lead sample

| | (1) | (2) | (3) Non-lead sample | | | (4) | (5) | (6) | (7) | (8) Lead sample | | (9) | (10) |
|---------------------------|---------------|--------|---------------------|--------|------------|---------------|--------|--------------|--------|-----------------|--------------|------|------------|
| | Non-acquirers | | Acquirers | | Difference | Non-acquirers | | Acquirers | | Difference | Observations | Mean | Difference |
| | Observations | Mean | Observations | Mean | | Observations | Mean | Observations | Mean | | | | |
| <i>Board Seats t</i> | 132,316 | 1.445 | 95,219 | 2.156 | 0.711*** | 3,831 | 1.543 | 5,193 | 2.193 | 0.650*** | | | |
| <i>Board Seats t+2</i> | 132,316 | 1.194 | 95,219 | 1.810 | 0.616*** | 3,831 | 1.217 | 5,193 | 1.744 | 0.527*** | | | |
| <i>Chair</i> | 132,316 | 0.053 | 95,219 | 0.058 | 0.005*** | 3,831 | 0.045 | 5,193 | 0.036 | -0.009** | | | |
| <i>Tenure Dummy</i> | 132,316 | 0.273 | 95,219 | 0.316 | 0.043*** | 3,831 | 0.434 | 5,193 | 0.504 | 0.070*** | | | |
| <i>Past Directorships</i> | 132,316 | 1.335 | 95,219 | 2.148 | 0.813*** | 3,831 | 1.553 | 5,193 | 2.277 | 0.725*** | | | |
| <i>Ind Adj ROA</i> | 132,316 | -0.000 | 95,219 | -0.002 | -0.001*** | 3,831 | -0.003 | 5,193 | -0.001 | 0.002 | | | |
| <i>Prior BHAR</i> | 132,316 | 0.042 | 95,219 | 0.043 | 0.001 | 3,831 | 0.025 | 5,193 | 0.052 | 0.027* | | | |
| <i>Firm Size</i> | 132,316 | 6.032 | 95,219 | 7.770 | 1.738*** | 3,831 | 6.337 | 5,193 | 7.784 | 1.447*** | | | |
| <i>Director Tenure</i> | 132,316 | 7.765 | 95,219 | 8.536 | 0.771*** | 3,831 | 10.338 | 5,193 | 11.175 | 0.837*** | | | |
| <i>Director Age</i> | 132,316 | 60.835 | 95,219 | 63.086 | 2.251*** | 3,831 | 63.995 | 5,193 | 65.737 | 1.741*** | | | |

Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles, with the exception of the prestige variables which are winsorized at the 5% and 95% percentiles. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Panel G: Univariate testing for non-tenure and tenure sample

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|---------------------------|-------------------|--------|--------------|--------|------------|---------------|--------|--------------|--------|------------|
| | Non-tenure sample | | | | | Tenure sample | | | | |
| | Non-acquirers | | Acquirers | | Difference | Non-acquirers | | Acquirers | | Difference |
| | Observations | Mean | Observations | Mean | | Observations | Mean | Observations | Mean | |
| <i>Board Seats t</i> | 98,416 | 1.494 | 67,718 | 2.252 | 0.758*** | 37,731 | 1.325 | 32,694 | 1.961 | 0.636*** |
| <i>Board Seats t+2</i> | 98,416 | 1.264 | 67,718 | 1.939 | 0.675*** | 37,731 | 1.015 | 32,694 | 1.534 | 0.519*** |
| <i>Chair</i> | 98,416 | 0.037 | 67,718 | 0.040 | 0.003*** | 37,731 | 0.096 | 32,694 | 0.093 | -0.004 |
| <i>Lead</i> | 98,416 | 0.022 | 67,718 | 0.038 | 0.016*** | 37,731 | 0.044 | 32,694 | 0.080 | 0.036*** |
| <i>Past Directorships</i> | 98,416 | 1.340 | 67,718 | 2.217 | 0.876*** | 37,731 | 1.344 | 32,694 | 2.027 | 0.682*** |
| <i>Ind Adj ROA</i> | 98,416 | -0.000 | 67,718 | -0.002 | -0.002*** | 37,731 | -0.001 | 32,694 | -0.001 | 0.000 |
| <i>Prior BHAR</i> | 98,416 | 0.044 | 67,718 | 0.043 | -0.001 | 37,731 | 0.036 | 32,694 | 0.045 | 0.009* |
| <i>Firm Size</i> | 98,416 | 6.117 | 67,718 | 7.750 | 1.633*** | 37,731 | 5.840 | 32,694 | 7.814 | 1.974*** |
| <i>Director Tenure</i> | 98,416 | 4.115 | 67,718 | 4.925 | 0.810*** | 37,731 | 17.547 | 32,694 | 16.434 | -1.113*** |
| <i>Director Age</i> | 98,416 | 58.803 | 67,718 | 61.450 | 2.647*** | 37,731 | 66.454 | 32,694 | 66.894 | 0.440*** |

Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles, with the exception of the prestige variables which are winsorized at the 5% and 95% percentiles. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 5: The association between outside directors' directorships and acquisitions using the full sample

| Variables | (1) <i>Board Seats t+2</i> | (2) <i>Board Seats t+2</i> | (3) <i>Board Seats t+2</i> |
|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <i>Acquisition</i> | 0.146*** (6.907) | | |
| <i>Number of Acquisitions</i> | | 0.021*** (3.026) | |
| <i>Acq(+)</i> | | | 0.112*** (4.223) |
| <i>Acq(-)</i> | | | 0.172*** (6.706) |
| <i>SumCAR</i> | 0.011 (1.543) | 0.011 (1.570) | 0.020** (2.053) |
| <i>Diversifying</i> | 0.024 (1.145) | 0.079*** (4.153) | 0.019 (0.828) |
| <i>Yrs Since Last Acquisition</i> | -0.036*** (-8.400) | -0.032*** (-7.524) | -0.038*** (-8.879) |
| <i>Past Directorships</i> | 1.492*** (123.338) | 1.494*** (123.103) | 1.493*** (123.598) |
| <i>Ind Adj ROA</i> | 0.142*** (3.906) | 0.138*** (3.789) | 0.141*** (3.883) |
| <i>Prior BHAR</i> | 0.030*** (4.244) | 0.029*** (4.168) | 0.030*** (4.252) |
| <i>Firm Size</i> | 0.153*** (40.475) | 0.159*** (43.592) | 0.155*** (42.088) |
| <i>Director Tenure</i> | -0.039*** (-35.885) | -0.039*** (-36.003) | -0.039*** (-35.901) |
| <i>Director Age</i> | -0.024*** (-28.796) | -0.024*** (-28.701) | -0.024*** (-28.734) |
| Observations | 236,534 | 236,534 | 236,534 |
| Year FE | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes |
| Pseudo R ² | 0.230 | 0.230 | 0.230 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 6: The association between directorships and acquisition outcomes using the full sample (*Acq(+)* and *Acq(-)*)

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|-------------------------------------|--|--|---|---|---|---|
| <i>Acq(+)</i> | 0.135*** (5.783) | 0.135*** (5.831) | 0.135*** (5.800) | 0.134*** (5.736) | 0.130*** (5.604) | 0.142*** (5.812) |
| <i>Acq(-)</i> | 0.158*** (6.306) | 0.156*** (6.181) | 0.159*** (6.330) | 0.161*** (6.390) | 0.156*** (6.223) | 0.191*** (7.066) |
| <i>Chair</i> | 0.001 (0.052) | -0.005 (-0.124) | | | | |
| <i>Acq(+)</i> × <i>Chair</i> | | -0.010 (-0.166) | | | | |
| <i>Acq(-)</i> × <i>Chair</i> | | 0.048 (0.667) | | | | |
| <i>Lead</i> | | | -0.142*** (-4.707) | -0.128*** (-2.674) | | |
| <i>Acq(+)</i> × <i>Lead</i> | | | | 0.001 (0.021) | | |
| <i>Acq(-)</i> × <i>Lead</i> | | | | -0.055 (-0.742) | | |
| <i>Tenure Dummy</i> | | | | | -0.398*** (-30.466) | -0.358*** (-21.084) |
| <i>Acq(+)</i> × <i>Tenure Dummy</i> | | | | | | -0.049* (-1.671) |
| <i>Acq(-)</i> × <i>Tenure Dummy</i> | | | | | | -0.118*** (-3.613) |
| <i>Diversifying</i> | 0.018 (0.790) | 0.018 (0.791) | 0.019 (0.834) | 0.019 (0.834) | 0.020 (0.896) | 0.020 (0.895) |
| <i>Yrs Since Last Acquisition</i> | -0.039*** (-9.205) | -0.039*** (-9.210) | -0.039*** (-9.166) | -0.039*** (-9.165) | -0.045*** (-10.639) | -0.045*** (-10.435) |
| <i>Past Directorships</i> | 1.494*** (123.555) | 1.494*** (123.543) | 1.495*** (123.539) | 1.495*** (123.533) | 1.487*** (123.995) | 1.487*** (123.753) |
| <i>Ind Adj ROA</i> | 0.140*** (3.863) | 0.140*** (3.861) | 0.140*** (3.859) | 0.140*** (3.860) | 0.140*** (3.854) | 0.140*** (3.868) |

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|------------------------|--|--|---|---|---|---|
| <i>Prior BHAR</i> | 0.030*** (4.288) | 0.030*** (4.289) | 0.030*** (4.264) | 0.030*** (4.266) | 0.030*** (4.330) | 0.030*** (4.325) |
| <i>Firm Size</i> | 0.155*** (41.983) | 0.155*** (41.991) | 0.155*** (42.146) | 0.155*** (42.147) | 0.156*** (42.776) | 0.157*** (42.803) |
| <i>Director Tenure</i> | -0.039*** (-35.729) | -0.039*** (-35.724) | -0.038*** (-35.642) | -0.038*** (-35.638) | | |
| <i>Director Age</i> | -0.024*** (-28.758) | -0.024*** (-28.733) | -0.024*** (-28.622) | -0.024*** (-28.624) | -0.030*** (-36.697) | -0.030*** (-36.666) |
| Observations | 236,559 | 236,559 | 236,559 | 236,559 | 236,559 | 236,559 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.230 | 0.230 | 0.230 | 0.230 | 0.227 | 0.227 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 7: Directorship prestige and acquisition outcomes using the full sample (Part 1)

| Variables | (1) <i>Prestige comparing t and t+2</i> | (2) <i>Prestige comparing t and t+2</i> | (3) <i>Prestige comparing t and t+2</i> | (4) <i>Prestige comparing t+2</i> | (5) <i>Prestige comparing t+2</i> | (6) <i>Prestige comparing t+2</i> | (7) <i>High ranked new directorship)</i> | (8) <i>High ranked new directorship</i> | (9) <i>High ranked new directorship</i> |
|--|--|--|--|--|--|--|---|--|--|
| <i>Acquisition</i> | 18.612*** (85.147) | | | 18.552*** (73.329) | | | 20.856*** (18.768) | | |
| <i>Number of Acquisitions Acq(+)</i> | | 0.175*** (7.445) | | | 0.181*** (7.419) | | | 0.244*** (12.864) | |
| <i>Acq(-)</i> | | | 18.962*** (74.399) | | | 19.154*** (94.810) | | | 20.478*** (18.667) |
| <i>SumCAR</i> | 0.039 (0.818) | 0.027 (0.571) | | -0.000 (-0.009) | -0.009 (-0.174) | | 0.033 (1.263) | 0.006 (0.217) | |
| <i>Diversifying</i> | -0.230 (-1.344) | 1.539*** (6.586) | -0.205 (-1.209) | -0.151 (-0.834) | 1.610*** (6.465) | -0.131 (-0.727) | -0.018 (-0.181) | 1.624*** (12.410) | 0.009 (0.090) |
| <i>Past Directorships</i> | 0.018 (0.396) | -0.005 (-0.089) | 0.021 (0.485) | 0.022 (0.470) | 0.001 (0.021) | 0.025 (0.541) | 0.204*** (3.752) | 0.144*** (5.371) | 0.204*** (3.854) |
| <i>Ind Adj ROA</i> | -0.705 (-1.051) | -0.865 (-1.614) | -0.737 (-1.112) | -1.124* (-1.887) | -1.157** (-2.378) | -1.147* (-1.951) | -1.088*** (-4.797) | -1.172*** (-5.549) | -1.097*** (-4.869) |
| <i>Director Tenure</i> | -0.139*** (-5.837) | -0.150*** (-6.321) | -0.137*** (-5.717) | -0.157*** (-5.418) | -0.169*** (-5.836) | -0.156*** (-5.314) | -0.055*** (-6.248) | -0.068*** (-7.320) | -0.054*** (-6.154) |
| <i>Director Age</i> | -0.032*** (-3.968) | -0.032*** (-4.073) | -0.031*** (-3.952) | -0.034*** (-3.818) | -0.035*** (-3.943) | -0.034*** (-3.820) | -0.027*** (-5.208) | -0.028*** (-6.042) | -0.026*** (-5.086) |
| <i>Yrs Since Last Acquisition</i> | -0.702*** (-4.305) | -0.528*** (-3.254) | -0.723*** (-4.413) | -0.659*** (-3.861) | -0.499*** (-2.942) | -0.676*** (-3.941) | -0.610*** (-8.988) | -0.476*** (-6.821) | -0.634*** (-9.280) |
| <i>Prior BHAR</i> | -0.134 (-1.097) | -0.153 (-1.234) | -0.138 (-1.133) | -0.084 (-0.695) | -0.105 (-0.839) | -0.089 (-0.731) | 0.078 (1.449) | 0.072 (1.343) | 0.074 (1.400) |
| <i>Firm Size</i> | 0.251*** (5.991) | 0.345*** (9.078) | 0.286*** (7.259) | 0.260*** (6.026) | 0.351*** (8.928) | 0.293*** (7.163) | 0.131*** (5.992) | 0.232*** (10.807) | 0.170*** (8.138) |
| Observations | 236,534 | 236,534 | 236,534 | 236,534 | 236,534 | 236,534 | 236,534 | 236,534 | 236,534 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.267 | 0.201 | 0.25 | 0.2604 | 0.197 | 0.253 | 0.227 | 0.171 | 0.215 |

Definitions of the variables are presented in Appendix A. The models are estimated using logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 8: Directorship prestige and acquisition outcomes using the full sample (Part 2)

| Variables | (1) <i>Percent change in TA</i> | (2) <i>Percent change in TA</i> | (3) <i>Percent change in TA</i> | (4) <i>Percent change in MVE</i> | (5) <i>Percent change in MVE</i> | (6) <i>Percent change in MVE</i> | (7) <i>Change in TA from t to t+2</i> | (8) <i>Change in TA from t to t+2</i> | (9) <i>Change in TA from t to t+2</i> | (10) <i>Change in Total MVE from t to t+2</i> | (11) <i>Change in Total MVE from t to t+2</i> | (12) <i>Change in Total MVE from t to t+2</i> |
|---|------------------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--|--|--|--|--|--|
| <i>Acquisition</i> | 367.568*** (6.770) | | | 230.042*** (7.212) | | | -51.820 (-0.082) | | | 945.690*** (4.932) | | |
| <i>Number of Acquisitions Acq(+)</i> | | 30.478 (0.945) | | | 31.191 (1.541) | | | -2,389.810*** (-5.515) | | | 26.126 (0.262) | |
| <i>Acq(-)</i> | | | 276.222*** (3.945) | | | 203.644*** (4.422) | | | 693.692 (0.727) | | | 1,049.264*** (4.623) |
| <i>SumCAR</i> | -12.250 (-0.349) | -9.475 (-0.244) | | 11.795 (0.552) | 11.989 (0.524) | | 734.897*** (2.605) | 1,035.018*** (3.351) | | 21.997 (0.217) | 35.767 (0.342) | |
| <i>Diversifying</i> | 211.377*** (4.290) | 373.455*** (4.253) | 219.528*** (3.694) | 135.778*** (2.995) | 223.265*** (3.856) | 137.925*** (3.105) | -1,207.036 (-1.606) | 1,575.424* (1.864) | -1,346.186 (-1.457) | 793.790*** (3.951) | 1,272.000*** (5.288) | 673.618*** (3.343) |
| <i>Past Directorships Ind Adj ROA</i> | -14.522 (-1.010) | -4.982 (-0.334) | -10.282 (-0.761) | -24.625 (-1.404) | -21.049 (-1.211) | -21.969 (-1.254) | -1,379.983*** (-3.846) | -957.305*** (-2.678) | -1,387.824*** (-3.851) | -543.037*** (-6.110) | -509.588*** (-5.778) | -539.489*** (-6.124) |
| <i>Director Tenure</i> | -234.280** (-2.448) | -239.982** (-2.498) | -233.991** (-2.449) | -305.350* (-1.877) | -308.732* (-1.894) | -305.449* (-1.881) | -374.306 (-0.560) | -469.730 (-0.700) | -384.314 (-0.574) | -1,154.58*** (-3.911) | -1,173.299*** (-3.973) | -1,151.92*** (-3.902) |
| <i>Director Age</i> | -0.378 (-0.239) | -0.718 (-0.475) | -0.433 (-0.279) | 2.056 (0.478) | 1.767 (0.419) | 2.067 (0.484) | -72.552** (-2.220) | -52.972 (-1.628) | -70.055* (-2.145) | -14.902 (-1.184) | -15.414 (-1.230) | -14.847 (-1.179) |
| <i>Director Last Acquisition Prior BHAR</i> | 2.577** (2.026) | 2.861** (1.994) | 2.757** (2.150) | 1.951 (0.979) | 2.024 (0.962) | 2.065 (1.035) | -301.963*** (-9.607) | -281.886*** (-9.290) | -302.723*** (-9.617) | -72.628*** (-7.530) | -71.509*** (-7.482) | -72.308*** (-7.498) |
| <i>Yrs Since Last Acquisition</i> | -71.946*** (-7.337) | -61.388*** (-7.028) | -76.460*** (-7.511) | -56.468*** (-3.220) | -49.127*** (-2.815) | -60.122*** (-3.326) | 619.377*** (2.763) | 467.338** (2.153) | 587.453** (2.553) | -387.832*** (-7.363) | -363.587*** (-7.001) | -411.215*** (-7.632) |
| <i>Firm Size</i> | 19.807 (1.131) | 18.919 (1.091) | 20.238 (1.152) | 33.628* (1.864) | 33.237* (1.833) | 34.022* (1.887) | 374.107* (1.657) | 327.790 (1.456) | 389.808* (1.722) | 886.007*** (11.028) | 882.506*** (10.986) | 887.872*** (11.050) |
| <i>Constant</i> | -2.310 (-0.223) | 14.570 (1.209) | 5.578 (0.472) | -4.584 (-0.197) | 5.004 (0.206) | 0.282 (0.012) | -254.744 (-1.085) | -46.426 (-0.206) | -287.614 (-1.227) | -325.494*** (-3.796) | -277.639*** (-3.275) | -310.583*** (-3.659) |
| <i>Observations</i> | -146.298 (-1.155) | -248.346 (-1.522) | -220.796 (-1.593) | 18.711 (0.068) | -23.505 (-0.080) | -31.446 (-0.114) | 25,720.128*** (5.199) | 21,540.352*** (4.607) | 25,616.620*** (5.162) | 7,380.751*** (5.407) | 7,028.470*** (5.166) | 7,226.801*** (5.336) |
| <i>Year FE</i> | 155,111 | 155,111 | 155,111 | 154,929 | 154,929 | 154,929 | 184,690 | 184,690 | 184,690 | 162,949 | 162,949 | 162,949 |
| <i>Industry FE</i> | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| <i>Adjusted R²</i> | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| | 0.002 | 0.001 | 0.002 | 0.000 | 0.000 | 0.000 | 0.006 | 0.007 | 0.006 | 0.013 | 0.013 | 0.013 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordinary least squares regressions with standard errors clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Appendices

Appendix A: Definition of variables

Table A1: Variable definitions

| Variable | Definition | Source |
|--|--|--------------------|
| <i>Panel A - Dependent Variables</i> | | |
| <i>Board Seats t+2</i> | The number of total outside directorships held by directors in year $t+2$. | BoardEx |
| <i>Prestige comparing t and t+2</i> | Indicator variable equal to one if the new directorship post-M&A (year $t+2$) is larger than the average size of other directorships held by the director in year t (size is based on market value of equity for this measure), and zero otherwise. | BoardEx, Compustat |
| <i>Prestige comparing t+2</i> | Indicator variable equal to one if the new directorship post-M&A (year $t+2$) is larger than the average size of other directorships held by the director in year $t+2$ (size is based on market value of equity for this measure), and zero otherwise. | BoardEx, Compustat |
| <i>High ranked new directorship</i> | Following Masulis and Mobbs (2014), equal to one if the new directorship is at least 10% larger than their smallest directorship (size is based on market value of equity for this measure), and zero otherwise. | BoardEx, Compustat |
| <i>Percent change in TA</i> | Following Dou (2017), firm size is used as a measure of directorship prestige. Specifically, for each director, the change in prestige is measured as the percentage change in the total assets of the largest firm this director works for from year t to year $t+2$, excluding the M&A firm. | BoardEx, Compustat |
| <i>Percent change in MVE</i> | Following Dou (2017), firm size is used as a measure of directorship prestige. Specifically, for each director, the change in prestige is measured as the percentage change in the market value of equity of the largest firm the director works for from year t to year $t+2$, excluding the M&A firm. | BoardEx, Compustat |
| <i>Change in TA from t to t+2</i> | The sum of the market value of equity of a director's directorships in year $t+2$ minus the sum of the market value of equity of a director's directorships at year t . | BoardEx, Compustat |
| <i>Change in Total MVE from t to t+2</i> | The sum of the total assets of a director's directorships in year $t+2$ minus the sum of the total assets of a director's directorships at year t . | BoardEx, Compustat |

| | | |
|--------------------------------|--|---------|
| <i>Change in Directorships</i> | The difference between the directorships held by a director in year $t+2$ and year t . | BoardEx |
|--------------------------------|--|---------|

Panel B – Variables of Interest

| | | |
|---------------------------------------|--|-----------|
| <i>Chair</i> | Indicator variable equal to one if the director is the independent Chair of the Board of the acquiring firm, and zero otherwise. | BoardEx |
| <i>Lead</i> | Indicator variable equal to one if the director is the lead independent director of the acquiring firm, and zero otherwise. | BoardEx |
| <i>Tenure Dummy</i> | Indicator variable equal to one if the director has served on the board of the acquiring firm for at least 10 years, and zero otherwise. | BoardEx |
| <i>Acquisition</i> | Indicator variable in year t equal to one if the director has made a large acquisition at some point as director in any year since 2001 up to and including year t , and zero otherwise. An acquisition is classified as large if (1) the target size, as measured by the SDC transaction value, is at least 5% of the size of the market value of the acquirer as of the end of the prior calendar year, and (2) the target is at least \$50 million. | SDC |
| <i>Number of Acquisitions</i> | Cumulative count in year t of all large acquisitions completed by the director since 2001 up to an including year t . | SDC |
| <i>Acq(+), Acq(-)</i> | Indicator variables in year t identifying whether the sum of the director's past large acquisition announcement returns is negative or positive. These indicators are set to zero in year t if the director has not previously made a large acquisition. | SDC, CRSP |
| <i>Extreme Acq(+), Extreme Acq(-)</i> | Indicator variables in year t identifying whether the sum of the director's past large acquisition announcement returns is in the bottom 25% percentile (<i>Extreme Acq(-)</i>) or top 25% percentile (<i>Extreme Acq(+)</i>). These indicators are set to zero in year t if the director has not previously made a large acquisition. | SDC, CRSP |
| <i>% of Acq(-)</i> | The percentage of value-destroying acquisitions a director has undertaken. Value-destroying acquisitions are defined as acquisitions that generated CAR less than zero. | SDC, CRSP |
| <i>CAR(+), CAR(-)</i> | Indicator variables in year t identifying whether the director's acquisition announcement return for the current acquisition is positive or negative. | SDC, CRSP |
| <i>Extreme CAR(+), Extreme CAR(-)</i> | Indicator variables in year t identifying whether the director's acquisition announcement return for the current acquisition is in the bottom 25% percentile | SDC, CRSP |

(*Extreme CAR(-)*) or top 25% percentile (*Extreme CAR(+)*). These indicators are set to zero in year t if the director has not previously made a large acquisition.

Recent Acq(+), Recent Acq(-) Indicator variables in year t for whether the acquisition CAR completed by the director in the past three years is negative (*Recent Acq(-)*) or positive (*Recent Acq(+)*). SDC, CRSP

Panel C – Acquirer and deal controls

| | | |
|-----------------------------------|--|----------------|
| <i>SumCAR</i> | In year t , this is the sum of the $CAR(-1,+1)$, $(-1,0)$ or $(-2,+2)$ announcement returns for all large acquisitions done previously by the director in any year since 2001 up to year t . This variable is set to zero if the director has made no previous large acquisition. The variable is standardized such that a unit increase is associated with a standard deviation increase in the underlying and winsorized at the 0.5% level. | CRSP |
| <i>Diversifying</i> | An indicator variable equal to one in year t that the director made at least one diversifying acquisition since 1991, and zero otherwise. An acquisition is considered diversifying if the target firm's industry differs from the acquirer's industry. | SDC, Compustat |
| <i>Ind Adj ROA</i> | The change from year $t-1$ to year t in the firm's industry-adjusted ROA. <i>Prior BHARs</i> are annualised buy-and-hold abnormal returns starting in January of year $t-1$ and ending in December of year t . | Compustat |
| <i>Prior BHAR</i> | Annualised buy-and-hold abnormal returns starting in January of year $t-1$ and ending in December of year t . | CRSP |
| <i>Firm Size</i> | The natural logarithm of the market capitalisation of the firm in year $t-1$. | Compustat |
| <i>Yrs Since Last Acquisition</i> | The number of years since a director last engaged in a large acquisition. | SDC |

Panel D – Governance controls

| | | |
|---------------------------|--|---------|
| <i>Past Directorships</i> | The number of directorships held by the director in the year of their last large acquisition. If the director has not made a large acquisition, then this variable is the number of directorships held in the previous year. | BoardEx |
| <i>Director Tenure</i> | The number of years since the director first became a director at any firm in the sample. | BoardEx |
| <i>Director Age</i> | The age of the director in years. | BoardEx |

Appendix B: Alternative measures of acquisition experience

Table B1: The association between directorships and acquisition outcomes using the full sample (*Acquisition*)

| Variables | (1) <i>Board Seats</i> $t+2$ Chair tests | (2) <i>Board Seats</i> $t+2$ Chair tests with interaction terms | (3) <i>Board Seats</i> $t+2$ Lead tests | (4) <i>Board Seats</i> $t+2$ Lead tests with interaction terms | (5) <i>Board Seats</i> $t+2$ Tenure tests | (6) <i>Board Seats</i> $t+2$ Tenure tests with interaction terms |
|--|--|---|---|--|---|---|
| <i>Acquisition</i> | 0.096*** (3.299) | 0.091*** (3.096) | 0.096*** (3.300) | 0.097*** (3.335) | 0.099*** (3.411) | 0.136*** (4.481) |
| <i>Chair</i> | -0.005 (-0.184) | -0.029 (-0.968) | | | | |
| <i>Acquisition</i> × <i>Chair</i> | | 0.103 (1.545) | | | | |
| <i>Lead</i> | | | -0.138*** (-4.730) | -0.130*** (-3.712) | | |
| <i>Acquisition</i> × <i>Lead</i> | | | | -0.027 (-0.447) | | |
| <i>Tenure Dummy</i> | | | | | -0.411*** (-32.582) | -0.381*** (-27.255) |
| <i>Acquisition</i> × <i>Tenure Dummy</i> | | | | | | -0.127*** (-4.236) |
| <i>SumCAR</i> | 0.006 (0.884) | 0.006 (0.888) | 0.005 (0.861) | 0.005 (0.859) | 0.004 (0.658) | 0.004 (0.672) |
| <i>Diversifying</i> | -0.019 (-0.651) | -0.019 (-0.644) | -0.019 (-0.635) | -0.019 (-0.633) | -0.020 (-0.678) | -0.020 (-0.683) |
| <i>Yrs Since Last Acquisition</i> | -0.018*** (-3.476) | -0.018*** (-3.509) | -0.017*** (-3.409) | -0.017*** (-3.396) | -0.022*** (-4.323) | -0.020*** (-3.910) |
| <i>Past Directorships</i> | 1.497*** (127.692) | 1.498*** (127.685) | 1.499*** (127.717) | 1.499*** (127.720) | 1.490*** (128.098) | 1.490*** (128.049) |
| <i>Ind Adj ROA</i> | 0.136*** (3.888) | 0.135*** (3.885) | 0.135*** (3.879) | 0.135*** (3.879) | 0.136*** (3.914) | 0.136*** (3.915) |
| <i>Prior BHAR</i> | 0.036*** (5.319) | 0.036*** (5.325) | 0.036*** (5.294) | 0.036*** (5.295) | 0.036*** (5.382) | 0.036*** (5.379) |

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|------------------------|--|---|---|--|---|--|
| <i>Firm Size</i> | 0.158*** (44.548) | 0.158*** (44.581) | 0.158*** (44.682) | 0.158*** (44.678) | 0.159*** (45.308) | 0.159*** (45.432) |
| <i>Director Tenure</i> | -0.040*** (-37.740) | -0.040*** (-37.726) | -0.039*** (-37.646) | -0.039*** (-37.646) | | |
| <i>Director Age</i> | -0.024*** (-29.616) | -0.024*** (-29.608) | -0.024*** (-29.485) | -0.024*** (-29.485) | -0.030*** (-37.907) | -0.030*** (-38.034) |
| Observations | 262,928 | 262,928 | 262,928 | 262,928 | 262,928 | 262,928 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.230 | 0.230 | 0.231 | 0.231 | 0.227 | 0.227 |

Definitions of the variables are presented in Appendix A. The models are estimated using logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table B2: The association between directorships and acquisition outcomes using the full sample (*Number of Acquisitions*)

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|--|--|--|---|---|---|---|
| <i>Number of Acquisitions</i> | 0.021*** (3.026) | 0.020*** (2.818) | 0.022*** (3.113) | 0.022*** (3.187) | 0.020*** (2.828) | 0.034*** (4.138) |
| <i>Chair</i> | 0.001 (0.050) | -0.016 (-0.497) | | | | |
| <i>Number of Acquisitions</i> × <i>Chair</i> | | 0.018 (0.959) | | | | |
| <i>Lead</i> | | | -0.145*** (-4.780) | -0.135*** (-3.740) | | |
| <i>Number of Acquisitions</i> × <i>Lead</i> | | | | -0.008 (-0.458) | | |
| <i>Tenure Dummy</i> | | | | | -0.403*** (-30.771) | -0.373*** (-25.634) |
| <i>Number of Acquisitions</i> × <i>Tenure Dummy</i> | | | | | | -0.034*** (-3.778) |
| <i>SumCAR</i> | 0.011 (1.570) | 0.011 (1.562) | 0.011 (1.551) | 0.011 (1.551) | 0.010 (1.332) | 0.010 (1.365) |
| <i>Diversifying</i> | 0.079*** (4.153) | 0.079*** (4.165) | 0.079*** (4.183) | 0.079*** (4.173) | 0.081*** (4.295) | 0.078*** (4.144) |
| <i>Yrs Since Last Acquisition</i> | -0.032*** (-7.522) | -0.032*** (-7.516) | -0.031*** (-7.464) | -0.031*** (-7.468) | -0.038*** (-9.055) | -0.038*** (-9.114) |
| <i>Past Directorships</i> | 1.494*** (123.036) | 1.494*** (122.984) | 1.495*** (123.020) | 1.495*** (123.018) | 1.488*** (123.447) | 1.487*** (123.231) |
| <i>Ind Adj ROA</i> | 0.138*** (3.789) | 0.137*** (3.785) | 0.137*** (3.786) | 0.137*** (3.787) | 0.137*** (3.778) | 0.137*** (3.786) |
| <i>Prior BHAR</i> | 0.029*** (4.167) | 0.029*** (4.172) | 0.029*** (4.143) | 0.029*** (4.143) | 0.030*** (4.213) | 0.030*** (4.225) |
| <i>Firm Size</i> | 0.159*** (43.514) | 0.159*** (43.511) | 0.159*** (43.669) | 0.159*** (43.677) | 0.160*** (44.358) | 0.161*** (44.411) |
| <i>Director Tenure</i> | -0.039*** (-35.873) | -0.039*** (-35.861) | -0.039*** (-35.795) | -0.039*** (-35.793) | | |

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|-----------------------|--|--|---|---|---|---|
| <i>Director Age</i> | -0.024*** (-28.720) | -0.024*** (-28.715) | -0.024*** (-28.588) | -0.024*** (-28.591) | -0.030*** (-36.590) | -0.030*** (-36.656) |
| Observations | 236,534 | 236,534 | 236,534 | 236,534 | 236,534 | 236,534 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.230 | 0.230 | 0.230 | 0.230 | 0.227 | 0.227 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Appendix C: Results using the M&A subsample

Table C1: The association between directorships and acquisition outcomes using the M&A subsample (*Acq(-)*)

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|-----------------------------------|--|--|---|---|---|---|
| <i>Acq(-)</i> | 0.014 (0.436) | 0.021 (0.649) | 0.014 (0.427) | 0.016 (0.489) | 0.009 (0.268) | 0.024 (0.638) |
| <i>Chair</i> | 0.146* (1.947) | 0.212** (2.209) | | | | |
| <i>Acq(-) × Chair</i> | | -0.149 (-1.016) | | | | |
| <i>Lead</i> | | | -0.228*** (-2.633) | -0.204* (-1.728) | | |
| <i>Acq(-) × Lead</i> | | | | -0.056 (-0.344) | | |
| <i>Tenure Dummy</i> | | | | | -0.535*** (-15.142) | -0.510*** (-10.982) |
| <i>Acq(-) × Tenure Dummy</i> | | | | | | -0.056 (-0.846) |
| <i>Diversifying</i> | -0.038 (-0.912) | -0.038 (-0.916) | -0.038 (-0.910) | -0.038 (-0.909) | -0.061 (-1.456) | -0.061 (-1.449) |
| <i>Yrs Since Last Acquisition</i> | 0.047*** (3.040) | 0.047*** (3.039) | 0.048*** (3.114) | 0.048*** (3.112) | 0.044*** (2.885) | 0.044*** (2.880) |
| <i>Past Directorships</i> | 1.547*** (61.037) | 1.547*** (61.056) | 1.550*** (61.067) | 1.550*** (61.065) | 1.540*** (60.877) | 1.540*** (60.858) |
| <i>Ind Adj ROA</i> | 0.114 (0.551) | 0.113 (0.545) | 0.110 (0.536) | 0.110 (0.534) | 0.121 (0.589) | 0.120 (0.583) |
| <i>Prior BHAR</i> | -0.036 (-1.222) | -0.036 (-1.232) | -0.037 (-1.244) | -0.037 (-1.239) | -0.038 (-1.287) | -0.038 (-1.280) |
| <i>Firm Size</i> | 0.154*** (13.144) | 0.154*** (13.137) | 0.153*** (13.052) | 0.153*** (13.053) | 0.157*** (13.486) | 0.156*** (13.454) |
| <i>Director Tenure</i> | -0.050*** (-18.499) | -0.050*** (-18.500) | -0.048*** (-18.193) | -0.048*** (-18.191) | | |

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|-----------------------|--|--|---|---|---|---|
| <i>Director Age</i> | -0.029*** (-13.488) | -0.029*** (-13.472) | -0.029*** (-13.320) | -0.029*** (-13.315) | -0.035*** (-16.743) | -0.035*** (-16.747) |
| Observations | 17,843 | 17,843 | 17,843 | 17,843 | 17,843 | 17,843 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.248 | 0.248 | 0.248 | 0.248 | 0.245 | 0.245 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table C2: The association between directorships and acquisition outcomes using the M&A subsample (*Number of Acquisitions*)

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|--|--|--|---|---|---|---|
| <i>Number of Acquisitions</i> | -0.017 (-1.413) | -0.020* (-1.678) | -0.016 (-1.321) | -0.016 (-1.306) | -0.027** (-2.226) | -0.049*** (-3.232) |
| <i>Chair</i> | 0.143* (1.893) | 0.017 (0.128) | | | | |
| <i>Number of Acquisitions</i> × <i>Chair</i> | | 0.048 (1.096) | | | | |
| <i>Lead</i> | | | -0.217** (-2.497) | -0.232 (-1.472) | | |
| <i>Number of Acquisitions</i> × <i>Lead</i> | | | | 0.005 (0.101) | | |
| <i>Tenure Dummy</i> | | | | | -0.522*** (-14.465) | -0.659*** (-11.643) |
| <i>Number of Acquisitions</i> × <i>Tenure Dummy</i> | | | | | | 0.056*** (2.856) |
| <i>SumCAR</i> | -0.001 (-0.122) | -0.001 (-0.135) | -0.001 (-0.134) | -0.001 (-0.137) | -0.000 (-0.040) | -0.000 (-0.010) |
| <i>Diversifying</i> | -0.024 (-0.569) | -0.024 (-0.567) | -0.025 (-0.581) | -0.025 (-0.580) | -0.040 (-0.950) | -0.036 (-0.842) |
| <i>Yrs Since Last Acquisition</i> | 0.047*** (3.008) | 0.047*** (3.006) | 0.048*** (3.066) | 0.048*** (3.067) | 0.046*** (3.004) | 0.049*** (3.146) |
| <i>Past Directorships</i> | 1.556*** (60.219) | 1.557*** (60.171) | 1.557*** (60.250) | 1.557*** (60.239) | 1.552*** (60.175) | 1.555*** (60.253) |
| <i>Ind Adj ROA</i> | 0.140 (0.678) | 0.141 (0.685) | 0.136 (0.662) | 0.136 (0.661) | 0.155 (0.753) | 0.165 (0.801) |
| <i>Prior BHAR</i> | -0.040 (-1.360) | -0.040 (-1.353) | -0.041 (-1.377) | -0.041 (-1.377) | -0.042 (-1.439) | -0.043 (-1.469) |
| <i>Firm Size</i> | 0.157*** (13.166) | 0.157*** (13.146) | 0.156*** (13.066) | 0.156*** (13.071) | 0.160*** (13.582) | 0.159*** (13.460) |

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|------------------------|--|--|---|---|---|---|
| <i>Director Tenure</i> | -0.049*** (-17.939) | -0.049*** (-17.903) | -0.048*** (-17.669) | -0.048*** (-17.668) | | |
| <i>Director Age</i> | -0.029*** (-13.322) | -0.029*** (-13.314) | -0.029*** (-13.169) | -0.029*** (-13.168) | -0.035*** (-16.437) | -0.034*** (-16.271) |
| Observations | 17,843 | 17,843 | 17,843 | 17,843 | 17,843 | 17,843 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.248 | 0.248 | 0.248 | 0.248 | 0.245 | 0.245 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table C3: Directorship prestige and acquisition outcomes using the M&A subsample (Part 1)

| Variables | (1) <i>Prestige</i> <i>comparing t and</i> <i>t+2</i> | (2) <i>Prestige</i> <i>comparing t and</i> <i>t+2</i> | (3) <i>Prestige</i> <i>comparing t+2</i> | (4) <i>Prestige</i> <i>comparing t+2</i> | (5) <i>High ranked new</i> <i>directorship</i> | (6) <i>High ranked new</i> <i>directorship</i> |
|--|--|--|--|--|--|--|
| <i>Number of</i> <i>Acquisitions</i> <i>Acq(-)</i> | -0.022 (-0.466) | | -0.010 (-0.213) | | 0.017 (0.584) | |
| | | -0.050 (-0.327) | | 0.112 (0.697) | | 0.063 (0.808) |
| <i>SumCAR</i> | 0.021 (0.445) | | -0.023 (-0.465) | | -0.025 (-1.026) | |
| <i>Diversifying</i> | -0.207 (-1.117) | -0.220 (-1.209) | -0.123 (-0.622) | -0.129 (-0.659) | 0.036 (0.324) | 0.044 (0.396) |
| <i>Yrs Since Last</i> <i>Acquisition</i> | 0.060 (0.757) | 0.055 (0.684) | 0.070 (0.853) | 0.068 (0.824) | 0.046 (1.094) | 0.049 (1.185) |
| <i>Past Directorships</i> | 0.109*** (2.881) | 0.106*** (2.924) | 0.110*** (2.988) | 0.108*** (3.018) | 0.473*** (12.070) | 0.479*** (12.719) |
| <i>Ind Adj ROA</i> | 2.144** (2.380) | 2.136** (2.375) | 1.228 (1.068) | 1.219 (1.056) | 0.309 (0.661) | 0.326 (0.699) |
| <i>Prior BHAR</i> | -0.161 (-1.192) | -0.158 (-1.179) | -0.106 (-0.784) | -0.105 (-0.779) | 0.118* (1.820) | 0.114* (1.772) |
| <i>Firm Size</i> | 0.263*** (5.066) | 0.261*** (5.046) | 0.267*** (5.096) | 0.265*** (5.074) | 0.121*** (4.257) | 0.122*** (4.360) |
| <i>Director Tenure</i> | -0.143*** (-6.343) | -0.145*** (-6.276) | -0.161*** (-5.746) | -0.162*** (-5.701) | -0.058*** (-6.121) | -0.058*** (-6.200) |
| <i>Director Age</i> | -0.023*** (-2.887) | -0.023*** (-2.980) | -0.027*** (-2.941) | -0.027*** (-3.007) | -0.029*** (-6.275) | -0.029*** (-6.216) |
| Observations | 17,843 | 17,843 | 17,843 | 17,843 | 17,843 | 17,843 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.176 | 0.176 | 0.172 | 0.172 | 0.137 | 0.137 |

Definitions of the variables are presented in Appendix A. The models are estimated using logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table C4: Directorship prestige and acquisition outcomes using the M&A subsample (Part 2)

| Variables | (1) <i>Percent change in TA</i> | (2) <i>Percent change in TA</i> | (3) <i>Percent change in MVE</i> | (4) <i>Percent change in MVE</i> | (5) <i>Change in TA from t to t+2</i> | (6) <i>Change in TA from t to t+2</i> | (7) <i>Change in Total MVE from t to t+2</i> | (8) <i>Change in Total MVE from t to t+2</i> |
|--|--|--|---|---|--|--|---|---|
| <i>Number of Acquisitions Acq(-)</i> | -172.469 (-0.742) | | -299.911 (-1.030) | | -1,730.983** (-2.009) | | -667.891*** (-3.033) | |
| | | 68.691 (0.082) | | -542.438 (-0.459) | | -591.687 (-0.292) | | 784.651 (0.735) |
| <i>SumCAR</i> | -87.054 (-0.314) | | 71.271 (0.341) | | 706.907 (0.945) | | -50.297 (-0.203) | |
| <i>Diversifying</i> | 254.969 (0.564) | 108.165 (0.286) | 1,122.065 (1.090) | 878.494 (1.066) | -813.489 (-0.440) | -1,780.245 (-0.963) | 1,015.657 (1.047) | 510.205 (0.545) |
| <i>Yrs Since Last Acquisition Past</i> | -33.269 (-0.214) | -62.482 (-0.378) | 7.313 (0.011) | -36.352 (-0.052) | 802.244 (0.947) | 457.591 (0.563) | -63.951 (-0.162) | -180.191 (-0.454) |
| <i>Directorships Ind Adj ROA</i> | -585.327** (-2.034) | -642.113** (-2.554) | -741.152* (-1.730) | -843.504* (-1.879) | -2,678.085** (-2.113) | -3,206.691** (-2.469) | -398.962 (-1.440) | -587.046** (-2.147) |
| | -3,285.344 (-1.526) | -3,439.044 (-1.574) | -7,879.469 (-1.209) | -8,119.131 (-1.210) | 2,518.308 (0.425) | 1,157.587 (0.196) | -5,968.985* (-1.906) | -6,596.792** (-2.106) |
| <i>Prior BHAR</i> | -345.636 (-0.988) | -359.719 (-0.909) | 373.948 (0.456) | 378.409 (0.471) | 3,604.090*** (2.994) | 3,862.818*** (3.143) | 986.832 (1.476) | 1,070.752 (1.596) |
| <i>Firm Size</i> | 1,090.217*** (2.897) | 1,094.321*** (2.903) | 935.696 (1.126) | 932.073 (1.130) | -1,737.252 (-1.135) | -1,953.461 (-1.265) | 7,420.357*** (11.022) | 7,371.612*** (11.022) |
| <i>Director Tenure</i> | 112.512* (1.658) | 102.849 (1.523) | 108.646 (0.660) | 93.563 (0.555) | -58.002 (-0.378) | -117.031 (-0.773) | -67.713 (-0.761) | -103.413 (-1.157) |
| <i>Director Age</i> | 9.503 (0.279) | 5.068 (0.159) | 49.371 (0.667) | 43.230 (0.621) | -433.042*** (-3.645) | -454.462*** (-3.772) | -97.770* (-1.650) | -116.162* (-1.927) |
| <i>Constant</i> | -8,046.311** (-1.963) | -7,481.959** (-2.170) | -9,277.770 (-0.813) | -8,118.729 (-0.766) | 43,436.203** (2.465) | 47,212.749*** (2.584) | -42,940.805*** (-5.651) | -41,387.045*** (-5.523) |
| Observations | 5,523 | 5,523 | 5,473 | 5,473 | 14,201 | 14,201 | 6,131 | 6,131 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Adjusted R ² | 0.000 | 0.000 | 0.000 | 0.000 | 0.012 | 0.011 | 0.108 | 0.108 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordinary least squares regressions with standard errors clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Appendix D: Measuring acquisition performance as percentage of value-destroying acquisitions completed

Table D1: Chairs' directorships and acquisition outcomes (using % of Acq(-))

| Variables | (1) <i>Board Seats t+2</i> Full Sample | (2) <i>Board Seats t+2</i> Full Sample | (3) <i>Board Seats t+2</i> M&A subsample | (4) <i>Board Seats t+2</i> M&A subsample |
|-----------------------------------|--|--|--|--|
| <i>% of Acq(-) × Chair</i> | | 0.065 (0.793) | | -0.058 (-0.338) |
| <i>Chair</i> | 0.002 (0.089) | -0.008 (-0.269) | 0.142* (1.883) | 0.168 (1.517) |
| <i>% of Acq(-)</i> | 0.084*** (3.321) | 0.081*** (3.170) | 0.045 (1.016) | 0.048 (1.060) |
| <i>SumCAR</i> | 0.022*** (2.834) | 0.022*** (2.839) | 0.002 (0.204) | 0.002 (0.198) |
| <i>Diversifying</i> | 0.083*** (4.399) | 0.083*** (4.396) | -0.035 (-0.832) | -0.035 (-0.833) |
| <i>Yrs Since Last Acquisition</i> | -0.033*** (-7.866) | -0.033*** (-7.868) | 0.044*** (2.829) | 0.044*** (2.831) |
| <i>Past Directorships</i> | 1.497*** (124.049) | 1.497*** (124.037) | 1.549*** (61.213) | 1.549*** (61.215) |
| <i>Ind Adj ROA</i> | 0.138*** (3.803) | 0.138*** (3.800) | 0.126 (0.611) | 0.126 (0.608) |
| <i>Prior BHAR</i> | 0.029*** (4.190) | 0.029*** (4.191) | -0.037 (-1.244) | -0.037 (-1.245) |
| <i>Firm Size</i> | 0.159*** (43.816) | 0.159*** (43.821) | 0.155*** (13.119) | 0.155*** (13.118) |
| <i>Director Tenure</i> | -0.039*** (-35.825) | -0.039*** (-35.819) | -0.050*** (-18.455) | -0.050*** (-18.451) |
| <i>Director Age</i> | -0.024*** (-28.684) | -0.024*** (-28.684) | -0.029*** (-13.458) | -0.029*** (-13.461) |
| Observations | 236,534 | 236,534 | 17,843 | 17,843 |
| Year FE | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.230 | 0.230 | 0.248 | 0.248 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table D2: Lead independent directors' directorships and acquisition outcomes (using % of Acq(-))

| Variables | (1) <i>Board Seats t+2</i> Full Sample | (2) <i>Board Seats t+2</i> Full Sample | (3) <i>Board Seats t+2</i> M&A subsample | (4) <i>Board Seats t+2</i> M&A subsample |
|-----------------------------------|--|--|--|--|
| <i>% of Acq(-) × Lead</i> | | -0.107 (-1.254) | | -0.173 (-0.798) |
| <i>Lead</i> | -0.142*** (-4.698) | -0.119*** (-3.416) | -0.221** (-2.547) | -0.148 (-1.154) |
| <i>% of Acq(-)</i> | 0.085*** (3.351) | 0.089*** (3.519) | 0.046 (1.019) | 0.051 (1.125) |
| <i>SumCAR</i> | 0.022*** (2.835) | 0.022*** (2.821) | 0.002 (0.205) | 0.002 (0.188) |
| <i>Diversifying</i> | 0.084*** (4.456) | 0.083*** (4.449) | -0.035 (-0.829) | -0.035 (-0.821) |
| <i>Yrs Since Last Acquisition</i> | -0.033*** (-7.819) | -0.033*** (-7.821) | 0.045*** (2.902) | 0.045*** (2.892) |
| <i>Past Directorships</i> | 1.498*** (124.034) | 1.498*** (124.031) | 1.552*** (61.244) | 1.552*** (61.244) |
| <i>Ind Adj ROA</i> | 0.138*** (3.800) | 0.138*** (3.800) | 0.123 (0.599) | 0.123 (0.599) |
| <i>Prior BHAR</i> | 0.029*** (4.166) | 0.029*** (4.170) | -0.037 (-1.264) | -0.037 (-1.260) |
| <i>Firm Size</i> | 0.160*** (43.983) | 0.160*** (43.976) | 0.154*** (13.031) | 0.154*** (13.017) |
| <i>Director Tenure</i> | -0.039*** (-35.740) | -0.039*** (-35.740) | -0.048*** (-18.163) | -0.048*** (-18.164) |
| <i>Director Age</i> | -0.024*** (-28.546) | -0.024*** (-28.550) | -0.029*** (-13.296) | -0.029*** (-13.285) |
| Observations | 236,534 | 236,534 | 17,843 | 17,843 |
| Year FE | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.230 | 0.230 | 0.248 | 0.248 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table D3: Long-tenured directors' directorships and acquisition outcomes (using % of Acq(-))

| Variables | (1) <i>Board Seats t+2</i> Full Sample | (2) <i>Board Seats t+2</i> Full Sample | (3) <i>Board Seats t+2</i> M&A subsample | (4) <i>Board Seats t+2</i> M&A subsample |
|-----------------------------------|--|--|--|--|
| <i>% of Acq(-) × Tenure Dummy</i> | | -0.037 (-0.675) | | 0.078 (1.032) |
| <i>Tenure Dummy</i> | -0.400*** (-30.623) | -0.400*** (-30.647) | -0.536*** (-15.138) | -0.535*** (-15.102) |
| <i>% of Acq(-)</i> | 0.081*** (3.208) | 0.109** (2.147) | 0.039 (0.879) | -0.021 (-0.277) |
| <i>SumCAR</i> | 0.020** (2.559) | 0.018** (2.187) | 0.002 (0.139) | 0.007 (0.510) |
| <i>Diversifying</i> | 0.084*** (4.502) | 0.084*** (4.492) | -0.057 (-1.356) | -0.054 (-1.276) |
| <i>Yrs Since Last Acquisition</i> | -0.039*** (-9.388) | -0.039*** (-9.349) | 0.041*** (2.692) | 0.042*** (2.761) |
| <i>Past Directorships</i> | 1.491*** (124.495) | 1.491*** (124.571) | 1.542*** (61.052) | 1.543*** (61.092) |
| <i>Ind Adj ROA</i> | 0.137*** (3.792) | 0.137*** (3.791) | 0.133 (0.647) | 0.136 (0.661) |
| <i>Prior BHAR</i> | 0.030*** (4.237) | 0.030*** (4.240) | -0.039 (-1.308) | -0.039 (-1.332) |
| <i>Firm Size</i> | 0.161*** (44.668) | 0.161*** (44.646) | 0.157*** (13.464) | 0.158*** (13.471) |
| <i>Director Age</i> | -0.030*** (-36.578) | -0.030*** (-36.591) | -0.035*** (-16.691) | -0.035*** (-16.680) |
| Observations | 236,534 | 236,534 | 17,843 | 17,843 |
| Year FE | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.227 | 0.227 | 0.245 | 0.245 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table D4: Directorship prestige and acquisition outcomes (using % of Acq(-)) (Full Sample)

| Variables | (1) <i>Prestige comparing t and t+2</i> | (2) <i>Prestige comparing t+2</i> | (3) <i>High ranked new directorship</i> | (4) <i>Percent change in TA</i> | (5) <i>Percent change in MVE</i> | (6) <i>Change in TA from t to t+2</i> | (7) <i>Change in Total MVE from t to t+2</i> |
|---------------------------------------|--|--|--|--|---|--|---|
| <i>% of Acq(-)</i> | 1.357*** (6.922) | 1.388*** (6.506) | 1.332*** (14.014) | 61.848 (0.628) | 89.319 (1.213) | -1,698.822 (-1.361) | 627.420 (1.522) |
| <i>SumCAR</i> | 0.196*** (3.978) | 0.161*** (2.949) | 0.185*** (6.485) | -0.046 (-0.002) | 23.909 (1.386) | 575.731* (1.943) | 94.804 (0.933) |
| <i>Diversifying</i> | 1.302*** (5.351) | 1.370*** (5.189) | 1.545*** (11.236) | 394.796*** (4.442) | 239.363*** (3.868) | -830.855 (-1.091) | 1,163.733*** (5.301) |
| <i>Yrs Since Last Acquisition</i> | -0.512*** (-3.466) | -0.484*** (-3.140) | -0.475*** (-7.656) | -63.534*** (-7.218) | -51.462*** (-3.007) | 622.393*** (2.782) | -368.575*** (-6.986) |
| <i>Past Directorships</i> | 0.043 (1.017) | 0.048 (1.086) | 0.174*** (5.649) | 0.029 (0.002) | -16.347 (-0.984) | -1,362.884*** (-3.808) | -514.831*** (-5.900) |
| <i>Ind Adj ROA</i> | -0.824 (-1.404) | -1.115** (-2.174) | -1.160*** (-5.628) | -240.013** (-2.495) | -308.606* (-1.892) | -400.154 (-0.597) | -1,169.419*** (-3.962) |
| <i>Prior BHAR</i> | -0.132 (-1.085) | -0.081 (-0.661) | 0.078 (1.461) | 18.805 (1.078) | 33.232* (1.849) | 361.312 (1.597) | 885.364*** (11.004) |
| <i>Firm Size</i> | 0.330*** (8.783) | 0.337*** (8.713) | 0.226*** (10.870) | 15.987 (1.272) | 6.015 (0.249) | -225.974 (-0.979) | -286.136*** (-3.448) |
| <i>Director Tenure</i> | -0.144*** (-5.990) | -0.163*** (-5.552) | -0.059*** (-6.569) | -0.529 (-0.336) | 1.957 (0.456) | -72.013** (-2.200) | -15.296 (-1.216) |
| <i>Director Age</i> | -0.029*** (-3.712) | -0.031*** (-3.567) | -0.023*** (-5.050) | 3.054** (2.330) | 2.190 (1.082) | -300.375*** (-9.571) | -71.980*** (-7.458) |
| <i>Constant</i> | -7.642*** (-9.288) | -8.286*** (-8.476) | -6.368*** (-8.066) | -294.756** (-2.066) | -67.575 (-0.239) | 25,566.311*** (5.202) | 7,061.564*** (5.248) |
| Observations | 207,503 | 208,716 | 226,015 | 155,111 | 154,929 | 184,690 | 162,949 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo/Adjusted R ² | 0.193 | 0.191 | 0.160 | 0.002 | 0.000 | 0.006 | 0.013 |

Definitions of the variables are presented in Appendix A. The models are estimated using logistic regressions in Column (1) to Column (3) with standard errors clustered by director. The numbers reported in parentheses in Column (1) to Column (3) are z-statistics. The models are estimated using ordinary least squares regressions in Column (4) to Column (7) with standard errors clustered by director. The numbers reported in parentheses in Column (4) to Column (7) are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table D5: Directorship prestige and acquisition outcomes (using % of Acq(-)) (M&A subsample)

| Variables | (1) <i>Prestige comparing t and t+2</i> | (2) <i>Prestige comparing t+2</i> | (3) <i>High ranked new directorship</i> | (4) <i>Percent change in TA</i> | (5) <i>Percent change in MVE</i> | (6) <i>Change in TA from t to t+2</i> | (7) <i>Change in Total MVE from t to t+2</i> |
|--|--|--|--|--|---|--|---|
| <i>% of Acq(-)</i> | -0.133 (-0.622) | -0.043 (-0.191) | 0.017 (0.151) | -1,288.446 (-1.297) | -1,963.974 (-1.092) | 5,110.566** (2.166) | 1,967.460 (1.453) |
| <i>SumCAR</i> | 0.002 (0.029) | -0.030 (-0.506) | -0.021 (-0.753) | -229.673 (-0.877) | -149.031 (-0.963) | 1,129.524 (1.381) | 71.461 (0.231) |
| <i>Diversifying</i> | -0.222 (-1.226) | -0.130 (-0.667) | 0.046 (0.416) | 141.981 (0.362) | 918.124 (1.067) | -1,960.905 (-1.061) | 471.458 (0.503) |
| <i>Yrs Since Last Acquisition Past</i> | 0.055 (0.674) | 0.068 (0.817) | 0.049 (1.195) | -54.129 (-0.326) | -29.254 (-0.042) | 446.572 (0.552) | -179.687 (-0.452) |
| <i>Directorships Ind Adj ROA</i> | 0.106*** (2.902) | 0.109*** (3.047) | 0.478*** (12.719) | -644.935** (-2.546) | -846.044* (-1.881) | -3,206.865** (-2.472) | -587.303** (-2.138) |
| <i>Prior BHAR</i> | 2.109** (2.358) | 1.213 (1.058) | 0.325 (0.698) | -3,288.771 (-1.556) | -7,919.442 (-1.206) | 1,111.930 (0.190) | -6,728.673** (-2.141) |
| <i>Firm Size</i> | -0.162 (-1.207) | -0.107 (-0.791) | 0.117* (1.808) | -384.734 (-1.023) | 319.555 (0.393) | 3,977.444*** (3.292) | 1,133.772* (1.728) |
| <i>Director Tenure</i> | 0.263*** (5.016) | 0.266*** (5.068) | 0.122*** (4.323) | 1,092.337*** (2.889) | 936.599 (1.131) | -1,922.782 (-1.248) | 7,365.240*** (11.055) |
| <i>Director Age</i> | -0.145*** (-6.287) | -0.162*** (-5.706) | -0.057*** (-6.180) | 104.758 (1.537) | 94.499 (0.557) | -126.036 (-0.824) | -103.187 (-1.148) |
| <i>Constant</i> | -0.023*** (-2.972) | -0.027*** (-2.993) | -0.029*** (-6.213) | 7.256 (0.234) | 45.549 (0.647) | -455.254*** (-3.772) | -117.577* (-1.951) |
| | -4.543*** (-5.105) | -5.130*** (-4.916) | -2.864*** (-3.301) | -6,664.337** (-2.041) | -7,085.994 (-0.701) | 43,405.541** (2.426) | -42,366.945*** (-5.562) |
| Observations | 16,726 | 16,687 | 17,665 | 5,523 | 5,473 | 14,201 | 6,131 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo/Adj. R ² | 0.167 | 0.162 | 0.135 | 0.002 | 0.009 | 0.011 | 0.108 |

Definitions of the variables are presented in Appendix A. The models are estimated using logistic regressions in Column (1) to Column (3) with standard errors clustered by director. The numbers reported in parentheses in Column (1) to Column (3) are z-statistics. The models are estimated using ordinary least squares regressions in Column (4) to Column (7) with standard errors clustered by director. The numbers reported in parentheses in Column (4) to Column (7) are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table D6: Chairs' directorships and acquisition outcomes partitioned by number of acquisitions completed

| Variables | (1) | (2) | (3) | (4) |
|-----------------------------------|---|--|---|--|
| | <i>Board Seats t+2</i> Full sample Number of Acquisitions = 1 | <i>Board Seats t+2</i> Full sample Number of Acquisitions = 2+ | <i>Board Seats t+2</i> M&A subsample Number of Acquisitions = 1 | <i>Board Seats t+2</i> M&A subsample Number of Acquisitions = 2+ |
| <i>% of Acq(-) × Chair</i> | -0.023 (-0.185) | 0.169 (1.128) | -0.171 (-0.751) | 0.032 (0.128) |
| <i>Chair</i> | -0.005 (-0.058) | -0.019 (-0.222) | 0.397** (2.463) | 0.006 (0.044) |
| <i>% of Acq(-)</i> | 0.061 (1.638) | -0.025 (-0.407) | 0.091* (1.647) | -0.021 (-0.249) |
| <i>SumCAR</i> | 0.031** (2.206) | -0.003 (-0.272) | 0.026 (1.177) | -0.003 (-0.210) |
| <i>Diversifying</i> | 0.011 (0.323) | -0.012 (-0.175) | -0.009 (-0.166) | 0.044 (0.598) |
| <i>Yrs Since Last Acquisition</i> | -0.049*** (-6.379) | -0.029*** (-3.652) | 0.039 (1.333) | 0.071*** (3.793) |
| <i>Past Directorships</i> | 1.504*** (59.581) | 1.472*** (60.809) | 1.531*** (43.903) | 1.616*** (45.536) |
| <i>Ind Adj ROA</i> | 0.060 (0.675) | 0.155* (1.742) | 0.088 (0.331) | 0.081 (0.209) |
| <i>Prior BHAR</i> | 0.039** (2.368) | -0.004 (-0.215) | -0.007 (-0.160) | -0.086** (-2.021) |
| <i>Firm Size</i> | 0.121*** (14.064) | 0.086*** (8.722) | 0.177*** (11.058) | 0.147*** (8.561) |
| <i>Director Tenure</i> | -0.040*** (-17.842) | -0.031*** (-12.121) | -0.067*** (-16.845) | -0.031*** (-8.999) |
| <i>Director Age</i> | -0.030*** (-14.991) | -0.036*** (-14.332) | -0.025*** (-8.512) | -0.032*** (-10.072) |
| Observations | 43,679 | 43,111 | 8,374 | 9,469 |
| Year FE | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.231 | 0.243 | 0.228 | 0.265 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table D7: Lead independent directors' directorships and acquisition outcomes partitioned by number of acquisitions completed

| Variables | (1) | (2) | (3) | (4) |
|-----------------------------------|---|--|---|--|
| | <i>Board Seats t+2</i> Full sample Number of Acquisitions = 1 | <i>Board Seats t+2</i> Full sample Number of Acquisitions = 2+ | <i>Board Seats t+2</i> M&A subsample Number of Acquisitions = 1 | <i>Board Seats t+2</i> M&A subsample Number of Acquisitions = 2+ |
| <i>% of Acq(-) × Lead</i> | -0.246* (-1.933) | 0.142 (0.937) | -0.174 (-0.596) | -0.118 (-0.365) |
| <i>Lead</i> | -0.048 (-0.607) | -0.221*** (-2.643) | -0.069 (-0.357) | -0.194 (-1.124) |
| <i>% of Acq(-)</i> | 0.069* (1.867) | -0.022 (-0.356) | 0.088 (1.598) | -0.014 (-0.170) |
| <i>SumCAR</i> | 0.031** (2.209) | -0.003 (-0.285) | 0.025 (1.124) | -0.003 (-0.207) |
| <i>Diversifying</i> | 0.012 (0.336) | -0.012 (-0.181) | -0.010 (-0.191) | 0.046 (0.621) |
| <i>Yrs Since Last Acquisition</i> | -0.048*** (-6.351) | -0.030*** (-3.659) | 0.040 (1.343) | 0.071*** (3.823) |
| <i>Past Directorships</i> | 1.505*** (59.613) | 1.474*** (60.760) | 1.533*** (43.968) | 1.618*** (45.523) |
| <i>Ind Adj ROA</i> | 0.058 (0.647) | 0.157* (1.759) | 0.095 (0.362) | 0.079 (0.203) |
| <i>Prior BHAR</i> | 0.039** (2.370) | -0.004 (-0.237) | -0.007 (-0.160) | -0.086** (-2.023) |
| <i>Firm Size</i> | 0.121*** (14.175) | 0.085*** (8.666) | 0.174*** (10.880) | 0.147*** (8.557) |
| <i>Director Tenure</i> | -0.040*** (-17.859) | -0.030*** (-11.863) | -0.065*** (-16.390) | -0.030*** (-8.940) |
| <i>Director Age</i> | -0.030*** (-14.920) | -0.036*** (-14.225) | -0.025*** (-8.421) | -0.031*** (-9.927) |
| Observations | 43,679 | 43,111 | 8,374 | 9,469 |
| Year FE | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.231 | 0.243 | 0.228 | 0.265 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table D8: Long-tenured directors' directorships and acquisition outcomes partitioned by number of acquisitions completed

| Variables | (1) | (2) | (3) | (4) |
|-----------------------------------|---|--|---|--|
| | <i>Board Seats t+2</i> Full sample Number of Acquisitions = 1 | <i>Board Seats t+2</i> Full sample Number of Acquisitions = 2+ | <i>Board Seats t+2</i> M&A subsample Number of Acquisitions = 1 | <i>Board Seats t+2</i> M&A subsample Number of Acquisitions = 2+ |
| <i>% of Acq(-) × Tenure Dummy</i> | 0.031 (0.473) | -0.135 (-1.617) | 0.062 (0.595) | -0.043 (-0.394) |
| <i>Tenure Dummy</i> | -0.396*** (-14.006) | -0.332*** (-11.695) | 0.186* (1.934) | -0.117* (-1.731) |
| <i>% of Acq(-)</i> | 0.036 (0.562) | 0.068 (0.812) | 0.034 (0.346) | 0.008 (0.073) |
| <i>SumCAR</i> | 0.032** (2.120) | -0.015 (-1.128) | 0.028 (1.211) | -0.006 (-0.343) |
| <i>Diversifying</i> | 0.010 (0.280) | -0.009 (-0.137) | -0.009 (-0.172) | 0.044 (0.596) |
| <i>Yrs Since Last Acquisition</i> | -0.058*** (-7.707) | -0.031*** (-3.861) | 0.042 (1.424) | 0.070*** (3.787) |
| <i>Past Directorships</i> | 1.504*** (59.827) | 1.477*** (61.449) | 1.535*** (43.930) | 1.616*** (45.532) |
| <i>Ind Adj ROA</i> | 0.059 (0.660) | 0.151* (1.693) | 0.103 (0.389) | 0.085 (0.219) |
| <i>Prior BHAR</i> | 0.039** (2.370) | -0.005 (-0.268) | -0.008 (-0.178) | -0.087** (-2.040) |
| <i>Firm Size</i> | 0.121*** (14.203) | 0.084*** (8.538) | 0.174*** (10.860) | 0.148*** (8.625) |
| <i>Director Tenure</i> | | | -0.074*** (-10.915) | -0.025*** (-4.965) |
| <i>Director Age</i> | -0.035*** (-17.924) | -0.039*** (-15.495) | -0.025*** (-8.455) | -0.031*** (-10.032) |
| Observations | 43,679 | 43,111 | 8,374 | 9,469 |
| Year FE | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.228 | 0.242 | 0.228 | 0.265 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table D9: Directorship prestige and acquisition outcomes partitioned by number of acquisitions completed (Full sample Part 1)

| Variables | (1) <i>Prestige comparing t and t+2 Number of Acquisitions = 1</i> | (2) <i>Prestige comparing t and t+2 Number of Acquisitions = 2+</i> | (3) <i>Prestige comparing t+2 Number of Acquisitions = 1</i> | (4) <i>Prestige comparing t+2 Number of Acquisitions = 2+</i> | (5) <i>High ranked new directorship Number of Acquisitions = 1</i> | (6) <i>High ranked new directorship Number of Acquisitions = 2+</i> |
|---------------------------------------|---|--|---|--|---|--|
| <i>% of Acq(-)</i> | -0.082 (-0.341) | -0.251 (-0.709) | -0.083 (-0.314) | -0.428 (-1.152) | 0.075 (0.592) | 0.020 (0.122) |
| <i>SumCAR</i> | -0.058 (-0.479) | 0.026 (0.454) | -0.177 (-1.333) | -0.004 (-0.063) | 0.061 (1.202) | 0.013 (0.411) |
| <i>Diversifying</i> | -0.197 (-0.926) | -0.285 (-0.853) | -0.128 (-0.565) | -0.212 (-0.611) | -0.189 (-1.567) | 0.124 (0.621) |
| <i>Yrs Since Last Acquisition</i> | -1.312*** (-4.876) | -0.285** (-2.012) | -1.245*** (-4.560) | -0.262* (-1.722) | -1.121*** (-7.134) | -0.332*** (-5.156) |
| <i>Past Directorships</i> | 0.002 (0.022) | 0.041 (0.902) | -0.023 (-0.261) | 0.051 (1.061) | 0.246*** (5.899) | 0.172*** (2.772) |
| <i>Ind Adj ROA</i> | 0.359 (0.367) | -1.432 (-1.282) | -0.631 (-0.685) | -1.678 (-1.555) | -0.657 (-1.077) | -1.472*** (-5.129) |
| <i>Prior BHAR</i> | -0.135 (-0.728) | -0.118 (-0.779) | 0.030 (0.188) | -0.183 (-1.137) | 0.169** (2.011) | 0.015 (0.206) |
| <i>Firm Size</i> | 0.231*** (3.654) | 0.331*** (5.420) | 0.255*** (3.970) | 0.324*** (5.097) | 0.199*** (5.788) | 0.133*** (4.447) |
| <i>Director Tenure</i> | -0.349*** (-5.125) | -0.081*** (-3.467) | -0.339*** (-5.096) | -0.103*** (-3.431) | -0.069*** (-4.357) | -0.058*** (-5.073) |
| <i>Director Age</i> | -0.014 (-1.188) | -0.052*** (-4.775) | -0.016 (-1.284) | -0.057*** (-4.436) | -0.028*** (-4.672) | -0.033*** (-5.066) |
| <i>Constant</i> | -4.037*** (-3.423) | -4.082*** (-2.719) | -5.471*** (-3.602) | -3.692** (-2.340) | -1.991** (-2.245) | -1.810* (-1.881) |
| Observations | 38,215 | 35,458 | 37,855 | 35,065 | 41,025 | 40,903 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.274 | 0.134 | 0.259 | 0.136 | 0.175 | 0.098 |

Definitions of the variables are presented in Appendix A. The models are estimated using logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table D10: Directorship prestige and acquisition outcomes partitioned by number of acquisitions completed (Full sample Part 2)

| Variables | (1) Percent change in TA Number of Acquisitions = 1 | (2) Percent change in TA Number of Acquisitions = 2+ | (3) Percent change in MVE Number of Acquisitions = 1 | (4) Percent change in MVE Number of Acquisitions = 2+ | (5) Change in TA from t to t+2 Number of Acquisitions = 1 | (6) Change in TA from t to t+2 Number of Acquisitions = 2+ | (7) Change in Total MVE from t to t+2 Number of Acquisitions = 1 | (8) Change in Total MVE from t to t+2 Number of Acquisitions = 2+ |
|---------------------------------------|---|--|--|---|---|--|--|---|
| <i>% of Acq(-)</i> | -58.642 (-0.495) | -63.938 (-0.566) | -59.517 (-0.454) | -162.369 (-0.676) | -216.165 (-0.114) | 533.724 (0.163) | -1,111.833* (-1.751) | 2,112.233* (1.878) |
| <i>SumCAR</i> | 145.551 (1.315) | -79.583* (-1.740) | 53.645 (1.405) | -27.928 (-1.071) | -907.955 (-1.562) | 1,417.335*** (2.785) | -128.018 (-0.421) | 149.085 (0.868) |
| <i>Diversifying</i> | 207.629* (1.815) | 38.532 (0.310) | 66.713 (0.909) | 139.807 (1.028) | 1,890.377 (0.897) | -1,312.926 (-0.625) | 450.538 (1.036) | -18.075 (-0.024) |
| <i>Yrs Since Last Acquisition</i> | -122.945*** (-3.444) | -119.208*** (-4.401) | -105.513** (-2.130) | -80.323 (-1.570) | 850.503** (1.983) | 560.626 (1.028) | -433.024*** (-3.931) | -892.551*** (-5.830) |
| <i>Past Directorships</i> | -28.403 (-1.123) | -48.375 (-1.103) | -47.929 (-1.219) | -72.266 (-1.149) | 376.401 (0.450) | -4,002.156*** (-3.454) | -502.476** (-1.979) | -1,047.129*** (-4.740) |
| <i>Ind Adj ROA</i> | -603.740* (-1.819) | -270.992 (-0.748) | -1,062.261 (-1.236) | -761.539 (-0.921) | -494.305 (-0.238) | -721.967 (-0.219) | -1,732.390 (-1.570) | -5,496.977*** (-3.045) |
| <i>Prior BHAR</i> | 2.037 (0.061) | -29.884 (-0.391) | -31.086 (-0.639) | 94.121 (0.716) | 363.288 (0.847) | 1,921.364** (2.080) | 966.880*** (4.427) | 2,079.391*** (6.131) |
| <i>Firm Size</i> | 91.382 (1.313) | -9.331 (-0.315) | 95.277 (0.732) | -24.537 (-0.307) | 402.370 (0.705) | -4,900.637*** (-5.758) | -433.493** (-1.985) | -783.884*** (-2.889) |
| <i>Director Tenure</i> | 7.257 (0.851) | -0.750 (-0.110) | -4.846 (-0.552) | 17.673 (0.713) | -66.830 (-0.709) | 3.522 (0.029) | -14.047 (-0.377) | -47.118 (-1.045) |
| <i>Director Age</i> | 6.715 (1.430) | 3.780 (0.476) | 14.797 (1.344) | -1.813 (-0.150) | -348.014*** (-3.578) | -993.106*** (-7.257) | -121.507*** (-4.029) | -210.465*** (-5.119) |
| <i>Constant</i> | -323.476 (-0.431) | 410.592 (0.668) | -891.147 (-0.595) | 393.130 (0.287) | -9,374.739 (-0.320) | 107,057.428*** (4.741) | 21,368.864*** (5.555) | 8,048.429 (0.842) |
| Observations | 26,634 | 27,645 | 26,588 | 27,583 | 35,289 | 35,259 | 28,310 | 29,120 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Adjusted R ² | 0.004 | 0.000 | 0.002 | 0.002 | 0.009 | 0.019 | 0.019 | 0.022 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordinary least squares regressions with standard errors clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table D11: Directorship prestige and acquisition outcomes partitioned by number of acquisitions completed (M&A subsample Part 1)

| Variables | (1) <i>Prestige comparing t and t+2 Number of Acquisitions = 1</i> | (2) <i>Prestige comparing t and t+2 Number of Acquisitions = 2+</i> | (3) <i>Prestige comparing t+2 Number of Acquisitions = 1</i> | (4) <i>Prestige comparing t+2 Number of Acquisitions = 2+</i> | (5) <i>High ranked new directorship Number of Acquisitions = 1</i> | (6) <i>High ranked new directorship Number of Acquisitions = 2+</i> |
|---------------------------------------|---|--|---|--|---|--|
| <i>% of Acq(-)</i> | -0.097 (-0.347) | -0.358 (-0.810) | -0.103 (-0.336) | -0.415 (-0.916) | 0.098 (0.666) | -0.099 (-0.482) |
| <i>SumCAR</i> | -0.038 (-0.272) | -0.010 (-0.148) | -0.166 (-1.083) | -0.040 (-0.524) | 0.009 (0.161) | -0.040 (-1.184) |
| <i>Diversifying</i> | -0.130 (-0.581) | -0.149 (-0.424) | -0.100 (-0.423) | -0.071 (-0.198) | -0.124 (-0.915) | 0.336 (1.531) |
| <i>Yrs Since Last Acquisition</i> | -0.026 (-0.172) | 0.110 (1.282) | 0.001 (0.011) | 0.104 (1.138) | 0.078 (0.940) | 0.021 (0.440) |
| <i>Past Directorships</i> | 0.109** (2.525) | 0.124 (1.447) | 0.098** (2.291) | 0.129* (1.769) | 0.495*** (7.223) | 0.478*** (9.761) |
| <i>Ind Adj ROA</i> | 2.630*** (2.931) | 1.571 (0.656) | 1.730 (1.616) | 0.333 (0.134) | 1.454 (1.604) | -0.675 (-1.143) |
| <i>Prior BHAR</i> | -0.158 (-0.771) | -0.123 (-0.723) | 0.016 (0.091) | -0.187 (-0.989) | 0.175* (1.700) | 0.092 (1.075) |
| <i>Firm Size</i> | 0.231*** (2.952) | 0.280*** (3.900) | 0.248*** (3.186) | 0.276*** (3.687) | 0.159*** (3.649) | 0.085*** (2.280) |
| <i>Director Tenure</i> | -0.338*** (-5.184) | -0.086*** (-3.621) | -0.326*** (-5.086) | -0.106*** (-3.520) | -0.061*** (-3.759) | -0.058*** (-4.773) |
| <i>Director Age</i> | -0.004 (-0.373) | -0.037*** (-3.330) | -0.008 (-0.606) | -0.040*** (-3.058) | -0.027*** (-4.310) | -0.032*** (-4.801) |
| <i>Constant</i> | -4.683*** (-3.611) | -4.200*** (-2.776) | -5.989*** (-3.708) | -3.916** (-2.415) | -2.599** (-2.568) | -2.400** (-2.331) |
| Observations | 7,582 | 8,188 | 7,492 | 8,085 | 8,025 | 9,249 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.215 | 0.158 | 0.201 | 0.131 | 0.141 | 0.147 |

Definitions of the variables are presented in Appendix A. The models are estimated using logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table D12: Directorship prestige and acquisition outcomes partitioned by number of acquisitions completed (M&A subsample Part 2)

| Variables | (1) <i>Percent change in TA</i> | (2) <i>Percent change in TA</i> | (3) <i>Percent change in MVE</i> | (4) <i>Percent change in MVE</i> | (5) <i>Change in TA from t to t+2</i> | (6) <i>Change in TA from t to t+2</i> | (7) <i>Change in Total MVE from t to t+2</i> | (8) <i>Change in Total MVE from t to t+2</i> |
|---------------------------------------|--|--|---|---|--|--|---|---|
| | Number of Acquisitions = 1 | Number of Acquisitions = 2+ | Number of Acquisitions = 1 | Number of Acquisitions = 2+ | Number of Acquisitions = 1 | Number of Acquisitions = 2+ | Number of Acquisitions = 1 | Number of Acquisitions = 2+ |
| <i>% of Acq(-)</i> | -1,118.970 (-0.906) | -149.329 (-0.251) | -2,111.166 (-0.819) | -1,332.639 (-0.623) | 1,178.084 (0.469) | 5,859.887 (1.024) | 393.495 (0.224) | 4,646.632** (2.127) |
| <i>SumCAR</i> | 766.104 (1.586) | -356.080 (-1.107) | 812.921 (1.230) | -218.156 (-1.076) | -584.437 (-0.812) | 1,260.818 (1.154) | 207.851 (0.271) | 206.843 (0.582) |
| <i>Diversifying</i> | 968.711 (1.060) | -450.519 (-0.797) | 2,419.979 (0.942) | 244.991 (0.266) | 455.090 (0.205) | -4,323.714 (-1.218) | 762.484 (0.562) | 1,406.114 (0.958) |
| <i>Yrs Since Last Acquisition</i> | -16.361 (-0.036) | 7.901 (0.071) | -1,060.309 (-0.960) | 462.146 (0.645) | 707.423 (0.747) | 660.740 (0.613) | -606.922 (-0.774) | 234.324 (0.495) |
| <i>Past Directorships</i> | -506.462** (-2.252) | -653.876* (-1.774) | -452.287** (-2.058) | -907.271 (-1.416) | -631.676 (-0.670) | -4,428.281* (-1.915) | -518.388 (-1.641) | -544.635 (-1.372) |
| <i>Ind Adj ROA</i> | -6,151.718 (-1.479) | -1,029.604 (-0.648) | -12,421.659 (-1.077) | -3,667.716 (-0.515) | 14,780.523* (1.837) | -14,700.353 (-1.190) | -36.365 (-0.006) | -10,342.914** (-2.019) |
| <i>Prior BHAR</i> | 59.808 (0.149) | -624.655 (-0.919) | -369.852 (-0.687) | 1,142.912 (0.802) | -290.639 (-0.257) | 9,468.202*** (4.078) | -770.621 (-0.704) | 2,115.804*** (2.618) |
| <i>Firm Size</i> | 1,992.404* (1.904) | 612.866*** (3.759) | 2,419.205 (1.183) | 160.972 (0.232) | 4,533.243*** (3.362) | -8,015.087*** (-2.798) | 6,648.414*** (5.611) | 7,885.298*** (9.643) |
| <i>Director Tenure</i> | 289.553 (1.312) | 59.040 (1.133) | 2.838 (0.036) | 190.882 (0.821) | -191.797 (-1.472) | 203.881 (0.737) | 4.031 (0.040) | -112.086 (-0.917) |
| <i>Director Age</i> | 13.040 (0.228) | -2.713 (-0.061) | 156.846 (1.135) | -24.640 (-0.336) | -34.312 (-0.310) | -885.286*** (-3.849) | -159.203** (-2.010) | -68.607 (-0.873) |
| <i>Constant</i> | -15,457.369 (-1.589) | -4,255.204 (-1.353) | -25,163.388 (-1.025) | -447.570 (-0.040) | -36,961.196** (-2.472) | 119,107.515*** (2.983) | -19,779.632* (-1.736) | -73,798.215*** (-5.519) |
| Observations | 2,064 | 3,459 | 2,048 | 3,425 | 6,696 | 7,505 | 2,327 | 3,804 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Adjusted R ² | 0.008 | 0.011 | 0.023 | 0.013 | 0.017 | 0.023 | 0.104 | 0.110 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordinary least squares regressions with standard errors clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Appendix E: Alternative measure of board seats

Table E1: The association between directorships and acquisition outcomes using change in directorships (Full sample, *Acq(+)*, *Acq(-)*)

| Variables | (1) <i>Change in Directorships Chair tests</i> | (2) <i>Change in Directorships Chair tests with interaction terms</i> | (3) <i>Change in Directorships Lead tests</i> | (4) <i>Change in Directorships Lead tests with interaction terms</i> | (5) <i>Change in Directorships Tenure tests</i> | (6) <i>Change in Directorships Tenure tests with interaction terms</i> |
|---|---|--|--|---|--|---|
| <i>Acq(+)</i> | 0.020** (2.207) | 0.021** (2.242) | 0.021** (2.211) | 0.021** (2.258) | 0.020** (2.153) | 0.038*** (3.883) |
| <i>Acq(-)</i> | 0.031*** (3.350) | 0.030*** (3.214) | 0.031*** (3.358) | 0.033*** (3.543) | 0.030*** (3.309) | 0.056*** (5.535) |
| <i>Chair</i> | -0.000 (-0.020) | -0.003 (-0.267) | | | | |
| <i>Acq(+)</i> × <i>Chair</i> | | -0.004 (-0.202) | | | | |
| <i>Acq(-)</i> × <i>Chair</i> | | 0.023 (0.928) | | | | |
| <i>Lead</i> | | | -0.018* (-1.876) | -0.000 (-0.016) | | |
| <i>Acq(+)</i> × <i>Lead</i> | | | | -0.017 (-0.757) | | |
| <i>Acq(-)</i> × <i>Lead</i> | | | | -0.047* (-1.871) | | |
| <i>Tenure Dummy</i> | | | | | -0.054*** (-11.874) | -0.015*** (-2.789) |
| <i>Acq(+)</i> × <i>Tenure Dummy</i> | | | | | | -0.068*** (-6.670) |
| <i>Acq(-)</i> × <i>Tenure Dummy</i> | | | | | | -0.087*** (-7.656) |
| <i>Diversifying</i> | -0.013* (-1.667) | -0.013* (-1.668) | -0.013* (-1.651) | -0.013* (-1.656) | -0.012 (-1.613) | -0.013* (-1.648) |
| <i>Yrs Since Last Acquisition</i> | -0.006*** (-4.173) | -0.006*** (-4.177) | -0.006*** (-4.151) | -0.006*** (-4.145) | -0.006*** (-4.331) | -0.006*** (-3.787) |

| Variables | (1) <i>Change in Directorships Chair tests</i> | (2) <i>Change in Directorships Chair tests with interaction terms</i> | (3) <i>Change in Directorships Lead tests</i> | (4) <i>Change in Directorships Lead tests with interaction terms</i> | (5) <i>Change in Directorships Tenure tests</i> | (6) <i>Change in Directorships Tenure tests with interaction terms</i> |
|---------------------------|---|--|--|---|--|---|
| <i>Past Directorships</i> | −0.169*** (−30.397) | −0.169*** (−30.398) | −0.169*** (−30.400) | −0.169*** (−30.400) | −0.169*** (−30.427) | −0.169*** (−30.445) |
| <i>Ind Adj ROA</i> | 0.032* (1.926) | 0.032* (1.927) | 0.032* (1.924) | 0.032* (1.928) | 0.032* (1.924) | 0.032* (1.953) |
| <i>Prior BHAR</i> | 0.014*** (5.348) | 0.014*** (5.348) | 0.014*** (5.341) | 0.014*** (5.350) | 0.014*** (5.371) | 0.014*** (5.354) |
| <i>Firm Size</i> | 0.038*** (30.698) | 0.039*** (30.702) | 0.039*** (30.795) | 0.039*** (30.784) | 0.039*** (30.929) | 0.039*** (31.227) |
| <i>Director Tenure</i> | −0.004*** (−12.990) | −0.004*** (−12.981) | −0.004*** (−13.007) | −0.004*** (−13.001) | | |
| <i>Director Age</i> | −0.007*** (−23.688) | −0.007*** (−23.668) | −0.007*** (−23.650) | −0.007*** (−23.655) | −0.007*** (−25.520) | −0.007*** (−25.924) |
| <i>Constant</i> | 0.257*** (5.145) | 0.258*** (5.156) | 0.256*** (5.123) | 0.256*** (5.119) | 0.264*** (5.303) | 0.259*** (5.196) |
| Observations | 218,246 | 218,246 | 218,246 | 218,246 | 218,246 | 218,246 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Adjusted R ² | 0.095 | 0.095 | 0.096 | 0.096 | 0.095 | 0.096 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordinary least squares regressions with standard errors clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table E2: The association between directorships and acquisition outcomes using change in directorships (Full sample – Acquisition)

| Variables | (1) <i>Change in Directorships Chair tests</i> | (2) <i>Change in Directorships Chair tests with interaction terms</i> | (3) <i>Change in Directorships Lead tests</i> | (4) <i>Change in Directorships Lead tests with interaction terms</i> | (5) <i>Change in Directorships Tenure tests</i> | (6) <i>Change in Directorships Tenure tests with interaction terms</i> |
|---------------------------------------|---|--|--|---|--|---|
| <i>Acquisition</i> | 0.018** (2.467) | 0.017** (2.391) | 0.018** (2.478) | 0.019*** (2.621) | 0.018** (2.459) | 0.044*** (5.568) |
| <i>Chair</i> | -0.000 (-0.023) | -0.005 (-0.427) | | | | |
| <i>Acquisition × Chair</i> | | 0.011 (0.585) | | | | |
| <i>Lead</i> | | | -0.018* (-1.877) | -0.002 (-0.185) | | |
| <i>Acquisition × Lead</i> | | | | -0.029 (-1.487) | | |
| <i>Tenure Dummy</i> | | | | | -0.054*** (-11.890) | -0.014*** (-2.755) |
| <i>Acquisition × Tenure Dummy</i> | | | | | | -0.088*** (-10.061) |
| <i>SumCAR</i> | 0.003 (1.032) | 0.003 (1.030) | 0.003 (1.031) | 0.003 (1.032) | 0.003 (0.985) | 0.003 (1.046) |
| <i>Diversifying</i> | -0.007 (-1.009) | -0.007 (-1.007) | -0.007 (-0.993) | -0.007 (-1.000) | -0.007 (-0.983) | -0.008 (-1.061) |
| <i>Yrs Since Last Acquisition</i> | -0.006*** (-3.862) | -0.006*** (-3.861) | -0.006*** (-3.839) | -0.006*** (-3.844) | -0.006*** (-4.036) | -0.005*** (-3.739) |
| <i>Past Directorships</i> | -0.169*** (-30.345) | -0.169*** (-30.343) | -0.169*** (-30.348) | -0.169*** (-30.349) | -0.169*** (-30.374) | -0.169*** (-30.398) |
| <i>Ind Adj ROA</i> | 0.032* (1.914) | 0.031* (1.913) | 0.031* (1.912) | 0.032* (1.915) | 0.032* (1.913) | 0.032* (1.936) |
| <i>Prior BHAR</i> | 0.014*** (5.321) | 0.014*** (5.319) | 0.014*** (5.314) | 0.014*** (5.320) | 0.014*** (5.345) | 0.014*** (5.338) |
| <i>Firm Size</i> | 0.039*** | 0.039*** | 0.039*** | 0.039*** | 0.039*** | 0.039*** |

| Variables | (1) <i>Change in Directorships Chair tests</i> | (2) <i>Change in Directorships Chair tests with interaction terms</i> | (3) <i>Change in Directorships Lead tests</i> | (4) <i>Change in Directorships Lead tests with interaction terms</i> | (5) <i>Change in Directorships Tenure tests</i> | (6) <i>Change in Directorships Tenure tests with interaction terms</i> |
|-------------------------|---|--|--|---|--|---|
| <i>Director Tenure</i> | (30.052) -0.004*** | (30.064) -0.004*** | (30.143) -0.004*** | (30.121) -0.004*** | (30.267) | (30.649) |
| <i>Director Age</i> | (-12.987) -0.007*** | (-12.978) -0.007*** | (-13.007) -0.007*** | (-13.004) -0.007*** | -0.007*** | -0.007*** |
| <i>Constant</i> | (-23.706) 0.258*** (5.167) | (-23.691) 0.259*** (5.171) | (-23.668) 0.257*** (5.145) | (-23.674) 0.257*** (5.142) | (-25.534) 0.265*** (5.325) | (-25.947) 0.260*** (5.208) |
| Observations | 218,246 | 218,246 | 218,246 | 218,246 | 218,246 | 218,246 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Adjusted R ² | 0.095 | 0.095 | 0.095 | 0.095 | 0.095 | 0.096 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordinary least squares regressions with standard errors clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table E3: The association between directorships and acquisition outcomes using change in directorships (Full sample – Number of Acquisitions)

| Variables | (1) <i>Change in Directorships Chair tests</i> | (2) <i>Change in Directorships Chair tests with interaction terms</i> | (3) <i>Change in Directorships Lead tests</i> | (4) <i>Change in Directorships Lead tests with interaction terms</i> | (5) <i>Change in Directorships Tenure tests</i> | (6) <i>Change in Directorships Tenure tests with interaction terms</i> |
|---|---|--|--|---|--|---|
| <i>Number of Acquisitions Chair</i> | –0.000 (–0.032) 0.000 (0.004) | –0.001 (–0.276) –0.007 (–0.700) | –0.000 (–0.004) | 0.000 (0.072) | 0.000 (0.002) | 0.008** (2.562) |
| <i>Number of Acquisitions × Chair Lead</i> | | 0.008 (1.164) | –0.018* (–1.854) | –0.015 (–1.275) | | |
| <i>Number of Acquisitions × Lead Tenure Dummy</i> | | | | –0.003 (–0.512) | –0.054*** (–11.897) | –0.036*** (–7.383) |
| <i>Number of Acquisitions × Tenure Dummy SumCAR</i> | | | | | | –0.021*** (–5.800) |
| <i>Diversifying</i> | 0.003 (1.162) | 0.003 (1.153) | 0.003 (1.158) | 0.003 (1.159) | 0.003 (1.110) | 0.003 (1.157) |
| <i>Yrs Since Last Acquisition</i> | 0.003 (0.367) | 0.003 (0.392) | 0.003 (0.378) | 0.003 (0.368) | 0.003 (0.376) | 0.001 (0.175) |
| <i>Past Directorships</i> | –0.005*** (–3.633) | –0.005*** (–3.627) | –0.005*** (–3.606) | –0.005*** (–3.612) | –0.005*** (–3.803) | –0.006*** (–3.879) |
| <i>Ind Adj ROA</i> | –0.168*** (–29.961) | –0.168*** (–29.958) | –0.168*** (–29.968) | –0.168*** (–29.967) | –0.168*** (–29.981) | –0.169*** (–29.960) |
| <i>Prior BHAR</i> | 0.031* (1.870) | 0.031* (1.869) | 0.031* (1.869) | 0.031* (1.871) | 0.031* (1.870) | 0.031* (1.872) |
| | 0.014*** (5.277) | 0.014*** (5.283) | 0.014*** (5.271) | 0.014*** (5.272) | 0.014*** (5.302) | 0.014*** (5.317) |

| Variables | (1) <i>Change in Directorships Chair tests</i> | (2) <i>Change in Directorships Chair tests with interaction terms</i> | (3) <i>Change in Directorships Lead tests</i> | (4) <i>Change in Directorships Lead tests with interaction terms</i> | (5) <i>Change in Directorships Tenure tests</i> | (6) <i>Change in Directorships Tenure tests with interaction terms</i> |
|-------------------------|---|--|--|---|--|---|
| <i>Firm Size</i> | 0.040*** (31.792) | 0.040*** (31.829) | 0.040*** (31.891) | 0.040*** (31.885) | 0.040*** (32.019) | 0.040*** (32.113) |
| <i>Director Tenure</i> | -0.004*** (-13.011) | -0.004*** (-12.992) | -0.004*** (-13.037) | -0.004*** (-13.034) | | |
| <i>Director Age</i> | -0.007*** (-23.627) | -0.007*** (-23.617) | -0.007*** (-23.590) | -0.007*** (-23.593) | -0.007*** (-25.465) | -0.007*** (-25.800) |
| <i>Constant</i> | 0.251*** (5.012) | 0.251*** (5.017) | 0.250*** (4.993) | 0.250*** (4.994) | 0.258*** (5.173) | 0.260*** (5.203) |
| Observations | 218,246 | 218,246 | 218,246 | 218,246 | 218,246 | 218,246 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Adjusted R ² | 0.095 | 0.095 | 0.095 | 0.095 | 0.095 | 0.095 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordinary least squares regressions with standard errors clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table E4: The association between directorships and acquisition outcomes using change in directorships (M&A subsample – *Acq(-)*)

| Variables | (1) <i>Change in Directorships Chair tests</i> | (2) <i>Change in Directorships Chair tests with interaction terms</i> | (3) <i>Change in Directorships Lead tests</i> | (4) <i>Change in Directorships Lead tests with interaction terms</i> | (5) <i>Change in Directorships Tenure tests</i> | (6) <i>Change in Directorships Tenure tests with interaction terms</i> |
|---------------------------------------|---|--|--|---|--|---|
| <i>Acq(-)</i> | -0.000 (-0.032) | -0.001 (-0.276) | -0.000 (-0.004) | 0.000 (0.072) | 0.000 (0.002) | 0.008** (2.562) |
| <i>Chair</i> | 0.000 (0.004) | -0.007 (-0.700) | | | | |
| <i>Acq(-) × Chair</i> | | 0.008 (1.164) | | | | |
| <i>Lead</i> | | | -0.018* (-1.854) | -0.015 (-1.275) | | |
| <i>Acq(-) × Lead</i> | | | | -0.003 (-0.512) | | |
| <i>Tenure Dummy</i> | | | | | -0.054*** (-11.897) | -0.036*** (-7.383) |
| <i>Acq(-) × Tenure Dummy</i> | | | | | | -0.021*** (-5.800) |
| <i>SumCAR</i> | 0.003 (1.162) | 0.003 (1.153) | 0.003 (1.158) | 0.003 (1.159) | 0.003 (1.110) | 0.003 (1.157) |
| <i>Diversifying</i> | 0.003 (0.367) | 0.003 (0.392) | 0.003 (0.378) | 0.003 (0.368) | 0.003 (0.376) | 0.001 (0.175) |
| <i>Yrs Since Last Acquisition</i> | -0.005*** (-3.633) | -0.005*** (-3.627) | -0.005*** (-3.606) | -0.005*** (-3.612) | -0.005*** (-3.803) | -0.006*** (-3.879) |
| <i>Past Directorships</i> | -0.168*** (-29.961) | -0.168*** (-29.958) | -0.168*** (-29.968) | -0.168*** (-29.967) | -0.168*** (-29.981) | -0.169*** (-29.960) |
| <i>Ind Adj ROA</i> | 0.031* (1.870) | 0.031* (1.869) | 0.031* (1.869) | 0.031* (1.871) | 0.031* (1.870) | 0.031* (1.872) |
| <i>Prior BHAR</i> | 0.014*** (5.277) | 0.014*** (5.283) | 0.014*** (5.271) | 0.014*** (5.272) | 0.014*** (5.302) | 0.014*** (5.317) |
| <i>Firm Size</i> | 0.040*** | 0.040*** | 0.040*** | 0.040*** | 0.040*** | 0.040*** |

| Variables | (1) <i>Change in Directorships Chair tests</i> | (2) <i>Change in Directorships Chair tests with interaction terms</i> | (3) <i>Change in Directorships Lead tests</i> | (4) <i>Change in Directorships Lead tests with interaction terms</i> | (5) <i>Change in Directorships Tenure tests</i> | (6) <i>Change in Directorships Tenure tests with interaction terms</i> |
|-------------------------|---|--|--|---|--|---|
| <i>Director Tenure</i> | (31.792) -0.004*** | (31.829) -0.004*** | (31.891) -0.004*** | (31.885) -0.004*** | (32.019) | (32.113) |
| <i>Director Age</i> | (-13.011) -0.007*** | (-12.992) -0.007*** | (-13.037) -0.007*** | (-13.034) -0.007*** | -0.007*** | -0.007*** |
| <i>Constant</i> | (-23.627) 0.251*** (5.012) | (-23.617) 0.251*** (5.017) | (-23.590) 0.250*** (4.993) | (-23.593) 0.250*** (4.994) | (-25.465) 0.258*** (5.173) | (-25.800) 0.260*** (5.203) |
| Observations | 218,246 | 218,246 | 218,246 | 218,246 | 218,246 | 218,246 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Adjusted R ² | 0.095 | 0.095 | 0.095 | 0.095 | 0.095 | 0.095 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordinary least squares regressions with standard errors clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table E5: The association between directorships and acquisition outcomes using change in directorships (M&A subsample – Acquisition)

| Variables | (1) <i>Change in Directorships Chair tests</i> | (2) <i>Change in Directorships Chair tests with interaction terms</i> | (3) <i>Change in Directorships Lead tests</i> | (4) <i>Change in Directorships Lead tests with interaction terms</i> | (5) <i>Change in Directorships Tenure tests</i> | (6) <i>Change in Directorships Tenure tests with interaction terms</i> |
|---------------------------------------|---|--|--|---|--|---|
| <i>Acquisition</i> | -0.054 (-0.630) | -0.046 (-0.511) | -0.053 (-0.624) | -0.050 (-0.576) | -0.052 (-0.618) | -0.064 (-0.657) |
| <i>Chair</i> | 0.031 (1.156) | 0.172* (1.811) | | | | |
| <i>Acquisition × Chair</i> | | -0.141 (-1.435) | | | | |
| <i>Lead</i> | | | -0.047 (-1.544) | 0.131 (1.437) | | |
| <i>Acquisition × Lead</i> | | | | -0.178* (-1.862) | | |
| <i>Tenure Dummy</i> | | | | | -0.102*** (-7.523) | -0.169 (-0.955) |
| <i>Acquisition × Tenure Dummy</i> | | | | | | 0.068 (0.382) |
| <i>SumCAR</i> | -0.000 (-0.108) | -0.000 (-0.109) | -0.000 (-0.111) | -0.000 (-0.112) | -0.000 (-0.066) | -0.000 (-0.067) |
| <i>Diversifying</i> | -0.003 (-0.213) | -0.003 (-0.218) | -0.003 (-0.199) | -0.003 (-0.201) | -0.004 (-0.302) | -0.005 (-0.310) |
| <i>Yrs Since Last Acquisition</i> | 0.002 (0.296) | 0.002 (0.298) | 0.002 (0.334) | 0.002 (0.334) | 0.002 (0.236) | 0.002 (0.238) |
| <i>Past Directorships</i> | -0.165*** (-17.809) | -0.165*** (-17.808) | -0.165*** (-17.734) | -0.165*** (-17.732) | -0.165*** (-17.804) | -0.165*** (-17.801) |
| <i>Ind Adj ROA</i> | 0.002 (0.018) | 0.002 (0.019) | 0.000 (0.005) | 0.000 (0.005) | 0.004 (0.041) | 0.004 (0.041) |
| <i>Prior BHAR</i> | 0.002 (0.141) | 0.002 (0.138) | 0.002 (0.130) | 0.001 (0.128) | 0.001 (0.126) | 0.001 (0.120) |
| <i>Firm Size</i> | 0.031*** | 0.031*** | 0.031*** | 0.031*** | 0.032*** | 0.032*** |

| Variables | (1) <i>Change in Directorships Chair tests</i> | (2) <i>Change in Directorships Chair tests with interaction terms</i> | (3) <i>Change in Directorships Lead tests</i> | (4) <i>Change in Directorships Lead tests with interaction terms</i> | (5) <i>Change in Directorships Tenure tests</i> | (6) <i>Change in Directorships Tenure tests with interaction terms</i> |
|-------------------------|---|--|--|---|--|---|
| <i>Director Tenure</i> | (6.639) -0.007*** | (6.637) -0.007*** | (6.577) -0.006*** | (6.576) -0.006*** | (6.781) | (6.783) |
| <i>Director Age</i> | (-7.536) -0.007*** | (-7.528) -0.007*** | (-7.404) -0.007*** | (-7.401) -0.007*** | -0.008*** | -0.008*** |
| <i>Constant</i> | (-9.700) 0.367** (2.210) | (-9.701) 0.359** (2.133) | (-9.614) 0.360** (2.168) | (-9.615) 0.357** (2.139) | (-10.433) 0.357** (2.141) | (-10.434) 0.368** (2.124) |
| Observations | 16,479 | 16,479 | 16,479 | 16,479 | 16,479 | 16,479 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Adjusted R ² | 0.098 | 0.098 | 0.098 | 0.098 | 0.098 | 0.098 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordinary least squares regressions with standard errors clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table E6: The association between directorships and acquisition outcomes using change in directorships (M&A subsample – Number of Acquisitions)

| Variables | (1) <i>Change in Directorships Chair tests</i> | (2) <i>Change in Directorships Chair tests with interaction terms</i> | (3) <i>Change in Directorships Lead tests</i> | (4) <i>Change in Directorships Lead tests with interaction terms</i> | (5) <i>Change in Directorships Tenure tests</i> | (6) <i>Change in Directorships Tenure tests with interaction terms</i> |
|---|---|--|--|---|--|---|
| <i>Number of Acquisitions Chair</i> | –0.007 (–1.496) 0.032 (1.184) | –0.007 (–1.458) 0.032 (0.704) | –0.007 (–1.448) | –0.006 (–1.171) | –0.007 (–1.515) | –0.005 (–0.752) |
| <i>Number of Acquisitions × Chair Lead</i> | | 0.000 (0.000) | –0.046 (–1.499) | 0.011 (0.219) | | |
| <i>Number of Acquisitions × Lead Tenure Dummy</i> | | | | –0.021 (–1.227) | –0.098*** (–7.043) | –0.081*** (–3.797) |
| <i>Number of Acquisitions × Tenure Dummy SumCAR</i> | | | | | –0.007 (–0.877) | |
| <i>Diversifying</i> | 0.000 (0.089) 0.001 (0.052) | 0.000 (0.089) 0.001 (0.052) | 0.000 (0.079) 0.001 (0.056) | 0.000 (0.096) 0.001 (0.037) | 0.001 (0.134) –0.000 (–0.024) | 0.000 (0.119) –0.001 (–0.053) |
| <i>Yrs Since Last Acquisition Past Directorships</i> | 0.004 (0.518) –0.163*** (–16.771) | 0.004 (0.518) –0.163*** (–16.768) | 0.004 (0.548) –0.163*** (–16.717) | 0.004 (0.530) –0.163*** (–16.733) | 0.003 (0.466) –0.163*** (–16.733) | 0.003 (0.424) –0.163*** (–16.700) |
| <i>Ind Adj ROA</i> | 0.007 (0.081) | 0.007 (0.081) | 0.006 (0.066) | 0.007 (0.073) | 0.009 (0.103) | 0.008 (0.093) |
| <i>Prior BHAR</i> | 0.001 (0.088) | 0.001 (0.088) | 0.001 (0.078) | 0.001 (0.086) | 0.001 (0.072) | 0.001 (0.092) |

| Variables | (1) <i>Change in Directorships Chair tests</i> | (2) <i>Change in Directorships Chair tests with interaction terms</i> | (3) <i>Change in Directorships Lead tests</i> | (4) <i>Change in Directorships Lead tests with interaction terms</i> | (5) <i>Change in Directorships Tenure tests</i> | (6) <i>Change in Directorships Tenure tests with interaction terms</i> |
|-------------------------|---|--|--|---|--|---|
| <i>Firm Size</i> | 0.032*** (6.812) | 0.032*** (6.814) | 0.031*** (6.743) | 0.031*** (6.735) | 0.032*** (6.955) | 0.033*** (6.976) |
| <i>Director Tenure</i> | -0.006*** (-7.113) | -0.006*** (-7.115) | -0.006*** (-6.970) | -0.006*** (-6.986) | | |
| <i>Director Age</i> | -0.007*** (-9.568) | -0.007*** (-9.568) | -0.007*** (-9.488) | -0.007*** (-9.491) | -0.008*** (-10.269) | -0.008*** (-10.316) |
| <i>Constant</i> | 0.298** (2.079) | 0.298** (2.079) | 0.293** (2.038) | 0.293** (2.041) | 0.289** (2.002) | 0.286** (1.975) |
| Observations | 16,479 | 16,479 | 16,479 | 16,479 | 16,479 | 16,479 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Adjusted R ² | 0.098 | 0.098 | 0.098 | 0.098 | 0.098 | 0.098 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordinary least squares regressions with standard errors clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Appendix F: Alternative measures of acquisition performance

Table F1: Directors' directorships and acquisition outcomes (using *Extreme Acq(+)* and *Extreme Acq(-)*)

| Variables | (1) <i>Board Seats t+2</i> Full sample | (2) <i>Board Seats t+2</i> M&A subsample |
|-----------------------------------|--|--|
| <i>Extreme Acq(+)</i> | 0.040 (1.638) | |
| <i>Extreme Acq(-)</i> | -0.018 (-0.780) | 0.009 (0.248) |
| <i>Diversifying</i> | 0.102*** (5.510) | -0.035 (-0.842) |
| <i>Yrs Since Last Acquisition</i> | -0.033*** (-7.855) | 0.044*** (2.848) |
| <i>Past Directorships</i> | 1.498*** (123.753) | 1.549*** (61.186) |
| <i>Ind Adj ROA</i> | 0.137*** (3.773) | 0.127 (0.618) |
| <i>Prior BHAR</i> | 0.029*** (4.104) | -0.040 (-1.338) |
| <i>Firm Size</i> | 0.161*** (44.667) | 0.154*** (13.104) |
| <i>Director Tenure</i> | -0.039*** (-35.944) | -0.049*** (-18.334) |
| <i>Director Age</i> | -0.024*** (-28.574) | -0.029*** (-13.421) |
| Observations | 235,986 | 17,796 |
| Year FE | Yes | Yes |
| Industry FE | Yes | Yes |
| Pseudo R ² | 0.230 | 0.248 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table F2: Directors' directorships and acquisition outcomes for the full sample (using *Extreme Acq(+)* and *Extreme Acq(-)*)

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|--|--|--|---|---|---|---|
| <i>Extreme Acq(+)</i> | 0.040 (1.638) | 0.034 (1.358) | 0.041* (1.660) | 0.042* (1.683) | 0.035 (1.427) | 0.051* (1.828) |
| <i>Extreme Acq(-)</i> | -0.018 (-0.781) | -0.022 (-0.914) | -0.017 (-0.738) | -0.011 (-0.487) | -0.018 (-0.765) | 0.008 (0.317) |
| <i>Chair</i> | 0.003 (0.095) | -0.021 (-0.655) | | | | |
| <i>Extreme Acq(+)</i> × <i>Chair</i> | | 0.103 (1.407) | | | | |
| <i>Extreme Acq(-)</i> × <i>Chair</i> | | 0.060 (0.760) | | | | |
| <i>Lead</i> | | | -0.141*** (-4.667) | -0.118*** (-3.204) | | |
| <i>Extreme Acq(+)</i> × <i>Lead</i> | | | | -0.024 (-0.300) | | |
| <i>Extreme Acq(-)</i> × <i>Lead</i> | | | | -0.109 (-1.383) | | |
| <i>Tenure Dummy</i> | | | | | -0.399*** (-30.606) | -0.382*** (-26.398) |
| <i>Extreme Acq(+)</i> × <i>Tenure Dummy</i> | | | | | | -0.048 (-1.248) |
| <i>Extreme Acq(-)</i> × <i>Tenure Dummy</i> | | | | | | -0.080** (-2.156) |
| <i>Diversifying</i> | 0.102*** (5.509) | 0.102*** (5.507) | 0.103*** (5.563) | 0.103*** (5.551) | 0.103*** (5.592) | 0.103*** (5.583) |
| <i>Yrs Since Last</i> <i>Acquisition</i> | -0.033*** (-7.853) | -0.033*** (-7.850) | -0.033*** (-7.807) | -0.033*** (-7.811) | -0.039*** (-9.365) | -0.039*** (-9.345) |
| <i>Past Directorships</i> | 1.498*** (123.683) | 1.498*** (123.692) | 1.499*** (123.664) | 1.499*** (123.656) | 1.492*** (124.117) | 1.492*** (124.017) |
| <i>Ind Adj ROA</i> | 0.137*** | 0.137*** | 0.137*** | 0.137*** | 0.136*** | 0.137*** |

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|------------------------|--|--|---|---|---|---|
| <i>Prior BHAR</i> | (3.773) 0.029*** | (3.768) 0.029*** | (3.770) 0.029*** | (3.770) 0.029*** | (3.763) 0.029*** | (3.765) 0.029*** |
| <i>Firm Size</i> | (4.103) 0.161*** | (4.100) 0.161*** | (4.079) 0.161*** | (4.084) 0.161*** | (4.151) 0.162*** | (4.154) 0.162*** |
| <i>Director Tenure</i> | (44.583) -0.039*** | (44.590) -0.039*** | (44.757) -0.039*** | (44.755) -0.039*** | (45.461) | (45.463) |
| <i>Director Age</i> | (-35.816) -0.024*** | (-35.787) -0.024*** | (-35.732) -0.024*** | (-35.726) -0.024*** | -0.030*** | -0.030*** |
| | (-28.595) | (-28.587) | (-28.458) | (-28.466) | (-36.479) | (-36.526) |
| Observations | 236,534 | 236,534 | 236,534 | 236,534 | 236,534 | 236,534 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.230 | 0.230 | 0.230 | 0.230 | 0.227 | 0.227 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table F3: Directors' directorships and acquisition outcomes for the M&A subsample (using *Extreme Acq(-)*)

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|--|--|--|---|---|---|---|
| <i>Extreme Acq(-)</i> | 0.008 (0.224) | 0.023 (0.621) | 0.010 (0.264) | 0.007 (0.191) | 0.000 (0.012) | 0.001 (0.029) |
| <i>Chair</i> | 0.142* (1.886) | 0.220** (2.529) | | | | |
| <i>Extreme Acq(-) × Chair</i> | | -0.275* (-1.733) | | | | |
| <i>Lead</i> | | | -0.221** (-2.551) | -0.237** (-2.308) | | |
| <i>Extreme Acq(-) × Lead</i> | | | | 0.060 (0.330) | | |
| <i>Tenure Dummy</i> | | | | | -0.536*** (-15.157) | -0.535*** (-13.115) |
| <i>Extreme Acq(-) × Tenure Dummy</i> | | | | | | -0.003 (-0.038) |
| <i>Diversifying</i> | -0.035 (-0.821) | -0.035 (-0.823) | -0.034 (-0.820) | -0.035 (-0.824) | -0.056 (-1.344) | -0.056 (-1.344) |
| <i>Yrs Since Last Acquisition</i> | 0.044*** (2.817) | 0.044*** (2.806) | 0.045*** (2.889) | 0.045*** (2.890) | 0.041*** (2.682) | 0.041*** (2.682) |
| <i>Past Directorships</i> | 1.549*** (61.151) | 1.549*** (61.166) | 1.551*** (61.182) | 1.551*** (61.170) | 1.542*** (60.989) | 1.542*** (60.987) |
| <i>Ind Adj ROA</i> | 0.125 (0.608) | 0.127 (0.615) | 0.123 (0.596) | 0.123 (0.599) | 0.132 (0.643) | 0.132 (0.643) |
| <i>Prior BHAR</i> | -0.039 (-1.335) | -0.040 (-1.348) | -0.040 (-1.352) | -0.040 (-1.357) | -0.042 (-1.406) | -0.041 (-1.406) |
| <i>Firm Size</i> | 0.155*** (13.182) | 0.155*** (13.172) | 0.154*** (13.092) | 0.154*** (13.088) | 0.158*** (13.535) | 0.158*** (13.530) |
| <i>Director Tenure</i> | -0.050*** (-18.442) | -0.050*** (-18.489) | -0.048*** (-18.149) | -0.048*** (-18.150) | | |
| <i>Director Age</i> | -0.029*** | -0.029*** | -0.029*** | -0.029*** | -0.035*** | -0.035*** |

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|-----------------------|--|--|---|---|---|---|
| <i>Constant</i> | (-13.458) 0.257*** (5.145) | (-13.425) 0.258*** (5.156) | (-13.296) 0.256*** (5.123) | (-13.298) 0.256*** (5.119) | (-16.690) 0.264*** (5.303) | (-16.682) 0.259*** (5.196) |
| Observations | 218,246 | 218,246 | 218,246 | 218,246 | 218,246 | 218,246 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.248 | 0.248 | 0.248 | 0.248 | 0.244 | 0.245 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table F4: Directorship prestige and acquisition outcomes (using *Extreme Acq(+)* and *Extreme Acq(-)*) (Full sample)

| Variables | (1) <i>Prestige comparing t and t+2</i> | (2) <i>Prestige comparing t+2</i> | (3) <i>High ranked new directorship</i> | (4) <i>Percent change in TA</i> | (5) <i>Percent change in MVE</i> | (6) <i>Change in TA from t to T+2</i> | (7) <i>Change in Total MVE from t to t+2</i> |
|--|--|--------------------------------------|--|------------------------------------|-------------------------------------|--|---|
| <i>Extreme Acq(+)</i> | 0.825*** (3.844) | 0.622*** (2.799) | 0.981*** (9.332) | 234.112 (1.351) | 275.500* (1.831) | -1,001.705 (-0.915) | 613.855* (1.650) |
| <i>Extreme Acq(-)</i> | 0.823*** (3.868) | 0.838*** (3.888) | 0.780*** (7.498) | 180.885** (2.052) | 150.057* (1.751) | -3,056.617** (-2.072) | 266.939 (0.612) |
| <i>Diversifying</i> | 1.407*** (5.423) | 1.515*** (5.552) | 1.602*** (11.295) | 334.725*** (6.198) | 188.179*** (6.282) | -361.885 (-0.457) | 1,156.039*** (4.664) |
| <i>Yrs Since Last Acquisition Past</i> | -0.543*** (-3.519) | -0.513*** (-3.185) | -0.499*** (-7.772) | -65.506*** (-6.961) | -53.480*** (-2.990) | 635.406*** (2.808) | -370.212*** (-7.040) |
| <i>Directorships Ind Adj ROA</i> | 0.038 (0.854) | 0.043 (0.945) | 0.171*** (5.583) | -4.877 (-0.337) | -20.722 (-1.109) | -1,327.787*** (-3.684) | -516.091*** (-5.944) |
| <i>Prior BHAR</i> | -0.873 (-1.572) | -1.156** (-2.353) | -1.179*** (-5.815) | -239.013** (-2.495) | -307.913* (-1.899) | -409.115 (-0.611) | -1,169.991*** (-3.964) |
| <i>Firm Size</i> | -0.142 (-1.177) | -0.098 (-0.797) | 0.048 (0.897) | 18.816 (1.079) | 33.102* (1.846) | 377.865* (1.675) | 882.158*** (10.982) |
| <i>Director Tenure</i> | 0.349*** (9.404) | 0.356*** (9.233) | 0.247*** (12.099) | 16.525 (1.392) | 6.873 (0.289) | -249.836 (-1.086) | -276.560*** (-3.333) |
| <i>Director Age</i> | -0.143*** (-5.996) | -0.161*** (-5.534) | -0.061*** (-6.773) | -0.672 (-0.431) | 1.844 (0.430) | -69.275** (-2.123) | -15.561 (-1.241) |
| <i>Constant</i> | -0.028*** (-3.586) | -0.030*** (-3.453) | -0.023*** (-5.032) | 3.000** (2.336) | 2.170 (1.096) | -300.794*** (-9.598) | -71.523*** (-7.440) |
| | -7.885*** (-9.581) | -8.529*** (-8.733) | -6.261*** (-7.680) | -265.765** (-2.004) | -46.978 (-0.173) | 25,170.285*** (5.132) | 7,047.892*** (5.212) |
| Observations | 207,503 | 208,716 | 226,015 | 155,111 | 154,929 | 184,690 | 162,949 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.186 | 0.182 | 0.154 | . | . | . | . |
| Adjusted R ² | . | . | . | 0.002 | 0.000 | 0.006 | 0.013 |

Definitions of the variables are presented in Appendix A. The models are estimated using logistic regressions in Column (1) to Column (3) with standard errors clustered by director. The numbers reported in parentheses in Column (1) to Column (3) are z-statistics. The models are estimated using ordinary least squares regressions in Column (4) to Column (7) with standard errors clustered by director. The numbers reported in parentheses in Column (4) to Column (7) are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table F5: Directorship prestige and acquisition outcomes (using *Extreme Acq(-)*) (M&A subsample)

| Variables | (1) <i>Prestige comparing t and t+2</i> | (2) <i>Prestige comparing t+2</i> | (3) <i>High ranked new directorship</i> | (4) <i>Percent change in TA</i> | (5) <i>Percent change in MVE</i> | (6) <i>Change in TA from t to t+2</i> | (7) <i>Change in Total MVE from t to t+2</i> |
|-----------------------------------|--|--------------------------------------|--|------------------------------------|-------------------------------------|--|---|
| <i>Extreme Acq(-)</i> | 0.168 (1.002) | 0.307* (1.763) | 0.121 (1.390) | 590.317 (0.529) | 26.491 (0.019) | -2,289.690 (-0.785) | 631.894 (0.533) |
| <i>Diversifying</i> | -0.220 (-1.212) | -0.141 (-0.723) | 0.043 (0.385) | 93.128 (0.239) | 898.626 (1.040) | -1,739.349 (-0.951) | 471.088 (0.497) |
| <i>Yrs Since Last Acquisition</i> | 0.053 (0.654) | 0.064 (0.763) | 0.047 (1.149) | -69.964 (-0.432) | -37.337 (-0.054) | 489.293 (0.599) | -190.225 (-0.481) |
| <i>Past Directorships</i> | 0.107*** (2.952) | 0.110*** (3.127) | 0.478*** (12.696) | -647.197** (-2.528) | -845.417* (-1.865) | -3,182.779** (-2.474) | -588.552** (-2.153) |
| <i>Ind Adj ROA</i> | 2.167** (2.398) | 1.253 (1.085) | 0.327 (0.702) | -3,452.475 (-1.578) | -8,126.245 (-1.211) | 1,030.851 (0.175) | -6,597.826** (-2.109) |
| <i>Prior BHAR</i> | -0.142 (-1.060) | -0.091 (-0.674) | 0.115* (1.807) | -326.657 (-0.853) | 424.679 (0.531) | 3,774.933*** (3.126) | 1,049.282 (1.597) |
| <i>Firm Size</i> | 0.256*** (4.998) | 0.263*** (5.084) | 0.121*** (4.348) | 1,081.645*** (2.924) | 912.184 (1.116) | -1,924.461 (-1.251) | 7,382.043*** (10.985) |
| <i>Director Tenure</i> | -0.145*** (-6.259) | -0.163*** (-5.712) | -0.058*** (-6.225) | 102.337 (1.520) | 93.359 (0.556) | -115.960 (-0.766) | -103.664 (-1.158) |
| <i>Director Age</i> | -0.024*** (-3.013) | -0.027*** (-3.054) | -0.029*** (-6.232) | 4.238 (0.131) | 42.295 (0.609) | -453.137*** (-3.774) | -116.077* (-1.927) |
| <i>Constant</i> | -4.535*** (-5.120) | -5.146*** (-4.950) | -2.877*** (-3.309) | -7,690.444** (-2.168) | -8,470.822 (-0.790) | 47,489.258*** (2.616) | -41,103.177*** (-5.500) |
| Observations | 16,726 | 16,687 | 17,665 | 5,523 | 5,473 | 14,201 | 6,131 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.167 | 0.163 | 0.135 | . | . | . | . |
| Adjusted R ² | . | . | . | 0.002 | 0.008 | 0.011 | 0.107 |

Definitions of the variables are presented in Appendix A. The models are estimated using logistic regressions in Column (1) to Column (3) with standard errors clustered by director. The numbers reported in parentheses in Column (1) to Column (3) are z-statistics. The models are estimated using ordinary least squares regressions in Column (4) to Column (7) with standard errors clustered by director. The numbers reported in parentheses in Column (4) to Column (7) are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Appendix G: Winsorized prestige variables

Table G1: Directorship prestige and acquisition outcomes (using winsorized dependent variables) (Full sample)

| Variables | (1) <i>Percent change in TA</i> | (2) <i>Percent change in TA</i> | (3) <i>Percent change in TA</i> | (4) <i>Percent change in MVE</i> | (5) <i>Percent change in MVE</i> | (6) <i>Percent change in MVE</i> | (7) <i>Change in TA from t to t+2</i> | (8) <i>Change in TA from t to t+2</i> | (9) <i>Change in TA from t to t+2</i> | (10) <i>Change in Total MVE from t to t+2</i> | (11) <i>Change in Total MVE from t to t+2</i> | (12) <i>Change in Total MVE from t to t+2</i> |
|--|--|--|--|---|---|---|--|--|--|--|--|--|
| <i>Acquisition</i> | 9.741*** (15.863) | | | 18.764*** (24.083) | | | 318.764*** (6.403) | | | 469.196*** (10.298) | | |
| <i>Number of Acquisitions Acq(+)</i> | | 1.551*** (7.428) | | | 2.735*** (10.159) | | | -62.900** (-2.373) | | | 43.031** (2.441) | |
| <i>Acq(-)</i> | | | 10.361*** (15.035) | | | | 14.933*** (17.020) | | 269.422*** (4.757) | | | 414.481*** (8.316) |
| <i>SumCAR</i> | 0.407* (1.781) | 0.384* (1.659) | | -0.181 (-0.608) | -0.190 (-0.624) | | -33.859 (-1.397) | -19.943 (-0.814) | | -9.409 (-0.506) | -6.428 (-0.341) | |
| <i>Diversifying</i> | 4.602*** (7.932) | 8.043*** (14.507) | 3.539*** (5.709) | 6.318*** (8.496) | 13.235*** (18.654) | 6.381*** (7.969) | 91.672* (1.689) | 342.093*** (6.188) | 59.779 (1.026) | 273.910*** (5.969) | 476.599*** (10.463) | 237.311*** (4.890) |
| <i>Yrs Since Last Acquisition</i> | -3.044*** (-23.699) | -2.720*** (-22.118) | -3.278*** (-24.582) | -3.424*** (-21.311) | -2.814*** (-18.237) | -3.692*** (-22.299) | -66.555*** (-6.166) | -64.313*** (-5.976) | -72.692*** (-6.634) | -141.225*** (-12.849) | -127.430*** (-11.764) | -150.325*** (-13.493) |
| <i>Past Directorships</i> | -2.364*** (-9.789) | -2.259*** (-9.430) | -2.320*** (-9.667) | -1.976*** (-7.517) | -1.723*** (-6.610) | -1.781*** (-6.878) | 81.082*** (3.372) | 102.738*** (4.220) | 82.110*** (3.407) | -126.995*** (-7.370) | -116.128*** (-6.804) | -124.621*** (-7.299) |
| <i>Ind Adj ROA</i> | -2.821* (-1.753) | -2.962* (-1.836) | -2.782* (-1.729) | -21.586*** (-9.894) | -21.860*** (-9.944) | -21.575*** (-9.871) | -218.152*** (-3.645) | -231.835*** (-3.869) | -217.792*** (-3.639) | -451.415*** (-6.542) | -460.140*** (-6.644) | -451.397*** (-6.544) |
| <i>Prior BHAR</i> | 11.121*** (40.028) | 11.108*** (40.021) | 11.148*** (40.133) | 28.904*** (67.018) | 28.875*** (67.061) | 28.933*** (67.065) | 233.460*** (15.164) | 230.252*** (14.967) | 233.686*** (15.173) | 472.103*** (27.882) | 470.825*** (27.824) | 473.065*** (27.903) |
| <i>Firm Size</i> | -0.810*** (-7.969) | -0.423*** (-4.380) | -0.667*** (-6.749) | -6.206*** (-45.106) | -5.439*** (-41.365) | -5.837*** (-43.379) | 548.341*** (43.855) | 571.722*** (45.629) | 552.691*** (44.458) | 125.779*** (12.190) | 147.090*** (14.593) | 132.123*** (13.021) |
| <i>Director Tenure</i> | 0.006 (0.249) | -0.008 (-0.340) | 0.007 (0.284) | -0.068** (-2.205) | -0.093*** (-2.994) | -0.070** (-2.253) | -19.753*** (-8.115) | -19.319*** (-7.915) | -19.845*** (-8.141) | -6.618*** (-3.521) | -7.070*** (-3.754) | -6.623*** (-3.525) |
| <i>Director Age</i> | -0.103*** (-4.434) | -0.101*** (-4.405) | -0.100*** (-4.317) | -0.178*** (-5.957) | -0.174*** (-5.822) | -0.170*** (-5.682) | -19.673*** (-8.849) | -18.741*** (-8.421) | -19.604*** (-8.826) | -15.933*** (-9.049) | -15.647*** (-8.935) | -15.808*** (-8.987) |
| <i>Constant</i> | 34.063*** (8.305) | 32.687*** (7.926) | 32.435*** (7.895) | 100.410*** (23.680) | 97.308*** (22.544) | 96.690*** (22.757) | -1,150.92*** (-3.121) | -1,386.80*** (-3.784) | -1,192.99*** (-3.234) | 1,277.36*** (4.016) | 1,156.138*** (3.636) | 1,202.759*** (3.783) |
| Observations | 155,111 | 155,111 | 155,111 | 154,929 | 154,929 | 154,929 | 184,690 | 184,690 | 184,690 | 162,949 | 162,949 | 162,949 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Adjusted R ² | 0.043 | 0.041 | 0.043 | 0.168 | 0.165 | 0.167 | 0.086 | 0.085 | 0.086 | 0.061 | 0.060 | 0.061 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordinary least squares regressions with standard errors clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table G2: Directorship prestige and acquisition outcomes (using winsorized dependent variables) (M&A subsample)

| Variables | (1) <i>Percent change in TA</i> | (2) <i>Percent change in TA</i> | (3) <i>Percent change in MVE</i> | (4) <i>Percent change in MVE</i> | (5) <i>Change in TA from t to t+2</i> | (6) <i>Change in TA from t to t+2</i> | (7) <i>Change in Total MVE from t to t+2</i> | (8) <i>Change in Total MVE from t to t+2</i> |
|---------------------------------------|--|--|---|---|--|--|---|---|
| <i>Number of Acquisitions</i> | -3.033*** (-3.966) | | -3.095*** (-3.405) | | -120.876** (-2.534) | | -120.641** (-2.494) | |
| <i>Acq(-)</i> | | -5.062* (-1.731) | | -4.471 (-1.189) | | 56.190 (0.547) | | 146.506 (0.874) |
| <i>SumCAR</i> | 1.625* (1.908) | | 0.825 (0.763) | | -24.889 (-0.735) | | -80.672 (-1.605) | |
| <i>Diversifying</i> | -8.023* (-1.949) | -10.321** (-2.529) | -5.830 (-1.089) | -8.286 (-1.566) | 29.172 (0.256) | -47.296 (-0.427) | 51.731 (0.249) | -48.864 (-0.237) |
| <i>Yrs Since Last Acquisition</i> | 0.576 (0.387) | 0.151 (0.102) | -1.279 (-0.717) | -1.729 (-0.975) | 92.176 (1.566) | 65.826 (1.149) | 35.801 (0.493) | 12.150 (0.167) |
| <i>Past Directorships</i> | -7.120*** (-5.314) | -8.155*** (-6.078) | -10.956*** (-7.246) | -12.017*** (-8.030) | 114.282** (2.489) | 77.478* (1.653) | -154.754*** (-2.614) | -187.788*** (-3.138) |
| <i>Ind Adj ROA</i> | -3.565 (-0.208) | -5.724 (-0.330) | -3.631 (-0.166) | -6.105 (-0.277) | 2,736.477*** (4.240) | 2,631.271*** (4.105) | -496.377 (-0.532) | -615.475 (-0.657) |
| <i>Prior BHAR</i> | 1.882 (0.713) | 2.246 (0.853) | 12.494*** (3.660) | 12.665*** (3.709) | 568.585*** (7.687) | 568.913*** (7.793) | 532.692*** (4.198) | 523.696*** (4.150) |
| <i>Firm Size</i> | 6.945*** (6.621) | 6.769*** (6.445) | 13.672*** (10.211) | 13.582*** (10.153) | 1,087.872*** (25.369) | 1,078.679*** (25.391) | 1,345.898*** (22.114) | 1,347.079*** (22.193) |
| <i>Director Tenure</i> | 0.419 (1.642) | 0.275 (1.090) | 0.916*** (2.859) | 0.761** (2.399) | -26.272*** (-3.507) | -30.996*** (-4.219) | -9.586 (-0.724) | -16.450 (-1.255) |
| <i>Director Age</i> | -0.315 (-1.508) | -0.379* (-1.813) | -0.228 (-0.840) | -0.294 (-1.082) | -15.704*** (-2.646) | -17.279*** (-2.903) | -22.864** (-2.176) | -26.403** (-2.544) |
| <i>Constant</i> | 37.751 (0.983) | 48.282 (1.255) | 89.801** (1.996) | 100.959** (2.247) | -5,540.209*** (-4.754) | -5,277.863*** (-4.486) | -637.336 (-0.365) | -285.675 (-0.164) |
| Observations | 5,523 | 5,523 | 5,473 | 5,473 | 14,201 | 14,201 | 6,131 | 6,131 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Adjusted R ² | 0.069 | 0.066 | 0.095 | 0.094 | 0.136 | 0.134 | 0.166 | 0.165 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordinary least squares regressions with standard errors clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Appendix H: Isolating acquisition performance to one year

Table H1: Labour market outcomes and acquisition outcomes using *CAR(+)* and *CAR(-)*

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|-------------------------------------|--|--|---|---|---|---|
| <i>CAR(+)</i> | 0.113*** (5.434) | 0.105*** (4.925) | 0.113*** (5.426) | 0.116*** (5.500) | 0.108*** (5.232) | 0.147*** (5.934) |
| <i>CAR(-)</i> | 0.097*** (4.410) | 0.092*** (4.055) | 0.097*** (4.386) | 0.103*** (4.585) | 0.096*** (4.342) | 0.146*** (5.689) |
| <i>Chair</i> | | -0.007 (-0.258) | | | | |
| <i>CAR(+)</i> × <i>Chair</i> | | 0.158* (1.727) | | | | |
| <i>CAR(-)</i> × <i>Chair</i> | | 0.110 (1.095) | | | | |
| <i>Lead</i> | | | -0.141*** (-4.651) | -0.132*** (-4.252) | | |
| <i>CAR(+)</i> × <i>Lead</i> | | | | -0.087 (-0.758) | | |
| <i>CAR(-)</i> × <i>Lead</i> | | | | -0.162 (-1.361) | | |
| <i>Tenure Dummy</i> | | | | | -0.399*** (-30.550) | -0.387*** (-28.964) |
| <i>CAR(+)</i> × <i>Tenure Dummy</i> | | | | | | -0.138*** (-3.242) |
| <i>CAR(-)</i> × <i>Tenure Dummy</i> | | | | | | -0.185*** (-3.963) |
| <i>Diversifying</i> | 0.089*** (4.976) | 0.089*** (4.976) | 0.091*** (5.049) | 0.091*** (5.044) | 0.090*** (5.032) | 0.090*** (5.067) |
| <i>Yrs Since Last Acquisition</i> | -0.031*** (-7.186) | -0.031*** (-7.176) | -0.031*** (-7.141) | -0.031*** (-7.147) | -0.037*** (-8.663) | -0.038*** (-8.768) |
| <i>Past Directorships</i> | 1.501*** (124.080) | 1.501*** (124.004) | 1.502*** (123.992) | 1.502*** (123.989) | 1.494*** (124.436) | 1.495*** (124.447) |

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|------------------------|--|--|---|---|---|---|
| <i>Ind Adj ROA</i> | 0.144*** (3.954) | 0.144*** (3.953) | 0.144*** (3.949) | 0.144*** (3.949) | 0.143*** (3.941) | 0.144*** (3.953) |
| <i>Prior BHAR</i> | 0.029*** (4.161) | 0.029*** (4.165) | 0.029*** (4.135) | 0.029*** (4.133) | 0.029*** (4.205) | 0.029*** (4.199) |
| <i>Firm Size</i> | 0.159*** (44.135) | 0.159*** (44.042) | 0.160*** (44.224) | 0.160*** (44.216) | 0.161*** (44.936) | 0.161*** (44.979) |
| <i>Director Tenure</i> | -0.039*** (-35.880) | -0.039*** (-35.749) | -0.039*** (-35.669) | -0.039*** (-35.669) | | |
| <i>Director Age</i> | -0.024*** (-28.577) | -0.024*** (-28.596) | -0.024*** (-28.461) | -0.024*** (-28.459) | -0.030*** (-36.495) | -0.030*** (-36.529) |
| Observations | 218,258 | 218,258 | 218,258 | 218,258 | 218,258 | 218,258 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.230 | 0.230 | 0.230 | 0.230 | 0.227 | 0.227 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table H2: Labour market outcomes and acquisition outcomes using *Extreme CAR(+)* and *Extreme CAR(-)*

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|---|--|--|---|---|---|---|
| <i>Extreme CAR(+)</i> | 0.086** (2.447) | 0.077** (2.158) | 0.086** (2.427) | 0.086** (2.403) | 0.085** (2.427) | 0.101*** (2.660) |
| <i>Extreme CAR(-)</i> | 0.071* (1.920) | 0.061 (1.613) | 0.070* (1.905) | 0.076** (2.043) | 0.065* (1.755) | 0.090** (2.257) |
| <i>Chair</i> | -0.039 (-1.223) | -0.052 (-1.564) | | | | |
| <i>Extreme CAR(+)</i> × <i>Chair</i> | | 0.160 (1.481) | | | | |
| <i>Extreme CAR(-)</i> × <i>Chair</i> | | 0.185 (1.518) | | | | |
| <i>Lead</i> | | | -0.221*** (-6.440) | -0.217*** (-6.169) | | |
| <i>Extreme CAR(+)</i> × <i>Lead</i> | | | | -0.003 (-0.024) | | |
| <i>Extreme CAR(-)</i> × <i>Lead</i> | | | | -0.134 (-0.976) | | |
| <i>Tenure Dummy</i> | | | | | -0.396*** (-24.794) | -0.390*** (-23.990) |
| <i>Extreme CAR(+)</i> × <i>Tenure Dummy</i> | | | | | | -0.061 (-1.273) |
| <i>Extreme CAR(-)</i> × <i>Tenure Dummy</i> | | | | | | -0.100* (-1.829) |
| <i>Diversifying</i> | 0.094*** (4.542) | 0.093*** (4.514) | 0.096*** (4.661) | 0.096*** (4.668) | 0.092*** (4.469) | 0.094*** (4.544) |
| <i>Yrs Since Last Acquisition</i> | -0.029*** (-6.396) | -0.028*** (-6.363) | -0.028*** (-6.359) | -0.028*** (-6.366) | -0.034*** (-7.706) | -0.035*** (-7.772) |
| <i>Past Directorships</i> | 1.539*** (104.973) | 1.539*** (104.970) | 1.541*** (104.949) | 1.541*** (104.947) | 1.534*** (105.216) | 1.534*** (105.204) |
| <i>Ind Adj ROA</i> | 0.123*** | 0.123*** | 0.122*** | 0.122*** | 0.122*** | 0.122*** |

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|------------------------|--|--|---|---|---|---|
| <i>Prior BHAR</i> | (2.965) 0.020** | (2.970) 0.020** | (2.939) 0.020** | (2.938) 0.020** | (2.956) 0.020** | (2.951) 0.020** |
| <i>Firm Size</i> | (2.384) 0.167*** | (2.392) 0.167*** | (2.363) 0.168*** | (2.362) 0.168*** | (2.391) 0.169*** | (2.385) 0.169*** |
| <i>Director Tenure</i> | (39.551) -0.038*** | (39.524) -0.038*** | (39.874) -0.038*** | (39.872) -0.038*** | (40.236) | (40.278) |
| <i>Director Age</i> | (-28.856) -0.027*** | (-28.854) -0.027*** | (-28.826) -0.026*** | (-28.828) -0.026*** | -0.032*** | -0.032*** |
| | (-25.775) | (-25.772) | (-25.616) | (-25.612) | (-31.974) | (-31.983) |
| Observations | 155,735 | 155,735 | 155,735 | 155,735 | 155,735 | 155,735 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.222 | 0.222 | 0.222 | 0.222 | 0.219 | 0.219 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table H3: Labour market outcomes and acquisition outcomes using *Recent Acq(+)* and *Recent Acq(-)*

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|--|--|--|---|---|---|---|
| <i>Recent Acq(+)</i> | 0.076*** (4.377) | 0.078*** (4.463) | 0.077*** (4.407) | 0.072*** (4.118) | 0.073*** (4.196) | 0.086*** (4.399) |
| <i>Recent Acq(-)</i> | 0.079*** (4.369) | 0.071*** (3.911) | 0.079*** (4.384) | 0.083*** (4.592) | 0.077*** (4.296) | 0.081*** (4.015) |
| <i>Chair</i> | 0.002 (0.086) | -0.021 (-0.614) | | | | |
| <i>Recent Acq(+)</i> × <i>Chair</i> | | -0.044 (-0.784) | | | | |
| <i>Recent Acq(-)</i> × <i>Chair</i> | | 0.133** (2.344) | | | | |
| <i>Lead</i> | | | -0.143*** (-4.714) | -0.149*** (-3.632) | | |
| <i>Recent Acq(+)</i> × <i>Lead</i> | | | | 0.101* (1.684) | | |
| <i>Recent Acq(-)</i> × <i>Lead</i> | | | | -0.095 (-1.523) | | |
| <i>Tenure Dummy</i> | | | | | -0.398*** (-30.483) | -0.380*** (-24.458) |
| <i>Recent Acq(+)</i> × <i>Tenure Dummy</i> | | | | | | -0.044 (-1.617) |
| <i>Recent Acq(-)</i> × <i>Tenure Dummy</i> | | | | | | -0.012 (-0.443) |
| <i>Diversifying</i> | 0.030 (1.412) | 0.030 (1.422) | 0.031 (1.454) | 0.031 (1.456) | 0.032 (1.521) | 0.032 (1.527) |
| <i>Yrs Since Last Acquisition</i> | -0.027*** (-6.323) | -0.027*** (-6.315) | -0.027*** (-6.270) | -0.027*** (-6.263) | -0.034*** (-7.817) | -0.034*** (-7.917) |
| <i>Past Directorships</i> | 1.490*** (122.401) | 1.491*** (122.382) | 1.492*** (122.378) | 1.492*** (122.382) | 1.484*** (122.842) | 1.484*** (122.795) |
| <i>Ind Adj ROA</i> | 0.140*** (3.842) | 0.139*** (3.837) | 0.139*** (3.840) | 0.139*** (3.841) | 0.139*** (3.832) | 0.139*** (3.838) |

| | | | | | | |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <i>Prior BHAR</i> | 0.030*** (4.276) | 0.030*** (4.284) | 0.030*** (4.252) | 0.030*** (4.258) | 0.030*** (4.317) | 0.030*** (4.309) |
| <i>Firm Size</i> | 0.157*** (43.252) | 0.157*** (43.259) | 0.157*** (43.420) | 0.157*** (43.418) | 0.158*** (44.115) | 0.159*** (44.114) |
| <i>Director Tenure</i> | -0.039*** (-35.715) | -0.039*** (-35.706) | -0.039*** (-35.623) | -0.039*** (-35.628) | | |
| <i>Director Age</i> | -0.024*** (-28.644) | -0.024*** (-28.651) | -0.024*** (-28.506) | -0.024*** (-28.500) | -0.030*** (-36.549) | -0.030*** (-36.565) |
| Observations | 236,559 | 236,559 | 236,559 | 236,559 | 236,559 | 236,559 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.230 | 0.230 | 0.230 | 0.230 | 0.227 | 0.227 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Appendix I: Public acquisitions

Table I1: The association between directors' directorships and acquisitions including only public acquisitions (full sample)

| Variables | (1) <i>Board Seats t+2</i> | (2) <i>Board Seats t+2</i> | (3) <i>Board Seats t+2</i> |
|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <i>Acquisition</i> | 0.096*** (3.297) | | |
| <i>Number of Acquisitions</i> | | 0.004 (0.297) | |
| <i>Acq(+)</i> | | | 0.062 (1.617) |
| <i>Acq(-)</i> | | | 0.192*** (5.480) |
| <i>SumCAR</i> | 0.006 (0.885) | 0.004 (0.573) | 0.022** (2.508) |
| <i>Diversifying</i> | -0.019 (-0.651) | 0.034 (1.236) | -0.041 (-1.333) |
| <i>Yrs Since Last Acquisition</i> | -0.018*** (-3.475) | -0.012** (-2.571) | -0.022*** (-4.166) |
| <i>Past Directorships</i> | 1.497*** (127.792) | 1.499*** (128.070) | 1.496*** (127.744) |
| <i>Ind Adj ROA</i> | 0.135*** (3.887) | 0.133*** (3.820) | 0.137*** (3.929) |
| <i>Prior BHAR</i> | 0.036*** (5.319) | 0.035*** (5.265) | 0.036*** (5.343) |
| <i>Firm Size</i> | 0.158*** (44.588) | 0.160*** (45.736) | 0.157*** (44.443) |
| <i>Director Tenure</i> | -0.040*** (-37.873) | -0.040*** (-37.862) | -0.040*** (-37.834) |
| <i>Director Age</i> | -0.024*** (-29.604) | -0.024*** (-29.531) | -0.024*** (-29.631) |
| Observations | 262,928 | 262,928 | 262,928 |
| Year FE | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes |
| Pseudo R ² | 0.230 | 0.230 | 0.230 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table I2: The association between directorships and acquisition outcomes including only public acquisitions (full sample – *Acq(+)* and *Acq(-)*)

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|-------------------------------------|--|--|---|---|---|---|
| <i>Acq(+)</i> | 0.103*** (2.979) | 0.099*** (2.853) | 0.103*** (2.975) | 0.099*** (2.846) | 0.100*** (2.917) | 0.126*** (3.438) |
| <i>Acq(-)</i> | 0.158*** (4.876) | 0.151*** (4.667) | 0.157*** (4.875) | 0.160*** (4.934) | 0.163*** (5.052) | 0.189*** (5.542) |
| <i>Chair</i> | -0.005 (-0.189) | -0.029 (-0.985) | | | | |
| <i>Acq(+)</i> × <i>Chair</i> | | 0.071 (0.814) | | | | |
| <i>Acq(-)</i> × <i>Chair</i> | | 0.118 (1.417) | | | | |
| <i>Lead</i> | | | -0.138*** (-4.728) | -0.137*** (-3.894) | | |
| <i>Acq(+)</i> × <i>Lead</i> | | | | 0.073 (0.835) | | |
| <i>Acq(-)</i> × <i>Lead</i> | | | | -0.051 (-0.696) | | |
| <i>Tenure Dummy</i> | | | | | -0.411*** (-32.528) | -0.386*** (-27.328) |
| <i>Acq(+)</i> × <i>Tenure Dummy</i> | | | | | | -0.095** (-2.265) |
| <i>Acq(-)</i> × <i>Tenure Dummy</i> | | | | | | -0.098*** (-2.736) |
| <i>Diversifying</i> | -0.046 (-1.527) | -0.046 (-1.521) | -0.046 (-1.506) | -0.046 (-1.503) | -0.046 (-1.521) | -0.045 (-1.503) |
| <i>Yrs Since Last Acquisition</i> | -0.022*** (-4.241) | -0.022*** (-4.279) | -0.022*** (-4.174) | -0.022*** (-4.165) | -0.026*** (-5.056) | -0.024*** (-4.640) |
| <i>Past Directorships</i> | 1.496*** (127.637) | 1.496*** (127.629) | 1.497*** (127.660) | 1.497*** (127.651) | 1.489*** (128.049) | 1.488*** (127.972) |

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|------------------------|--|--|---|---|---|---|
| <i>Ind Adj ROA</i> | 0.137*** (3.923) | 0.137*** (3.920) | 0.136*** (3.915) | 0.136*** (3.914) | 0.137*** (3.949) | 0.137*** (3.945) |
| <i>Prior BHAR</i> | 0.036*** (5.369) | 0.036*** (5.376) | 0.036*** (5.344) | 0.036*** (5.346) | 0.036*** (5.431) | 0.037*** (5.437) |
| <i>Firm Size</i> | 0.157*** (44.404) | 0.157*** (44.434) | 0.157*** (44.546) | 0.157*** (44.538) | 0.158*** (45.170) | 0.158*** (45.272) |
| <i>Director Tenure</i> | -0.040*** (-37.682) | -0.040*** (-37.667) | -0.039*** (-37.587) | -0.039*** (-37.590) | | |
| <i>Director Age</i> | -0.024*** (-29.663) | -0.024*** (-29.661) | -0.024*** (-29.533) | -0.024*** (-29.534) | -0.030*** (-37.952) | -0.030*** (-38.034) |
| Observations | 262,928 | 262,928 | 262,928 | 262,928 | 262,928 | 262,928 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.230 | 0.230 | 0.230 | 0.230 | 0.226 | 0.226 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table I3: The association between directorships and acquisition outcomes including only public acquisitions (full sample – Acquisition)

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|-----------------------------------|--|--|---|---|---|--|
| <i>Acquisition</i> | 0.096*** (3.299) | 0.091*** (3.096) | 0.096*** (3.300) | 0.097*** (3.335) | 0.099*** (3.411) | 0.136*** (4.481) |
| <i>Chair</i> | -0.005 (-0.184) | -0.029 (-0.968) | | | | |
| <i>Acquisition × Chair</i> | | 0.103 (1.545) | | | | |
| <i>Lead</i> | | | -0.138*** (-4.730) | -0.130*** (-3.712) | | |
| <i>Acquisition × Lead</i> | | | | -0.027 (-0.447) | | |
| <i>Tenure Dummy</i> | | | | | -0.411*** (-32.582) | -0.381*** (-27.255) |
| <i>Acquisition × Tenure Dummy</i> | | | | | | -0.127*** (-4.236) |
| <i>SumCAR</i> | 0.006 (0.884) | 0.006 (0.888) | 0.005 (0.861) | 0.005 (0.859) | 0.004 (0.658) | 0.004 (0.672) |
| <i>Diversifying</i> | -0.019 (-0.651) | -0.019 (-0.644) | -0.019 (-0.635) | -0.019 (-0.633) | -0.020 (-0.678) | -0.020 (-0.683) |
| <i>Yrs Since Last Acquisition</i> | -0.018*** (-3.476) | -0.018*** (-3.509) | -0.017*** (-3.409) | -0.017*** (-3.396) | -0.022*** (-4.323) | -0.020*** (-3.910) |
| <i>Past Directorships</i> | 1.497*** (127.692) | 1.498*** (127.685) | 1.499*** (127.717) | 1.499*** (127.720) | 1.490*** (128.098) | 1.490*** (128.049) |
| <i>Ind Adj ROA</i> | 0.136*** (3.888) | 0.135*** (3.885) | 0.135*** (3.879) | 0.135*** (3.879) | 0.136*** (3.914) | 0.136*** (3.915) |
| <i>Prior BHAR</i> | 0.036*** (5.319) | 0.036*** (5.325) | 0.036*** (5.294) | 0.036*** (5.295) | 0.036*** (5.382) | 0.036*** (5.379) |
| <i>Firm Size</i> | 0.158*** | 0.158*** | 0.158*** | 0.158*** | 0.159*** | 0.159*** |

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|------------------------|--|--|---|---|---|--|
| <i>Director Tenure</i> | (44.548) -0.040*** | (44.581) -0.040*** | (44.682) -0.039*** | (44.678) -0.039*** | (45.308) | (45.432) |
| <i>Director Age</i> | (-37.740) -0.024*** (-29.616) | (-37.726) -0.024*** (-29.608) | (-37.646) -0.024*** (-29.485) | (-37.646) -0.024*** (-29.485) | -0.030*** (-37.907) | -0.030*** (-38.034) |
| Observations | 262,928 | 262,928 | 262,928 | 262,928 | 262,928 | 262,928 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.230 | 0.230 | 0.230 | 0.230 | 0.226 | 0.226 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table I4: The association between directorships and acquisition outcomes including only public acquisitions (full sample, Number of Acquisitions)

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|---|--|--|---|---|---|--|
| <i>Number of Acquisitions</i> | 0.004 (0.299) | 0.002 (0.152) | 0.005 (0.338) | 0.008 (0.508) | 0.002 (0.125) | 0.026 (1.575) |
| <i>Chair</i> | -0.004 (-0.151) | -0.013 (-0.446) | | | | |
| <i>Number of Acquisitions</i> × <i>Chair</i> | | 0.026 (0.772) | | | | |
| <i>Lead</i> | | | -0.138*** (-4.733) | -0.122*** (-3.772) | | |
| <i>Number of Acquisitions</i> × <i>Lead</i> | | | | -0.039 (-1.190) | | |
| <i>Tenure Dummy</i> | | | | | -0.412*** (-32.609) | -0.395*** (-29.424) |
| <i>Number of Acquisitions</i> × <i>Tenure Dummy</i> | | | | | | -0.056*** (-3.294) |
| <i>SumCAR</i> | 0.004 (0.573) | 0.004 (0.567) | 0.004 (0.558) | 0.004 (0.551) | 0.002 (0.302) | 0.002 (0.365) |
| <i>Diversifying</i> | 0.034 (1.236) | 0.034 (1.255) | 0.034 (1.237) | 0.033 (1.217) | 0.037 (1.353) | 0.033 (1.212) |
| <i>Yrs Since Last Acquisition</i> | -0.012** (-2.571) | -0.012*** (-2.576) | -0.012** (-2.503) | -0.012** (-2.491) | -0.016*** (-3.406) | -0.016*** (-3.330) |
| <i>Past Directorships</i> | 1.500*** (127.974) | 1.500*** (127.958) | 1.501*** (127.998) | 1.501*** (127.988) | 1.493*** (128.373) | 1.492*** (128.286) |
| <i>Ind Adj ROA</i> | 0.133*** (3.820) | 0.133*** (3.819) | 0.133*** (3.812) | 0.133*** (3.813) | 0.134*** (3.841) | 0.134*** (3.850) |
| <i>Prior BHAR</i> | 0.035*** (5.265) | 0.035*** (5.268) | 0.035*** (5.241) | 0.035*** (5.243) | 0.036*** (5.325) | 0.036*** (5.330) |
| <i>Firm Size</i> | 0.160*** | 0.160*** | 0.161*** | 0.161*** | 0.161*** | 0.162*** |

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|------------------------|--|--|---|---|---|--|
| <i>Director Tenure</i> | (45.688) -0.040*** | (45.699) -0.040*** | (45.828) -0.039*** | (45.812) -0.039*** | (46.549) | (46.590) |
| <i>Director Age</i> | (-37.735) -0.024*** | (-37.734) -0.024*** | (-37.637) -0.024*** | (-37.636) -0.024*** | -0.030*** | -0.030*** |
| | (-29.543) | (-29.539) | (-29.413) | (-29.418) | (-37.815) | (-37.906) |
| Observations | 262,928 | 262,928 | 262,928 | 262,928 | 262,928 | 262,928 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.230 | 0.230 | 0.230 | 0.230 | 0.226 | 0.226 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table I5: The association between directors' directorships and acquisitions including only public acquisitions (M&A subsample)

| Variables | (1) <i>Board Seats t+2</i> | (2) <i>Board Seats t+2</i> |
|-----------------------------------|-------------------------------|-------------------------------|
| <i>Number of Acquisitions</i> | 0.006 (0.188) | |
| <i>Acq(-)</i> | | 0.117 (1.526) |
| <i>SumCAR</i> | -0.003 (-0.305) | 0.012 (0.830) |
| <i>Diversifying</i> | -0.109* (-1.898) | -0.105* (-1.860) |
| <i>Yrs Since Last Acquisition</i> | -0.051 (-1.354) | -0.048 (-1.324) |
| <i>Past Directorships</i> | 1.564*** (38.891) | 1.564*** (39.035) |
| <i>Ind Adj ROA</i> | -0.505 (-1.138) | -0.509 (-1.145) |
| <i>Prior BHAR</i> | -0.008 (-0.153) | -0.007 (-0.142) |
| <i>Firm Size</i> | 0.145*** (7.765) | 0.145*** (7.799) |
| <i>Director Tenure</i> | -0.046*** (-11.272) | -0.046*** (-11.462) |
| <i>Director Age</i> | -0.038*** (-10.594) | -0.038*** (-10.533) |
| Observations | 7,093 | 7,093 |
| Year FE | Yes | Yes |
| Industry FE | Yes | Yes |
| Pseudo R ² | 0.271 | 0.271 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table I6: The association between directorships and acquisition outcomes including only public acquisitions (M&A subsample – *Acq(-)*)

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|-----------------------------------|--|--|---|---|---|---|
| <i>Acq(-)</i> | 0.072 (1.288) | 0.078 (1.382) | 0.072 (1.289) | 0.067 (1.187) | 0.063 (1.135) | 0.046 (0.712) |
| <i>Chair</i> | 0.081 (0.697) | 0.167 (0.881) | | | | |
| <i>Acq(-) × Chair</i> | | -0.132 (-0.556) | | | | |
| <i>Lead</i> | | | -0.075 (-0.499) | -0.163 (-0.673) | | |
| <i>Acq(-) × Lead</i> | | | | 0.139 (0.449) | | |
| <i>Tenure Dummy</i> | | | | | -0.497*** (-8.623) | -0.535*** (-5.783) |
| <i>Acq(-) × Tenure Dummy</i> | | | | | | 0.060 (0.539) |
| <i>Diversifying</i> | -0.106* (-1.883) | -0.106* (-1.886) | -0.106* (-1.876) | -0.106* (-1.878) | -0.119** (-2.118) | -0.120** (-2.122) |
| <i>Yrs Since Last Acquisition</i> | -0.050 (-1.379) | -0.050 (-1.384) | -0.050 (-1.371) | -0.050 (-1.365) | -0.050 (-1.359) | -0.049 (-1.356) |
| <i>Past Directorships</i> | 1.564*** (38.966) | 1.563*** (38.925) | 1.564*** (38.992) | 1.564*** (38.992) | 1.559*** (38.826) | 1.559*** (38.821) |
| <i>Ind Adj ROA</i> | -0.509 (-1.142) | -0.507 (-1.137) | -0.518 (-1.165) | -0.518 (-1.165) | -0.548 (-1.237) | -0.546 (-1.232) |
| <i>Prior BHAR</i> | -0.003 (-0.066) | -0.004 (-0.069) | -0.003 (-0.059) | -0.003 (-0.062) | -0.008 (-0.147) | -0.008 (-0.156) |
| <i>Firm Size</i> | 0.145*** (7.808) | 0.145*** (7.807) | 0.144*** (7.791) | 0.144*** (7.787) | 0.146*** (7.934) | 0.146*** (7.947) |
| <i>Director Tenure</i> | -0.046*** (-11.433) | -0.046*** (-11.417) | -0.045*** (-11.403) | -0.045*** (-11.406) | | |

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|-----------------------|--|--|---|---|---|---|
| <i>Director Age</i> | -0.038*** (-10.555) | -0.038*** (-10.531) | -0.038*** (-10.531) | -0.038*** (-10.534) | -0.044*** (-12.605) | -0.044*** (-12.601) |
| Observations | 7,093 | 7,093 | 7,093 | 7,093 | 7,093 | 7,093 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.271 | 0.271 | 0.271 | 0.271 | 0.268 | 0.268 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table I7: The association between directorships and acquisition outcomes including only public acquisitions (M&A subsample – Number of Acquisitions)

| Variables | (1) <i>Board Seats t+2</i> Chair tests | (2) <i>Board Seats t+2</i> Chair tests with interaction terms | (3) <i>Board Seats t+2</i> Lead tests | (4) <i>Board Seats t+2</i> Lead tests with interaction terms | (5) <i>Board Seats t+2</i> Tenure tests | (6) <i>Board Seats t+2</i> Tenure tests with interaction terms |
|--|--|--|---|---|---|---|
| <i>Number of Acquisitions</i> | 0.005 (0.167) | 0.006 (0.194) | 0.006 (0.201) | 0.011 (0.339) | -0.021 (-0.699) | -0.063 (-1.578) |
| <i>Chair</i> | 0.081 (0.697) | 0.101 (0.489) | | | | |
| <i>Number of Acquisitions</i> × <i>Chair</i> | | -0.011 (-0.112) | | | | |
| <i>Lead</i> | | | -0.076 (-0.509) | 0.123 (0.452) | | |
| <i>Number of Acquisitions</i> × <i>Lead</i> | | | | -0.106 (-1.042) | | |
| <i>Tenure Dummy</i> | | | | | -0.493*** (-8.451) | -0.642*** (-6.449) |
| <i>Number of Acquisitions</i> × <i>Tenure Dummy</i> | | | | | | 0.088* (1.799) |
| <i>SumCAR</i> | -0.003 (-0.307) | -0.003 (-0.309) | -0.003 (-0.304) | -0.003 (-0.299) | -0.002 (-0.227) | -0.003 (-0.248) |
| <i>Diversifying</i> | -0.109* (-1.898) | -0.109* (-1.901) | -0.108* (-1.896) | -0.108* (-1.896) | -0.112** (-1.965) | -0.110* (-1.916) |
| <i>Yrs Since Last Acquisition</i> | -0.051 (-1.344) | -0.051 (-1.348) | -0.051 (-1.346) | -0.052 (-1.366) | -0.041 (-1.092) | -0.037 (-0.961) |
| <i>Past Directorships</i> | 1.564*** (38.880) | 1.563*** (38.832) | 1.564*** (38.902) | 1.564*** (38.882) | 1.561*** (38.817) | 1.565*** (38.898) |
| <i>Ind Adj ROA</i> | -0.500 (-1.125) | -0.501 (-1.127) | -0.510 (-1.149) | -0.501 (-1.130) | -0.532 (-1.200) | -0.500 (-1.130) |
| <i>Prior BHAR</i> | -0.008 (-0.158) | -0.008 (-0.157) | -0.008 (-0.150) | -0.008 (-0.157) | -0.013 (-0.252) | -0.014 (-0.260) |
| <i>Firm Size</i> | 0.146*** (7.779) | 0.146*** (7.782) | 0.145*** (7.762) | 0.145*** (7.784) | 0.148*** (7.967) | 0.148*** (7.958) |

| | | | | | | |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <i>Director Tenure</i> | -0.046*** (-11.252) | -0.046*** (-11.248) | -0.046*** (-11.217) | -0.046*** (-11.185) | | |
| <i>Director Age</i> | -0.038*** (-10.601) | -0.038*** (-10.600) | -0.038*** (-10.578) | -0.038*** (-10.579) | -0.044*** (-12.561) | -0.043*** (-12.437) |
| Observations | 7,093 | 7,093 | 7,093 | 7,093 | 7,093 | 7,093 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.271 | 0.271 | 0.271 | 0.271 | 0.268 | 0.268 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Appendix J: Propensity score matching

Table J1: First stage prediction model for propensity score matching

| Variables | (1) <i>Acquisition</i> | (2) <i>Acquisition</i> | (3) <i>Acquisition</i> | (4) <i>Acquisition</i> |
|-----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| <i>Chair</i> | | 0.077*** (5.233) | | |
| <i>Lead</i> | | | 0.173*** (10.364) | |
| <i>Tenure Dummy</i> | | | | 0.095*** (7.939) |
| <i>Past Directorships</i> | 0.446*** (120.132) | 0.444*** (119.692) | 0.444*** (119.708) | 0.446*** (120.296) |
| <i>Ind Adj ROA</i> | -0.242*** (-7.993) | -0.242*** (-8.014) | -0.241*** (-7.961) | -0.241*** (-7.981) |
| <i>Prior BHAR</i> | -0.032*** (-6.407) | -0.032*** (-6.446) | -0.032*** (-6.385) | -0.032*** (-6.452) |
| <i>Firm Size</i> | 0.301*** (150.756) | 0.302*** (150.649) | 0.301*** (150.590) | 0.301*** (150.672) |
| <i>Market to Book ratio</i> | -0.000*** (-5.546) | -0.000*** (-5.525) | -0.000*** (-5.527) | -0.000*** (-5.525) |
| <i>Director Tenure</i> | 0.010*** (20.651) | 0.010*** (19.693) | 0.010*** (20.011) | 0.006*** (7.470) |
| <i>Director Age</i> | 0.013*** (30.044) | 0.013*** (29.945) | 0.012*** (29.665) | 0.013*** (29.776) |
| <i>Constant</i> | -4.713*** (-54.722) | -4.716*** (-54.775) | -4.698*** (-54.537) | -4.696*** (-54.490) |
| Observations | 179,588 | 179,588 | 179,588 | 179,588 |
| Year FE | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.250 | 0.250 | 0.251 | 0.250 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table J2: Univariate analysis for PSM treated and control sample**Panel A: Full sample**

| | (1) <i>Acquisition</i> = 0 | | (3) <i>Acquisition</i> = 1 | | (5) |
|-----------------------------|-------------------------------|--------|-------------------------------|--------|------------|
| | Obs. | Mean | Obs. | Mean | Difference |
| <i>Past Directorships</i> | 46,393 | 1.610 | 46,393 | 1.615 | 0.005 |
| <i>Ind Adj ROA</i> | 46,393 | -0.001 | 46,393 | -0.001 | 0.000 |
| <i>Prior BHAR</i> | 46,393 | 0.062 | 46,393 | 0.063 | 0.000 |
| <i>Firm Size</i> | 46,393 | 7.187 | 46,393 | 7.132 | -0.055*** |
| <i>Market to Book ratio</i> | 46,393 | 3.311 | 46,393 | 3.505 | 0.194 |
| <i>Director Tenure</i> | 46,393 | 8.456 | 46,393 | 8.423 | -0.033 |
| <i>Director Age</i> | 46,393 | 62.554 | 46,393 | 62.522 | -0.032 |

Definitions of the variables are presented in Appendix A. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Panel B: Chair

| | (1) <i>Acquisition</i> = 0 | | (3) <i>Acquisition</i> = 1 | | (5) |
|-----------------------------|-------------------------------|--------|-------------------------------|--------|------------|
| | Obs. | Mean | Obs. | Mean | Difference |
| <i>Chair</i> | 46,386 | 0.058 | 46,386 | 0.057 | -0.001 |
| <i>Past Directorships</i> | 46,386 | 1.606 | 46,386 | 1.613 | 0.007 |
| <i>Ind Adj ROA</i> | 46,386 | -0.001 | 46,386 | -0.001 | 0.000 |
| <i>Prior BHAR</i> | 46,386 | 0.060 | 46,386 | 0.062 | 0.002 |
| <i>Firm Size</i> | 46,386 | 7.192 | 46,386 | 7.140 | -0.051*** |
| <i>Market to Book ratio</i> | 46,386 | 3.193 | 46,386 | 3.382 | 0.189 |
| <i>Director Tenure</i> | 46,386 | 8.478 | 46,386 | 8.434 | -0.044 |
| <i>Director Age</i> | 46,386 | 62.587 | 46,386 | 62.517 | -0.070 |

Definitions of the variables are presented in Appendix A. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Panel C: Lead

| | (1) <i>Acquisition</i> = 0 | | (3) <i>Acquisition</i> = 1 | | (5) |
|-----------------------------|-------------------------------|--------|-------------------------------|--------|------------|
| | Obs. | Mean | Obs. | Mean | Difference |
| <i>Lead</i> | 46,386 | 0.044 | 46,386 | 0.042 | -0.002 |
| <i>Past Directorships</i> | 46,386 | 1.605 | 46,386 | 1.614 | 0.009 |
| <i>Ind Adj ROA</i> | 46,386 | -0.001 | 46,386 | -0.001 | 0.000 |
| <i>Prior BHAR</i> | 46,386 | 0.065 | 46,386 | 0.063 | -0.001 |
| <i>Firm Size</i> | 46,386 | 7.190 | 46,386 | 7.131 | -0.059*** |
| <i>Market to Book ratio</i> | 46,386 | 3.500 | 46,386 | 3.379 | -0.121 |
| <i>Director Tenure</i> | 46,386 | 8.455 | 46,386 | 8.411 | -0.044 |
| <i>Director Age</i> | 46,386 | 62.565 | 46,386 | 62.552 | -0.013 |

Definitions of the variables are presented in Appendix A. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Panel D: Tenure Dummy

| | (1) | (2) | (3) | (4) | (5) |
|-----------------------------|------------------------|--------|------------------------|--------|------------|
| | <i>Acquisition</i> = 0 | | <i>Acquisition</i> = 1 | | |
| | Obs. | Mean | Obs. | Mean | Difference |
| <i>Tenure Dummy</i> | 46,336 | 0.309 | 46,336 | 0.308 | -0.001 |
| <i>Past Directorships</i> | 46,336 | 1.608 | 46,336 | 1.613 | 0.005 |
| <i>Ind Adj ROA</i> | 46,336 | -0.001 | 46,336 | -0.001 | 0.000 |
| <i>Prior BHAR</i> | 46,336 | 0.062 | 46,336 | 0.061 | -0.002 |
| <i>Firm Size</i> | 46,336 | 7.189 | 46,336 | 7.130 | -0.059*** |
| <i>Market to Book ratio</i> | 46,336 | 3.288 | 46,336 | 3.435 | 0.147 |
| <i>Director Tenure</i> | 46,336 | 8.465 | 46,336 | 8.432 | -0.033 |
| <i>Director Age</i> | 46,336 | 62.555 | 46,336 | 62.537 | -0.018 |

Definitions of the variables are presented in Appendix A. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table J3: Propensity score matched sample

| Variables | (1) <i>Board Seats t+2</i> | (2) <i>Board Seats t+2</i> | (3) <i>Board Seats t+2</i> |
|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <i>Acquisition</i> | 0.085*** (3.301) | | |
| <i>Number of Acquisitions</i> | | 0.028*** (3.237) | |
| <i>Acq(+)</i> | | | 0.100*** (3.359) |
| <i>Acq(-)</i> | | | 0.115*** (3.665) |
| <i>SumCAR</i> | 0.005 (0.622) | 0.004 (0.445) | |
| <i>Diversifying</i> | 0.055** (2.079) | 0.073*** (3.093) | 0.041 (1.459) |
| <i>Yrs Since Last Acquisition</i> | -0.032*** (-6.427) | -0.030*** (-5.955) | -0.034*** (-6.790) |
| <i>Past Directorships</i> | 1.582*** (91.116) | 1.577*** (90.264) | 1.582*** (90.977) |
| <i>Ind Adj ROA</i> | 0.066 (1.026) | 0.066 (1.031) | 0.065 (1.024) |
| <i>Prior BHAR</i> | 0.023** (2.130) | 0.024** (2.209) | 0.024** (2.153) |
| <i>Firm Size</i> | 0.129*** (21.300) | 0.129*** (21.138) | 0.130*** (21.395) |
| <i>Director Tenure</i> | -0.041*** (-26.793) | -0.041*** (-26.925) | -0.041*** (-26.799) |
| <i>Director Age</i> | -0.026*** (-20.743) | -0.027*** (-20.921) | -0.026*** (-20.765) |
| Observations | 92,786 | 92,786 | 92,786 |
| Year FE | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes |
| Pseudo R ² | 0.210 | 0.210 | 0.210 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table J4: PSM using *Acq(+)* and *Acq(-)*

| Variables | (1) <i>Board Seats t+2</i> | (2) <i>Board Seats t+2</i> | (3) <i>Board Seats t+2</i> | (4) <i>Board Seats t+2</i> | (5) <i>Board Seats t+2</i> | (6) <i>Board Seats t+2</i> |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <i>Acq(+)</i> | 0.103*** (3.501) | 0.108*** (3.651) | 0.090*** (3.040) | 0.089*** (2.982) | 0.119*** (3.988) | 0.141*** (4.319) |
| <i>Acq(-)</i> | 0.130*** (4.204) | 0.129*** (4.150) | 0.114*** (3.653) | 0.114*** (3.624) | 0.126*** (4.014) | 0.156*** (4.493) |
| <i>Chair</i> | 0.019 (0.475) | 0.042 (0.654) | | | | |
| <i>Acq(+)</i> × <i>Chair</i> | | -0.079 (-0.881) | | | | |
| <i>Acq(-)</i> × <i>Chair</i> | | 0.028 (0.256) | | | | |
| <i>Lead</i> | | | -0.179*** (-4.060) | -0.185*** (-2.734) | | |
| <i>Acq(+)</i> × <i>Lead</i> | | | | 0.020 (0.211) | | |
| <i>Acq(-)</i> × <i>Lead</i> | | | | -0.007 (-0.061) | | |
| <i>Tenure Dummy</i> | | | | | 0.044 (1.437) | 0.097** (2.528) |
| <i>Acq(+)</i> × <i>Tenure Dummy</i> | | | | | | -0.073* (-1.712) |
| <i>Acq(-)</i> × <i>Tenure Dummy</i> | | | | | | -0.100** (-2.120) |
| <i>Diversifying</i> | 0.031 (1.132) | 0.031 (1.125) | 0.043 (1.549) | 0.043 (1.549) | 0.039 (1.386) | 0.038 (1.379) |
| <i>Yrs Since Last Acquisition</i> | -0.036*** (-6.940) | -0.036*** (-6.951) | -0.034*** (-6.613) | -0.034*** (-6.614) | -0.037*** (-7.260) | -0.036*** (-7.075) |
| <i>Past Directorships</i> | 1.591*** (91.199) | 1.591*** (91.211) | 1.578*** (90.532) | 1.578*** (90.529) | 1.589*** (90.909) | 1.589*** (90.951) |
| <i>Ind Adj ROA</i> | 0.056 (0.899) | 0.056 (0.906) | 0.030 (0.475) | 0.030 (0.474) | 0.077 (1.206) | 0.078 (1.227) |
| <i>Prior BHAR</i> | 0.027** (2.533) | 0.027** (2.530) | 0.033*** (3.032) | 0.033*** (3.034) | 0.034*** (3.106) | 0.034*** (3.098) |

| Variables | (1) | (2) | (3) | (4) | (5) | (6) |
|-----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | <i>Board Seats t+2</i> | <i>Board Seats t+2</i> | <i>Board Seats t+2</i> | <i>Board Seats t+2</i> | <i>Board Seats t+2</i> | <i>Board Seats t+2</i> |
| <i>Firm Size</i> | 0.127*** (20.737) | 0.127*** (20.750) | 0.127*** (20.830) | 0.127*** (20.828) | 0.132*** (21.569) | 0.132*** (21.670) |
| <i>Director</i> | -0.041*** (-26.424) | -0.041*** (-26.470) | -0.040*** (-25.934) | -0.040*** (-25.931) | -0.043*** (-18.010) | -0.043*** (-18.145) |
| <i>Director Age</i> | -0.027*** (-21.275) | -0.027*** (-21.290) | -0.027*** (-21.376) | -0.027*** (-21.375) | -0.027*** (-21.669) | -0.027*** (-21.721) |
| Observations | 92,772 | 92,772 | 92,772 | 92,772 | 92,672 | 92,672 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.210 | 0.210 | 0.209 | 0.209 | 0.210 | 0.210 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table J5: PSM using *Acquisition*

| Variables | (1) <i>Board Seats t+2</i> | (2) <i>Board Seats t+2</i> | (3) <i>Board Seats t+2</i> | (4) <i>Board Seats t+2</i> | (5) <i>Board Seats t+2</i> | (6) <i>Board Seats t+2</i> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <i>Acquisition</i> | 0.089*** (3.494) | 0.091*** (3.542) | 0.084*** (3.291) | 0.083*** (3.222) | 0.102*** (3.944) | 0.146*** (5.170) |
| <i>Chair</i> | 0.019 (0.474) | 0.036 (0.614) | | | | |
| <i>Acquisition</i> × <i>Chair</i> | | -0.033 (-0.417) | | | | |
| <i>Lead</i> | | | -0.179*** (-4.059) | -0.190*** (-3.062) | | |
| <i>Acquisition</i> × <i>Lead</i> | | | | 0.024 (0.274) | | |
| <i>Tenure Dummy</i> | | | | | 0.043 (1.413) | 0.124*** (3.378) |
| <i>Acquisition</i> × <i>Tenure Dummy</i> | | | | | | -0.143*** (-3.863) |
| <i>SumCAR</i> | 0.002 (0.270) | 0.002 (0.272) | 0.005 (0.631) | 0.005 (0.629) | 0.011 (1.230) | 0.011 (1.255) |
| <i>Diversifying</i> | 0.049* (1.868) | 0.049* (1.863) | 0.054** (2.045) | 0.054** (2.047) | 0.052* (1.959) | 0.051* (1.920) |
| <i>Yrs Since Last</i> <i>Acquisition</i> | -0.033*** (-6.562) | -0.033*** (-6.563) | -0.032*** (-6.309) | -0.032*** (-6.310) | -0.035*** (-6.854) | -0.034*** (-6.709) |
| <i>Past</i> <i>Directorships</i> | 1.592*** (91.310) | 1.592*** (91.316) | 1.579*** (90.680) | 1.579*** (90.680) | 1.590*** (91.052) | 1.591*** (91.143) |
| <i>Ind Adj ROA</i> | 0.056 (0.897) | 0.056 (0.901) | 0.030 (0.472) | 0.030 (0.470) | 0.077 (1.217) | 0.079 (1.239) |
| <i>Prior BHAR</i> | 0.027** (2.494) | 0.027** (2.490) | 0.033*** (3.001) | 0.033*** (2.998) | 0.034*** (3.067) | 0.034*** (3.063) |
| <i>Firm Size</i> | 0.126*** (20.660) | 0.126*** (20.661) | 0.127*** (20.763) | 0.127*** (20.762) | 0.131*** (21.492) | 0.133*** (21.679) |
| <i>Director</i> <i>Tenure</i> | -0.041*** (-26.415) | -0.041*** (-26.475) | -0.040*** (-25.938) | -0.040*** (-25.937) | -0.043*** (-17.999) | -0.044*** (-18.312) |
| <i>Director Age</i> | -0.027*** | -0.027*** | -0.027*** | -0.027*** | -0.027*** | -0.027*** |

| Variables | (1) <i>Board Seats t+2</i> (-21.257) | (2) <i>Board Seats t+2</i> (-21.255) | (3) <i>Board Seats t+2</i> (-21.344) | (4) <i>Board Seats t+2</i> (-21.344) | (5) <i>Board Seats t+2</i> (-21.627) | (6) <i>Board Seats t+2</i> (-21.710) |
|-----------------------|--|--|--|--|--|--|
| Observations | 92,772 | 92,772 | 92,772 | 92,772 | 92,672 | 92,672 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.210 | 0.210 | 0.209 | 0.209 | 0.210 | 0.210 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table J6: PSM using *Number of Acquisitions*

| Variables | (1) <i>Board Seats t+2</i> | (2) <i>Board Seats t+2</i> | (3) <i>Board Seats t+2</i> | (4) <i>Board Seats t+2</i> | (5) <i>Board Seats t+2</i> | (6) <i>Board Seats t+2</i> |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <i>Number of Acquisitions</i> | 0.028*** (3.339) | 0.027*** (3.173) | 0.028*** (3.381) | 0.028*** (3.301) | 0.030*** (3.577) | 0.047*** (4.598) |
| <i>Chair</i> | 0.018 (0.442) | 0.009 (0.186) | | | | |
| <i>Number of Acquisitions</i> × <i>Chair</i> | | 0.010 (0.382) | | | | |
| <i>Lead</i> | | | -0.182*** (-4.128) | -0.183*** (-3.554) | | |
| <i>Number of Acquisitions</i> × <i>Lead</i> | | | | 0.001 (0.044) | | |
| <i>Tenure Dummy</i> | | | | | 0.037 (1.204) | 0.082** (2.459) |
| <i>Number of Acquisitions</i> × <i>Tenure Dummy</i> | | | | | | -0.043*** (-3.310) |
| <i>SumCAR</i> | 0.001 (0.125) | 0.001 (0.125) | 0.004 (0.445) | 0.004 (0.444) | 0.010 (1.118) | 0.010 (1.132) |
| <i>Diversifying</i> | 0.069*** (2.964) | 0.069*** (2.969) | 0.070*** (3.012) | 0.070*** (3.012) | 0.077*** (3.278) | 0.075*** (3.209) |
| <i>Yrs Since Last Acquisition</i> | -0.030*** (-6.053) | -0.030*** (-6.051) | -0.029*** (-5.839) | -0.029*** (-5.837) | -0.032*** (-6.289) | -0.032*** (-6.318) |
| <i>Past</i> | 1.586*** (90.329) | 1.586*** (90.333) | 1.573*** (89.714) | 1.573*** (89.715) | 1.583*** (90.020) | 1.583*** (90.064) |
| <i>Directorships</i> | 0.055 (0.882) | 0.055 (0.880) | 0.030 (0.475) | 0.030 (0.475) | 0.078 (1.219) | 0.078 (1.228) |
| <i>Prior BHAR</i> | 0.028** (2.569) | 0.028** (2.574) | 0.033*** (3.057) | 0.033*** (3.057) | 0.034*** (3.132) | 0.035*** (3.140) |
| <i>Firm Size</i> | 0.126*** (20.492) | 0.126*** (20.486) | 0.126*** (20.617) | 0.126*** (20.613) | 0.131*** (21.319) | 0.132*** (21.451) |

| Variables | (1) <i>Board Seats t+2</i> | (2) <i>Board Seats t+2</i> | (3) <i>Board Seats t+2</i> | (4) <i>Board Seats t+2</i> | (5) <i>Board Seats t+2</i> | (6) <i>Board Seats t+2</i> |
|-----------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <i>Director</i> | -0.041*** | -0.041*** | -0.040*** | -0.040*** | -0.043*** | -0.043*** |
| <i>Tenure</i> | (-26.546) | (-26.553) | (-26.061) | (-26.061) | (-18.022) | (-18.212) |
| <i>Director Age</i> | -0.027*** | -0.027*** | -0.027*** | -0.027*** | -0.027*** | -0.027*** |
| | (-21.444) | (-21.448) | (-21.514) | (-21.511) | (-21.826) | (-21.905) |
| Observations | 92,772 | 92,772 | 92,772 | 92,772 | 92,672 | 92,672 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Pseudo R ² | 0.210 | 0.210 | 0.209 | 0.209 | 0.210 | 0.210 |

Definitions of the variables are presented in Appendix A. The models are estimated using ordered logistic regressions with standard errors clustered by director. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Chapter 3: The demand for directors with M&A experience

3.1 Introduction

The director labour market rewards and penalises directors based on their ability to create value for shareholders, referred to as the ex-post settling-up hypothesis (Fich & Shivdasani, 2007; Fos & Tsoutsoura, 2014; Gilson, 1990; Kaplan & Reishus, 1990; Srinivasan, 2005; Yermack, 2004). However, inconsistent with this hypothesis, Harford and Schonlau (2013) find that directors are rewarded through additional directorships even if acquisitions result in negative outcomes for shareholders. In addition, the findings reported in Chapter 2 indicate that directors receive more prestigious directorships post-acquisition regardless of the quality of their M&A experience. These findings suggest M&A experience is valued over M&A ability, since directors who engaged in poorly-performing acquisitions do not undertake better subsequent acquisitions (Field & Mkrtchyan, 2017). Consequently, this chapter addresses why and how directors with M&A experience are demanded by firms given directors with value-destroying M&A experience do not have obvious benefits for firms, and whether this sentiment is reflected by shareholders.

Accordingly, the objectives of this chapter are to explore: (i) the characteristics of firms and CEOs who appoint directors with M&A experience, (ii) the compensation paid to directors with M&A experience, and (iii) shareholder voting on the appointment of directors with M&A experience.

While prior studies have focused on how directors with M&A experience impact subsequent M&A performance, none have specifically examined why firms appoint directors with M&A experience. Chapter 2 of this thesis in part considers different types of director roles, their level of M&A experience, and their subsequent board appointments; specifically, focusing on

whether directors' levels of responsibility on boards during acquisition activities are taken into consideration in their subsequent board appointments. Surprisingly, the results show that directors who assume a higher level of responsibility are not held more accountable for value-destroying acquisitions through fewer board seats post-acquisition, compared to other directors on the board. This finding supports prior studies that ex-post settling-up in the director labour market does reflect directors' prior M&A performance (Harford & Schonlau, 2013). Accordingly, this chapter examines why ex-post settling-up does not reflect M&A performance by looking at the characteristics of firms and CEOs who appoint directors with M&A experience. More specifically, this chapter examines the association between the appointment of directors with M&A experience and: (i) the likelihood of a firm making an acquisition; (ii) whether there is a lack of M&A experienced directors on the board; and (iii) the age, power, confidence, gender and experience of the CEO.

The factors influencing the appointment of directors with M&A experience are based on resource dependence and agency theory. Resource dependence theory highlights the distinct role directors play in providing essential resources to the board of the firm; directors are recruited for their ability to enhance board performance (Hillman & Dalziel, 2003). Based on this premise, the appointment of directors with value-enhancing M&A experience stems from their proven ability to generate positive returns for shareholders in subsequent acquisitions (Field & Mkrtyan, 2017). This makes them a valuable resource to the firm, particularly if a firm is considering making an acquisition.

Agency theory states directors serve as fiduciaries of shareholders by ensuring the actions of managers serve the interests of shareholders (Fama & Jensen, 1983; Jensen & Meckling, 1976). Thus, agency theory highlights that directors should be appointed with the intention of them serving in shareholders' best interests (Fama & Jensen, 1983; Jensen & Meckling, 1976). The

appointment of ineffective directors therefore highlights potential agency concerns. For example, agreeable directors are appealing to the CEO as they facilitate CEOs' self-interest (Ellis et al., 2020). Therefore, directors with M&A experience that resulted in poor outcomes may approve the CEO's potential M&A plans. Anecdotal statements in the financial press allude to agency issues potentially driving the demand for directors with M&A experience, irrespective of their performance:

If the [director] has seriously challenged his/her present CEO's compensation or acquisition dreams, his or her candidacy will silently die. When seeking directors, CEOs don't look for pit bulls. It's the cocker spaniel that gets taken home (Knight, 2020, para. 19).

Using 12,059 US firm-year observations from 2001–2019, the findings presented in this chapter assert that a number of firm and CEO characteristics drive the demand for directors with M&A experience. In support of resource dependence theory, the appointment of directors with M&A experience is positively associated with the likelihood of a firm engaging in acquisitions and a CEOs' lack of M&A experience. The results also show that younger CEOs are more likely to appoint directors with M&A experience, supporting resource dependence and suggesting agency issues within firms. However, there is no association between the appointment of experienced directors and CEO power or gender. Against the expectations of resource dependence theory, the presence of directors with M&A experience on boards leads to a higher likelihood of the appointment of more experienced directors. This result could be due to firms viewing experienced directors as easily agreeable, causing them to appoint additional experienced directors. The findings also suggest overconfident CEOs are less likely to appoint directors with M&A experience, which is inconsistent with the expectations of agency theory.

Prior research demonstrates that a higher demand for directors with positive prior performance leads to higher director compensation (Adams & Ferreira, 2008; Deutsch, Keil, & Laamanen, 2007; Fedaseyeu et al., 2018; Ghannam et al., 2019; Lahlou & Navatte, 2017; Masulis & Mobbs, 2014; Yermack, 2004).²⁹ In terms of M&A experience, it is not obvious whether directors are offered additional compensation, especially if their experience is perceived to be negative. Therefore, to further understand the demand for directors with M&A experience, this chapter examines the effect of M&A experience on director compensation. In contrast to solely examining subsequent board appointments, compensation can provide additional insights on the demand for directors as it may be used to attract coveted directors to the board. Consequently, this analysis provides an opportunity to determine whether resource dependence and agency issues influence the compensation of appointed directors with M&A experience.³⁰

This chapter documents that directors' compensation is positively associated with their prior M&A experience. This finding suggests firms value the expertise and resources that directors with M&A experience have, leading them to offer directors higher levels of compensation in order to attract and retain them. These results are consistent with both resource dependence and agency theory. Examining this result more closely, directors with both value-enhancing and value-destroying M&A experience are compensated more highly than other directors. Combined with prior evidence, these results show that not only do directors gain additional board seats irrespective of their acquisition performance (Harford & Schonlau, 2013), they also receive higher compensation. However, the finding that directors with net value-destroying

²⁹ Prior research has briefly explored how directors' compensation incentives influence their acquisition performance and patterns (Deutsch & Ross, 2003; Lahlou & Navatte, 2017).

³⁰ From a resource dependence perspective, how much boards decide to compensate directors can be conceptualised as to how much boards value directors' capabilities (Peng et al., 2015). From an agency theory perspective, directors' post-acquisition compensation should be linked to shareholder returns and acquisition performance (Jensen & Meckling, 1976; Wright et al., 2002), but could instead be influenced by CEOs' self-serving motives.

M&A experience are even more highly compensated indicates that agency problems may be more prevalent in driving post-acquisition compensation than resource dependence.

Finally, to further examine whether the demand for directors with M&A experience is driven by resource dependence theory or agency theory, shareholder voting surrounding the appointment of directors with M&A experience is examined. While director appointments are influenced by boards and CEOs, they have clear implications for shareholders. This makes it important to understand shareholders' sentiment towards the appointment of directors with M&A experience. The sentiment of shareholders can be gauged using proxy voting during director elections.³¹ Shareholders' opinion on the appointment of directors should depend on whether they believe directors are being appointed either due to the provision of resources or because of agency issues. More specifically, shareholders voting in favour of the appointment of directors with M&A experience would provide support for resource dependence theory, while shareholder dissent can suggest agency problems. Consequently, this chapter examines whether shareholders value directors with M&A experience by looking at the shareholder voting at director elections.

This chapter reports that shareholder dissent on director elections is positively associated with directors' M&A experience. This result suggests shareholders perceive that the election of directors with M&A experience will not lead to better firm outcomes, and that such appointments may be driven by or exacerbate CEO/shareholder agency issues. Interestingly, while shareholders dissent against experienced director appointments, the quality of directors' prior M&A experience is unrelated to shareholder dissent.

³¹ Firms must now specify director experience in proxy statements, providing shareholders with better information upon which to base their votes (Field & Mkrtyan, 2017).

A number of additional tests are conducted to further substantiate the main findings of this chapter. The additional testing reveals directors with M&A experience gained from acquiring public firms are compensated more poorly than other directors. The tests also show directors with negative M&A experience gained through the acquisition of public firms, as well as directors with positive and negative experience gained through the acquisition of private firms, receive higher compensation than other directors. Additional compensation and shareholder voting tests using a restricted sample of first-time appointments yield insignificant results. However, this could be due to the small sample size. Additional testing also confirms that the shareholder voting results are not driven by the likelihood of a firm engaging in an M&A.

This chapter makes several contributions. First, prior literature and Chapter 2 demonstrate that directors with M&A experience gain additional future board seats, suggesting limited evidence of ex-post settling-up in the director labour market (Harford & Schonlau, 2013). However, to date, very little is known about the boards and CEOs that demand directors with M&A experience. In addition, it is unknown whether the demand is similar for directors with value-enhancing M&A experience and for directors with value-destroying M&A experience. Identifying where the demand for experienced directors lies, helps determine whether directors are hired based on the resources they provide or due to self-serving motives. In other words, these findings provide evidence pertinent to the perceived demand in the director labour market for M&A experienced directors by identifying the determinants of the firms and CEOs that appoint them. This chapter complements the literature focusing on what directors' acquisition experience adds to future acquisition performance and the incentives offered to directors for engaging in acquisitions (Field & Mkrtychyan, 2017; Harford & Schonlau, 2013).

Second, this chapter provides evidence on whether firms use compensation incentives to attract directors with M&A experience to the board, and if value-enhancing M&A experience results

in higher compensation. Prior studies examining post-acquisition compensation have focused on CEOs and non-CEO senior managers (Greene & Smith, 2021; Yim, 2013). In contrast, the literature examining directors' compensation surrounding acquisitions has only focused on the structure of compensation that incentivises directors to engage in acquisitions in shareholders' best interests (Lahlou & Navatte, 2017). The findings of this chapter show that directors with M&A experience are offered higher compensation regardless of the outcomes from their acquisition experience. This suggests that firms use compensation to attract directors with M&A experience, providing support for the use of both resource dependence and agency theory. These results provide support for agency theory by highlighting agency problems within firms. In other words, firms do not distinguish between the quality of directors' M&A experience. This could be due to the value that experienced directors bring to the firm or because of agency problems within the firm.

The results presented in this chapter demonstrate that shareholder voting on experienced directors is suggestive of agency issues. As shareholders usually vote in the best interest of firm performance (Cai et al., 2009), shareholder elections provide an important signal in determining the perceived value of the appointment of directors with M&A experience (Sauerwald, van Oosterhout, Van Essen, & Peng, 2018; Yermack, 2010). The findings of this chapter highlight that shareholders do not support the appointment of directors with M&A experience, irrespective of whether directors' M&A experience is value-enhancing or value-destroying. Although shareholders do not support their appointment, other findings reported in this chapter indicate that firms appoint M&A experienced directors and compensate them more generously. Consequently, shareholders' dissent surrounding the appointment of experienced directors suggests that they view their appointment as an indication of agency issues, rather than as a value-adding resource.

This chapter is structured as follows. Section 3.2 discusses the relevant literature and develops the hypotheses to be tested, and Section 3.3 details the variable definitions and models employed to test the hypotheses. Section 3.4 outlines the sample construction. Section 3.5 presents descriptive statistics and the main findings. Section 3.6 presents the results from additional analyses confirming that the findings of this chapter are robust to different variable definitions and samples. Finally, Section 3.7 concludes the chapter.

3.2 Literature review and theory development

3.2.1 The benefits of director expertise

Prior literature suggests firms benefit from director expertise acquired through prior work experience (Chen, Chen, Kang, & Peng, 2020; Dass, Kini, Nanda, Onal, & Wang, 2014; Masulis, Wang, & Xie, 2012), which could be due to directors applying more viewpoints and varied talents to board monitoring and advising activities (Adams, Akyol, & Verwijmeren, 2018; Anderson, Reeb, Upadhyay, & Zhao, 2011; Gray & Nowland, 2017).³² However, there is limited research examining director M&A expertise, why this specific experience is demanded by firms, and whether it is considered valuable by shareholders; specifically, whether the demand for M&A expertise can be attributed to resource dependence theory or agency theory, or a combination of both.

The perceived benefits of directors' M&A experience have been briefly discussed in prior literature (Custódio & Metzger, 2013; Field & Mkrtchyan, 2017; Harford & Schonlau, 2013; McDonald, Westphal, & Graebner, 2008). M&A experience is valued by the director labour

³² A board with a more diverse range of expertise has the potential to generate more effective board outcomes, including higher quality decision-making and more intense monitoring (Gray & Nowland, 2017). Director expertise is also valued by the market and investors (Defond, Hann, Xuesong, & Engel, 2005; Meyerinck, Oesch, & Schmid, 2016), reflected in positive (negative) market reactions to the appointment of accounting and financial experts (non-experts) to audit committees (Defond et al., 2005).

market more than the quality of their experience, demonstrated through directors receiving additional board seats 2 years post-acquisition for both net value-enhancing and net value-destructive acquisitions (Harford & Schonlau, 2013). The benefits and demand for positive director expertise aligns with resource dependence theory, which contends that firms use boards to manage dependencies on external organisations that control critical resources (Kaplan & Harrison, 1993).

However, while firms appropriately value M&A experience, the quality of directors' M&A experience is also important in the context of subsequent acquisition performance (Field & Mkrtchyan, 2017). Specifically, board acquisition experience is positively related to acquisition performance, but this result is driven entirely by directors with net value-enhancing experience (Field & Mkrtchyan, 2017). The appointment of directors based on M&A experience rather than outcomes may suggest agency problems, particularly when there are no explicit performance benefits, in terms of future acquisitions, that occur following their appointment.

3.2.2 Resource dependence theory perspective

Resource dependence theory examines the relationship between the board as a provider of resources, such as advice and counsel, which in turn affects firm performance (Hillman & Dalziel, 2003). This theory asserts that director appointments stem from a need for the resources and experience directors can provide. Pfeffer and Salancik (1978), the pioneers of resource dependence theory, identify four primary benefits that can be provided by boards: advice and counsel, legitimacy, channels for communicating information between the firm and external organisations, and preferential access to commitments or support from elements external to the firm (Hillman & Dalziel, 2003; Pfeffer & Salancik, 1978).

Resource dependence theory is based on the assumption that when a firm appoints an individual to the board there is the expectation that the individual will support the firm, concern themselves with its problems, present it to others, and aid the firm (Pfeffer & Salancik, 1978). In other words, the presence of board capital, such as director expertise and reputation, results in the provision of resources to the firm (Hillman & Dalziel, 2003). Consequently, board composition is an indicator of the board's ability to provide critical resources to the firm (Pfeffer, 1972), and is contingent on the firm's current strategy and prior financial performance (Pearce & Zahra, 1992). As such, this theory may provide some guidance as to why firms appoint directors with M&A experience, as they may be seen as resourceful and value-adding to the board.

Specifically, directors with M&A experience may be better advisors during the acquisition process to the extent they have the right kind of knowledge and expertise (McDonald et al., 2008). Directors obtain extensive knowledge through prior experience with acquisitions. Prior research acknowledges directors with M&A experience possess highly developed complex decision-making and problem-solving skills in their domains of expertise, and the knowledge possessed by experts allows them to be especially effective at solving complex problems. The M&A knowledge gained at other firms enhances experienced directors' abilities to successfully meet numerous challenges specific to acquisition decisions that include, but are not limited to, information overload, strict time constraints, and the need to recognise long-term strategic implications of current acquisitions (McDonald et al., 2008). Consequently, the demand for directors with M&A experience may be partially driven by resource dependence based on the skills acquired from their previous board exposure to M&A.

3.2.3 Agency theory perspective

Agency theory highlights the potential for conflicts that arise from the separation of ownership and control in organisations, and emphasises the importance of board monitoring because of the potential costs incurred when management pursues their own interests at the expense of shareholders' (Fama & Jensen, 1983; Hillman & Dalziel, 2003). Agency theory specifies mechanisms to reduce agency loss, including incentive schemes for managers which reward them financially for maximising shareholders' interests (Donaldson & Davis, 1991). In terms of director appointments, agency theory highlights that directors could be appointed to fulfil the self-serving needs of managers, and thus may not be appointed in shareholders' best interests. CEOs can use their influence subtly by nominating independent outside directors to avoid attracting attention, while still being strategic about who they nominate in terms of attributes such as expertise and skill set (Drymiotis & Sivaramakrishnan, 2021). Consequently, CEOs can affect board efficacy by strategically choosing directors with specific characteristics, such as M&A expertise, to influence the inner workings of the board (Drymiotis & Sivaramakrishnan, 2021).

In the case of acquisitions, incentive schemes for CEOs are not necessarily designed to reward them for only maximising shareholder interests. CEOs personally benefit from engaging in M&A, through heightened career and compensation outcomes regardless of the acquisition outcome (Grinstein & Hribar, 2004; Harford & Schonlau, 2013; Yim, 2013). The incentives surrounding CEOs' acquisition engagement suggest they often lack the incentive to make acquisition decisions in the best interests of shareholders, leading them to make board composition decisions supporting their self-serving motives. This pursuit of self-interest at the expense of shareholder wealth creates agency costs and may be exacerbated by the appointment of directors with M&A experience.

While the board's monitoring function refers to the responsibility of directors to monitor management on behalf of shareholders (Hillman, Withers, & Collins, 2009), CEOs may advocate for the appointment of directors with M&A experience to support them during acquisitions, even if these directors have not demonstrated strong monitoring or advising abilities. Directors with M&A experience could be viewed as more agreeable directors who approve M&A activities more easily, considering their prior support of M&As. More specifically, the CEO may view directors with value-destructive M&A experience as an indication of a poorer monitoring ability. As CEOs benefit from acquisition engagement without any apparent negative compensation or career consequences, it is possible CEOs with specific characteristics are more likely to appoint directors with M&A experience to the board, potentially creating an agency problem.

The next two sections detail the specific firm and CEO characteristics investigated in this chapter as determinants of the appointment of M&A experienced directors to the board. This discussion is grounded in both resource dependence theory and agency theory either independently or in combination.

3.2.4 Firm demand for M&A experience

Firm characteristics may influence the likelihood of experienced directors being appointed to the board. The two firm characteristics examined in this context are firms' M&A likelihood and the presence of experienced directors on the board.

Based on resource dependence, firms with a higher propensity to engage in acquisitions may be more likely to appoint M&A experienced directors to the board in an attempt to expand the knowledge and resource base of the board prior to acquisitions, avoiding deferral to outside sources for assistance. As such, firms intending to engage in acquisitions may more likely to appoint directors with M&A experience, due to the wealth of knowledge these directors bring

to the firm as well as their ability to potentially generate positive abnormal returns in subsequent acquisitions (Field & Mkrtchyan, 2017; McDonald et al., 2008). Consequently, it is expected that the likelihood of engaging in an M&A is positively associated with the appointment of directors with M&A experience.

Similarly, boards consisting of directors with no M&A experience could also be more likely to appoint M&A experienced directors to the board. Taking a resource dependence view, firms may seek to fill a gap in the skill set of the board if they lack directors with M&A expertise. Directors with a specific subset of experience, M&A experience in this instance, are useful even beyond their area of expertise, due to their ability to sift through information (McDonald et al., 2008). Thus, it is predicted that firms without acquisition experience on the board are more likely to appoint directors with M&A experience in order to benefit from their complex decision-making skills.

Alternatively, it is possible that firms with an abundance of directors with M&A experience want to hire more directors with M&A experience. Prior research suggests CEOs favour a board that is easily influenced, which is indicative of agency problems within a firm. For example, CEOs may prefer captured boards where directors are reliant on management for the information necessary for them to accomplish their role (Nili & Kastiel, 2017). Similarly, CEOs may co-opt the board by appointing new directors who are sympathetic toward them and favour directors who share similar views to them (Coles, Daniel, & Naveen, 2014; Hwang & Kim, 2009). This results in a board that is more loyal and will be more likely to respond to the CEO's requests. As this evidence substantiates that CEOs prefer agreeable directors, CEOs may seek to appoint directors with M&A experience as these directors may be less likely to block large capital expenditures. Anecdotal evidence supports this notion, suggesting M&A experience indicates an agreeable director; specifically, CEOs looking for a director will ask

the director's current CEO if they are a 'good director', noting 'good' is a code word for someone who has not "seriously challenged his/her present CEO's compensation or acquisition dreams" (Knight, 2020, para. 18). Based on the above discussion, it is hypothesised that:

Hypothesis 1: There is an association between the appointment of directors with M&A experience and firm characteristics.

3.2.5 CEO demand for M&A experience

CEO characteristics may also impact the likelihood of M&A experienced director appointments, either due to resource dependencies or the presence of agency issues. The association between director appointments and inexperienced CEOs is discussed in terms of resource dependence. Agency theory is used to explain the potential association between director appointments and CEO hubris (overconfidence), age, gender, and power.

CEO (in)experience

CEOs' own prior M&A experience (or lack thereof) may be a determinant in the appointment of directors with M&A experience. From a resource dependence perspective, CEOs without any prior M&A experience may seek additional resources (directors) to assist them with firm functions, especially as boards of directors provide an advisory function and enable firms to minimise dependence on others (Hillman et al., 2009). As the presence of directors with prior M&A experience on the board increases firms' subsequent acquisition performance (Field & Mkrtchyan, 2017), CEOs considering acquisition engagement who do not have any prior experience may be more likely to appoint directors with M&A experience. This could be due to CEOs believing directors with M&A experience are able to positively contribute their knowledge during acquisition periods. Thus, directors experienced in M&A may be useful resources for inexperienced CEOs, even beyond future M&A ventures. Accordingly, it is

predicted that CEOs with no M&A experience are more likely to appoint directors with M&A experience.

CEO hubris

CEO hubris may be another factor driving the appointment of directors with M&A experience, due to agency issues causing a misalignment between shareholders' interests and overconfident CEOs' goals. Hubristic CEOs can have detrimental effects on firm performance and can cause significant agency issues. Overconfident CEOs have a strong conviction they can do no wrong and believe they are acting in the best interests of shareholders, even when engaging in value-destroying activities (Malmendier & Tate, 2008; Park, Kim, Chang, Lee, & Sung, 2018). They also tend to overestimate their capabilities, such as their ability to create value; as a result, hubristic CEOs overestimate the returns they can generate in their own firm and by acquiring other firms (Hiller & Hambrick, 2005; Malmendier & Tate, 2008). This is reiterated as the odds of making an acquisition are 65% higher if the CEO is overconfident, and the market reaction to acquisitions is significantly more negative for overconfident CEOs compared to other CEOs (Malmendier & Tate, 2008). Overconfident CEOs likely to engage in acquisitions may be more likely to appoint directors with M&A experience, as they may believe their appointment may help facilitate the acquisition. Thus, it is predicted that CEO overconfidence is positively related to the appointment of directors with M&A experience.

CEO age

Younger CEOs may exhibit a higher tendency to demand directors with M&A experience, especially as they may have more incentives to engage in acquisitions early on in their career. Specifically, CEOs are presented with strong financial incentives to pursue risky and potentially value-destructive activities earlier in their careers as they have longer career horizons to benefit from gaining acquisition experience (Andreou, Louca, & Petrou, 2017;

Yim, 2013). This is further evident as acquiring CEOs' acquisition engagement is followed by large, permanent increases in compensation, as well as large bonuses irrespective of deal performance (Grinstein & Hribar, 2004; Yim, 2013). As M&A engagement is usually not beneficial to shareholders (Morck et al., 1990), and younger CEOs have more incentives to engage in acquisitions, agency problems may be present. Consequently, it is expected that there is a negative association between CEO age and the appointment of directors with M&A experience.

CEO gender

Prior studies suggest the gender of the director influences firm performance and corporate choices. Specifically, firms run by female CEOs exhibit superior performance to otherwise similar firms run by male CEOs, as female-run firms have lower leverage, less volatile earnings, and a higher chance of survival (Faccio, Marchica, & Mura, 2016). Female CEOs are also more risk averse in the corporate environment, demonstrated through transitions from male to female CEOs leading to reductions in corporate risk-taking (Faccio et al., 2016). In terms of acquisitions, firms with female directors are less likely to make acquisitions, and if they do, pay lower bid premia (Levi, Li, & Zhang, 2014). In summary, male CEOs and directors are more likely to pursue risky firm activities such as acquisitions in comparison to their female counterparts. Thus, a positive association between male CEOs and the appointment of M&A experienced directors is expected.

CEO power

Powerful CEOs may also be more likely to appoint directors with M&A experience to the board, due to a mismatch between CEO incentives and shareholders' interests arising from agency issues, and a powerful CEO's ability to influence the board. Prior research highlights that powerful CEOs refrain from appointing directors who have superior monitoring abilities,

proxied by whether the director has been involved in a prior CEO dismissal (Ellis et al., 2020). In other words, powerful CEOs seek friendly directors who do not threaten their position within the firm. This demonstrates that, although prohibited, powerful CEOs have indirect influence in the appointment process and do not support the appointment of strong monitors. This may indicate a higher likelihood of appointing directors with M&A experience as these directors are viewed as obedient (Knight, 2020). A reluctance to withdraw M&A deals following negative shareholder reactions suggest the actions of powerful CEOs do not reflect shareholders' interests (Gong & Guo, 2014), and aligns with the fact they receive long-term rewards for M&A completion. Taken together, powerful CEOs may view M&A experienced directors as facilitating future acquisitions. Thus, there is expected to be a positive association between the appointment of experienced directors and CEO power.

Taking into consideration the resources directors with M&A experience provide to CEOs, along with the self-serving motives they may help the CEO pursue, it is formally hypothesised that:

Hypothesis 2: There is an association between the appointment of directors with M&A experience and CEO characteristics.

3.2.6 Firm and CEO demand for poor M&A experience

As mentioned above, boards and CEOs may hold the belief that directors with M&A experience bring invaluable knowledge and skills to the firm regardless of the quality of the acquisition. Firms that are more likely to engage in acquisitions, firms that have no M&A experienced directors, and CEOs that have no prior M&A experience, are expected to be more likely to appoint directors with M&A experience to the board. Given this, firms and CEOs with these characteristics may not distinguish between the quality of acquisitions when appointing directors to the board. Thus, firms and CEOs may be more inclined to hire directors irrespective

of their prior M&A performance as they perceive the skills gained can be applied to other aspects of the board, rather than focusing on their assistance with future M&A performance alone.

Examining the quality of M&A experience in relation to agency theory, overconfident CEOs, male CEOs, younger CEOs and powerful CEOs may be more inclined to appoint directors with value-destroying acquisition experience. This is because CEOs may support the appointment of directors who may be more agreeable, thus influencing the inner workings of the board (Drymiotis & Sivaramakrishnan, 2021). Younger CEOs, overconfident CEOs, male CEOs and powerful CEOs may also view value-destroying experience as evidence that a director is willing to support acquisitions even if they know it is not in shareholders' best interests. This is based on CEOs being more likely to pursue acquisitions early in their careers due to empire building and permanent compensation increases (Yim, 2013), as well as overconfident and male CEOs being more likely to engage in acquisitions (Levi et al., 2014; Malmendier & Tate, 2008). In addition, powerful CEOs may also hold this view and choose to pursue the appointment of directors with value-destructive M&A experience, especially as powerful CEOs are more reluctant to withdraw from M&A deals following negative announcement market reactions (Gong & Guo, 2014) and are more likely to undertake acquisitions (Dutta, MacAulay, & Saadi, 2011).

Based on the above, the question of whether the demand for directors with M&A experience differs based on the quality of directors' prior M&A experience remains unresolved. This chapter provides evidence relevant to answering this empirical question.

3.2.7 M&A experience and compensation incentives

As previously mentioned, Harford and Schonlau (2013) report a higher demand for directors with M&A experience, measured through additional directorships being offered to directors post-acquisition.

Director compensation is an alternative measure to determine the extent to which directors are demanded by firms. Prior literature highlights how skilled directors are more highly compensated by firms due to a higher demand for them in the director labour market. For example, firms provide higher levels of compensation to qualified directors as they usually take on more board functions (Fedaseyeu et al., 2018; Linck, Netter, & Yang, 2009). Similarly, qualified and experienced directors are rewarded with higher compensation to join boards of fraudulent firms (Ghannam et al., 2019).

Following on from the discussion in Section 3.2.2 and Section 3.2.3, the demand for directors stems from two theoretical perspectives: resource dependence theory and agency theory. Demand for directors with M&A experience could be driven by a desire to have the best resources possible at the board of the firm. Director compensation can therefore be conceptualised as a valuation process of directors' human capital relative to board needs (Peng, Sun, & Markóczy, 2015). Firms may be willing to compensate M&A experienced directors more highly if they view this experience as a way of increasing boards' human capital. This is the case for senior managers and acquisition experience: total compensation is higher after gaining acquisition experience (Greene & Smith, 2021).

Boards and CEOs also seek directors with M&A experience as they are perceived to be acquiescent, potentially resulting in increased agency problems. Following on from the discussion in Section 3.2.5 above, M&A experienced directors are seen to be agreeable; prior research highlights CEOs may be more likely to appoint directors considered to be agreeable

(Ellis et al., 2020). CEOs can also demand and strategically choose directors with specific characteristics, such as expertise, to affect board efficacy (Drymiotes & Sivaramakrishnan, 2021). Consequently, managers' self-serving motives may cause them to offer higher compensation to directors with M&A experience in order to attract them to the board.

Based on the demand for directors with M&A experience being potentially driven by resource dependence and agency theory, it is hypothesised that:

Hypothesis 3a: There is a positive association between directors' M&A experience and compensation.

Prior evidence suggests directors with M&A experience receive additional directorships but they do not learn equally from their experience; boards with directors with net value-enhancing experience have higher announcement returns for subsequent acquisitions (Field & Mkrtychyan, 2017). However, the director labour market does not reprimand directors for value-destroying experience, as they are also rewarded for acquisitions that destroy shareholder wealth. Assuming an agency view, the compensation incentives offered to directors post-acquisition may reflect the same sentiment. If managers view directors with M&A experience as agreeable, they may not distinguish between the quality of directors' M&A experience when they are being appointed to the board. As prior research indicates directors are attracted to firms by additional compensation (Ghannam et al., 2019), firms may use additional compensation to attract directors with net value-enhancing and net value-destroying acquisition experience to the board. Directors with M&A experience are clearly demanded in the director labour market after gaining their acquisition experience (Harford & Schonlau, 2013).

Firms may not distinguish between the quality of directors' M&A experience when awarding post-acquisition compensation due to resource dependence. In particular, directors gain knowledge during the M&A process considered valuable even outside the scope of assisting in

future acquisitions. As such, directors with M&A experience could be beneficial additions to the board of any organisation even if their M&A performance was poor, as directors are likely to acquire more extensive and better organised knowledge leading to better decision-making (McDonald et al., 2008). This results in the following hypothesis:

Hypothesis 3b: Directors with both net value-enhancing M&A experience and net value-destroying M&A experience are offered higher compensation incentives post-M&A.

3.2.8 M&A experience and shareholder voting

Solely investigating the relationship between board and firm demand provides an incomplete picture of the value of directors – and in particular does not distinguish between appointments due to resource dependence or agency theory. Proxy voting is another indicator of the demand and value of directors from the alternative perspective of shareholders. Shareholders' main representation within firms are the board of directors (Goranova & Ryan, 2014); as such, director elections are the main channel for shareholders to make changes in boards (Aggarwal, Dahiya, & Prabhala, 2019). Shareholders can vote against directors during director elections to signal their disapproval; this has proven useful as, while not compulsory, dissent votes are responded to through changes in the board reflective of shareholders' views (Cai et al., 2009; Iliev, Lins, Miller, & Roth, 2015). For example, directors facing shareholder dissent are more likely to depart boards, or be moved to less prominent positions on boards if they do not depart

(Aggarwal et al., 2019).³³ Therefore, shareholder voting is a potentially useful corporate governance mechanism to identify and address agency costs (Sauerwald et al., 2018).³⁴

Shareholder actions have power and often result in consequences for directors (Aggarwal et al., 2019; Fos & Tsoutsoura, 2014). Given the appointment of directors with M&A experience does not add obvious value to the board, with only positive director M&A experience leading to better returns for acquiring firms (Field & Mkrtychyan, 2017), it is unclear how shareholders respond to the appointment of experienced directors.

In terms of shareholder voting, the perception of shareholders regarding the appointment of directors with M&A experience is likely to coincide with agency and resource dependence theory, discussed in Section 3.2.2 and Section 3.2.3 in detail. On one hand, assuming a resource dependence perspective, shareholders may view the appointment of directors with M&A experience to the board as an indication that managers are increasing their resource and knowledge base. As some studies show experienced directors value-add through the knowledge gained in acquisitions (Greene & Smith, 2021; McDonald et al., 2008), it is possible shareholders recognise the benefits of their increased human capital and support them during director elections.

³³ The departure of a director is more likely to occur especially if the director is not the lead director or chair of a committee (Aggarwal et al., 2019). Similarly, directors who are named when investors sue firms for fraud receive significantly more negative votes from shareholders compared to directors in a benchmark sample, and are also more likely than other directors to leave sued firms (Brochet & Srinivasan, 2014). These studies complement the finding that shareholder proxy contests have significant adverse effects on the careers of incumbent directors. Following a proxy contest, directors experience a significant decline in the number of directorships not only in the targeted company, but also in other non-targeted companies (Fos & Tsoutsoura, 2014).

³⁴ Although there are certain benefits of strong shareholder voting rights, there are some drawbacks to voting. Shareholders may lack specific firm information that managers have, causing shareholder votes to differ from managers' choices who have access to better information (Yermack, 2010). Managers facing frequent shareholder votes may invest a lot of time in short-term policies appealing to shareholders, thus compromising the firm's long-term performance and interests (Karpoff & Rice, 1989). In addition, because shareholders bear the full costs of dissenting but experience only a fraction of its benefits, they lack the incentives to effectively use their voting rights to push back against management (Shleifer & Vishny, 1986).

On the other hand, shareholders may view the appointment of experienced directors as a signal of agency problems within the board. Proxy voting is an essential tool as it assists in combating agency problems (Li, Liu, & Wu, 2018). If shareholders believe managers are advocating for the appointment of directors due to self-serving motives, they may vote against them in a bid to hinder their appointment to the board. This view is supported by anecdotal evidence that suggests directors with M&A experience are more compliant, acquiescing to the CEO's agenda which may not be in favour of shareholders' interests (Knight, 2020). In addition, shareholders may recognise that just because directors possess valuable expertise and information, does not necessarily mean they will use these resources to benefit the firm (Hillman & Dalziel, 2003).

Given the conflicting predictions in the above discussion, the following hypothesis is stated without a directional prediction:

Hypothesis 4a: There is an association between shareholders' dissent at director elections and directors' M&A experience.

In other contexts, when directors perform poorly, they are more likely to receive negative votes from shareholders. For example, directors who are named when firms are sued for fraud are more likely to receive negative votes from shareholders (Brochet & Srinivasan, 2014). However, in the post-M&A context, directors with net value-destroying M&A experience receive directorships even though they do not add value to firms, as directors with poor experience do not generate positive returns for shareholders in subsequent acquisitions (Field & Mkrtchyan, 2017).

Resource dependence and agency theory may assist in disentangling the appointment of experienced directors further, in terms of M&A quality, from a shareholder perspective. If shareholders view experienced director appointments from a resource dependence perspective and value the skills gained based on experience alone, they would not distinguish between

directors based on the quality of their experience when hiring them. Alternatively, if shareholders believe there are agency issues present, they may express their disapproval by voting against the appointment of M&A experienced directors. Shareholders would therefore view managers appointing value-destroying directors as an indication of board ineffectiveness. Thus, shareholders may oppose the appointment of directors with poor M&A experience as they are not value-adding, and express this through dissent voting. Once again, due to the conflicting predictions of agency and resource dependence theory, it is hypothesised:

Hypothesis 4b: There is an association between shareholders' dissent at director elections and the quality of directors' M&A experience.

3.3 Research design

3.3.1 Demand for directors with M&A experience

To determine whether firm and CEO characteristics affect the likelihood of appointing an outside director with M&A experience (Hypothesis 1 and Hypothesis 2), the following logit model is estimated at the firm level:

$$\begin{aligned}
 M\&A\ Appointment = \alpha + \beta_1 M\&A\ Likelihood + \beta_2 \% \text{ with } M\&A\ Experience + \beta_3 CEO\ Age + \\
 &\beta_4 CEO\ Power + \beta_5 CEO\ Holder\ 67 + \beta_6 Male\ CEO + \beta_7 CEO\ Novice + \\
 &\beta_8 Control\ Variables + \varepsilon_i
 \end{aligned} \tag{1}$$

Multiple samples are employed to test Hypothesis 1 and Hypothesis 2: the full sample, a sample of firm-years where a director appointment occurred, and a sample restricted to firm-years without directors with M&A experience in year $t-1$.³⁵ The dependent variable, *M&A*

³⁵ The full sample is tested using three variations of fixed effects: (1) industry and year fixed effects; (2) firm fixed effects; and (3) random fixed effects. The tests are also conducted with the exclusion of all fixed effects as

Appointment, is equal to one if a firm appoints an outside director with M&A experience in year t . An outside director is considered to have M&A experience if they have been involved in an acquisition outside the principal firm in the past 10 years. Acquisition experience gained outside the principal firm isolates the experience of directors from that of the firm and the CEO. However, a separate control variable is included which captures the principal firm's acquisition experience.

In order to test whether the appointment of directors with M&A experience is associated with the likelihood a firm engages in acquisitions, this chapter follows Tunyi (2021) who estimates bid likelihood. Tunyi (2021) estimates each firm's likelihood of initiating a takeover bid in period t as a function of its observable characteristics in period $t-1$, to ensure the estimation is free from hindsight and uses only information available to the market at the end of each year. At the start of year $t+1$ (January 1), participants input this data into an already derived model (model coefficients) to identify the firms that are most likely to make bids over the year ($t+1$), and the performance of this portfolio can then be assessed at the end of year $t+1$. The regression model for deriving the model coefficients is the following logit model:

$$Bid_{it} = \frac{1}{1+e^{-z_{it-1}}} \quad (2)$$

where *Bid* is an indicator variable equal to one when a firm makes a control bid in year t , and zero otherwise.

Bids from year t are matched to observable firm characteristics in year $t-1$ to address reverse causality, as successful bids may lead to substantial changes in the acquiring firm's

prior research establishes that including high-dimensional fixed effects can lead to falsely estimating a causal effect when one does not exist (Jennings, Kim, Lee, & Taylor, 2020).

characteristics in year t (Tunyi, 2021).³⁶ A vector of firm characteristics in the previous period are included in Model (2) as control variables.

Profitability is defined as the ratio of earnings before interest and tax, to total capital employed. *Tobin's Q* is the sum of the book value of debt and the market value of equity, scaled by the book value of assets. *Sales Growth* is the percent change in total sales. *Liquidity* is the ratio of cash and short-term investments to total assets. *Leverage* is the ratio of long-term debt to total assets. *Disturbance* is an indicator variable equal to one if a firm is in an industry (determined by the 4-digit SIC code) which has experienced an M&A deal in the previous year. *Firm Size (Sq)* is the natural logarithm of total assets (squared). *Free Cash Flow* is the cash flow from operations less capital expenditures normalised by total assets. *Tangible Assets* is the ratio of property, plant and equipment to total assets. *Firm Age* is the natural logarithm of the number of years since the firm listed. Finally, *Industry Concentration* is the sum of the squared market shares (proxied by total revenues) of all listed firms in the 4-digit SIC code industry. Tunyi (2021) provides a detailed rationale for the inclusion of the firm and deal characteristics. The coefficients from Model (2) are applied to estimate acquisition likelihood. The estimation of *M&A Likelihood* is then applied in Model (1).

To determine whether firms with directors with M&A experience are more likely to appoint one, *% with M&A Experience* is included, identifying the percentage of directors on the board of a firm with M&A experience in year $t-1$.

Following Yim (2013), in order to examine the relation between CEO age and the probability of hiring a director with M&A experience, *CEO Age* is used as the variable of interest, and is a continuous variable denoting the CEO's age in years. *CEO Power* is included in Model (1)

³⁶ The prediction model run to calculate bid predictions is tabulated in Appendix B, and results are reported in Table B1.

to investigate whether powerful CEOs are more likely to appoint directors with M&A experience to the board. Based on the power measure designed by Lisic, Neal, Zhang and Zhang (2016), a summary measure of CEO power is constructed using seven CEO characteristics that capture four dimensions of CEO power: structural power, ownership power, expert power, and prestige power. The proxies of CEO power are detailed in the variable definitions table (Table A1 in the Appendix). Any continuous variables among the proxies for CEO power are converted into indicator variables, by coding values above the industry-year median as one, and zero otherwise. The values of all dichotomous variables are summed to create an index (*CEO Power*) to measure overall CEO power. Theoretically, *CEO Power* ranges from 0 (the lowest CEO power) to 7 (the highest CEO power).³⁷ The predicted sign for *CEO Power* is positive, as it is expected CEO-friendly directors are more likely to be hired by firms with powerful CEOs.

To determine whether overconfident CEOs are more likely to hire directors with M&A experience, this study uses options-based measures of overconfidence. Options-based measures of overconfidence discern if CEOs' personal wealth is under-diversified, with their human capital being tied to the firm. Consequently, rational CEOs would exercise their options when they vest, whereas overconfident CEOs may hold options for an extended period, in particular deep-in-the-money options (Banerjee, Humphery-Jenner, Nanda, & Tham, 2018). One interpretation of why some CEOs persistently fail to exercise deep in-the-money vested options is overconfidence, as they may overestimate the firm's future returns.

³⁷ Lisic et al. (2016) constructs a CEO power measure using ten CEO characteristics: the seven that are detailed in Table A1 in the Appendix along with relative compensation, ownership power and non-profit board memberships. However, in the interest of keeping observations, these variables have been excluded as the data available is scarce.

Confidence is measured as the “average value per option/average strike price”, where the average value per option is the total value of the CEO’s option holdings (ExecuComp: opt_unex_exer_val) scaled by the number of such options (ExecuComp: opt_unex_exer_num). The average strike price is the firm’s stock price at the end of the fiscal year (Compustat: prcc_f) less the value per option. *CEO Holder 67* is constructed from the *Confidence* variable and is an indicator variable equal to one if the *Confidence* variable is at least 0.67 on two or more occasions (this indicator equals one the first time *Confidence* is at least 0.67). *CEO Holder 67* classifies CEOs as overconfident if they refrain from exercising deep-in-the-money options, which is 67% in-the-money in this case (Banerjee et al., 2018; Malmendier, Tate, & Yan, 2011).

Male CEO is used to investigate whether male CEOs are more likely to appoint directors with M&A experience to the board. *Male CEO* is an indicator variable equal to one if the CEO is male, and zero otherwise. Finally, to investigate whether CEOs with no prior acquisition experience are more likely to appoint directors with M&A experience to the board, variable *CEO Novice* is used, which is an indicator variable equal to one if the CEO has not engaged in a large acquisition (over \$50 million) in the past 10 years, and zero otherwise.³⁸

To examine whether CEOs and firms with certain characteristics demand directors with poorer acquisition experience, an alternative dependent variable is employed in Model (1) with the independent variables detailed above. As some CEOs may prefer to have lower levels of monitoring, it is expected these CEOs would be more likely to appoint directors who undertook value-destroying acquisitions as these directors are potentially perceived as poorer monitors. As such, *Negative M&A Appointment* is defined as an indicator variable equal to one if the firm appoints an outside director with net value-destructive M&A experience to the board.

³⁸ As in Chapter 2, all monetary values are reported in US dollars.

Directors' M&A experience is considered to be value-destroying if the sum of the cumulative abnormal returns of the director's previous acquisitions over the past 10 years are negative.

The following firm characteristics are included in the estimation of Model (1). *Leverage* is defined above. $\ln(\text{Firm Size})$ is the natural logarithm of the book value of total assets. *MTB* is also controlled for and is defined as the firm's market value of equity at the end of the fiscal year scaled by the book value of equity. *Firm M&A Experience* is the cumulative number of acquisitions conducted by the firm in the past 10 years. *M&A Director Departure* is an indicator variable equal to one if a director with M&A experience departed from the board in year $t-1$, and zero otherwise.

Multiple corporate governance controls are also included in the models. $\ln(\text{Board Size})$ is the natural logarithm of the number of directors on the board in year $t-1$, while *Board Independence* is the percentage of directors who are unaffiliated with the firm beyond their directorship in year $t-1$. *Classified Board* is an indicator variable that equals one if the firm had a classified board in year $t-1$, and zero otherwise.³⁹ To establish whether the supply of directors with M&A experience has an effect on their appointment, *Proximity of M&A Directors* is used as a variable to control for the supply of experienced directors, defined as the density of directors with M&A experience within a 50-mile radius of the firm's headquarters.

Finally, a number of director experience and quality controls are also included in the tests. The variable *% with Financial Expertise* is the percentage of directors who have been employed in the financial services industry, in a finance-related role (Accountant, Chief Financial Officer, Treasurer, or Vice President of Finance), or in a top-tier auditing firm; *% with Executive Expertise* is the percentage of directors who have held a manager position at another firm; and

³⁹ A classified board is a structure for a firm's board of directors where some directors serve for different term lengths.

% Busy Directors is the percentage of directors who serve on three or more boards. All director experience and quality control variables are in year $t-1$.

3.3.2 M&A experience and compensation incentives

This section investigates whether directors with M&A experience are rewarded with different levels of compensation compared with directors without M&A experience, and uses the following ordinary least squares model to test Hypothesis 3a and 3b at the director level:

$$\begin{aligned} \ln(\text{Total Compensation}) = & \alpha + \beta_1(\text{M\&A Experience/SumCAR/Positive SumCAR/Negative} \\ & \text{SumCAR/Positive M\&A Experience/Negative M\&A Experience}) + \\ & \beta_j \text{Control Variables} + \varepsilon_i \end{aligned} \quad (3)$$

In this model, the dependent variable is $\ln(\text{Total Compensation})$. This variable is measured as the natural logarithm of the total compensation of outside directors, which includes cash, stock, stock options, pensions, non-equity incentives and “other”. The variable of interest to test Hypothesis 3a is *M&A Experience*, defined as the number of acquisitions a director has participated in outside the principal firm in the past 10 years.⁴⁰

To determine whether the quality of directors’ M&A experience affects their total compensation (Hypothesis 3b), multiple variables of interest are employed. *SumCAR* is the sum of the cumulative abnormal returns of the acquisitions conducted by an outside director in the past 10 years. This is based on a 3-day CAR calculated using a standard market-adjusted

⁴⁰ Additional testing is conducted using a sample of observations of directors’ first appointments to the board and, following Ghannam et al. (2019), the dependent variable used in these tests is $\ln(\text{Pay Per Day})$. This is calculated as the natural logarithm of the total compensation of outside directors divided by the number of calendar days a director is present on the board. This variable is employed in order to deal with the issue of directors that join the board during the fiscal year spending less time on the board, which affects their overall compensation for the year. This makes it incomparable to the compensation of directors that have been present on the board for the entire fiscal year or directors that joined the board earlier.

return model, where the abnormal return is calculated as the difference between a firm return and the value-weighted market index return. *Positive SumCAR* (*Negative SumCAR*) is the sum of all the positive (negative) CAR of acquisitions undertaken by an outside director in the past 10 years. *Positive M&A Experience* (*Negative M&A Experience*) is an indicator variable equal to one if the sum of the CAR of the acquisitions conducted by an outside director in the past 10 years is positive (negative), and zero otherwise.

Model (3) is used to test Hypothesis 3a and 3b, employing two different samples of outside directors – a full sample of director-firm-years, and a subsample of only directors with M&A experience – to determine whether directors' M&A performance affects their compensation.

Some of the control variables used to test Hypothesis 3a and 3b remain consistent with those discussed in Section 3.3.1. *MTB*, *Leverage*, *Ln(Firm Size)*, *Board Size*, *Board Independence*, *Firm M&A Experience* and *Classified Board* are all included in the compensation tests and are defined in Section 3.3.1. In addition to these controls, *Duality*, *Stock Return*, *ROA*, *ROA(t-1)*, *Loss*, *Financial Expertise*, *Director Age*, *Director Tenure*, *Audit Committee Member*, *Compensation Committee Member* and *Nomination Committee Member* are included as control variables. *Duality* is an indicator variable equal to one if the CEO of the firm is also the Chair of the Board, and zero otherwise. *Stock Return* is the difference between the buy-and-hold stock return from month -14 to month -3 relative to the month of the year end and the analogously defined buy-and-hold stock return on the value-weighted CRSP index. *ROA* (*ROA(t-1)*) is a firm's operating income before depreciation divided by their total assets in year *t* (year *t-1*). *Loss* is an indicator variable equal to one if a firm's income before extraordinary items is negative, and zero otherwise. *Financial Expertise* is an indicator variable equal to one if the director has been employed in the financial services industry, in a finance-related role, or in a top-tier auditing firm. *Director Age* is the age of the director, and *Director Tenure* is the

amount of time the director has been present on the board. Finally, *Audit/Compensation/Nomination Committee Member* is an indicator variable equal to one if the director is a member of the audit/compensation/nomination committee.

3.3.3 M&A experience and shareholder voting

To examine whether shareholder voting is associated with the appointment of directors with M&A experience (Hypothesis 4a and 4b), the following OLS model is used:

$$\%Dissent = \alpha + \beta_1(M\&A\ Experience/SumCAR/Positive\ SumCAR/Negative\ SumCAR/Positive\ M\&A\ Experience/Negative\ M\&A\ Experience) + \beta_2Control\ Variables + \varepsilon_i \quad (4)$$

There are usually three voting choices for each director nominee in a proxy voting ballot in uncontested director elections; for, against and abstain. Following Aggarwal et al. (2019), the dependent variable *%Dissent* is estimated for each director at a firm and is calculated as:

$$\%Dissent = \frac{(Voted\ against + Voted\ abstain)}{(Voted\ for + Voted\ against + Voted\ abstain)}$$

The independent variable of interest for Hypothesis 4a is *M&A Experience* and is defined above. The variables *SumCAR*, *Positive SumCAR*, *Negative SumCAR*, *Positive M&A Experience*, and *Negative M&A Experience*, as defined in Section 3.3.2, are included to identify whether shareholders are more likely to dissent when a director with value-destroying acquisition experience is appointed to the board (Hypothesis 4b).

Following Cai et al. (2009) and Aggarwal et al. (2019), a control variable is included in the shareholder voting tests based on the recommendation from the proxy advisory firm Institutional Shareholder Services (ISS) for the nominated directors in an election. *ISS Against* is an indicator variable equal to one if ISS recommends withhold, against or no for a particular

director, and zero otherwise.⁴¹ *Institutional Ownership* is the fraction of outstanding shares held by institutional owners as reported in the Schedule 13F filings. *Attended <75% of meetings* is an indicator variable equal to one if a director attends less than 75% of board meetings held, and zero otherwise. *Stock Ownership* is the percent of stock owned by a director. *Busy Director* is an indicator variable equal to one if a director has three or more board positions in year $t-1$, and zero otherwise. *Incumbent Director* is an indicator variable equal to one if the director was not first appointed to the board in the current year, and zero otherwise. Finally, *Female* is an indicator variable equal to one if the director is female, and zero otherwise. All other control variables included are consistent with those employed in tests in Section 3.3.2.

3.4 Sample construction

BoardEx provides the corporate governance data for the sample from 2001 to 2019. The sample begins in 2001 as BoardEx data prior to this is not comprehensive. Firms' financial information is obtained from Compustat, and CEO and director compensation data is extracted from ExecuComp and Incentive Lab. Hypothesis 1 and Hypothesis 2 are tested using a firm-year panel. The sample for the compensation tests begins in 2006 and ends in 2019. Prior to 2006, public firms were not required to provide information on the compensation of each individual board member, and most firms did not disclose the dollar value of director equity awards and the basic terms of these awards (Ghannam et al., 2019).⁴² Voting outcomes for proposals listed on proxy statements are obtained from the ISS "Voting Analytics" database, and the sample includes all director election proposals from January 2003 to December 2019. The M&A data

⁴¹ Following Cai et al. (2009), as the average ISS recommendation is a function of firm performance and governance characteristics already included in the regressions, a regression model of the average ISS recommendation based on performance and governance characteristics is estimated. The residuals from this model are used as the ISS variable in untabulated additional tests, in place of *ISS Against*. The results remain the same regardless of the iteration of ISS recommendation used.

⁴² This was a result of the SEC adopting Rule 33-8732A in 2006, which enhanced disclosure on equity awards and required public firms to disclose details on all components of director compensation for each individual board member.

used in this chapter is obtained from the Securities Data Company's (SDC) database, and the acquisitions included in the sample are those that have been announced between 2001 and 2019. The acquirers included are publicly listed US firms targeting public or private US and non-US firms. The standard filters used in the literature are applied, consistent with those used in Chapter 2. Financial services (SIC codes 6000–6999) and utilities (SIC codes 4800–4999) are excluded from the sample, following prior literature. Directors' meeting attendance has been sourced from ISS "Directors" and "Directors Legacy" databases. Cumulative abnormal returns are sourced from CRSP, through "WRDS Event Study". Finally, Institutional Ownership data has been obtained from CRSP. All directors identified as executives are excluded to focus on outside directors. Hypothesis 3 and Hypothesis 4 are tested using the director-firm-year panel. Table 1 Panel A and Panel B present the sample construction.

[Insert Table 1 Panel A here]

[Insert Table 1 Panel B here]

3.5 Empirical results

3.5.1 Descriptive statistics

Panels A to C of Table 2 present the descriptive statistics for the variables used in univariate and multivariate testing. All continuous financial variables are winsorized at the 1 percentile and 99 percentile to reduce the effect of potential outliers. The natural logarithm has been applied to *Proximity of M&A Directors*, *Total Compensation*, *Firm Size* and *Board Size* in order to achieve a normalised distribution, and the unlogged variables have also been included in the descriptive statistics.

[Insert Table 2 Panel A here]

Table 2 Panel A reports the descriptive statistics for the variables used in Hypothesis 1 and Hypothesis 2. In Table 2 Panel A, approximately 43% of firms in the sample appointed an outside director to the board in year t (*Director Appointment*). On average, 0.13 are *M&A Appointment*, highlighting that 13% of firms in the sample appointed an outside director with M&A experience to the board in year t . Further, 22% of directors on the board have M&A experience which was gained outside the principal firm in year $t-1$ (*% with M&A Experience*).

The descriptive statistics for the CEO characteristics reported in this chapter are largely consistent with those reported in prior literature. CEOs in the sample are 56.28 years old on average, consistent with Jenter and Lewellen (2015) and Yim (2013) who report means of 54.1 and 55.2 respectively. Approximately 44% of CEOs within the sample are overconfident, as identified by the mean of 0.44 on variable *CEO Holder 67*. This is marginally lower than prior research, which reports that overconfident CEOs comprise approximately 50% of the sample (Banerjee et al., 2018). Approximately 96% of CEOs are male (*Male CEO*), and 23% of CEOs have no prior acquisition experience (*CEO Novice*). The average *MTB* of 3.12 is also consistent with prior studies (Banerjee et al., 2018; Field & Mkrtychan, 2017; Yim, 2013). The average firm in the sample has undertaken approximately 2.33 acquisitions in the past 10 years (*Firm M&A Experience*).

Table 2 Panel B reports descriptive statistics for the variables used in Hypothesis 3. Directors receive annual compensation of \$219,540 on average, which is comparable to prior literature (Ghannam et al., 2019). Further, 39% of directors in the sample have engaged in an M&A in the past 10 years (*M&A Experience (indicator)*). Approximately 17% of directors have net value-destroying M&A experience (*Negative M&A Experience*). Approximately 37% of directors are members of the audit committee, while 36% are compensation committee members, and 37% are members of the nomination committee.

[Insert Table 2 Panel B here]

Table 2 Panel C reports descriptive statistics for the variables used in Hypothesis 4. The average dissent for a director is 4.21% (*%Dissent*), consistent with prior literature (Aggarwal et al., 2019). The mean of 0.05 on *ISS Against* shows the ISS recommended to withhold votes, vote against, or vote no for 5% of directors, consistent with prior research (Aggarwal et al., 2019). The mean holdings of institutional investors is 81% (*Institutional Ownership*), slightly higher than the mean of 72.83% reported in prior research (Aggarwal et al., 2019).

[Insert Table 2 Panel C here]

3.5.2 Correlation matrix

Table 3 Panel A displays the pairwise correlations for all variables used in Hypothesis 1 and Hypothesis 2. *M&A Appointment* has significant and positive correlations with some of the variables of interest: *M&A Likelihood* (0.034), % with *M&A Experience* (0.22) and *CEO Novice* (0.083). The correlations between *M&A Appointment* and *CEO Age* (−0.04) and *CEO Holder 67* (−0.044) are negative and significant. These correlations are consistent with the hypotheses, with the exception of *CEO Holder 67*, where a positive and significant correlation was expected.

[Insert Table 3 Panel A here]

M&A Appointment is significantly and positively correlated with *Ln(Firm Size)*. The correlation between *M&A Appointment* and *CEO Power* is negative but insignificant, while the correlation between *M&A Appointment* and *CEO Male* is positive but insignificant. These correlations are inconsistent with expectations. As expected, there is a positive and significant correlation between *M&A Appointment* and *M&A Director Departure* (0.177).

Table 3 Panel B displays the pairwise correlations for all variables used in Hypothesis 3 and Hypothesis 4. There is a positive and significant correlation between *Total Compensation* and *M&A Experience*, as predicted (0.079), although the correlation is relatively low. This may provide initial support for Hypothesis 3 which predicts M&A experience positively affects directors' total compensation level. *Total Compensation* has a positive and significant correlation with *Ln(Firm Size)* (0.483). The correlation between *%Dissent* and *M&A Experience* is significant and positive at the 1% level (0.024). *%Dissent* is positively and significantly correlated with *ISS Against* and the correlation for these two variables is relatively high (0.752), which is also in line with expectations and consistent with prior studies (Aggarwal et al., 2019). The correlations between *%Dissent* and *Audit/Compensation/Nomination Committee Member* are consistent with the correlations reported in Aggarwal et al. (2019).

[Insert Table 3 Panel B here]

Similarly, *M&A Experience* is highly correlated with *Positive SumCAR* and *Negative SumCAR* (0.869 and 0.819 respectively), which again is to be expected, as *Positive SumCAR* and *Negative SumCAR* are alternative proxies for directors' M&A experience.⁴³

3.5.3 Univariate analysis

Table 4 Panel A and Table 4 Panel B present a univariate analysis for Hypothesis 1 and Hypothesis 2, split between firms that appoint directors with M&A experience (*M&A Appointment* = 1) and those that do not (*M&A Appointment* = 0). Panel A reports a univariate analysis for the full sample and Panel B reports the analysis for a sample restricted to director appointments.

⁴³ The VIF is measured when running the regressions to address multicollinearity concerns.

The univariate analysis using the full sample indicates *M&A Likelihood*, *% with M&A Experience*, *CEO Age*, *CEO Holder 67* and *CEO Novice* are statistically different between firms that appoint directors with M&A experience (*M&A Appointment* = 1) and firms that do not (*M&A Appointment* = 0). Specifically, firms with a higher propensity to engage in acquisitions are more likely to appoint directors with M&A experience to the board (*M&A Likelihood*), along with firms that already have directors with M&A experience present on the board (*% with M&A Experience*), and firms with a CEO who does not have prior M&A experience (*CEO Novice*). In addition, the univariate results also demonstrate younger CEOs (*CEO Age*) and less overconfident CEOs (*CEO Holder 67*) are more likely to appoint directors with M&A experience to the board. The univariate results provide initial support for the predictions in Section 3.2, with the exception of *CEO Holder 67*, which is the opposite of expectations, and *CEO Power* and *CEO Male*, which have insignificant differences in means.

[Insert Table 4 Panel A here]

The univariate statistics also indicate that firms where a director with M&A experience departed in year $t-1$ are more likely to appoint a director with M&A experience to the board in year t (*M&A Director Departure*). Larger firms ($\ln(\text{Firm Size})$), firms with more acquisition experience (*Firm M&A Experience*), larger boards ($\ln(\text{Board Size})$), more independent boards (*Board Independence*), and busier boards (*% Busy Directors*) are also more likely to appoint directors with M&A experience to the board. The results from the univariate analysis using the director appointment sample in Table 4 Panel B are largely consistent with the analysis reported in Table 4 Panel A.

[Insert Table 4 Panel B here]

Table 4 Panel C presents a univariate analysis of the sample for Hypothesis 3 and Hypothesis 4 split between directors who have obtained M&A experience outside the principal firm in the

past 10 years (*M&A Experience* = 1) and those that have not (*M&A Experience* = 0). First, directors with M&A experience receive higher compensation than outside directors without M&A experience, as indicated by the difference in means for *Total Compensation*, again lending initial support to the notion that directors with M&A experience are compensated more generously. Specifically, directors with M&A experience receive total average compensation of \$231,626, while directors without prior M&A experience receive on average \$211,819. This difference of \$19,806 is statistically significant at the 1% level. However, the difference in means for *%Dissent* is statistically insignificant, illustrating shareholders do not abstain or vote against directors with M&A experience more than other directors. While the difference in means for *%Dissent* is insignificant, the negative and significant difference in means for *ISS Against* suggests the ISS is less likely to recommend withholding votes or voting against a director with M&A experience. Directors with M&A experience have shorter tenure (*Director Tenure*), are older (*Director Age*), and are more likely to have financial expertise (*Financial Expertise*). They are, however, less likely to be members of the audit (*Audit Committee Member*) or nomination committees (*Nomination Committee Member*).

[Insert Table 4 Panel C here]

3.5.4 Discussion of findings

Firm and CEO demand for directors with M&A experience

Table 5 presents the results examining whether firm and CEO characteristics drive the demand for directors with M&A experience. Hypothesis 1 and Hypothesis 2 are tested using the full

sample⁴⁴, a sample restricted to director appointment years, and a sample restricted to firms without directors with M&A experience in year $t-1$.⁴⁵

The firm and board characteristics used in Table 5 provide support for Hypothesis 1. Specifically, firms with a higher propensity to make acquisitions and firms with M&A experienced directors are more likely to appoint directors with M&A experience to the board. The results for *M&A Likelihood* are positive and significant at the 5% level in Column (1), and at the 1% level in Columns (3), (4) and (5), supporting the conjecture that firms with a higher likelihood of engaging in M&A are also more likely to appoint directors with M&A experience to the board. Specifically, for the full sample, when the likelihood of a firm engaging in an acquisition deviates from the mean to one standard deviation away from the mean, the likelihood of appointing a director with M&A experience increases by 28%.⁴⁶ Consistent with resource dependence theory, this finding suggests firms appoint M&A experienced directors to the board as they may provide assistance in future acquisitions.

Boards with a higher percentage of directors with M&A experience are also more likely to appoint additional directors with M&A experience to the board, as highlighted by the positive and significant coefficients on Columns (1), (3) and (4), consistent with Hypothesis 1. This is not the case in Column (2), as the coefficient on *% with M&A Experience* is negative and

⁴⁴ Column (1) reports the results of the full sample using industry and year fixed effects, Column (2) reports the results of the full sample using firm and year fixed effects, and Column (3) reports the results of the full sample using random fixed effects. Column (2) has fewer observations than Column (1) and Column (3) as all firms that have no variation in the dependent variable are eliminated from the firm fixed effects regression.

⁴⁵ Column (2) reports results using firm and year fixed effects. There is no constant reported here as when results are run using a fixed effects model, everything that is constant within a panel unit gets eliminated from the regression model. The constant is fixed within a panel unit and therefore does not contribute to the parameter estimation. The Pseudo R^2 for the random effects model in Column (3) is calculated using McKelvey & Zavoina's R^2 using package "r2_mz" from SSC in Stata.

⁴⁶ Following Coles, Daniel and Naveen (2014), all marginal effects reported in Section 3.5.4 (Firm and CEO demand for directors with M&A experience) are calculated by using the "margins" function in Stata which correctly computes the marginal effects in nonlinear models, as there is no ready economic interpretation of coefficients in nonlinear regressions.

significant when using firm fixed effects. However, the majority of results suggest firms believe M&A experienced directors are more easily influenced and agreeable compared to other directors, causing them to appoint additional M&A experienced directors. Thus, this finding also provides some support for the presence of agency problems with regards to the appointment of directors with M&A experience. Specifically, the likelihood of the board appointing a director with M&A experience increases by 85% when *% with M&A Experience* deviates from the mean to one standard deviation away from the mean.

Most CEO characteristics are also significantly associated with the appointment of directors with M&A experience. While there is no notable association between powerful CEOs (*CEO Power*) and the appointment of directors with M&A experience (*M&A Appointment*), CEO age, overconfidence, gender and prior M&A experience are associated with the likelihood of a board appointing directors with M&A experience. The negative and significant coefficients for *CEO Age* in Columns (1), (2), (3) and (5) suggest younger CEOs have a higher probability of appointing directors with M&A experience to the board. In terms of the marginal effect, there is a 0.13% decrease in the probability of a director with M&A experience being appointed to the board for a one unit increase in *CEO Age*, holding all other variables at their mean values. Considering that firms with a higher likelihood of engaging in an M&A appoint M&A experienced directors to the board (as demonstrated through the positive and significant coefficient on *M&A Likelihood*), the finding that younger CEOs have a higher probability of appointing directors with M&A experience to the board is consistent with prior research which reports younger CEOs are more likely to engage in acquisitions as they benefit more from empire building and increased compensation (Yim, 2013). Thus, this finding supports the idea that directors with M&A experience may be appointed to the board due to agency issues within firms.

The negative and significant coefficients for *CEO Holder 67* in Table 5 Columns (1), (2), (3) and (4) demonstrate directors with M&A experience are less likely to be demanded by overconfident CEOs. This is inconsistent with expectations and indicates that the probability of the board appointing directors with M&A experience decreases by 2.19% when the CEO is overconfident. This result could suggest overconfident CEOs believe they do not need assistance from directors with M&A experience. Specifically, during M&A transactions, overconfident CEOs may dismiss the idea of input from M&A experts.

Consistent with expectations, CEOs without M&A experience are more likely to appoint directors with M&A experience to the board. The probability of the board appointing directors with M&A experience increases by 3.99% when the CEO has no prior M&A experience (*CEO Novice*). This suggests CEOs lacking M&A experience seek and value the resources and expertise directors with M&A experience possess. Finally, the coefficient on *Male CEO* is negative and significant in Column (5), indicating male CEOs are less likely to appoint directors with M&A experience to the board. This is inconsistent with expectations and is only present when the sample is restricted to firms without experienced directors in year $t-1$.

[Insert Table 5 here]

Table 6 reports the results examining whether directors with poor M&A experience are hired over those with value-enhancing M&A experience. While the results in Table 5 identify the determinants of firms and CEOs who appoint directors based on their general M&A expertise, Table 6 isolates whether the quality of directors' prior M&A experience is also a factor affecting their appointment to the board. In terms of firm characteristics, firms with a higher percentage of directors with M&A experience (*% with M&A Experience*) are more likely to appoint poorly-performing directors to the board (with the exception of the results reported in Column (2)). In terms of CEO characteristics, overconfident CEOs (*CEO Holder 67*) are less

likely to appoint directors with poor M&A experience to the board, while inexperienced CEOs (*CEO Novice*) are more likely to appoint directors with poor M&A experience to the board. A variable capturing the nearby availability of directors with M&A experience is included to eliminate the potential this result could be attributed to a supply effect (*Ln(Proximity of M&A Directors)*).

[Insert Table 6 here]

Multiple control variables are significant in explaining the appointment of directors with M&A experience. Across most of the columns in Table 5, the likelihood of directors with M&A experience being appointed increases as the amount of M&A experience firms have in the past 10 years increases (*Firm M&A Experience*). Larger firms (*Ln(Firm Size)*) are more likely to appoint directors with M&A experience. However, interestingly, firms with larger boards (*Ln(Board Size)*) are less likely to appoint these directors. Intuitively, the likelihood of a director with M&A experience being appointed is higher when a director with M&A experience departs from the firm (*M&A Director Departure*). Finally, firms with a higher percentage of busy directors are less likely to appoint directors with M&A experience to the board (*% Busy Directors*). The results reported in Table 5 and Table 6 are robust, indicated by the results remaining consistent even when controlling for CEO turnover. Specifically, untabulated additional tests include an indicator variable identifying if there was a CEO change.

M&A experience and compensation incentives

Table 7 and Table 8 present the results examining whether directors' M&A experience affects their compensation levels. The findings in these tables are presented for the full sample, the

full sample including firm fixed effects, and a sample of only directors with M&A experience.⁴⁷ Overall, the results show directors' M&A experience positively and significantly affects the total compensation they receive for their subsequent directorships.

[Insert Table 7 here]

Column (1) of Table 7 reports the results for the full sample of directors with M&A experience, while Column (4) reports the results for the full sample while including a variable to measure the quality of directors' M&A experience (*SumCAR*). The positive and significant coefficients of *M&A Experience* in Column (1) and Column (4) suggest directors are rewarded with higher compensation for having engaged in prior acquisitions and is consistent with the predictions of Hypothesis 3a. In terms of economic significance, when an outside director engages in one additional M&A transaction, their compensation increases by 1.4% and 1.5% respectively.⁴⁸ While the results suggest directors' M&A experience positively affects their compensation levels, the insignificant coefficients on *SumCAR* in Columns (4) to (6) of Table 7 suggest the quality of directors' prior acquisition experience has no influence on the level of compensation they receive. However, the coefficients for *M&A Experience* remain positive and significant at the 1% level in Columns (4) to (6) even when *SumCAR* is included as an additional variable of interest.⁴⁹

Table 8 further examines the relationship between the quality of directors' prior acquisition experience and their compensation levels. Columns (4) to (6) break down *SumCAR* into

⁴⁷ Additional tests including director fixed effects are conducted and the results are reported in Table II in Appendix I.

⁴⁸ The economic significance of the coefficient of a logarithm is calculated by exponentiating the coefficient on *M&A Experience*, subtracting one, and finally multiplying this number by 100.

⁴⁹ Prior research establishes that including high-dimensional fixed effects can lead researchers to falsely estimate a causal effect when one does not exist (Jennings et al., 2020). Consequently, untabulated tests excluding year and industry fixed effects are conducted for Hypothesis 3 and the results remain consistent.

Positive SumCAR and *Negative SumCAR*, and the results across all samples show directors who have net negative acquisition experience are rewarded through higher compensation. Columns (7) to (9) use *Positive M&A Experience* and *Negative M&A Experience* to proxy for the quality of directors' M&A experience. These variables are defined as indicator variables equal to one if the sum of the CAR of directors' past acquisitions are positive or negative, respectively. Using these measures, it seems directors are rewarded through additional compensation for both value-enhancing and value-destroying acquisition experience in the full sample with and without firm fixed effects, as indicated by the positive and significant coefficients on *Positive M&A Experience* and *Negative M&A Experience*.

The result that directors with value-destroying M&A experience are more highly compensated than their counterparts with value-enhancing experience provides evidence of the presence of potential agency problems during the appointment and compensation of these directors. The higher compensation of M&A experienced directors in general may be attributed to the fact that boards compensate directors for the additional resources they provide to the firm in terms of their experience. For example, providing skills that are transferrable beyond only being used during M&As. However, the fact that firms are willing to pay directors with value-destroying experience more is perplexing as they do not have anything additional to offer the firm with regards to subsequent acquisition performance compared with directors with value-enhancing experience.⁵⁰

It is important to explore other factors that may explain why directors with value-destroying experience may receive higher compensation. The result that directors are rewarded through higher compensation for having value-destructive M&A experience could be due to them

⁵⁰ Additional tests including director fixed effects are conducted and the results are tabulated in Columns 3 to 5 of Table II in Appendix I.

potentially having engaged in acquisitions where the target is a public firm. The acquisition of private firms are generally value-increasing while the acquisition of public firms are more likely to be wealth destroying (Fuller, Netter, & Stegemoller, 2002). Consequently, it is possible directors are rewarded not for the acquisition performance but for the nature of the deal they were involved in. However, additional tests determined this is not the case.⁵¹

[Insert Table 8 here]

Multiple control variables help explain directors' compensation. *Duality* is negative and significant across all columns, highlighting that directors receive lower compensation when they preside on the board of firms where the CEO is also the Chair, consistent with the results reported in Fedaseyeu et al. (2018). However, directors on more independent boards receive higher compensation (as denoted by the positive and significant coefficient on *Board Independence*). Consistent with prior literature, the coefficient on *Ln(Firm Size)* is positive and significant, demonstrating directors appointed to the boards of larger firms are more highly compensated (Ghannam et al., 2019). The coefficients on *Director Tenure* are positive and significant in all columns, revealing directors who are on the board for a longer period of time are rewarded through higher compensation. The coefficients on *Financial Expertise* are positive and significant in all columns, meaning directors with financial expertise receive higher compensation. Consistent with prior literature, the coefficients on *Compensation Committee Member* and *Nomination Committee Member* are positive and significant in Columns (1) and (4) of Table 7 and Columns (1), (4) and (7) of Table 8, suggesting directors receive higher compensation if they are a member of the compensation or nomination committee (Farrell, Friesen, & Hersch, 2008; Ryan & Wiggins, 2004). This result is most likely

⁵¹ This concept is tested in additional testing and the results are discussed in Section 3.6.1.

due to approximately 75% of firms paying additional fees to directors for attending committee meetings (Ryan & Wiggins, 2004).

M&A experience and shareholder voting

Table 9 and Table 10 present results examining whether shareholder dissent is influenced by directors' M&A experience, and additionally whether the quality of M&A experience obtained by directors affects shareholder voting. The results in Table 9 and Table 10 are reported for the full sample, the full sample using firm fixed effects, and a sample consisting of only directors with M&A experience.⁵² Overall, the results suggest shareholders vote against the appointment and reappointment of directors with M&A experience.

The coefficients on *M&A Experience* are positive and statistically significant in all columns of Table 9, with the exception of Column (6), indicating shareholders are more likely to vote against directors with M&A experience. This suggests that while boards appear to consider M&A experience valuable through higher compensation, shareholders do not hold it in the same regard. Specifically, for a one unit increase in M&A experience, directors experience an 0.048% increase in shareholder dissent within the full sample, as reported in Column (1). Within the firm fixed effects sample, when an outside director has engaged in one additional M&A transaction, shareholder dissent increases by 0.069% (Column (2)), and within the M&A subsample, for a one unit increase in M&A experience, directors experience a 0.051% increase in shareholder dissent (Column (3)).⁵³

⁵² Additional tests including director fixed effects are conducted and the results are reported in Table I2 in Appendix I.

⁵³ Untabulated tests for Hypothesis 4 were conducted excluding year and industry fixed effects and the results remain consistent. These tests were conducted to ensure the inclusion of fixed effects was not falsely estimating a causal effect that did not exist (Jennings et al., 2020).

The finding that shareholders vote against directors with M&A experience suggests they may perceive their appointment as an indication of agency issues within the firm. Furthermore, they may be correct in their perceptions, as firms compensate directors with value-destroying experience more generously than directors with value-enhancing experience. Thus, whether or not agency issues are present, shareholders view the appointment of M&A experienced directors as a signal of agency problems.

[Insert Table 9 here]

Table 10 presents the results examining whether shareholder voting varies based on the quality of directors' M&A experience. Columns (1) to (3) use *SumCAR* as a measure of the quality of directors' prior M&A experience, while Columns (4) to (6) use *Positive SumCAR* and *Negative SumCAR*, and Columns (7) to (9) use *Positive M&A Experience* and *Negative M&A Experience*. The coefficients on all the variables of interest in Table 10 are largely insignificant, with the exception of Column (5) and Column (8). The insignificant coefficients prove that while shareholders vote against directors with M&A experience, they do not distinguish between the quality of that experience. This reinforces the idea that shareholders do not value the acquisition experience gained by directors, even if they are proven to be high performers. The results in Column (5) and Column (8) provide some evidence suggesting shareholders dissent against value-destroying directors marginally more compared with value-enhancing directors.⁵⁴

[Insert Table 10 here]

⁵⁴ Additional tests including director fixed effects are conducted and the results are tabulated in Columns 3 to 5 of Table I2 in Appendix I.

A number of control variables help explain shareholders' dissent. *ISS Against* is positive and significant across all columns, consistent with the notion shareholders are guided by the recommendations provided by ISS in regard to director voting. This result is consistent with results reported in Cai et al. (2009). Similarly, *Director Tenure* is positive and significant across all columns, suggesting shareholders vote against directors who have been on the board for a longer period of time and are thus more likely to be entrenched. Shareholder dissent decreases when directors preside on larger boards, as denoted by the negative and significant coefficients on *Ln(Board Size)* in Columns (1), (3), (4) and (6) of Table 9 and Columns (1), (3), (4), (6), (7) and (9) of Table 10. When the director is on a classified board, shareholder dissent increases as indicated by the positive and significant coefficients on *Classified Board* in all columns of Table 9 and Table 10. When the director is on the board of a firm that has engaged in an acquisition within the past 10 years, shareholders also vote against them, as demonstrated by the positive and significant coefficients on *Firm M&A Experience* in Column (1) and Column (4) of Table 9 and Columns (1), (4) and (7) of Table 10. Within the full sample without firm fixed effects, shareholder dissent increases as institutional ownership increases (*Institutional Ownership*), consistent with results reported in other studies (Cai et al., 2009). However, when firm fixed effects are included, the coefficient on *Institutional Ownership* is negative and significant. Interestingly, shareholders are also more likely to vote against directors who are members of the compensation committee, as demonstrated by the positive and significant coefficients on *Compensation Committee Member* in all columns of Table 9 and Table 10. Within the M&A subsample in Column (3) and Column (6) of Table 9 and Columns (3), (6) and (9) of Table 10, the negative and significant coefficients for *Audit Committee Member* suggest shareholders are less likely to vote against directors who are a part of the audit committee.

3.6 Additional analysis

Additional tests were conducted to confirm the validity of the main findings. The results of the additional tests are presented in Appendices A to H.

3.6.1 Public target vs. private target acquisition experience

When compensating a director, their M&A experience may be considered more favourably for a public acquisition than for a private acquisition. This is because acquirers are more likely to buy private targets located in the same industry, while acquirers are more likely to buy public targets when they expand into other industries (Capron & Shen, 2007). In addition, larger acquisitions usually associated with public targets are more complex and tend to lead to more value-destroying outcomes for shareholders than small acquisitions. This could help explain why directors who have been involved in value-destroying M&A receive higher levels of compensation.

To determine whether the result that directors with net negative acquisition experience are rewarded with higher compensation is due to them engaging in larger acquisitions, M&A experience is separated into experience gained through public target acquisitions and experience gained through private target acquisitions. The coefficients on *SumCAR (Public targets)* in Column (2) and Column (3) of Table C1 are negative and significant, indicating directors with M&A experience in acquiring public targets receive less compensation than other directors. However, Column (4) of Table C1 demonstrates that directors with negative M&A experience gained through the acquisition of public targets (*Negative M&A Experience (Public targets)*), as well as directors with positive and negative experience gained through the acquisition of private targets (*Positive M&A Experience (Private targets)* and *Negative M&A Experience (Private targets)*) receive higher compensation than other directors. These are consistent with the results in Column (5).

[Insert Table C1 here]

3.6.2 First-time appointments

Additional analyses restricting the sample to the first-time appointment of directors is conducted to identify whether experienced directors benefit more in terms of compensation compared to other directors who received first-time board appointments. Table D1 examines the association between directors' M&A experience and their compensation, but the sample is restricted to the year in which they were first appointed to the firm. To address the issue that directors' overall compensation may be affected by them joining in the middle of the fiscal year and spending less time on the board, the dependent variable used in these tests is $\ln(\text{Pay Per Day})$. Following Ghannam et al. (2019), this variable is the natural logarithm of the total compensation of directors divided by the total number of calendar days a director is present on the board. The results presented in Table D1 show directors with M&A experience are not offered higher compensation relative to other directors when they first join the board. However, the results from these tests should be treated with caution due to the small sample size.

[Insert Table D1 here]

Table D2 reports the association between directors' M&A experience and shareholder dissent, examining whether shareholders support the initial appointment of M&A experienced directors. The coefficients for *M&A Experience*, *SumCAR*, *Positive SumCAR*, *Negative SumCAR*, *Positive M&A Experience*, and *Negative M&A Experience* are all insignificant. When directors are first appointed to the board, their M&A experience does not drive shareholder dissent. Consequently, shareholders only dissent when directors have been on the board for a longer period of time. Again, this result should be interpreted cautiously due to the small sample size.

[Insert Table D2 here]

3.6.3 Controlling for M&A likelihood in shareholder voting tests

The result that shareholders are more likely to vote against M&A experienced directors may work in tandem with the finding for *M&A Likelihood*. The results discussed in Section 3.5.4 (Firm and CEO demand for directors with M&A experience) illustrate that firms more likely to engage in acquisitions are more likely to appoint directors with M&A experience. Managers and directors have many incentives to engage in takeovers as they are usually beneficial to management and the board (Harford & Schonlau, 2013; Malmendier & Tate, 2008; Yim, 2013). However, as acquisitions are generally value-destructive for shareholders as they often generate negative returns (Bradley, Desai, & Kim, 1988; Roll, 1986), it is intuitive that shareholders would resist the appointment of directors with M&A experience. Shareholders may anticipate that the appointment of a director with M&A experience indicates an imminent takeover, which would perhaps lead to shareholder wealth destruction as M&A activity is perceived as a risky strategy. Consequently, this may explain why boards are enthusiastic in hiring and compensating directors with M&A experience, while shareholders vote against their appointment.

Table E1 and Table E2 test for this by controlling for *M&A Likelihood* in shareholder voting tests. However, results remain consistent even with the inclusion of *M&A Likelihood* as a control variable. This test assists in alleviating the concern that results are driven by firms' intention to engage in M&A activities which are perceived as a risky strategy by shareholders.

[Insert Table E1 here]

[Insert Table E2 here]

3.6.4 Descriptive statistics examining directors' compensation

Descriptive statistics are reported to alleviate the possibility all directors are compensated equally within a firm, and that the effect being observed is due to varying levels of compensation between firms rather than varying levels of compensation due to directors having M&A experience. The average difference in compensation between directors at the same firm is calculated, as well as the standard deviation of the average difference in compensation between directors at the same firm. The mean difference in *Total Compensation* between directors is \$138,540. This suggests directors within a firm are compensated according to the varying levels of talent, expertise and responsibility they have, rather than being compensated at a standard rate.

[Insert Table F1 here]

3.6.5 Including directors' general experience as a control variable

Additional control variables are included in supplementary testing to ensure the results are not driven by directors' general experience as outside directors. This test is undertaken as it is possible that the results are capturing the benefits of general director experience, rather than specifically director M&A experience. Directors' general experience is proxied using *Ln(NED Experience)*, measured as the natural logarithm of the total number of years a director has held a position as an outside director since their first appointment.

The results presented in Tables G1 to G4 confirm the results are not capturing directors' general experience and can still be attributed to directors' M&A experience gained over the past 10 years. Specifically, the results presented in Table G1 and Table G3 are positive and significant, indicating firms compensate directors with M&A experience more highly while shareholders

vote against them, even with the inclusion of $\ln(NED\ Experience)$ as a control variable. The results in Table G2 and Table G4 are also consistent with those reported in the main findings.

[Insert Table G1 here]

[Insert Table G2 here]

[Insert Table G3 here]

[Insert Table G4 here]

In addition to controlling for directors' general experience, untabulated additional tests demonstrate that the compensation and dissent results remain consistent when controlling for CEO turnover. Specifically, an indicator variable was included identifying if there was a change in CEO (*CEO Change*).

3.6.6 Sample excluding directors with only one directorship

Tests are also conducted using a subsample of only outside directors who hold more than one directorship. *M&A Experience* is calculated as the number of acquisitions undertaken by a director outside the principal firm in the past 10 years to isolate the effect of M&A experience to the director rather than the CEO or firm. The way in which this is measured means any director with only one directorship will be, by default, considered inexperienced in terms of M&A. Thus, this test removes these directors from the sample. The findings reported in Table H1 and Table H2 show the results are robust, even when limiting the sample to directors with more than one directorship.

[Insert Table H1 here]

[Insert Table H2 here]

3.7 Conclusion

This chapter uses resource dependence theory and agency theory to examine the factors that drive the appointment of directors with M&A experience, how shareholders vote when they are appointed to the board, and whether directors with M&A experience receive higher compensation. The findings of this chapter indicate that, while firms and CEOs appoint and compensate experienced directors due to resource dependence and agency issues, shareholders believe their appointment signals agency issues within the firm.

Based on a sample of US firms from 2001 to 2019, certain firm and CEO characteristics drive the demand for directors with M&A experience. The appointment of directors with M&A experience is positively associated with the likelihood of firms engaging in M&A, and with the presence of directors with M&A experience on the board. In terms of CEO characteristics, CEOs are more likely to appoint directors with M&A experience if they have limited M&A experience themselves. However, the likelihood of appointing directors with M&A experience is lower in firms with older CEOs and less confident CEOs. This reinforces the idea that CEOs are more likely to undertake empire-building activities when they are younger (Yim, 2013).

Tests using a sample of US directors from 2006 to 2019 show firms demand directors with M&A experience as they provide them with higher compensation than other directors. The results also highlight that compensation committees do not distinguish between M&A quality, demonstrating that in the case of acquisitions, there are no labour market or compensation ex-post settling-up incentives. Therefore, as reported in Chapter 2, in addition to directors receiving additional board seats that are also more prestigious post-acquisition irrespective of their M&A performance (Harford & Schonlau, 2013), they also receive higher pay. Overall, these results provide support for directors with M&A experience being appointed for reasons of both resource dependence and agency theory.

However, based on a sample of director elections in the US from 2003 to 2019, shareholders vote against the appointment of directors with M&A experience. Consistent with agency theory, this signals that shareholders do not perceive any benefits from the appointment of directors with M&A experience, which is controversial given firms and CEOs exhibit such a high demand for them. The insignificant results when examining the quality of directors' M&A experience provides evidence that shareholders are not concerned by the quality of appointed directors' experience; they merely view the appointment of experienced directors as a poor decision.

This chapter makes several contributions to the academic literature. Examining firm and CEO determinants of the appointment of directors with M&A experience increases the overall understanding of the demand that exists in the director labour market in regard to directors with M&A experience. Identifying where the demand for experienced directors originates provides an explanation as to whether experienced directors are hired based on the resources they provide or due to agency problems. In addition, this chapter highlights that compensation is used as a measure of director demand, and consequently, firms use compensation to attract M&A experienced directors to their board. This finding adds to the prior literature indicating firms compensate directors more highly based on their experience and qualifications (Fedaseyeu et al., 2018; Ghannam et al., 2019).

This chapter also creates an interesting tension between firms and shareholders. From the results, it is evident shareholders do not think boards are acting in their best interests when appointing directors with M&A experience. Specifically, while firms view directors with M&A experience as resourceful, value-adding assets, shareholders do not have the same perceptions. These findings add to the corporate governance literature by further highlighting how shareholder voting can highlight and address agency issues (Sauerwald et al., 2018).

Main Tables

Table 1: Sample construction

Panel A: Sample construction for firm level analyses

| | Hypothesis 1 and 2 sample (director appointments) |
|--|--|
| Firm-years present in Compustat from 2001–2019 | 19,424 |
| <i>Less deletions:</i> | |
| Observations with missing control variables | (7,365) |
| Total usable observations | 12,059 |

Panel B: Sample construction for director level analyses

| | Hypothesis 3 sample (compensation) | Hypothesis 4 sample (shareholder voting) |
|---|---------------------------------------|---|
| Director-firm-years present in BoardEx from 2001–2019 | 80,522 | 74,250 |
| <i>Less deletions:</i> | | |
| Observations with missing control variables | (23,342) | (30,981) |
| Total usable observations | 57,180 | 43,269 |

Table 2: Descriptive statistics**Panel A: Descriptive statistics for Hypothesis 1 and 2**

| Variable | Observations | Mean | Median | SD | 25 th percentile | 75 th percentile |
|---|--------------|----------|----------|-----------|-----------------------------|-----------------------------|
| <i>Director Appointment</i> | 12,059 | 0.43 | 0.00 | 0.49 | 0.00 | 1.00 |
| <i>M&A Appointment</i> | 12,059 | 0.13 | 0.00 | 0.33 | 0.00 | 0.00 |
| <i>M&A Likelihood</i> | 12,059 | 0.11 | 0.10 | 0.04 | 0.08 | 0.13 |
| <i>% with M&A Experience</i> | 12,059 | 0.22 | 0.20 | 0.22 | 0.00 | 0.38 |
| <i>Ln(Proximity of M&A Directors)</i> | 12,059 | 5.93 | 6.19 | 1.33 | 5.06 | 6.86 |
| <i>CEO Age</i> | 12,059 | 56.28 | 56.00 | 7.29 | 51.00 | 61.00 |
| <i>CEO Power</i> | 12,059 | 3.02 | 3.00 | 1.41 | 2.00 | 4.00 |
| <i>CEO Holder 67</i> | 12,059 | 0.44 | 0.00 | 0.50 | 0.00 | 1.00 |
| <i>Male CEO</i> | 12,059 | 0.96 | 1.00 | 0.19 | 1.00 | 1.00 |
| <i>CEO Novice</i> | 12,059 | 0.23 | 0.00 | 0.42 | 0.00 | 0.00 |
| <i>MTB</i> | 12,059 | 3.12 | 2.41 | 6.80 | 1.51 | 3.88 |
| <i>Leverage</i> | 12,059 | 0.55 | 0.32 | 1.88 | 0.01 | 0.71 |
| <i>Firm Size</i> | 12,059 | 6,295.30 | 1,737.60 | 15,334.13 | 677.61 | 4,967.03 |
| <i>Ln(Firm Size)</i> | 12,059 | 7.55 | 7.46 | 1.50 | 6.52 | 8.51 |
| <i>Firm M&A Experience</i> | 12,059 | 2.33 | 1.00 | 3.41 | 0.00 | 3.00 |
| <i>M&A Director Departure</i> | 12,059 | 0.11 | 0.00 | 0.32 | 0.00 | 0.00 |
| <i>Board Size</i> | 12,059 | 9.14 | 9.00 | 2.17 | 8.00 | 10.00 |
| <i>Ln(Board Size)</i> | 12,059 | 2.17 | 2.20 | 0.28 | 1.95 | 2.30 |
| <i>Board Independence</i> | 12,059 | 0.84 | 0.88 | 0.09 | 0.80 | 0.89 |
| <i>% with Financial Expertise</i> | 12,059 | 0.08 | 0.07 | 0.09 | 0.00 | 0.12 |
| <i>% with Executive Expertise</i> | 12,059 | 0.31 | 0.30 | 0.20 | 0.14 | 0.44 |
| <i>% Busy Directors</i> | 12,059 | 0.18 | 0.14 | 0.16 | 0.00 | 0.27 |
| <i>Proximity of M&A Directors</i> | 12,059 | 723.27 | 489.00 | 738.94 | 158.00 | 957.00 |
| <i>Classified Board</i> | 12,059 | 0.50 | 0.00 | 0.50 | 0.00 | 1.00 |

Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles.

Panel B: Descriptive statistics for Hypothesis 3

| | Observations | Mean | Median | SD | 25 th percentile | 75 th percentile |
|---|--------------|--------|--------|-------|-----------------------------|-----------------------------|
| <i>Total Compensation (\$'000s)</i> | 57,180 | 219.54 | 210.09 | 99.40 | 155.10 | 269.02 |
| <i>Ln(Total Compensation) (\$'000s)</i> | 57,180 | 5.27 | 5.35 | 0.60 | 5.05 | 5.60 |
| <i>M&A Experience</i> | 57,180 | 0.92 | 0.00 | 1.61 | 0.00 | 1.00 |
| <i>SumCAR</i> | 57,180 | 0.01 | 0.00 | 0.09 | 0.00 | 0.00 |
| <i>M&A Experience (indicator)</i> | 57,180 | 0.39 | 0.00 | 0.49 | 0.00 | 1.00 |
| <i>Negative M&A Experience</i> | 57,180 | 0.17 | 0.00 | 0.38 | 0.00 | 0.00 |
| <i>Duality</i> | 57,180 | 0.47 | 0.00 | 0.50 | 0.00 | 1.00 |
| <i>Board Independence</i> | 57,180 | 0.86 | 0.89 | 0.06 | 0.86 | 0.90 |
| <i>Ln(Board Size)</i> | 57,180 | 2.25 | 2.30 | 0.22 | 2.08 | 2.40 |
| <i>Ln(Firm Size)</i> | 57,180 | 8.11 | 8.01 | 1.51 | 7.00 | 9.07 |
| <i>Leverage</i> | 57,180 | 0.69 | 0.43 | 1.74 | 0.14 | 0.81 |
| <i>MTB</i> | 57,180 | 3.23 | 2.42 | 6.21 | 1.58 | 3.75 |
| <i>Stock Return</i> | 57,180 | 0.13 | 0.10 | 0.41 | -0.11 | 0.31 |
| <i>ROA</i> | 57,180 | 0.13 | 0.13 | 0.08 | 0.09 | 0.17 |
| <i>ROA (t-1)</i> | 57,180 | 0.14 | 0.13 | 0.08 | 0.10 | 0.17 |
| <i>Loss</i> | 57,180 | 0.14 | 0.00 | 0.35 | 0.00 | 0.00 |
| <i>Firm M&A Experience</i> | 57,180 | 2.13 | 2.00 | 2.10 | 1.00 | 3.00 |
| <i>Classified Board</i> | 57,180 | 0.43 | 0.00 | 0.50 | 0.00 | 1.00 |
| <i>Director Tenure</i> | 57,180 | 8.80 | 7.20 | 7.00 | 3.50 | 12.20 |
| <i>Director Age</i> | 57,180 | 63.12 | 64.00 | 7.86 | 58.00 | 69.00 |
| <i>Financial Expertise</i> | 57,180 | 0.12 | 0.00 | 0.32 | 0.00 | 0.00 |
| <i>Audit Committee Member</i> | 57,180 | 0.37 | 0.00 | 0.48 | 0.00 | 1.00 |
| <i>Compensation Committee Member</i> | 57,180 | 0.36 | 0.00 | 0.48 | 0.00 | 1.00 |
| <i>Nomination Committee Member</i> | 57,180 | 0.37 | 0.00 | 0.48 | 0.00 | 1.00 |

Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles.

Panel C: Descriptive statistics for Hypothesis 4

| | Observations | Mean | Median | SD | 25 th percentile | 75 th percentile |
|---------------------------------------|--------------|-------|--------|------|-----------------------------|-----------------------------|
| <i>%Dissent</i> | 43,269 | 4.21 | 1.84 | 6.85 | 0.76 | 4.19 |
| <i>M&A Experience</i> | 43,269 | 0.89 | 0.00 | 1.58 | 0.00 | 1.00 |
| <i>SumCAR</i> | 43,269 | 0.01 | 0.00 | 0.09 | 0.00 | 0.00 |
| <i>M&A Experience (indicator)</i> | 43,269 | 0.38 | 0.00 | 0.49 | 0.00 | 1.00 |
| <i>Negative M&A Experience</i> | 43,269 | 0.17 | 0.00 | 0.38 | 0.00 | 0.00 |
| <i>Duality</i> | 43,269 | 0.48 | 0.00 | 0.50 | 0.00 | 1.00 |
| <i>Board Independence</i> | 43,269 | 0.86 | 0.89 | 0.07 | 0.85 | 0.90 |
| <i>Ln(Board Size)</i> | 43,269 | 2.26 | 2.30 | 0.22 | 2.08 | 2.40 |
| <i>Ln(Firm Size)</i> | 43,269 | 8.22 | 8.11 | 1.55 | 7.07 | 9.25 |
| <i>Leverage</i> | 43,269 | 0.70 | 0.43 | 1.78 | 0.14 | 0.81 |
| <i>MTB</i> | 43,269 | 3.33 | 2.47 | 6.06 | 1.63 | 3.84 |
| <i>Stock Return</i> | 43,269 | 0.14 | 0.11 | 0.41 | -0.09 | 0.32 |
| <i>ROA</i> | 43,269 | 0.13 | 0.13 | 0.08 | 0.09 | 0.17 |
| <i>ROA (t-1)</i> | 43,269 | 0.14 | 0.13 | 0.08 | 0.10 | 0.17 |
| <i>Loss</i> | 43,269 | 0.13 | 0.00 | 0.34 | 0.00 | 0.00 |
| <i>Firm M&A Experience</i> | 43,269 | 2.47 | 2.00 | 2.89 | 1.00 | 3.00 |
| <i>Classified Board</i> | 43,269 | 0.24 | 0.00 | 0.43 | 0.00 | 0.00 |
| <i>Director Tenure</i> | 43,269 | 8.73 | 7.10 | 6.91 | 3.60 | 12.10 |
| <i>Director Age</i> | 43,269 | 62.88 | 63.00 | 7.90 | 58.00 | 68.00 |
| <i>Financial Expertise</i> | 43,269 | 0.12 | 0.00 | 0.32 | 0.00 | 0.00 |
| <i>Audit Committee Member</i> | 43,269 | 0.37 | 0.00 | 0.48 | 0.00 | 1.00 |
| <i>Compensation Committee Member</i> | 43,269 | 0.36 | 0.00 | 0.48 | 0.00 | 1.00 |
| <i>Nomination Committee Member</i> | 43,269 | 0.38 | 0.00 | 0.48 | 0.00 | 1.00 |
| <i>ISS Against</i> | 43,269 | 0.05 | 0.00 | 0.23 | 0.00 | 0.00 |
| <i>Institutional Ownership</i> | 43,269 | 0.81 | 0.84 | 0.20 | 0.73 | 0.93 |
| <i>Stock Ownership</i> | 43,269 | 0.27 | 0.03 | 1.88 | 0.01 | 0.09 |
| <i>Attended <75% of meetings</i> | 43,269 | 0.01 | 0.00 | 0.08 | 0.00 | 0.00 |
| <i>Busy Director</i> | 43,269 | 1.05 | 1.00 | 1.22 | 0.00 | 2.00 |
| <i>Incumbent Director</i> | 43,269 | 0.96 | 1.00 | 0.19 | 1.00 | 1.00 |
| <i>Female</i> | 43,269 | 0.18 | 0.00 | 0.38 | 0.00 | 0.00 |

Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles.

Table 3: Correlation matrix

Panel A: Correlation matrix for Hypothesis 1 and Hypothesis 2 variables (firm level)

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
|----|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|----------|----------|-----------|----------|-----------|----|
| 1 | 1 | | | | | | | | | | | | | | | | | | | |
| 2 | 0.034*** | 1 | | | | | | | | | | | | | | | | | | |
| 3 | 0.220*** | 0.068*** | 1 | | | | | | | | | | | | | | | | | |
| 4 | 0.009 | 0.124*** | 0.064*** | 1 | | | | | | | | | | | | | | | | |
| 5 | -0.040*** | -0.079*** | -0.021** | -0.004 | 1 | | | | | | | | | | | | | | | |
| 6 | -0.007 | -0.046*** | 0.058*** | -0.035*** | 0.238*** | 1 | | | | | | | | | | | | | | |
| 7 | -0.044*** | 0.029*** | -0.040*** | 0.025*** | 0.095*** | 0.189*** | 1 | | | | | | | | | | | | | |
| 8 | 0.002 | 0.078*** | 0.026*** | -0.019** | 0.047*** | 0.001 | 0.014* | 1 | | | | | | | | | | | | |
| 9 | 0.083*** | 0.029*** | 0.128*** | -0.025*** | -0.097*** | -0.149*** | -0.112*** | 0.026*** | 1 | | | | | | | | | | | |
| 10 | 0.018** | -0.020** | 0.010 | 0.014 | -0.027*** | 0.027*** | 0.047*** | -0.020** | 0.009 | 1 | | | | | | | | | | |
| 11 | 0.027*** | -0.004 | 0.048*** | -0.026*** | -0.017** | 0.035*** | -0.010 | -0.003 | 0.008 | 0.663*** | 1 | | | | | | | | | |
| 12 | 0.118*** | -0.036*** | 0.263*** | 0.023** | 0.041*** | 0.228*** | 0.018** | 0.018** | -0.034*** | 0.051*** | 0.127*** | 1 | | | | | | | | |
| 13 | 0.064*** | 0.191*** | 0.110*** | -0.062*** | -0.028*** | 0.072*** | 0.037*** | 0.050*** | -0.042*** | -0.017** | 0.014* | 0.124*** | 1 | | | | | | | |
| 14 | 0.177*** | -0.003 | 0.339*** | 0.023** | -0.020** | 0.020** | -0.036*** | -0.005 | 0.079*** | 0.013 | 0.031*** | 0.144*** | 0.060*** | 1 | | | | | | |
| 15 | 0.039*** | -0.082*** | 0.147*** | -0.047*** | 0.012 | 0.153*** | -0.048*** | -0.009 | 0.022*** | 0.031*** | 0.071*** | 0.507*** | 0.085*** | 0.177*** | 1 | | | | | |
| 16 | 0.059*** | -0.054*** | 0.238*** | 0.020** | -0.074*** | -0.029*** | -0.061*** | -0.03*** | 0.018** | 0.012 | 0.063*** | 0.216*** | -0.078*** | 0.118*** | 0.243*** | 1 | | | | |
| 17 | 0.043*** | -0.027*** | 0.192*** | 0.047*** | -0.038*** | -0.041*** | -0.061*** | -0.051*** | 0.016* | 0.004 | 0.013 | 0.073*** | -0.078*** | 0.054*** | 0.025*** | 0.203*** | 1 | | | |
| 18 | 0.090*** | -0.007 | 0.368*** | 0.063*** | -0.044*** | 0.099*** | -0.056*** | -0.027*** | 0.010 | 0.033*** | 0.061*** | 0.382*** | 0.030*** | 0.145*** | 0.265*** | 0.262*** | 0.092*** | 1 | | |
| 19 | 0.083*** | -0.121*** | 0.356*** | 0.083*** | -0.054*** | 0.040*** | -0.07*** | -0.043*** | -0.008 | 0.050*** | 0.057*** | 0.327*** | -0.091*** | 0.123*** | 0.206*** | 0.413*** | 0.493*** | 0.358*** | 1 | |
| 20 | -0.016* | 0.012 | -0.014* | -0.083*** | -0.022*** | -0.001 | -0.004 | 0.026*** | 0.010 | -0.023*** | -0.024*** | -0.145*** | 0.038*** | -0.017** | -0.010 | 0.012 | -0.059*** | -0.010 | -0.051*** | 1 |

This table presents the pairwise correlations for the variables included in the tests for Hypothesis 1 and Hypothesis 2 of this chapter. Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Legend:

- 1. M&A Appointment
- 2. M&A Likelihood
- 3. % with M&A Experience
- 4. Ln(Proximity of M&A Directors)
- 5. CEO Age
- 6. CEO Power

- 7. CEO Holder 67
- 8. CEO Male
- 9. CEO Novice
- 10. MTB
- 11. Leverage
- 12. Ln(Firm Size)
- 13. Firm M&A Experience

- 14. M&A Director Departure
- 15. Ln(Board Size)
- 16. Board Independence
- 17. % Financial Expertise
- 18. % Executive Expertise
- 19. % Busy
- 20. Classified Board

Panel B: Correlation Matrix for Hypothesis 3 and 4 variables (director level)

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|----|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1 | 1 | | | | | | | | | | | | | | |
| 2 | 0.827*** | 1 | | | | | | | | | | | | | |
| 3 | -0.044*** | -0.052*** | 1 | | | | | | | | | | | | |
| 4 | 0.079*** | 0.074*** | 0.024*** | 1 | | | | | | | | | | | |
| 5 | -0.005 | 0.005 | 0.004 | 0.201*** | 1 | | | | | | | | | | |
| 6 | 0.058*** | 0.059*** | 0.016*** | 0.869*** | 0.468*** | 1 | | | | | | | | | |
| 7 | 0.077*** | 0.067*** | 0.026*** | 0.819*** | -0.176*** | 0.429*** | 1 | | | | | | | | |
| 8 | 0.055*** | 0.060*** | 0.000 | 0.521*** | 0.512*** | 0.706*** | 0.133*** | 1 | | | | | | | |
| 9 | 0.066*** | 0.055*** | 0.001 | 0.354*** | -0.410*** | 0.020*** | 0.623*** | -0.241*** | 1 | | | | | | |
| 10 | -0.023*** | -0.030*** | 0.014*** | 0.024*** | -0.005 | 0.016*** | 0.024*** | 0.004 | 0.012*** | 1 | | | | | |
| 11 | 0.143*** | 0.166*** | -0.085*** | 0.051*** | 0.003 | 0.039*** | 0.047*** | 0.052*** | 0.045*** | 0.056*** | 1 | | | | |
| 12 | 0.215*** | 0.194*** | -0.087*** | 0.055*** | -0.008** | 0.038*** | 0.057*** | 0.046*** | 0.067*** | 0.061*** | 0.325*** | 1 | | | |
| 13 | 0.483*** | 0.383*** | -0.090*** | 0.079*** | -0.012*** | 0.055*** | 0.080*** | 0.058*** | 0.088*** | 0.169*** | 0.241*** | 0.602*** | 1 | | |
| 14 | 0.050*** | 0.041*** | -0.013** | 0.004 | 0.006 | 0.006 | 0.001 | 0.004 | 0.004 | -0.022*** | 0.057*** | 0.100*** | 0.127*** | 1 | |
| 15 | 0.082*** | 0.042*** | -0.035*** | 0.006 | -0.006 | 0.003 | 0.007* | 0.006 | 0.015*** | 0.003 | 0.040*** | 0.074*** | 0.066*** | 0.703*** | 1 |
| 16 | 0.003 | 0.002 | 0.031*** | 0.003 | 0.005 | 0.002 | 0.002 | 0.004 | 0.002 | -0.003 | -0.007* | -0.016*** | -0.015*** | -0.016*** | 0.081*** |
| 17 | 0.025*** | 0.031*** | -0.058*** | -0.011*** | -0.003 | -0.010** | -0.010** | -0.005 | 0.003 | 0.058*** | -0.010** | 0.094*** | 0.067*** | -0.035*** | 0.111*** |
| 18 | 0.012*** | 0.017*** | -0.057*** | -0.014*** | -0.004 | -0.012*** | -0.011*** | -0.008** | 0.002 | 0.062*** | -0.022*** | 0.086*** | 0.059*** | -0.034*** | 0.094*** |
| 19 | -0.013*** | -0.026*** | 0.064*** | 0.012*** | -0.001 | 0.011*** | 0.010** | 0.009** | 0.002 | -0.090*** | -0.012*** | -0.098*** | -0.107*** | 0.037*** | -0.068*** |
| 20 | -0.001 | 0.007 | 0.044*** | 0.015*** | 0.019*** | 0.020*** | 0.003 | 0.009** | -0.010** | 0.023*** | -0.071*** | -0.079*** | 0.017*** | 0.006 | -0.068*** |
| 21 | -0.181*** | -0.138*** | 0.094*** | -0.005 | -0.009** | -0.005 | -0.002 | -0.011*** | -0.012*** | 0.065*** | -0.056*** | -0.112*** | -0.259*** | -0.045*** | -0.038*** |
| 22 | 0.055*** | 0.031*** | 0.130*** | -0.019*** | -0.010** | -0.018*** | -0.013*** | -0.032*** | -0.031*** | -0.026*** | -0.024*** | 0.001 | -0.032*** | -0.008** | -0.001 |
| 23 | 0.074*** | 0.066*** | 0.058*** | 0.091*** | 0.010** | 0.077*** | 0.077*** | 0.047*** | 0.027*** | 0.010** | -0.035*** | 0.016*** | 0.020*** | 0.007* | -0.009** |
| 24 | 0.037*** | 0.043*** | -0.038*** | 0.063*** | -0.007 | 0.055*** | 0.052*** | 0.061*** | 0.079*** | -0.019*** | 0.036*** | 0.012*** | 0.017*** | 0.003 | 0.008* |
| 25 | -0.043*** | -0.017*** | -0.023*** | -0.028*** | 0.002 | -0.020*** | -0.028*** | -0.005 | -0.017*** | 0.011*** | -0.057*** | -0.078*** | -0.033*** | -0.004 | -0.013*** |
| 26 | -0.045*** | -0.019*** | 0.062*** | 0.017*** | -0.004 | 0.010** | 0.020*** | 0.002 | -0.001 | 0.007 | -0.047*** | -0.074*** | -0.048*** | -0.008* | -0.014*** |
| 27 | -0.025*** | -0.002 | 0.019*** | -0.007* | 0.000 | -0.009** | -0.003 | -0.017*** | -0.010** | 0.022*** | -0.040*** | -0.080*** | -0.035*** | -0.010** | -0.018*** |
| 28 | -0.049*** | -0.068*** | 0.752*** | -0.006 | 0.003 | -0.009* | -0.001 | -0.017*** | -0.009* | 0.016*** | -0.097*** | -0.042*** | -0.054*** | -0.015*** | -0.014*** |
| 29 | 0.001 | 0.063*** | -0.012** | 0.001 | 0.014*** | 0.007 | -0.006 | 0.002 | -0.018*** | -0.040*** | 0.013*** | -0.194*** | -0.172*** | -0.006 | -0.059*** |

Panel B (cont.): Correlation Matrix for Hypothesis 3 and 4 variables (director level)

| | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 |
|----|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|----------|-----------|----|
| 16 | 1 | | | | | | | | | | | | | |
| 17 | 0.078*** | 1 | | | | | | | | | | | | |
| 18 | -0.045*** | 0.678*** | 1 | | | | | | | | | | | |
| 19 | -0.122*** | -0.445*** | -0.331*** | 1 | | | | | | | | | | |
| 20 | -0.008* | -0.136*** | -0.120*** | 0.065*** | 1 | | | | | | | | | |
| 21 | 0.015*** | -0.012*** | -0.012*** | 0.016*** | 0.060*** | 1 | | | | | | | | |
| 22 | -0.005 | 0.014*** | 0.014*** | -0.027*** | 0.031*** | 0.019*** | 1 | | | | | | | |
| 23 | -0.002 | -0.005 | -0.004 | -0.011** | 0.007* | 0.000 | 0.447*** | 1 | | | | | | |
| 24 | 0.000 | 0.003 | 0.001 | 0.000 | -0.026*** | -0.023*** | -0.095*** | -0.117*** | 1 | | | | | |
| 25 | -0.004 | 0.002 | 0.001 | 0.002 | -0.008* | 0.007 | -0.077*** | -0.040*** | 0.041*** | 1 | | | | |
| 26 | -0.001 | 0.007 | 0.005 | -0.007* | -0.006 | 0.017*** | -0.021*** | 0.024*** | -0.083*** | -0.136*** | 1 | | | |
| 27 | -0.002 | -0.005 | -0.005 | 0.000 | 0.000 | 0.009** | 0.013*** | 0.053*** | -0.069*** | -0.092*** | -0.001 | 1 | | |
| 28 | 0.021*** | -0.018*** | -0.022*** | 0.025*** | 0.029*** | 0.063*** | 0.065*** | 0.016*** | -0.024*** | -0.015*** | 0.032*** | 0.007 | 1 | |
| 29 | 0.015*** | -0.058*** | -0.043*** | 0.013*** | 0.080*** | 0.073*** | -0.023*** | 0.000 | -0.004 | 0.020*** | 0.032*** | 0.035*** | -0.062*** | 1 |

This table presents the pairwise correlations for the variables included in the tests for Hypothesis 3 and Hypothesis 4 of this chapter. Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Legend:

- | | |
|----------------------------|-----------------------------------|
| 1. Total Compensation | 16. Stock Return |
| 2. Ln(Total Compensation) | 17. ROA |
| 3. %Dissent | 18. ROA (t-1) |
| 4. M&A Experience | 19. Loss |
| 5. SumCAR | 20. Firm M&A Experience |
| 6. Positive SumCAR | 21. Classified Board |
| 7. Negative SumCAR | 22. Director Tenure |
| 8. Positive M&A Experience | 23. Director Age |
| 9. Negative M&A Experience | 24. Financial Expertise |
| 10. Duality | 25. Audit Committee Member |
| 11. Board Independence | 26. Compensation Committee Member |
| 12. Ln(Board Size) | 27. Nomination Committee Member |
| 13. Ln(Firm Size) | 28. ISS Against |
| 14. Leverage | 29. Institutional Ownership |
| 15. MTB | |

Table 4: Univariate analyses**Panel A: Univariate analysis by M&A appointment (Full Sample)**

| | <i>M&A Appointment = 0</i> | | <i>M&A Appointment = 1</i> | | Difference |
|---------------------------------------|--------------------------------|---------|--------------------------------|---------|------------|
| | Obs. | Mean | Obs. | Mean | |
| <i>M&A Likelihood</i> | 10,543 | 0.105 | 1,516 | 0.112 | 0.006*** |
| <i>% with M&A Experience</i> | 10,543 | 0.203 | 1,516 | 0.344 | 0.141*** |
| <i>CEO Age</i> | 10,543 | 56.395 | 1,516 | 55.478 | -0.918*** |
| <i>CEO Power</i> | 10,543 | 3.025 | 1,516 | 3.020 | -0.005 |
| <i>CEO Holder 67</i> | 10,543 | 0.443 | 1,516 | 0.384 | -0.059*** |
| <i>Male CEO</i> | 10,543 | 0.963 | 1,516 | 0.966 | 0.003 |
| <i>CEO Novice</i> | 10,543 | 0.219 | 1,516 | 0.315 | 0.096*** |
| <i>MTB</i> | 10,543 | 3.068 | 1,516 | 3.459 | 0.392** |
| <i>Leverage</i> | 10,543 | 0.534 | 1,516 | 0.693 | 0.159*** |
| <i>Ln(Firm Size)</i> | 10,543 | 7.483 | 1,516 | 8.007 | 0.524*** |
| <i>Firm M&A Experience</i> | 10,543 | 2.243 | 1,516 | 2.921 | 0.678*** |
| <i>M&A Director Departure</i> | 10,543 | 0.093 | 1,516 | 0.263 | 0.169*** |
| <i>Ln(Board Size)</i> | 10,543 | 2.166 | 1,516 | 2.194 | 0.029*** |
| <i>Board Independence</i> | 10,543 | 0.835 | 1,516 | 0.800 | 0.016*** |
| <i>% with Financial Expertise</i> | 10,543 | 0.075 | 1,516 | 0.088 | 0.013*** |
| <i>% with Executive Expertise</i> | 10,543 | 0.304 | 1,516 | 0.352 | 0.049*** |
| <i>% Busy Directors</i> | 10,543 | 0.175 | 1,516 | 0.213 | 0.038*** |
| <i>Proximity of M&A Directors</i> | 10,543 | 722.879 | 1,516 | 726.026 | 3.147 |
| <i>Classified Board</i> | 10,543 | 0.503 | 1,516 | 0.470 | -0.033** |

Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Panel B: Univariate analysis by M&A appointment (Director Appointment Sample)

| | <i>M&A Appointment = 0</i> | | <i>M&A Appointment = 1</i> | | Difference |
|---------------------------------------|--------------------------------|---------|--------------------------------|---------|------------|
| | Obs. | Mean | Obs. | Mean | |
| <i>M&A Likelihood</i> | 3,643 | 0.103 | 1,516 | 0.112 | 0.009*** |
| <i>% with M&A Experience</i> | 3,643 | 0.182 | 1,516 | 0.344 | 0.162*** |
| <i>CEO Age</i> | 3,643 | 56.066 | 1,516 | 55.478 | -0.589*** |
| <i>CEO Power</i> | 3,643 | 3.006 | 1,516 | 3.020 | 0.013 |
| <i>CEO Holder 67</i> | 3,643 | 0.415 | 1,516 | 0.384 | -0.031** |
| <i>Male CEO</i> | 3,643 | 0.958 | 1,516 | 0.966 | 0.008 |
| <i>CEO Novice</i> | 3,643 | 0.213 | 1,516 | 0.315 | 0.102*** |
| <i>MTB</i> | 3,643 | 3.222 | 1,516 | 3.459 | 0.237 |
| <i>Leverage</i> | 3,643 | 0.555 | 1,516 | 0.693 | 0.138** |
| <i>Ln(Firm Size)</i> | 3,643 | 7.629 | 1,516 | 8.007 | 0.377*** |
| <i>Firm M&A Experience</i> | 3,643 | 2.278 | 1,516 | 2.921 | 0.643*** |
| <i>M&A Director Departure</i> | 3,643 | 0.137 | 1,516 | 0.263 | 0.126*** |
| <i>Ln(Board Size)</i> | 3,643 | 2.174 | 1,516 | 2.194 | 0.021** |
| <i>Board Independence</i> | 3,643 | 0.836 | 1,516 | 0.850 | 0.015*** |
| <i>% with Financial Expertise</i> | 3,643 | 0.074 | 1,516 | 0.088 | 0.014*** |
| <i>% with Executive Expertise</i> | 3,643 | 0.310 | 1,516 | 0.352 | 0.043*** |
| <i>% Busy Directors</i> | 3,643 | 0.182 | 1,516 | 0.213 | 0.031*** |
| <i>Proximity of M&A Directors</i> | 3,643 | 716.521 | 1,516 | 726.026 | 9.506 |
| <i>Classified Board</i> | 3,643 | 0.491 | 1,516 | 0.470 | -0.021 |

Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Panel C: Univariate analysis by M&A experience (Full Sample)

| | <i>M&A Experience = 0</i> | | <i>M&A Experience = 1</i> | | Difference |
|---|-------------------------------|---------|-------------------------------|---------|------------|
| | Obs. | Mean | Obs. | Mean | |
| <i>Total Compensation (\$'000s)</i> | 34,880 | 211.819 | 22,300 | 231.626 | 19.806*** |
| <i>Ln(Total Compensation) (\$'000s)</i> | 34,880 | 5.227 | 22,300 | 5.342 | 0.115*** |
| <i>%Dissent</i> | 22,484 | 4.508 | 14,633 | 4.516 | 0.008 |
| <i>Duality</i> | 34,880 | 0.469 | 22,300 | 0.483 | 0.013*** |
| <i>Board Independence</i> | 34,880 | 0.860 | 22,300 | 0.871 | 0.010*** |
| <i>Ln(Board Size)</i> | 34,880 | 2.237 | 22,300 | 2.278 | 0.040*** |
| <i>Ln(Firm Size)</i> | 34,880 | 7.964 | 22,300 | 8.328 | 0.365*** |
| <i>Leverage</i> | 34,880 | 0.677 | 22,300 | 0.702 | 0.026* |
| <i>MTB</i> | 34,880 | 3.145 | 22,300 | 3.352 | 0.208*** |
| <i>Stock Return</i> | 34,880 | 0.129 | 22,300 | 0.133 | 0.004 |
| <i>ROA</i> | 34,880 | 0.133 | 22,300 | 0.133 | -0.000 |
| <i>ROA (t-1)</i> | 34,880 | 0.136 | 22,300 | 0.135 | -0.001 |
| <i>Loss</i> | 34,880 | 0.136 | 22,300 | 0.143 | 0.006** |
| <i>Firm M&A Experience</i> | 34,880 | 2.126 | 22,300 | 2.127 | 0.001 |
| <i>Classified Board</i> | 34,880 | 0.440 | 22,300 | 0.421 | -0.019*** |
| <i>Director Tenure</i> | 34,880 | 9.085 | 22,300 | 8.353 | -0.732*** |
| <i>Director Age</i> | 34,880 | 62.741 | 22,300 | 63.725 | 0.984*** |
| <i>Financial Expertise</i> | 34,880 | 0.089 | 22,300 | 0.163 | 0.075*** |
| <i>Audit Committee Member</i> | 34,880 | 0.373 | 22,300 | 0.355 | -0.017*** |
| <i>Compensation Committee Member</i> | 34,880 | 0.358 | 22,300 | 0.358 | 0.001 |
| <i>Nomination Committee Member</i> | 34,880 | 0.378 | 22,300 | 0.356 | -0.022*** |
| <i>ISS Against</i> | 22,614 | 0.055 | 14,701 | 0.045 | -0.010*** |
| <i>Institutional Ownership</i> | 34,384 | 0.827 | 21,995 | 0.823 | -0.004*** |

Definitions of the variables are presented in Appendix A. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 5: The association between firm and CEO demand and the appointment of directors with M&A experience

| Variables | (1) <i>M&A Appointment</i> Full sample | (2) <i>M&A Appointment</i> Full sample | (3) <i>M&A Appointment</i> Full sample | (4) <i>M&A Appointment</i> Restricted to director appointments | (5) <i>M&A Appointment</i> Restricted to firms without M&A directors in <i>t</i> -1 |
|-----------------------------------|--|--|--|---|---|
| <i>M&A Likelihood</i> | 2.347** (1.96) | -0.962 (-0.59) | 3.423*** (4.19) | 3.993*** (2.70) | 17.212*** (3.78) |
| <i>% with M&A Experience</i> | 2.195*** (14.08) | -2.023*** (-7.30) | 2.233*** (14.34) | 3.239*** (15.54) | |
| <i>CEO Age</i> | -0.013*** (-3.07) | -0.013* (-1.89) | -0.012*** (-2.81) | -0.008 (-1.53) | -0.028** (-2.21) |
| <i>CEO Power</i> | -0.002 (-0.11) | -0.001 (-0.02) | -0.002 (-0.08) | 0.005 (0.19) | 0.070 (0.91) |
| <i>CEO Holder 67</i> | -0.217*** (-3.65) | -0.343*** (-3.75) | -0.205*** (-3.38) | -0.118* (-1.70) | -0.193 (-0.95) |
| <i>Male CEO</i> | -0.044 (-0.30) | -0.123 (-0.49) | -0.066 (-0.41) | -0.031 (-0.18) | -1.556*** (-3.45) |
| <i>CEO Novice</i> | 0.396*** (6.07) | -0.026 (-0.31) | 0.389*** (6.02) | 0.461*** (5.91) | 1.581*** (6.43) |
| <i>MTB</i> | 0.005 (0.93) | 0.018** (2.42) | 0.006 (0.98) | -0.002 (-0.34) | -0.006 (-0.38) |
| <i>Leverage</i> | 0.007 (0.50) | -0.037 (-1.35) | 0.006 (0.30) | 0.023 (1.29) | 0.079* (1.68) |
| <i>Ln(Firm Size)</i> | 0.206*** (8.10) | 0.566*** (6.52) | 0.218*** (8.79) | 0.115*** (3.65) | 0.121 (1.37) |
| <i>Firm M&A Experience</i> | 0.031*** (3.92) | -0.025* (-1.96) | 0.029*** (3.89) | 0.044*** (3.68) | 0.062** (2.33) |
| <i>M&A Director Departure</i> | 0.728*** (8.90) | 0.649*** (8.44) | 0.742*** (10.07) | 0.086 (0.92) | |

| Variables | (1) <i>M&A Appointment</i> Full sample | (2) <i>M&A Appointment</i> Full sample | (3) <i>M&A Appointment</i> Full sample | (4) <i>M&A Appointment</i> Restricted to director appointments | (5) <i>M&A Appointment</i> Restricted to firms without M&A directors in $t-1$ |
|---|--|--|--|---|---|
| <i>Ln(Board Size)</i> | -0.502*** (-4.31) | -1.000*** (-5.86) | -0.510*** (-4.38) | -0.271 (-1.64) | -0.357 (-1.46) |
| <i>Board Independence</i> | 0.234 (0.61) | -0.236 (-0.40) | 0.410 (1.05) | 0.621 (1.26) | 1.812* (1.92) |
| <i>% with Financial Expertise</i> | 0.036 (0.10) | -1.091** (-1.98) | 0.108 (0.30) | 0.177 (0.41) | 0.542 (0.59) |
| <i>% with Executive Expertise</i> | -0.170 (-0.86) | -0.016 (-0.05) | -0.136 (-0.71) | -0.238 (-1.00) | 0.174 (0.27) |
| <i>% Busy Directors</i> | -0.512** (-2.45) | 0.033 (0.11) | -0.596*** (-2.94) | -0.768*** (-3.17) | -5.484*** (-4.83) |
| <i>Ln(Proximity of M&A Directors)</i> | -0.035 (-1.64) | 0.510*** (3.64) | -0.029 (-1.30) | -0.042 (-1.59) | -0.030 (-0.37) |
| <i>Classified Board</i> | -0.030 (-0.52) | -0.006 (-0.05) | -0.046 (-0.79) | -0.035 (-0.52) | -0.262 (-1.26) |
| <i>Constant</i> | -2.735*** (-4.65) | | -2.982*** (-5.95) | -2.569*** (-3.69) | -4.626*** (-2.74) |
| Observations | 12,059 | 7,251 | 12,059 | 5,159 | 4,322 |
| Year FE | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | No | No | Yes | Yes |
| Firm FE | No | Yes | No | No | No |
| Random FE | No | No | Yes | No | No |
| Pseudo R ² | 0.095 | 0.041 | 0.157 | 0.120 | 0.179 |

This table presents logit regressions examining the association between the appointment of directors with M&A experience, and CEO and firm characteristics. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The dependent variable is *M&A Appointment*, which is an indicator variable equal to one if the firm appoints a director with M&A experience to the board in year t . A director is considered to have M&A experience if they have been involved in an acquisition outside the home firm any time in the past 10 years. Definitions of the other variables are presented in Appendix A. Standard errors are clustered by firm. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 6: The association between firm and CEO demand and the appointment of directors with poor M&A experience

| Variables | (1) <i>Negative M&A Appointment Full sample</i> | (2) <i>Negative M&A Appointment Full sample</i> | (3) <i>Negative M&A Appointment Full sample</i> | (4) <i>Negative M&A Appointment Restricted to director appointments</i> | (5) <i>Negative M&A Appointment Restricted to firms without M&A directors in $t-1$</i> |
|----------------------------------|--|--|--|--|--|
| <i>M&A Likelihood</i> | 2.128 (1.26) | 0.015 (0.01) | 2.903*** (2.67) | 3.034 (1.58) | 9.125 (1.46) |
| <i>% with M&A Experience</i> | 2.046*** (10.31) | -2.104*** (-5.69) | 1.916*** (9.32) | 2.595*** (11.04) | |
| <i>CEO Age</i> | -0.006 (-0.99) | -0.016* (-1.68) | -0.009 (-1.53) | 0.001 (0.14) | -0.015 (-0.95) |
| <i>CEO Power</i> | -0.005 (-0.18) | 0.064 (1.41) | -0.005 (-0.19) | 0.006 (0.20) | 0.137 (1.44) |
| <i>CEO Holder 67</i> | -0.262*** (-3.35) | -0.315** (-2.57) | -0.257*** (-3.15) | -0.168* (-1.94) | -0.329 (-1.12) |
| <i>Male CEO</i> | 0.238 (1.20) | 0.370 (1.04) | 0.195 (0.84) | 0.280 (1.39) | -1.836*** (-3.31) |
| <i>CEO Novice</i> | 0.270*** (3.14) | -0.138 (-1.23) | 0.283*** (3.28) | 0.277*** (2.92) | 1.366*** (4.11) |
| <i>MTB</i> | 0.012* (1.95) | 0.028*** (2.78) | 0.016** (2.03) | 0.008 (1.15) | 0.001 (0.04) |
| <i>Leverage</i> | -0.050** (-2.26) | -0.107*** (-2.76) | -0.060** (-2.09) | -0.047* (-1.86) | 0.031 (0.51) |
| <i>Ln(Firm Size)</i> | 0.197*** (5.95) | 0.395*** (3.49) | 0.205*** (6.23) | 0.108*** (2.95) | 0.090 (0.88) |
| <i>Firm M&A Experience</i> | 0.009 (0.88) | -0.047** (-2.56) | 0.019** (2.06) | 0.010 (0.69) | 0.061** (2.54) |

| Variables | (1) <i>Negative M&A Appointment</i> Full sample | (2) <i>Negative M&A Appointment</i> Full sample | (3) <i>Negative M&A Appointment</i> Full sample | (4) <i>Negative M&A Appointment</i> Restricted to director appointments | (5) <i>Negative M&A Appointment</i> Restricted to firms without M&A directors in $t-1$ |
|---|---|---|---|--|--|
| <i>M&A Director Departure</i> | 0.764*** (7.23) | 0.680*** (6.90) | 0.783*** (8.29) | 0.202* (1.84) | |
| <i>Ln(Board Size)</i> | -0.425*** (-3.40) | -0.668*** (-3.54) | -0.411*** (-2.73) | -0.172 (-0.98) | -0.249 (-0.93) |
| <i>Board Independence</i> | 0.266 (0.54) | -1.098 (-1.50) | 0.051 (0.10) | 0.684 (1.19) | 1.593 (1.23) |
| <i>% with Financial Expertise</i> | 0.075 (0.16) | -1.439** (-2.04) | -0.121 (-0.25) | 0.061 (0.12) | 1.642 (1.45) |
| <i>% Busy Directors</i> | -0.191 (-0.72) | 0.428 (1.09) | -0.112 (-0.43) | -0.320 (-1.11) | -4.800*** (-3.48) |
| <i>% with Executive Expertise</i> | -0.232 (-0.84) | 0.623 (1.48) | -0.364 (-1.42) | -0.352 (-1.16) | 0.089 (0.10) |
| <i>Ln(Proximity of M&A Directors)</i> | -0.018 (-0.63) | 0.179 (1.01) | -0.016 (-0.54) | -0.020 (-0.62) | 0.028 (0.26) |
| <i>Classified Board</i> | -0.041 (-0.54) | 0.077 (0.45) | -0.035 (-0.45) | -0.046 (-0.56) | -0.228 (-0.82) |
| <i>Constant</i> | -4.055*** (-5.40) | | -3.866*** (-5.79) | -3.969*** (-4.82) | -5.467** (-2.46) |
| Observations | 12,059 | 5,357 | 12,059 | 5,159 | 3,693 |
| Year FE | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | No | No | Yes | Yes |
| Firm FE | No | Yes | No | No | No |
| Random FE | No | No | Yes | No | No |
| Pseudo R ² | 0.079 | 0.037 | 0.131 | 0.076 | 0.155 |

| Variables | (1) <i>Negative M&A Appointment</i> Full sample | (2) <i>Negative M&A Appointment</i> Full sample | (3) <i>Negative M&A Appointment</i> Full sample | (4) <i>Negative M&A Appointment</i> Restricted to director appointments | (5) <i>Negative M&A Appointment</i> Restricted to firms without M&A directors in $t-1$ |
|-----------|---|---|---|--|--|
|-----------|---|---|---|--|--|

This table presents logit regressions examining the association between the appointment of directors with value-destroying M&A experience and CEO and firm characteristics. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The dependent variable is *Negative M&A Appointment*, which is an indicator variable equal to one if the firm appoints a director with value-destroying M&A experience to the board in year t . Directors' M&A experience is considered to be value-destroying if the sum of the cumulative abnormal returns of the director's previous acquisitions over the past 10 years are negative. Definitions of the other variables are presented in Appendix A. Standard errors are clustered by firm. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 7: The association between directors' M&A experience and director compensation

| Variables | (1) <i>Ln(Total Compensation)</i> Full sample | (2) <i>Ln(Total Compensation)</i> Full sample | (3) <i>Ln(Total Compensation)</i> M&A subsample | (4) <i>Ln(Total Compensation)</i> Full sample | (5) <i>Ln(Total Compensation)</i> Full sample | (6) <i>Ln(Total Compensation)</i> M&A subsample |
|--------------------------------|---|---|---|---|---|---|
| <i>M&A Experience</i> | 0.014*** (5.89) | 0.005*** (3.57) | 0.008*** (2.79) | 0.015*** (5.95) | 0.005*** (3.79) | 0.009*** (2.95) |
| <i>SumCAR</i> | | | | -0.050 (-1.13) | -0.029 (-1.00) | -0.047 (-1.04) |
| <i>Duality</i> | -0.065*** (-7.58) | -0.018** (-2.54) | -0.059*** (-5.13) | -0.065*** (-7.58) | -0.018** (-2.55) | -0.059*** (-5.13) |
| <i>Board Independence</i> | 0.749*** (7.79) | 0.268*** (3.63) | 0.621*** (3.96) | 0.748*** (7.79) | 0.269*** (3.64) | 0.620*** (3.95) |
| <i>Ln(Board Size)</i> | -0.070** (-2.07) | -0.107*** (-4.51) | -0.094* (-1.83) | -0.070** (-2.07) | -0.107*** (-4.52) | -0.094* (-1.83) |
| <i>Ln(Firm Size)</i> | 0.146*** (23.78) | 0.091*** (9.09) | 0.134*** (14.91) | 0.146*** (23.78) | 0.091*** (9.09) | 0.133*** (14.90) |
| <i>Leverage</i> | -0.006 (-1.11) | -0.008*** (-3.99) | -0.004 (-0.60) | -0.006 (-1.10) | -0.008*** (-4.00) | -0.004 (-0.59) |
| <i>MTB</i> | 0.001 (0.68) | 0.002*** (3.98) | 0.001 (0.42) | 0.001 (0.67) | 0.002*** (3.99) | 0.001 (0.40) |
| <i>Stock Return</i> | 0.011 (1.62) | 0.005 (0.99) | 0.028*** (3.02) | 0.011 (1.63) | 0.005 (1.00) | 0.028*** (3.03) |
| <i>ROA</i> | 0.243*** (4.53) | 0.146*** (3.13) | 0.334*** (3.30) | 0.244*** (4.53) | 0.146*** (3.13) | 0.334*** (3.30) |
| <i>ROA (t-1)</i> | 0.142*** (3.12) | 0.174*** (5.36) | 0.122 (1.51) | 0.142*** (3.13) | 0.174*** (5.37) | 0.123 (1.52) |
| <i>Loss</i> | 0.017* (1.69) | -0.012* (-1.70) | 0.035** (2.39) | 0.017* (1.68) | -0.012* (-1.70) | 0.034** (2.38) |
| <i>Firm M&A Experience</i> | 0.006*** | 0.001 | 0.002 | 0.006*** | 0.001 | 0.003 |

| Variables | (1) <i>Ln(Total Compensation)</i> Full sample | (2) <i>Ln(Total Compensation)</i> Full sample | (3) <i>Ln(Total Compensation)</i> M&A subsample | (4) <i>Ln(Total Compensation)</i> Full sample | (5) <i>Ln(Total Compensation)</i> Full sample | (6) <i>Ln(Total Compensation)</i> M&A subsample |
|--------------------------------------|---|---|---|---|---|---|
| <i>Classified Board</i> | (2.97) 0.019** | (0.43) 0.019** | (0.86) 0.012 | (3.00) 0.019** | (0.45) 0.019** | (0.91) 0.012 |
| <i>Director Tenure</i> | (2.27) 0.002** | (2.10) 0.005*** | (1.04) 0.005*** | (2.26) 0.002** | (2.10) 0.005*** | (1.01) 0.004*** |
| <i>Director Age</i> | (2.21) 0.003*** | (7.72) 0.004*** | (3.01) 0.002 | (2.21) 0.003*** | (7.72) 0.004*** | (3.00) 0.002 |
| <i>Financial Expertise</i> | (2.99) 0.054*** | (6.06) 0.034*** | (1.64) 0.049*** | (2.98) 0.053*** | (6.04) 0.034*** | (1.63) 0.049*** |
| <i>Audit Committee Member</i> | (4.28) 0.013 | (4.77) 0.016*** | (3.01) 0.004 | (4.25) 0.013 | (4.71) 0.016*** | (2.96) 0.004 |
| <i>Compensation Committee Member</i> | (1.45) 0.015* | (2.92) 0.007 | (0.31) 0.008 | (1.45) 0.015* | (2.92) 0.006 | (0.31) 0.008 |
| <i>Nomination Committee Member</i> | (1.76) 0.024*** | (1.27) 0.005 | (0.64) 0.006 | (1.74) 0.024*** | (1.26) 0.005 | (0.62) 0.006 |
| <i>Constant</i> | (2.86) 3.225*** (33.08) | (0.97) 4.21*** (35.35) | (0.52) 3.555*** (24.71) | (2.85) 3.226*** (33.08) | (0.97) 4.211*** (35.36) | (0.52) 3.558*** (24.67) |
| Observations | 57,180 | 57,179 | 22,300 | 57,180 | 57,179 | 22,300 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | No | Yes | Yes | No | Yes |
| Firm FE | No | Yes | No | No | Yes | No |
| Adjusted R ² | 0.252 | 0.561 | 0.250 | 0.252 | 0.561 | 0.250 |

This table presents OLS regressions examining the association between directors' acquisition experience and compensation. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The dependent variable is *Ln(Total Compensation)*, defined as the natural logarithm of the total compensation of directors, which includes cash, stock, stock options, pensions, non-equity incentives and "other". Definitions of the other variables are presented in Appendix A. Standard errors are clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 8: The association between the quality of directors' M&A experience and director compensation

| Variables | (1) <i>Ln(Total Compensation)</i> Full sample | (2) <i>Ln(Total Compensation)</i> Full sample | (3) <i>Ln(Total Compensation)</i> M&A subsample | (4) <i>Ln(Total Compensation)</i> Full sample | (5) <i>Ln(Total Compensation)</i> Full sample | (6) <i>Ln(Total Compensation)</i> M&A subsample | (7) <i>Ln(Total Compensation)</i> Full sample | (8) <i>Ln(Total Compensation)</i> Full sample | (9) <i>Ln(Total Compensation)</i> M&A subsample |
|------------------------------------|---|---|--|---|---|--|---|---|--|
| <i>SumCAR</i> | 0.006 (0.14) | -0.009 (-0.31) | -0.026 (-0.58) | | | | | | |
| <i>Positive SumCAR</i> | | | | 0.009** (2.00) | 0.002 (0.61) | 0.003 (0.66) | | | |
| <i>Negative SumCAR</i> | | | | 0.021*** (4.09) | 0.009*** (3.31) | 0.015*** (2.76) | | | |
| <i>Positive M&A Experience</i> | | | | | | | 0.045*** (4.41) | 0.017*** (3.05) | -0.005 (-0.39) |
| <i>Negative M&A Experience</i> | | | | | | | 0.049*** (4.24) | 0.022*** (3.20) | |
| <i>Duality</i> | -0.064*** (-7.53) | -0.018** (-2.55) | -0.059*** (-5.06) | -0.065*** (-7.58) | -0.018** (-2.54) | -0.059*** (-5.12) | -0.064*** (-7.53) | -0.018** (-2.52) | -0.059*** (-5.06) |
| <i>Board Independence</i> | 0.761*** (7.92) | 0.270*** (3.66) | 0.619*** (3.95) | 0.748*** (7.78) | 0.269*** (3.64) | 0.619*** (3.93) | 0.744*** (7.73) | 0.268*** (3.63) | 0.620*** (3.95) |
| <i>Ln(Board Size)</i> | -0.069** (-2.05) | -0.107*** (-4.53) | -0.096* (-1.86) | -0.070** (-2.06) | -0.107*** (-4.53) | -0.094* (-1.82) | -0.071** (-2.11) | -0.107*** (-4.52) | -0.096* (-1.86) |
| <i>Ln(Firm Size)</i> | 0.147*** (24.03) | 0.091*** (9.05) | 0.134*** (14.91) | 0.146*** (23.75) | 0.091*** (9.08) | 0.133*** (14.86) | 0.145*** (23.70) | 0.092*** (9.08) | 0.134*** (14.93) |
| <i>Leverage</i> | -0.006 (-1.15) | -0.008*** (-3.99) | -0.004 (-0.58) | -0.006 (-1.10) | -0.008*** (-4.00) | -0.004 (-0.59) | -0.006 (-1.08) | -0.008*** (-3.96) | -0.004 (-0.59) |
| <i>MTB</i> | 0.001 (0.72) | 0.002*** (3.97) | 0.001 (0.40) | 0.001 (0.67) | 0.002*** (3.99) | 0.001 (0.40) | 0.001 (0.65) | 0.002*** (3.95) | 0.001 (0.40) |
| <i>Stock Return</i> | 0.011* (1.68) | 0.005 (0.99) | 0.028*** (3.04) | 0.011 (1.62) | 0.005 (0.99) | 0.028*** (3.02) | 0.011 (1.64) | 0.005 (0.98) | 0.028*** (3.05) |
| <i>ROA</i> | 0.243*** (4.52) | 0.145*** (3.12) | 0.332*** (3.27) | 0.244*** (4.54) | 0.146*** (3.14) | 0.335*** (3.31) | 0.242*** (4.50) | 0.145*** (3.12) | 0.332*** (3.27) |

| Variables | (1) <i>Ln(Total Compensation)</i> Full sample | (2) <i>Ln(Total Compensation)</i> Full sample | (3) <i>Ln(Total Compensation)</i> M&A subsample | (4) <i>Ln(Total Compensation)</i> Full sample | (5) <i>Ln(Total Compensation)</i> Full sample | (6) <i>Ln(Total Compensation)</i> M&A subsample | (7) <i>Ln(Total Compensation)</i> Full sample | (8) <i>Ln(Total Compensation)</i> Full sample | (9) <i>Ln(Total Compensation)</i> M&A subsample |
|--------------------------------------|---|---|--|---|---|--|---|---|--|
| <i>ROA (t-1)</i> | 0.139*** (3.04) | 0.173*** (5.36) | 0.120 (1.47) | 0.142*** (3.14) | 0.174*** (5.37) | 0.123 (1.53) | 0.141*** (3.09) | 0.173*** (5.34) | 0.119 (1.47) |
| <i>Loss</i> | 0.018* (1.82) | -0.012* (-1.70) | 0.035** (2.39) | 0.017* (1.69) | -0.012* (-1.70) | 0.035** (2.39) | 0.017* (1.65) | -0.012* (-1.73) | 0.035** (2.40) |
| <i>Firm M&A Experience</i> | 0.006*** (3.03) | 0.001 (0.43) | 0.003 (0.95) | 0.006*** (3.00) | 0.001 (0.45) | 0.003 (0.93) | 0.006*** (3.03) | 0.001 (0.41) | 0.003 (0.94) |
| <i>Classified Board</i> | 0.020** (2.34) | 0.020** (2.17) | 0.012 (1.03) | 0.019** (2.26) | 0.019** (2.09) | 0.012 (1.03) | 0.019** (2.26) | 0.019** (2.09) | 0.012 (1.05) |
| <i>Director Tenure</i> | 0.002* (1.95) | 0.005*** (7.60) | 0.004*** (3.00) | 0.002** (2.21) | 0.005*** (7.72) | 0.004*** (3.00) | 0.002** (2.28) | 0.005*** (7.79) | 0.005*** (3.00) |
| <i>Director Age</i> | 0.003*** (3.42) | 0.004*** (6.29) | 0.002* (1.85) | 0.003*** (2.98) | 0.004*** (6.04) | 0.002 (1.63) | 0.003*** (3.05) | 0.004*** (6.08) | 0.002* (1.85) |
| <i>Financial Expertise</i> | 0.059*** (4.68) | 0.035*** (5.01) | 0.049*** (2.97) | 0.054*** (4.27) | 0.034*** (4.75) | 0.049*** (2.98) | 0.051*** (4.03) | 0.032*** (4.45) | 0.049*** (2.98) |
| <i>Audit Committee Member</i> | 0.012 (1.33) | 0.015*** (2.85) | 0.003 (0.25) | 0.013 (1.45) | 0.016*** (2.93) | 0.004 (0.32) | 0.012 (1.41) | 0.015*** (2.90) | 0.003 (0.25) |
| <i>Compensation Committee member</i> | 0.016* (1.88) | 0.007 (1.33) | 0.009 (0.71) | 0.015* (1.74) | 0.006 (1.25) | 0.007 (0.61) | 0.016* (1.80) | 0.007 (1.28) | 0.009 (0.72) |
| <i>Nomination Committee Member</i> | 0.024*** (2.82) | 0.005 (0.93) | 0.007 (0.54) | 0.024*** (2.84) | 0.005 (0.97) | 0.006 (0.50) | 0.024*** (2.89) | 0.005 (0.98) | 0.007 (0.54) |
| <i>Constant</i> | 3.191*** (32.70) | 4.208*** (35.33) | 3.566*** (24.68) | 3.227*** (33.06) | 4.212*** (35.37) | 3.559*** (24.66) | 3.229*** (33.08) | 4.209*** (35.35) | 3.567*** (24.68) |
| Observations | 57,180 | 57,179 | 22,300 | 57,180 | 57,179 | 22,300 | 57,180 | 57,179 | 22,300 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | No | Yes | Yes | No | Yes | Yes | No | Yes |
| Firm FE | No | Yes | No | No | Yes | No | No | Yes | No |
| Adjusted R ² | 0.250 | 0.561 | 0.249 | 0.252 | 0.561 | 0.250 | 0.252 | 0.561 | 0.249 |

| Variables | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
|-----------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | <i>Ln(Total Compensation)</i> | <i>Ln(Total Compensation)</i> | <i>Ln(Total Compensation)</i> | <i>Ln(Total Compensation)</i> | <i>Ln(Total Compensation)</i> | <i>Ln(Total Compensation)</i> | <i>Ln(Total Compensation)</i> | <i>Ln(Total Compensation)</i> | <i>Ln(Total Compensation)</i> |
| | Full sample | Full sample | M&A subsample | Full sample | Full sample | M&A subsample | Full sample | Full sample | M&A subsample |

This table presents OLS regressions examining the association between the quality of directors' acquisition experience and compensation. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The dependent variable is *Ln(Total Compensation)*, defined as the natural logarithm of the total compensation of directors, which includes cash, stock, stock options, pensions, non-equity incentives and "other". Definitions of the other variables are presented in Appendix A. Standard errors are clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 9: The association between directors' M&A experience and shareholder dissent

| Variables | (1) %Dissent Full sample | (2) %Dissent Full sample | (3) %Dissent M&A subsample | (4) %Dissent Full sample | (5) %Dissent Full sample | (6) %Dissent M&A subsample |
|--------------------------------|--------------------------------|--------------------------------|----------------------------------|--------------------------------|--------------------------------|----------------------------------|
| <i>M&A Experience</i> | 0.048** (2.22) | 0.069*** (3.77) | 0.051* (1.76) | 0.045** (2.05) | 0.069*** (3.70) | 0.047 (1.57) |
| <i>SumCAR</i> | | | | 0.232 (0.69) | -0.050 (-0.16) | 0.282 (0.85) |
| <i>Duality</i> | 0.093 (1.35) | -0.145* (-1.74) | -0.054 (-0.50) | 0.092 (1.35) | -0.146* (-1.74) | -0.054 (-0.51) |
| <i>Board Independence</i> | -0.145 (-0.23) | 0.967 (1.27) | -1.801 (-1.63) | -0.145 (-0.23) | 0.967 (1.27) | -1.803 (-1.63) |
| <i>Ln(Board Size)</i> | -0.737*** (-3.04) | 0.007 (0.03) | -0.993*** (-2.97) | -0.738*** (-3.04) | 0.007 (0.03) | -0.995*** (-2.98) |
| <i>Ln(Firm Size)</i> | -0.074** (-2.51) | -0.139 (-1.53) | 0.046 (0.97) | -0.074** (-2.49) | -0.139 (-1.53) | 0.048 (1.00) |
| <i>Leverage</i> | 0.095*** (4.39) | 0.073** (2.38) | 0.109*** (3.01) | 0.095*** (4.38) | 0.073** (2.38) | 0.109*** (3.00) |
| <i>MTB</i> | -0.026*** (-4.70) | -0.020*** (-2.71) | -0.022** (-2.54) | -0.026*** (-4.69) | -0.020*** (-2.71) | -0.022** (-2.52) |
| <i>Stock Return</i> | 0.214*** (2.83) | 0.250*** (3.36) | 0.273** (2.02) | 0.214*** (2.82) | 0.250*** (3.36) | 0.271** (2.01) |
| <i>ROA</i> | -1.197*** (-2.78) | -1.735*** (-3.92) | -2.337*** (-3.27) | -1.197*** (-2.78) | -1.735*** (-3.92) | -2.338*** (-3.28) |
| <i>ROA (t-1)</i> | -1.624*** (-3.61) | -1.630*** (-3.40) | -2.894*** (-4.19) | -1.625*** (-3.61) | -1.629*** (-3.40) | -2.899*** (-4.20) |
| <i>Loss</i> | 0.623*** (6.29) | 0.434*** (4.25) | 0.375** (2.55) | 0.624*** (6.30) | 0.434*** (4.25) | 0.377** (2.57) |
| <i>Firm M&A Experience</i> | 0.029*** (2.65) | 0.015 (0.96) | 0.003 (0.19) | 0.029*** (2.63) | 0.015 (0.96) | 0.003 (0.16) |
| <i>Classified Board</i> | 0.467*** (6.09) | 0.788*** (5.98) | 0.437*** (3.63) | 0.467*** (6.09) | 0.788*** (5.98) | 0.439*** (3.65) |
| <i>Director Tenure</i> | 0.077*** (12.03) | 0.078*** (15.31) | 0.073*** (8.15) | 0.077*** (12.03) | 0.078*** (15.31) | 0.074*** (8.16) |
| <i>Director Age</i> | 0.001 (0.25) | 0.000 (0.11) | 0.012 (1.36) | 0.001 (0.25) | 0.000 (0.11) | 0.012 (1.38) |

| Variables | (1) %Dissent Full sample | (2) %Dissent Full sample | (3) %Dissent M&A subsample | (4) %Dissent Full sample | (5) %Dissent Full sample | (6) %Dissent M&A subsample |
|--------------------------------------|--------------------------------|--------------------------------|----------------------------------|--------------------------------|--------------------------------|----------------------------------|
| <i>Financial Expertise</i> | -0.183* (-1.72) | -0.117 (-1.34) | -0.122 (-0.84) | -0.182* (-1.71) | -0.117 (-1.34) | -0.119 (-0.82) |
| <i>Audit Committee Member</i> | -0.039 (-0.58) | -0.061 (-1.10) | -0.206** (-2.10) | -0.039 (-0.58) | -0.061 (-1.09) | -0.207** (-2.11) |
| <i>Compensation Committee Member</i> | 0.464*** (6.98) | 0.470*** (8.17) | 0.497*** (5.24) | 0.465*** (6.99) | 0.470*** (8.16) | 0.498*** (5.25) |
| <i>Nomination Committee Member</i> | 0.017 (0.25) | -0.073 (-1.30) | 0.030 (0.30) | 0.017 (0.25) | -0.073 (-1.30) | 0.029 (0.29) |
| <i>ISS Against</i> | 20.327*** (61.25) | 19.777*** (67.43) | 21.073*** (44.65) | 20.326*** (61.25) | 19.777*** (67.42) | 21.071*** (44.63) |
| <i>Institutional Ownership</i> | 0.479* (1.96) | -0.468* (-1.76) | -0.331 (-0.86) | 0.477* (1.95) | -0.468* (-1.76) | -0.336 (-0.87) |
| <i>Stock Ownership</i> | -0.069*** (-3.06) | -0.060*** (-2.92) | -0.050* (-1.78) | -0.069*** (-3.06) | -0.060*** (-2.92) | -0.050* (-1.78) |
| <i>Attended <75% of meetings</i> | 1.584** (2.33) | 1.952*** (3.03) | 2.377** (2.15) | 1.583** (2.33) | 1.952*** (3.03) | 2.372** (2.15) |
| <i>Busy Director</i> | 0.651*** (8.37) | 0.677*** (9.97) | 0.831*** (8.20) | 0.652*** (8.38) | 0.677*** (9.95) | 0.832*** (8.22) |
| <i>Incumbent Director</i> | 0.364*** (3.93) | 0.473*** (5.10) | 0.276* (1.83) | 0.365*** (3.94) | 0.472*** (5.10) | 0.280* (1.85) |
| <i>Female</i> | -0.352*** (-4.13) | -0.261*** (-4.12) | -0.411*** (-3.23) | -0.352*** (-4.12) | -0.261*** (-4.12) | -0.411*** (-3.23) |
| <i>Constant</i> | -1.316 (-1.62) | 2.551** (2.32) | 0.210 (0.17) | -1.319 (-1.62) | 2.554** (2.33) | 0.209 (0.16) |
| Observations | 43,269 | 43,256 | 16,543 | 43,269 | 43,256 | 16,543 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | No | Yes | Yes | No | Yes |
| Firm FE | No | Yes | No | No | Yes | No |
| Adjusted R ² | 0.538 | 0.601 | 0.541 | 0.538 | 0.601 | 0.541 |

This table presents OLS regressions examining the association between directors' acquisition experience and shareholder voting. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The dependent variable is %Dissent, defined as the number of shareholder votes against a director plus the number of shareholder votes abstained, divided by the sum of the number of shareholder votes for, against and abstained. Definitions of the other variables are presented in Appendix A. Standard errors are clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table 10: The association between the quality of directors' M&A experience and shareholder dissent

| Variables | (1) %Dissent Full sample | (2) %Dissent Full sample | (3) %Dissent M&A subsample | (4) %Dissent Full sample | (5) %Dissent Full sample | (6) %Dissent M&A subsample | (7) %Dissent Full sample | (8) %Dissent Full sample | (9) %Dissent M&A subsample |
|--|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|-------------------------------------|
| <i>SumCAR</i> | 0.395 (1.18) | 0.195 (0.62) | 0.394 (1.20) | | | | | | |
| <i>Positive SumCAR</i> | | | | 0.047 (1.39) | 0.047 (1.63) | 0.052 (1.40) | | | |
| <i>Negative SumCAR</i> | | | | 0.049 (1.08) | 0.097** (2.57) | 0.049 (0.96) | | | |
| <i>Positive M&A Experience</i> | | | | | | | 0.084 (1.06) | 0.154** (2.31) | 0.051 (0.56) |
| <i>Negative M&A Experience</i> | | | | | | | 0.038 (0.48) | 0.180*** (2.61) | |
| <i>Duality</i> | 0.093 (1.36) | -0.145* (-1.74) | -0.050 (-0.47) | 0.093 (1.35) | -0.146* (-1.75) | -0.054 (-0.50) | 0.093 (1.37) | -0.145* (-1.73) | -0.050 (-0.47) |
| <i>Board Independence</i> | -0.132 (-0.21) | 0.980 (1.28) | -1.830* (-1.66) | -0.146 (-0.23) | 0.970 (1.27) | -1.800 (-1.63) | -0.146 (-0.23) | 0.963 (1.26) | -1.829* (-1.66) |
| <i>Ln(Board Size)</i> | -0.737*** (-3.03) | 0.010 (0.04) | -1.004*** (-3.00) | -0.737*** (-3.04) | 0.004 (0.02) | -0.993*** (-2.97) | -0.738*** (-3.04) | 0.006 (0.02) | -1.003*** (-3.00) |
| <i>Ln(Firm Size)</i> | -0.073** (-2.46) | -0.140 (-1.54) | 0.046 (0.95) | -0.074** (-2.51) | -0.140 (-1.54) | 0.046 (0.96) | -0.074** (-2.51) | -0.140 (-1.54) | 0.044 (0.93) |
| <i>Leverage</i> | 0.094*** (4.37) | 0.073** (2.38) | 0.110*** (3.03) | 0.095*** (4.39) | 0.073** (2.38) | 0.109*** (3.01) | 0.095*** (4.39) | 0.073** (2.39) | 0.110*** (3.04) |
| <i>MTB</i> | -0.026*** (-4.68) | -0.020*** (-2.71) | -0.022** (-2.54) | -0.026*** (-4.70) | -0.020*** (-2.72) | -0.022** (-2.54) | -0.026*** (-4.71) | -0.020*** (-2.73) | -0.023** (-2.56) |
| <i>Stock Return</i> | 0.215*** (2.85) | 0.250*** (3.36) | 0.273** (2.02) | 0.214*** (2.83) | 0.250*** (3.36) | 0.273** (2.02) | 0.216*** (2.85) | 0.250*** (3.35) | 0.276** (2.05) |
| <i>ROA</i> | -1.191*** (-2.77) | -1.739*** (-3.93) | -2.350*** (-3.30) | -1.197*** (-2.78) | -1.733*** (-3.91) | -2.337*** (-3.28) | -1.198*** (-2.78) | -1.748*** (-3.95) | -2.352*** (-3.30) |
| <i>ROA (t-1)</i> | -1.624*** (-3.61) | -1.625*** (-3.39) | -2.901*** (-4.21) | -1.624*** (-3.60) | -1.628*** (-3.40) | -2.895*** (-4.19) | -1.623*** (-3.60) | -1.631*** (-3.40) | -2.898*** (-4.20) |

| Variables | (1) %Dissent Full sample | (2) %Dissent Full sample | (3) %Dissent M&A subsample | (4) %Dissent Full sample | (5) %Dissent Full sample | (6) %Dissent M&A subsample | (7) %Dissent Full sample | (8) %Dissent Full sample | (9) %Dissent M&A subsample |
|--|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|-------------------------------------|
| <i>Loss</i> | 0.628*** (6.35) | 0.435*** (4.26) | 0.377** (2.57) | 0.623*** (6.29) | 0.434*** (4.25) | 0.375** (2.55) | 0.625*** (6.31) | 0.431*** (4.23) | 0.374** (2.55) |
| <i>Firm M&A Experience</i> | 0.029*** (2.66) | 0.015 (0.95) | 0.004 (0.20) | 0.029*** (2.65) | 0.015 (0.97) | 0.003 (0.19) | 0.029*** (2.68) | 0.015 (0.96) | 0.004 (0.24) |
| <i>Classified Board</i> | 0.470*** (6.12) | 0.795*** (6.03) | 0.440*** (3.65) | 0.467*** (6.09) | 0.786*** (5.96) | 0.437*** (3.64) | 0.468*** (6.10) | 0.789*** (5.99) | 0.438*** (3.64) |
| <i>Director Tenure</i> | 0.076*** (11.98) | 0.077*** (15.23) | 0.074*** (8.18) | 0.077*** (12.03) | 0.078*** (15.31) | 0.073*** (8.15) | 0.076*** (12.02) | 0.078*** (15.35) | 0.074*** (8.17) |
| <i>Director Age</i> | 0.002 (0.40) | 0.002 (0.39) | 0.013 (1.52) | 0.001 (0.25) | 0.000 (0.10) | 0.012 (1.36) | 0.002 (0.35) | 0.001 (0.22) | 0.013 (1.51) |
| <i>Financial Expertise</i> | -0.170 (-1.60) | -0.103 (-1.17) | -0.117 (-0.79) | -0.183* (-1.72) | -0.118 (-1.35) | -0.122 (-0.84) | -0.178* (-1.66) | -0.122 (-1.39) | -0.118 (-0.81) |
| <i>Audit Committee Member</i> | -0.040 (-0.61) | -0.064 (-1.14) | -0.209** (-2.13) | -0.039 (-0.58) | -0.061 (-1.09) | -0.206** (-2.10) | -0.040 (-0.60) | -0.063 (-1.13) | -0.209** (-2.13) |
| <i>Compensation Committee Member</i> | 0.467*** (7.04) | 0.474*** (8.24) | 0.501*** (5.29) | 0.464*** (6.98) | 0.470*** (8.17) | 0.497*** (5.24) | 0.466*** (7.01) | 0.470*** (8.18) | 0.500*** (5.28) |
| <i>Nomination Committee Member</i> | 0.015 (0.22) | -0.077 (-1.37) | 0.029 (0.30) | 0.017 (0.25) | -0.073 (-1.30) | 0.030 (0.30) | 0.016 (0.24) | -0.074 (-1.31) | 0.031 (0.31) |
| <i>ISS Against</i> | 20.324*** (61.22) | 19.775*** (67.40) | 21.072*** (44.65) | 20.327*** (61.25) | 19.777*** (67.43) | 21.073*** (44.66) | 20.326*** (61.25) | 19.777*** (67.44) | 21.075*** (44.68) |
| <i>Institutional Ownership</i> | 0.475* (1.95) | -0.477* (-1.79) | -0.343 (-0.89) | 0.479* (1.96) | -0.468* (-1.76) | -0.331 (-0.86) | 0.477* (1.95) | -0.475* (-1.78) | -0.338 (-0.88) |
| <i>Stock Ownership</i> | -0.070*** (-3.07) | -0.061*** (-2.97) | -0.050* (-1.80) | -0.069*** (-3.06) | -0.060*** (-2.92) | -0.050* (-1.78) | -0.070*** (-3.06) | -0.060*** (-2.94) | -0.050* (-1.81) |
| <i>Attended <75% of meetings</i> | 1.585** (2.34) | 1.955*** (3.03) | 2.382** (2.16) | 1.584** (2.33) | 1.954*** (3.03) | 2.377** (2.15) | 1.586** (2.34) | 1.959*** (3.04) | 2.385** (2.16) |
| <i>Busy Director</i> | 0.704*** (9.14) | 0.752*** (11.34) | 0.862*** (8.38) | 0.651*** (8.37) | 0.676*** (9.94) | 0.831*** (8.20) | 0.684*** (8.69) | 0.696*** (10.31) | 0.864*** (8.39) |
| <i>Incumbent Director</i> | 0.362*** (3.91) | 0.469*** (5.07) | 0.274* (1.82) | 0.364*** (3.93) | 0.472*** (5.10) | 0.276* (1.83) | 0.361*** (3.90) | 0.470*** (5.08) | 0.268* (1.78) |
| <i>Female</i> | -0.352*** | -0.260*** | -0.408*** | -0.352*** | -0.262*** | -0.411*** | -0.351*** | -0.258*** | -0.409*** |

| Variables | (1) <i>%Dissent</i> Full sample | (2) <i>%Dissent</i> Full sample | (3) <i>%Dissent</i> M&A subsample | (4) <i>%Dissent</i> Full sample | (5) <i>%Dissent</i> Full sample | (6) <i>%Dissent</i> M&A subsample | (7) <i>%Dissent</i> Full sample | (8) <i>%Dissent</i> Full sample | (9) <i>%Dissent</i> M&A subsample |
|-------------------------|---------------------------------------|---------------------------------------|--|---------------------------------------|---------------------------------------|--|---------------------------------------|---------------------------------------|--|
| <i>Constant</i> | (-4.12) -1.380* (-1.70) | (-4.10) 2.513** (2.29) | (-3.22) 0.275 (0.22) | (-4.13) -1.316 (-1.62) | (-4.13) 2.566** (2.34) | (-3.23) 0.210 (0.17) | (-4.11) -1.347* (-1.66) | (-4.06) 2.537** (2.31) | (-3.22) 0.260 (0.20) |
| Observations | 43,269 | 43,256 | 16,543 | 43,269 | 43,256 | 16,543 | 43,269 | 43,256 | 16,543 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | No | Yes | Yes | No | Yes | Yes | No | Yes |
| Firm FE | No | Yes | No | No | Yes | No | No | Yes | No |
| Adjusted R ² | 0.538 | 0.601 | 0.541 | 0.538 | 0.601 | 0.541 | 0.538 | 0.601 | 0.541 |

This table presents OLS regressions examining the association between the quality of directors' acquisition experience and shareholder voting. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The dependent variable is *%Dissent*, defined as the number of shareholder votes against a director plus the number of shareholder votes abstained, divided by the sum of the number of shareholder votes for, against and abstained. Definitions of the other variables are presented in Appendix A. Standard errors are clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Appendices

Appendix A: Definition of Variables

Table A1: Variable Definitions

| Variable | Definition | Source |
|--|--|----------------|
| <i>Panel A – Dependent variables</i> | | |
| <i>M&A Appointment</i> | An indicator variable equal to one if a firm appoints a director with M&A experience in year t , and zero otherwise. A director is considered to have M&A experience if they have been involved in an acquisition outside the home firm any time in the past 10 years. | BoardEx, SDC |
| <i>Negative M&A Appointment</i> | An indicator variable equal to one if the firm appoints a director with net value-destructive M&A experience to the board, and zero otherwise. | BoardEx, SDC |
| <i>Ln(Total Compensation)</i> | The natural logarithm of the total compensation of directors, which includes cash, stock, stock options, pensions, non-equity incentives and “other”. | ExecuComp |
| <i>%Dissent</i> | The percent of shareholder votes against or withheld for an individual director during a director election, following Aggarwal et al. (2019). Proxy voting ballots in director elections typically list three voting choices for each director nominee: for, against and abstain. Calculated as: $\frac{(\text{Voted against} + \text{Voted abstain})}{(\text{Voted for} + \text{Voted against} + \text{Voted abstain})}$ | ISS |
| <i>Panel B – Variables of interest</i> | | |
| <i>M&A Likelihood</i> | An estimation of a firm’s likelihood of initiating a bid as a function of its characteristics, following Tunyi (2021). Tunyi (2021) estimates each firm’s likelihood of initiating a takeover bid in period t as a function of its observable characteristics in period $t-1$, to ensure the estimation is free from hindsight and uses only information that is available to the market at the end of each year. At the start of year $t+1$ (January 1), participants input this data into an already derived model (model coefficients) to identify the firms that are most likely to make bids over the year ($t+1$), and the performance of this portfolio can then be assessed at the end of year $t+1$. The regression model for deriving the model coefficients is the following logit model (2): | SDC, Compustat |

| Variable | Definition | Source |
|----------------------------------|--|--------------------|
| | $Bid_{it} = \frac{1}{1 + e^{-z_{it-1}}}$ <p>where <i>Bid</i> is an indicator variable equal to one when a firm makes a control bid in year <i>t</i>, and zero otherwise.</p> <p>Bids from year <i>t</i> are matched to observable firm characteristics in year <i>t</i>–1 to address reverse causality, as successful bids may lead to substantial changes in the acquiring firm’s characteristics in year <i>t</i> (Tunyi, 2021). A vector of firm characteristics in the previous period are included in Model (2) as control variables.</p> <p><i>Profitability</i> is defined as the ratio of earnings before interest and tax, to total capital employed. <i>Tobin’s Q</i> is the sum of the book value of debt and the market value of equity, scaled by the book value of assets. <i>Sales Growth</i> is the percent change in total sales. <i>Liquidity</i> is the ratio of cash and short-term investments to total assets. <i>Leverage</i> is the ratio of long-term debt to total assets. <i>Disturbance</i> is an indicator variable equal to one if a firm is in an industry (determined by the 4-digit SIC code) which has experienced an M&A deal in the previous year. <i>Firm size (sq)</i> is the natural logarithm of total assets (squared). <i>Free Cash Flow</i> is the cash flow from operations less capital expenditures normalised by total assets. <i>Tangible Assets</i> is the ratio of property, plant and equipment to total assets. <i>Firm Age</i> is the natural logarithm of the number of years since the firm listed. Finally, <i>Industry Concentration</i> is the sum of the squared market shares (proxied by total revenues) of all listed firms in the 4-digit SIC code industry. Tunyi (2021) provides a detailed rationale for the inclusion of the firm and deal characteristics. The coefficients from Model (2) are applied to estimate acquisition likelihood. The estimation of <i>M&A Likelihood</i> is then applied in Model (1).</p> | |
| <i>% with M&A Experience</i> | The percentage of directors on the board who have been involved in an acquisition outside the home firm in the past 10 years in year <i>t</i> –1. | BoardEx, SDC |
| <i>CEO Age</i> | The CEO’s age in years. | BoardEx |
| <i>CEO Power</i> | A summary measure of CEO power is constructed using ten CEO characteristics that capture four dimensions of CEO power: structural power, ownership power, expert power, and prestige power. Structural power is comprised of duality (indicator variable equal to one if the CEO is also the chairperson of the board, and zero otherwise) and relative compensation (the CEO’s total compensation, including salary, bonus, stock grants, and stock options, divided by the company’s highest executive’s total compensation excluding the CEO). Ownership power is | BoardEx, ExecuComp |

| Variable | Definition | Source |
|----------------------|---|-----------------------|
| <i>CEO Holder 67</i> | <p>made up of share ownership (the CEO's beneficial ownership) and whether the CEO was also a founder of the firm (the CEO's founder status). Expert power comprises of tenure (the duration of time the CEO has held their position); number of executive positions (number of executive positions the CEO held in the company prior to becoming the CEO, including president, CFO, COO, Vice President, Vice Chairman with administration duties, or General Manager); and executive position years (number of years the CEO held these executive positions). Prestige power is comprised of corporate memberships (the number of other corporate board memberships held by the CEO), non-profit memberships (the number of non-profit board memberships held by the CEO), and elite education (following Finkelstein (1992) and Lisic et al. (2016), the CEO's education background is calculated as a variable taking the value 0 if the CEO did not receive any formal higher education, 1 if neither the CEO's undergraduate nor graduate institution is elite, 2 if the CEO's undergraduate or graduate institution (but not both) is elite, and 3 if the CEO's undergraduate and graduate institutions are both elite, where elite institutions are as listed in Finkelstein (1992)).</p> <p>Any continuous variables among the proxies for CEO power are converted into indicator variables, by coding values above the industry-year median as one, and zero otherwise. The values of all dichotomous variables are summed to create an index to measure overall CEO power.</p> <p><i>CEO Holder 67</i> is calculated following Banerjee, Humphrey-Jenner, Nanda and Tham (2018) and uses option-based measures of overconfidence. <i>Confidence</i> is measured as the "average value per option/average strike price", where the average value per option is the total value of the CEO's option holdings (ExecuComp: opt_unex_exer_val) scaled by the number of such options (ExecuComp: opt_unex_exer_num). The average strike price is the firm's stock price at the end of the fiscal year (Compustat: prcc_f) less the value per option. <i>CEO Holder 67</i> is constructed from the <i>Confidence</i> variable and is an indicator variable equal to one if the <i>Confidence</i> variable is at least 0.67 on two or more occasions (this indicator equals one the first time <i>Confidence</i> is at least 0.67). <i>CEO Holder 67</i> classifies CEOs as overconfident if they refrain from exercising deep-in-the-money options, which is 67% in-the-money in this case.</p> | BoardEx, ExecuComp |
| <i>Male CEO</i> | An indicator variable equal to one if the CEO is male and is zero otherwise. | BoardEx |
| <i>CEO Novice</i> | An indicator variable equal to one if the CEO has not engaged in a large acquisition (over US\$50 million) either at their home firm or outside the home firm, and zero otherwise. | BoardEx |

| Variable | Definition | Source |
|---|--|---------------|
| <i>M&A Experience</i> | Number of acquisitions a director has participated in outside the home firm in the past 10 years. | SDC, BoardEx |
| <i>M&A Experience (indicator)</i> | An indicator variable equal to one if a director has participated in an acquisition outside the home firm in the past 10 years, and zero otherwise. | SDC, BoardEx |
| <i>SumCAR</i> | The sum of the cumulative abnormal returns (CAR) of the acquisitions conducted by an outside director in the past 10 years. The CAR is a 3-day CAR calculated using a standard market-adjusted return model, where abnormal return is calculated as the difference between a firm return and the value-weighted market index return. | BoardEx, CRSP |
| <i>Positive SumCAR</i> | The sum of all the positive CAR of acquisitions undertaken by an outside director in the past 10 years. | BoardEx, CRSP |
| <i>Negative SumCAR</i> | The sum of all the negative CAR of acquisitions undertaken by an outside director in the past 10 years. | BoardEx, CRSP |
| <i>Positive M&A Experience</i> | An indicator variable equal to one if the sum of the CAR of the acquisitions conducted by an outside director in the past 10 years is positive, and zero otherwise. | BoardEx, CRSP |
| <i>Negative M&A Experience</i> | An indicator variable equal to one if the sum of the CAR of the acquisitions conducted by an outside director in the past 10 years is negative, and zero otherwise. | BoardEx, CRSP |
| <i>Panel C – Control variables</i> | | |
| <i>MTB</i> | The market value of assets divided by the book value of assets. Market value of assets is book value of total assets minus book value of equity plus market value of equity. | Compustat |
| <i>Leverage</i> | The book value of debt divided by market value of total assets. | Compustat |
| <i>Firm Size</i> | Book value of total assets. | Compustat |
| <i>ROA (ROA(t-1))</i> | The operating income before depreciation divided by total assets. | Compustat |
| <i>Loss</i> | Indicator variable equal to one if a firm's income is less than zero, and zero otherwise. | Compustat |
| <i>Stock Return</i> | The difference between the buy-and-hold stock return from month -14 to month -3 relative to the month of the year end and the analogously defined buy-and-hold stock return on the value-weighted CRSP index. | |

| Variable | Definition | Source |
|---------------------------------------|--|--------------------|
| <i>Firm M&A Experience</i> | Cumulative number of acquisitions undertaken by the firm in the past 10 years. | SDC |
| <i>Director Departure</i> | An indicator variable equal to one if a director left the firm in year $t-1$. | BoardEx |
| <i>M&A Director Departure</i> | An indicator variable equal to one if a director with M&A experience left the firm in year $t-1$. | BoardEx |
| <i>Board Size</i> | Number of directors on the board. | BoardEx |
| <i>Board Independence</i> | Percentage of directors who are unaffiliated with the firm beyond their directorship. | BoardEx |
| <i>% with Financial Expertise</i> | Percentage of directors who have been employed in the financial services industry, in a finance related role (Accountant, Chief Financial Officer, Treasurer, or Vice President of Finance), or in a top-tier auditing firm (Pricewaterhouse, Deloitte, Ernst & Young, KPMG, Arthur Andersen, Coopers, Peat Marwick, Touche Ross). | BoardEx, ISS |
| <i>% with Executive Expertise</i> | Percentage of directors who have been managers of other firms. | BoardEx, ExecuComp |
| <i>Proximity of M&A Directors</i> | The density of directors with M&A experience within a 50-mile radius of the firm's headquarters. | BoardEx |
| <i>% Busy Directors</i> | Percentage of directors who serve on three or more boards. | BoardEx |
| <i>Duality</i> | Indicator variable that equals one if the CEO is also the chairperson of the board, zero otherwise. | BoardEx |
| <i>Classified Board</i> | Indicator variable that equals one if a firm has a classified board, zero otherwise. | ISS |
| <i>Director Age</i> | The age of the director in years. | BoardEx |
| <i>Director Tenure</i> | The number of years the director has held their position on the board of the firm. | BoardEx |
| <i>Financial Expertise</i> | Indicator variable equal to one if the director has been employed in the financial services industry, in a finance-related role, or in a top-tier auditing firm. | BoardEx, ISS |
| <i>Audit Committee Member</i> | An indicator variable equal to one if the director is a member of the audit committee, and zero otherwise. | ISS |
| <i>Compensation Committee Member</i> | An indicator variable equal to one if the director is a member of the compensation committee, and zero otherwise. | ISS |

| Variable | Definition | Source |
|-------------------------------------|--|---------------|
| <i>Nomination Committee Member</i> | An indicator variable equal to one if the director is a member of the nomination committee, and zero otherwise. | ISS |
| <i>ISS Against</i> | An indicator variable equal to one if the Institutional Shareholder Services (ISS) recommends withhold, against or no for a particular director, and zero otherwise. | ISS |
| <i>Institutional Ownership</i> | The fraction of outstanding shares held by institutional owners as reported in the Schedule 13F filings. | ISS |
| <i>Stock Ownership</i> | Percent of stock owned by a director. | BoardEx |
| <i>Attended <75% of meetings</i> | An indicator variable equal to one if a director attends less than 75% of board meetings held, and zero otherwise. | ISS |
| <i>Busy Director</i> | An indicator variable equal to one if a director has three or more board positions in year $t-1$, and zero otherwise. | BoardEx |
| <i>Incumbent Director</i> | An indicator variable equal to one if the director was not first appointed to the board in the current year, and zero otherwise. | BoardEx |
| <i>Female</i> | An indicator variable equal to one if the director is female, and zero otherwise. | BoardEx |
| <i>Ln(NED Experience)</i> | The natural logarithm of the total number of years a director has held a position as an outside director since their first appointment. | BoardEx |
| <i>Director Appointment</i> | An indicator variable equal to one if a firm appoints an outside director to the board in year t . | BoardEx |

Appendix B: Predicting M&A likelihood

Table B1: Estimating M&A Likelihood

| Variable | (1) <i>Bid</i> |
|-------------------------------|-----------------------|
| <i>Profitability</i> | −0.000 (−0.24) |
| <i>Tobin's Q</i> | −0.000 (−0.16) |
| <i>Sales Growth</i> | 0.020*** (2.58) |
| <i>Liquidity</i> | −0.563*** (−9.05) |
| <i>Leverage</i> | 0.015** (1.99) |
| <i>Disturbance</i> | 0.602*** (8.44) |
| <i>Firm Size</i> | 0.634*** (26.43) |
| <i>Firm Size Sq</i> | −0.042*** (−22.01) |
| <i>Free Cash Flow</i> | 0.026 (0.67) |
| <i>Tangible Assets</i> | −0.893*** (−14.05) |
| <i>Firm Age</i> | −0.110*** (−8.00) |
| <i>Industry Concentration</i> | −0.000** (−2.04) |
| <i>Constant</i> | −3.41*** (−27.75) |
| Observations | 100,935 |
| Year FE | Yes |
| Industry FE | Yes |
| Pseudo R ² | 0.043 |

This table presents the results of a logit regression estimating a firm's likelihood of initiating a takeover bid in period t as a function of its observable characteristics in period $t-1$. The dependent variable, *Bid*, is an indicator variable equal to one when a firm makes a control bid in period t , and zero otherwise. The remaining variables are defined as follows: *Profitability* is the ratio of earnings before interest and tax to total capital employed. *Tobin's Q* is the sum of the book value of debt and the market value of equity, scaled by the book value of assets. *Sales Growth* is the percent change in total sales. *Liquidity* is the ratio of cash and short-term investments to total assets. *Leverage* is the ratio of long-term debt to total assets. *Disturbance* is a dummy variable that is equal to one if a firm is in a 4-digit SIC code industry which has experienced an M&A deal in the previous year, and zero otherwise. *Firm Size (sq)* is the natural logarithm of total assets (squared). *Free Cash Flow* is the cash flow from operations less capital expenditures normalised by total assets. *Tangible Assets* is the ratio of property, plant and equipment to total assets. *Firm Age* is the natural logarithm of the number of years since the firm listed. *Industry Concentration* is the sum of the squared market shares (proxied by total revenues) of all listed firms in the 4-digit SIC code industry. Standard errors are clustered by firm. The numbers reported in parentheses are z-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Appendix C: Splitting M&A experience based on M&A target classifications

Table C1: The association between directors' M&A experience and director compensation based on public vs. private target experience

| Variables | (1) <i>Ln(Total Compensation)</i> Full sample | (2) <i>Ln(Total Compensation)</i> Full sample | (3) <i>Ln(Total Compensation)</i> M&A subsample | (4) <i>Ln(Total Compensation)</i> Full sample | (5) <i>Ln(Total Compensation)</i> Full sample |
|--|---|---|---|---|---|
| <i>M&A Experience (Public targets)</i> | 0.014** (2.16) | 0.011 (1.62) | | | |
| <i>M&A Experience (Private targets)</i> | 0.029*** (6.36) | 0.029*** (6.51) | | | |
| <i>SumCAR (Public targets)</i> | | -0.190* (-1.77) | -0.260** (-2.52) | | |
| <i>SumCAR (Private targets)</i> | | -0.032 (-0.58) | 0.075 (1.19) | | |
| <i>Positive SumCAR (Public targets)</i> | | | | 0.004 (0.27) | |
| <i>Negative SumCAR (Public targets)</i> | | | | 0.020** (2.25) | |
| <i>Positive SumCAR (Private targets)</i> | | | | 0.021*** (3.00) | |
| <i>Negative SumCAR (Private targets)</i> | | | | 0.042*** (4.68) | |
| <i>Positive M&A Experience (Public targets)</i> | | | | | 0.005 (0.31) |
| <i>Negative M&A Experience (Public targets)</i> | | | | | 0.029** (2.12) |
| <i>Positive M&A Experience (Private targets)</i> | | | | | 0.046*** (4.12) |
| <i>Negative M&A Experience (Private targets)</i> | | | | | 0.070*** (4.88) |
| <i>Duality</i> | -0.065*** (-7.59) | -0.065*** (-7.60) | -0.064*** (-7.53) | -0.065*** (-7.59) | -0.056*** (-7.49) |

| Variables | (1) <i>Ln(Total Compensation)</i> Full sample | (2) <i>Ln(Total Compensation)</i> Full sample | (3) <i>Ln(Total Compensation)</i> M&A subsample | (4) <i>Ln(Total Compensation)</i> Full sample | (5) <i>Ln(Total Compensation)</i> Full sample |
|--------------------------------|---|---|---|---|---|
| <i>Board Independence</i> | 0.751*** (7.81) | 0.752*** (7.83) | 0.762*** (7.93) | 0.751*** (7.81) | 0.885*** (11.48) |
| <i>Ln(Board Size)</i> | -0.067** (-1.99) | -0.067** (-1.99) | -0.069** (-2.04) | -0.067** (-1.98) | -0.117*** (-4.32) |
| <i>Ln(Firm Size)</i> | 0.146*** (23.84) | 0.146*** (23.85) | 0.147*** (23.97) | 0.146*** (23.86) | 0.156*** (32.24) |
| <i>Leverage</i> | -0.006 (-1.08) | -0.006 (-1.08) | -0.006 (-1.15) | -0.006 (-1.08) | -0.013*** (-3.28) |
| <i>MTB</i> | 0.001 (0.67) | 0.001 (0.67) | 0.001 (0.72) | 0.001 (0.67) | 0.003*** (2.80) |
| <i>Stock Return</i> | 0.011 (1.63) | 0.011* (1.65) | 0.011* (1.69) | 0.011 (1.64) | 0.019*** (3.47) |
| <i>ROA</i> | 0.245*** (4.56) | 0.245*** (4.57) | 0.244*** (4.54) | 0.245*** (4.57) | 0.244*** (5.49) |
| <i>ROA (t-1)</i> | 0.142*** (3.13) | 0.143*** (3.15) | 0.140*** (3.06) | 0.143*** (3.15) | 0.161*** (4.29) |
| <i>Loss</i> | 0.017* (1.72) | 0.017* (1.72) | 0.019* (1.82) | 0.018* (1.73) | 0.027*** (3.00) |
| <i>Firm M&A Experience</i> | 0.006*** (2.94) | 0.006*** (2.94) | 0.006*** (3.02) | 0.006*** (2.95) | 0.004** (2.38) |
| <i>Classified Board</i> | 0.020** (2.34) | 0.020** (2.32) | 0.020** (2.33) | 0.020** (2.34) | 0.033*** (4.26) |
| <i>Director Tenure</i> | 0.002** (2.17) | 0.002** (2.17) | 0.002** (1.99) | 0.002** (2.16) | 0.002** (2.37) |
| <i>Director Age</i> | 0.003*** (3.07) | 0.003*** (3.06) | 0.003*** (3.36) | 0.003*** (3.07) | 0.003*** (4.70) |
| <i>Financial Expertise</i> | 0.055*** (4.34) | 0.055*** (4.35) | 0.059*** (4.65) | 0.055*** (4.35) | 0.050*** (4.36) |
| <i>Audit Committee Member</i> | 0.013 (1.46) | 0.013 (1.45) | 0.012 (1.35) | 0.013 (1.45) | 0.015** (2.05) |

| Variables | (1) <i>Ln(Total Compensation)</i> Full sample | (2) <i>Ln(Total Compensation)</i> Full sample | (3) <i>Ln(Total Compensation)</i> M&A subsample | (4) <i>Ln(Total Compensation)</i> Full sample | (5) <i>Ln(Total Compensation)</i> Full sample |
|--------------------------------------|---|---|---|---|---|
| <i>Compensation Committee Member</i> | 0.016* (1.80) | 0.016* (1.80) | 0.016* (1.87) | 0.016* (1.80) | 0.010 (1.35) |
| <i>Nomination Committee Member</i> | 0.024*** (2.84) | 0.024*** (2.82) | 0.023*** (2.77) | 0.024*** (2.84) | 0.022*** (2.96) |
| <i>Constant</i> | 3.215*** (32.97) | 3.212*** (32.98) | 3.192*** (32.73) | 3.213*** (32.98) | 3.047*** (36.81) |
| Observations | 57,180 | 57,180 | 57,180 | 57,180 | 77,080 |
| Year FE | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | No | Yes | Yes | No |
| Firm FE | No | Yes | No | No | Yes |
| Adjusted R ² | 0.252 | 0.252 | 0.251 | 0.252 | 0.251 |

This table presents OLS regressions examining the association between directors' acquisition experience and compensation. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The dependent variable is *Ln(Total Compensation)*, defined as the natural logarithm of the total compensation of directors, and includes cash, stock, stock options, pensions, non-equity incentives and "other". Directors' M&A experience has been split based on whether the experience was gained through a public target acquisition or private target acquisition. Definitions of the other variables are presented in Appendix A. Standard errors are clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Appendix D: Sample of first-time appointments

Table D1: The association between directors' M&A experience and compensation (restricted to first-time appointments)

| Variables | (1) <i>Ln(Pay Per Day)</i> | (2) <i>Ln(Pay Per Day)</i> | (3) <i>Ln(Pay Per Day)</i> | (4) <i>Ln(Pay Per Day)</i> | (5) <i>Ln(Pay Per Day)</i> |
|------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <i>M&A Experience</i> | 0.001 (0.13) | 0.001 (0.11) | | | |
| <i>SumCAR</i> | | 0.005 (0.15) | 0.007 (0.20) | | |
| <i>Positive SumCAR</i> | | | | 0.002 (0.19) | |
| <i>Negative SumCAR</i> | | | | -0.001 (-0.07) | |
| <i>Positive M&A Experience</i> | | | | | -0.010 (-0.43) |
| <i>Negative M&A Experience</i> | | | | | -0.009 (-0.35) |
| <i>Duality</i> | 0.026 (1.30) | 0.026 (1.30) | 0.026 (1.30) | 0.026 (1.30) | 0.026 (1.31) |
| <i>Board Independence</i> | 0.355** (2.15) | 0.356** (2.15) | 0.356** (2.15) | 0.355** (2.15) | 0.360** (2.17) |
| <i>Ln(Board Size)</i> | 0.062 (1.19) | 0.062 (1.19) | 0.062 (1.19) | 0.062 (1.19) | 0.063 (1.20) |
| <i>Ln(Firm Size)</i> | 0.040*** (4.28) | 0.040*** (4.28) | 0.040*** (4.29) | 0.040*** (4.29) | 0.040*** (4.28) |
| <i>Leverage</i> | -0.019*** (-3.52) | -0.019*** (-3.51) | -0.019*** (-3.52) | -0.019*** (-3.52) | -0.019*** (-3.52) |
| <i>MTB</i> | 0.003 (1.51) | 0.003 (1.51) | 0.003 (1.51) | 0.003 (1.51) | 0.003 (1.51) |
| <i>Stock Return</i> | 0.043* (1.77) | 0.043* (1.76) | 0.043* (1.76) | 0.043* (1.77) | 0.043* (1.77) |
| <i>ROA</i> | 0.151 | 0.152 | 0.151 | 0.151 | 0.152 |

| Variables | (1) <i>Ln(Pay Per Day)</i> | (2) <i>Ln(Pay Per Day)</i> | (3) <i>Ln(Pay Per Day)</i> | (4) <i>Ln(Pay Per Day)</i> | (5) <i>Ln(Pay Per Day)</i> |
|--------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | (1.02) | (1.02) | (1.01) | (1.02) | (1.02) |
| <i>ROA (t-1)</i> | -0.061 | -0.061 | -0.061 | -0.061 | -0.060 |
| | (-0.46) | (-0.46) | (-0.46) | (-0.46) | (-0.45) |
| <i>Loss</i> | -0.012 | -0.012 | -0.012 | -0.012 | -0.011 |
| | (-0.49) | (-0.49) | (-0.48) | (-0.49) | (-0.46) |
| <i>Firm M&A Experience</i> | 0.002 | 0.002 | 0.002 | 0.002 | 0.002 |
| | (0.35) | (0.35) | (0.35) | (0.34) | (0.36) |
| <i>Classified Board</i> | -0.023 | -0.023 | -0.023 | -0.023 | -0.023 |
| | (-1.31) | (-1.31) | (-1.30) | (-1.31) | (-1.29) |
| <i>Director Tenure</i> | -0.978*** | -0.978*** | -0.978*** | -0.978*** | -0.978*** |
| | (-12.14) | (-12.14) | (-12.15) | (-12.13) | (-12.13) |
| <i>Director Age</i> | 0.002 | 0.002 | 0.002 | 0.002 | 0.002 |
| | (1.54) | (1.54) | (1.56) | (1.54) | (1.63) |
| <i>Financial Expertise</i> | 0.019 | 0.019 | 0.020 | 0.019 | 0.022 |
| | (0.60) | (0.60) | (0.63) | (0.60) | (0.69) |
| <i>Audit Committee Member</i> | 0.066*** | 0.066*** | 0.066*** | 0.066*** | 0.065*** |
| | (2.79) | (2.79) | (2.79) | (2.79) | (2.79) |
| <i>Compensation Committee Member</i> | 0.042 | 0.042 | 0.042 | 0.042 | 0.043 |
| | (1.47) | (1.47) | (1.47) | (1.47) | (1.48) |
| <i>Nomination Committee Member</i> | 0.090*** | 0.090*** | 0.090*** | 0.091*** | 0.090*** |
| | (3.24) | (3.24) | (3.24) | (3.22) | (3.23) |
| <i>Constant</i> | 0.221 | 0.220 | 0.218 | 0.221 | 0.210 |
| | (1.20) | (1.20) | (1.20) | (1.20) | (1.15) |
| Observations | 1,964 | 1,964 | 1,964 | 1,964 | 1,964 |
| Year FE | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes |
| Adjusted R ² | 0.319 | 0.319 | 0.319 | 0.319 | 0.319 |

This table presents OLS regressions examining the association between directors' acquisition experience and compensation, restricting the sample to the first time the director was appointed to the board. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. Following Ghannam et al. (2019), the dependent variable is *Ln(Pay Per Day)*, defined as the natural logarithm of the total compensation of directors divided by the total number of calendar days a director is present on the board. Definitions of the other variables are presented in Appendix A. Standard errors are clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table D2: The association between directors' M&A experience and shareholder dissent (restricted to first-time appointments)

| Variables | (1) %Dissent | (2) %Dissent | (3) %Dissent | (4) %Dissent | (5) %Dissent |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <i>M&A Experience</i> | 0.045 (0.78) | 0.046 (0.79) | | | |
| <i>SumCAR</i> | | -0.061 (-0.29) | 0.020 (0.09) | | |
| <i>Positive SumCAR</i> | | | | -0.029 (-0.36) | |
| <i>Negative SumCAR</i> | | | | 0.158 (1.34) | |
| <i>Positive M&A Experience</i> | | | | | 0.037 (0.19) |
| <i>Negative M&A Experience</i> | | | | | 0.106 (0.49) |
| <i>Duality</i> | -0.132 (-0.99) | -0.132 (-0.99) | -0.131 (-0.98) | -0.138 (-1.04) | -0.131 (-0.98) |
| <i>Board Independence</i> | 2.451* (1.94) | 2.449* (1.94) | 2.480* (1.96) | 2.456* (1.94) | 2.457* (1.95) |
| <i>Ln(Board Size)</i> | -0.414 (-1.16) | -0.413 (-1.16) | -0.406 (-1.14) | -0.410 (-1.15) | -0.404 (-1.13) |
| <i>Ln(Firm Size)</i> | 0.010 (0.17) | 0.009 (0.16) | 0.009 (0.15) | 0.009 (0.15) | 0.008 (0.13) |
| <i>Leverage</i> | -0.052** (-2.18) | -0.052** (-2.16) | -0.051** (-2.13) | -0.050** (-2.11) | -0.050** (-2.11) |
| <i>MTB</i> | -0.015 (-1.11) | -0.015 (-1.11) | -0.015 (-1.14) | -0.015 (-1.11) | -0.015 (-1.15) |
| <i>Stock Return</i> | 0.104 (0.61) | 0.105 (0.62) | 0.105 (0.62) | 0.102 (0.60) | 0.106 (0.63) |
| <i>ROA</i> | -1.218 (-1.08) | -1.222 (-1.08) | -1.238 (-1.09) | -1.192 (-1.06) | -1.224 (-1.08) |
| <i>ROA (t-1)</i> | -0.806 (-0.97) | -0.806 (-0.97) | -0.783 (-0.94) | -0.829 (-0.99) | -0.796 (-0.96) |
| <i>Loss</i> | 0.860*** (3.05) | 0.859*** (3.04) | 0.868*** (3.08) | 0.862*** (3.05) | 0.866*** (3.07) |
| <i>Firm M&A Experience</i> | 0.024 | 0.024 | 0.024 | 0.025 | 0.024 |

| Variables | (1) <i>%Dissent</i> | (2) <i>%Dissent</i> | (3) <i>%Dissent</i> | (4) <i>%Dissent</i> | (5) <i>%Dissent</i> |
|--------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | (0.93) | (0.93) | (0.93) | (0.97) | (0.94) |
| <i>Classified Board</i> | 0.116 | 0.116 | 0.122 | 0.121 | 0.121 |
| | (0.78) | (0.78) | (0.81) | (0.81) | (0.80) |
| <i>Director Tenure</i> | -1.533*** | -1.534*** | -1.506*** | -1.544*** | -1.522*** |
| | (-2.94) | (-2.94) | (-2.90) | (-2.96) | (-2.91) |
| <i>Director Age</i> | -0.000 | -0.000 | 0.001 | -0.001 | 0.000 |
| | (-0.02) | (-0.02) | (0.07) | (-0.07) | (0.02) |
| <i>Financial Expertise</i> | -0.273 | -0.273 | -0.247 | -0.272 | -0.259 |
| | (-1.40) | (-1.40) | (-1.28) | (-1.40) | (-1.33) |
| <i>Audit Committee Member</i> | 0.016 | 0.017 | 0.009 | 0.021 | 0.013 |
| | (0.11) | (0.11) | (0.06) | (0.14) | (0.08) |
| <i>Compensation Committee Member</i> | 0.154 | 0.156 | 0.155 | 0.147 | 0.154 |
| | (0.78) | (0.78) | (0.78) | (0.75) | (0.78) |
| <i>Nomination Committee Member</i> | 0.449** | 0.449** | 0.445** | 0.446** | 0.443** |
| | (2.21) | (2.21) | (2.19) | (2.20) | (2.19) |
| <i>ISS Against</i> | 15.857*** | 15.856*** | 15.847*** | 15.845*** | 15.839*** |
| | (5.89) | (5.89) | (5.89) | (5.90) | (5.89) |
| <i>Institutional Ownership</i> | -0.817* | -0.818* | -0.828* | -0.830* | -0.826* |
| | (-1.82) | (-1.82) | (-1.84) | (-1.84) | (-1.84) |
| <i>Stock Ownership</i> | -0.031* | -0.031* | -0.030* | -0.031* | -0.030* |
| | (-1.89) | (-1.89) | (-1.84) | (-1.91) | (-1.87) |
| <i>Busy Director</i> | 1.006*** | 1.005*** | 1.056*** | 1.000*** | 1.038*** |
| | (3.27) | (3.26) | (3.55) | (3.25) | (3.37) |
| <i>Female</i> | -0.417*** | -0.417*** | -0.422*** | -0.421*** | -0.419*** |
| | (-3.35) | (-3.35) | (-3.39) | (-3.37) | (-3.37) |
| <i>Constant</i> | -0.291 | -0.290 | -0.385 | -0.291 | -0.333 |
| | (-0.20) | (-0.20) | (-0.26) | (-0.20) | (-0.23) |
| Observations | 1,637 | 1,637 | 1,637 | 1,637 | 1,637 |
| Year FE | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes |
| Adjusted R ² | 0.380 | 0.380 | 0.380 | 0.381 | 0.380 |

This table presents OLS regressions examining the association between directors' acquisition experience and shareholder voting, restricting the sample to the first time the director was appointed to the board. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The dependent variable is *%Dissent*, defined as the number of shareholder votes against a director plus the number of shareholder votes abstained, divided by the sum of the number of shareholder votes for, against and abstained. Definitions of the other variables are presented in Appendix A. Standard errors are clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Appendix E: Inclusion of *M&A Likelihood* as a control

Table E1: The association between directors' M&A experience and shareholder dissent (including *M&A Likelihood* as a control)

| Variables | (1) %Dissent Full sample | (2) %Dissent Full sample | (3) %Dissent M&A subsample | (4) %Dissent Full sample | (5) %Dissent Full sample | (6) %Dissent M&A subsample |
|--------------------------------|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|-------------------------------------|
| <i>M&A Experience</i> | 0.051** (2.30) | 0.069*** (3.68) | 0.052* (1.74) | 0.048** (2.13) | 0.069*** (3.62) | 0.048 (1.57) |
| <i>SumCAR</i> | | | | 0.241 (0.71) | -0.044 (-0.14) | 0.294 (0.88) |
| <i>Duality</i> | 0.123* (1.76) | -0.128 (-1.50) | -0.024 (-0.22) | 0.123* (1.76) | -0.128 (-1.50) | -0.024 (-0.23) |
| <i>Board Independence</i> | -0.309 (-0.47) | 1.314* (1.67) | -2.179* (-1.93) | -0.308 (-0.47) | 1.314* (1.67) | -2.178* (-1.93) |
| <i>Ln(Board Size)</i> | -0.847*** (-3.39) | -0.186 (-0.72) | -1.157*** (-3.40) | -0.847*** (-3.40) | -0.186 (-0.72) | -1.160*** (-3.41) |
| <i>Ln(Firm Size)</i> | -0.109*** (-3.39) | -0.140 (-1.50) | 0.011 (0.22) | -0.108*** (-3.37) | -0.140 (-1.50) | 0.013 (0.24) |
| <i>Leverage</i> | 0.105*** (4.70) | 0.068** (2.11) | 0.125*** (3.33) | 0.105*** (4.69) | 0.068** (2.11) | 0.124*** (3.33) |
| <i>MTB</i> | -0.029*** (-4.91) | -0.019** (-2.39) | -0.027*** (-2.89) | -0.029*** (-4.90) | -0.019** (-2.39) | -0.027*** (-2.88) |
| <i>Stock Return</i> | 0.212*** (2.74) | 0.230*** (3.04) | 0.268* (1.96) | 0.211*** (2.73) | 0.230*** (3.04) | 0.266* (1.94) |
| <i>ROA</i> | -1.257*** (-2.85) | -1.691*** (-3.78) | -2.391*** (-3.29) | -1.258*** (-2.85) | -1.691*** (-3.78) | -2.394*** (-3.30) |
| <i>ROA (t-1)</i> | -1.844*** (-3.95) | -1.869*** (-3.77) | -3.121*** (-4.40) | -1.846*** (-3.96) | -1.868*** (-3.77) | -3.130*** (-4.40) |
| <i>Loss</i> | 0.576*** (5.64) | 0.436*** (4.18) | 0.325** (2.16) | 0.577*** (5.64) | 0.436*** (4.18) | 0.326** (2.17) |
| <i>Firm M&A Experience</i> | 0.034*** (3.01) | 0.016 (1.00) | 0.007 (0.36) | 0.033*** (2.99) | 0.016 (1.00) | 0.006 (0.33) |
| <i>Classified Board</i> | 0.432*** | 0.734*** | 0.400*** | 0.433*** | 0.734*** | 0.402*** |

| Variables | (1) %Dissent Full sample | (2) %Dissent Full sample | (3) %Dissent M&A subsample | (4) %Dissent Full sample | (5) %Dissent Full sample | (6) %Dissent M&A subsample |
|--------------------------------------|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|-------------------------------------|
| <i>M&A Likelihood</i> | (5.50) -6.988*** (-3.99) | (5.33) 6.088* (1.75) | (3.29) -7.102*** (-3.01) | (5.50) -7.002*** (-4.00) | (5.33) 6.088* (1.75) | (3.30) -7.141*** (-3.02) |
| <i>Director Tenure</i> | 0.075*** (11.53) | 0.077*** (14.67) | 0.069*** (7.66) | 0.075*** (11.53) | 0.077*** (14.67) | 0.069*** (7.67) |
| <i>Director Age</i> | 0.003 (0.48) | 0.002 (0.37) | 0.014* (1.65) | 0.003 (0.49) | 0.002 (0.37) | 0.014* (1.67) |
| <i>Financial Expertise</i> | -0.191* (-1.74) | -0.104 (-1.15) | -0.142 (-0.95) | -0.190* (-1.73) | -0.104 (-1.15) | -0.139 (-0.93) |
| <i>Audit Committee Member</i> | -0.050 (-0.74) | -0.068 (-1.18) | -0.231** (-2.32) | -0.050 (-0.74) | -0.068 (-1.18) | -0.231** (-2.33) |
| <i>Compensation Committee Member</i> | 0.460*** (6.72) | 0.468*** (7.92) | 0.461*** (4.76) | 0.460*** (6.73) | 0.468*** (7.92) | 0.462*** (4.77) |
| <i>Nomination Committee Member</i> | 0.023 (0.34) | -0.068 (-1.16) | 0.028 (0.27) | 0.023 (0.33) | -0.068 (-1.16) | 0.027 (0.27) |
| <i>ISS Against</i> | 20.333*** (60.34) | 19.780*** (66.04) | 20.989*** (43.66) | 20.332*** (60.33) | 19.780*** (66.03) | 20.986*** (43.64) |
| <i>Institutional Ownership</i> | 0.666*** (2.62) | -0.415 (-1.49) | -0.243 (-0.60) | 0.665*** (2.61) | -0.416 (-1.49) | -0.248 (-0.62) |
| <i>Stock Ownership</i> | -0.065*** (-2.87) | -0.057*** (-2.80) | -0.034 (-1.40) | -0.065*** (-2.87) | -0.057*** (-2.80) | -0.034 (-1.39) |
| <i>Attended <75% of meetings</i> | 1.800*** (2.61) | 2.150*** (3.27) | 2.196* (1.96) | 1.799*** (2.61) | 2.150*** (3.27) | 2.192* (1.96) |
| <i>Busy Director</i> | 0.642*** (8.03) | 0.666*** (9.51) | 0.842*** (8.12) | 0.643*** (8.04) | 0.666*** (9.50) | 0.844*** (8.13) |
| <i>Incumbent Director</i> | 0.368*** (3.85) | 0.479*** (4.98) | 0.316** (2.05) | 0.369*** (3.86) | 0.479*** (4.98) | 0.321** (2.08) |
| <i>Female</i> | -0.358*** (-4.09) | -0.265*** (-4.07) | -0.425*** (-3.32) | -0.358*** (-4.09) | -0.266*** (-4.07) | -0.424*** (-3.31) |
| <i>Constant</i> | -1.316 (-1.62) | 2.551** (2.32) | 0.210 (0.17) | -1.318 (-1.62) | 2.554** (2.33) | 0.201 (0.16) |

| Variables | (1) <i>%Dissent</i> Full sample | (2) <i>%Dissent</i> Full sample | (3) <i>%Dissent</i> M&A subsample | (4) <i>%Dissent</i> Full sample | (5) <i>%Dissent</i> Full sample | (6) <i>%Dissent</i> M&A subsample |
|-------------------------|---------------------------------------|---------------------------------------|--|---------------------------------------|---------------------------------------|--|
| Observations | 43,269 | 43,256 | 16,543 | 43,269 | 43,256 | 16,543 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | No | Yes | Yes | No | Yes |
| Firm FE | No | Yes | No | No | Yes | No |
| Adjusted R ² | 0.538 | 0.602 | 0.539 | 0.538 | 0.602 | 0.539 |

This table presents OLS regressions examining the association between directors' acquisition experience and shareholder voting, with the inclusion of *M&A Likelihood* as a control variable. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The dependent variable is *%Dissent*, defined as the number of shareholder votes against a director plus the number of shareholder votes abstained, divided by the sum of the number of shareholder votes for, against and abstained. Definitions of the other variables are presented in Appendix A. Standard errors are clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table E2: The association between the quality of directors' M&A experience and shareholder dissent (including *M&A Likelihood* as a control)

| Variables | (1) %Dissent Full sample | (2) %Dissent Full sample | (3) %Dissent M&A subsample | (4) %Dissent Full sample | (5) %Dissent Full sample | (6) %Dissent M&A subsample | (7) %Dissent Full sample | (8) %Dissent Full sample | (9) %Dissent M&A subsample |
|--|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|-------------------------------------|
| <i>SumCAR</i> | 0.407 (1.19) | 0.190 (0.59) | 0.404 (1.22) | | | | | | |
| <i>Positive SumCAR</i> | | | | 0.047 (1.34) | 0.048 (1.62) | 0.049 (1.27) | | | |
| <i>Negative SumCAR</i> | | | | 0.056 (1.24) | 0.096** (2.51) | 0.056 (1.10) | | | |
| <i>Positive M&A Experience</i> | | | | | | | 0.079 (0.98) | 0.149** (2.19) | 0.032 (0.35) |
| <i>Negative M&A Experience</i> | | | | | | | 0.051 (0.62) | 0.179** (2.51) | 0.000 (.) |
| <i>Duality</i> | 0.123* (1.76) | -0.128 (-1.50) | -0.021 (-0.19) | 0.123* (1.76) | -0.128 (-1.50) | -0.024 (-0.22) | 0.124* (1.77) | -0.127 (-1.49) | -0.020 (-0.19) |
| <i>Board Independence</i> | -0.289 (-0.44) | 1.331* (1.69) | -2.194* (-1.94) | -0.310 (-0.47) | 1.316* (1.68) | -2.181* (-1.93) | -0.304 (-0.46) | 1.311* (1.67) | -2.196* (-1.94) |
| <i>Ln(Board Size)</i> | -0.847*** (-3.40) | -0.185 (-0.72) | -1.173*** (-3.45) | -0.847*** (-3.39) | -0.189 (-0.73) | -1.157*** (-3.40) | -0.849*** (-3.40) | -0.189 (-0.73) | -1.172*** (-3.44) |
| <i>Ln(Firm Size)</i> | -0.106*** (-3.30) | -0.141 (-1.51) | 0.014 (0.26) | -0.109*** (-3.39) | -0.140 (-1.51) | 0.011 (0.21) | -0.108*** (-3.35) | -0.141 (-1.51) | 0.012 (0.23) |
| <i>Leverage</i> | 0.105*** (4.68) | 0.068** (2.11) | 0.125*** (3.36) | 0.105*** (4.70) | 0.068** (2.11) | 0.125*** (3.34) | 0.105*** (4.70) | 0.069** (2.13) | 0.126*** (3.37) |
| <i>MTB</i> | -0.028*** (-4.89) | -0.019** (-2.39) | -0.027*** (-2.91) | -0.029*** (-4.92) | -0.019** (-2.39) | -0.027*** (-2.90) | -0.029*** (-4.92) | -0.019** (-2.40) | -0.027*** (-2.93) |
| <i>Stock Return</i> | 0.213*** (2.75) | 0.230*** (3.05) | 0.268* (1.96) | 0.212*** (2.74) | 0.230*** (3.04) | 0.268* (1.96) | 0.214*** (2.76) | 0.230*** (3.04) | 0.272** (1.99) |
| <i>ROA</i> | -1.255*** (-2.85) | -1.695*** (-3.80) | -2.412*** (-3.33) | -1.257*** (-2.85) | -1.689*** (-3.78) | -2.390*** (-3.29) | -1.260*** (-2.86) | -1.704*** (-3.82) | -2.411*** (-3.33) |
| <i>ROA (t-1)</i> | -1.851*** | -1.865*** | -3.140*** | -1.844*** | -1.867*** | -3.121*** | -1.847*** | -1.868*** | -3.131*** |

| Variables | (1) %Dissent Full sample | (2) %Dissent Full sample | (3) %Dissent M&A subsample | (4) %Dissent Full sample | (5) %Dissent Full sample | (6) %Dissent M&A subsample | (7) %Dissent Full sample | (8) %Dissent Full sample | (9) %Dissent M&A subsample |
|--|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|-------------------------------------|
| <i>Loss</i> | (-3.97) 0.582*** | (-3.77) 0.436*** | (-4.42) 0.326** | (-3.95) 0.576*** | (-3.77) 0.436*** | (-4.40) 0.325** | (-3.96) 0.578*** | (-3.77) 0.433*** | (-4.41) 0.324** |
| <i>Firm M&A Experience</i> | (5.70) 0.034*** | (4.18) 0.016 | (2.17) 0.007 | (5.64) 0.034*** | (4.18) 0.016 | (2.16) 0.007 | (5.66) 0.034*** | (4.15) 0.016 | (2.16) 0.007 |
| <i>Classified Board</i> | (3.00) 0.435*** | (0.99) 0.741*** | (0.35) 0.402*** | (3.01) 0.432*** | (1.00) 0.732*** | (0.36) 0.400*** | (3.02) 0.434*** | (0.99) 0.735*** | (0.39) 0.400*** |
| <i>M&A Likelihood</i> | (5.53) -6.866*** | (5.38) 6.189* | (3.30) -6.918*** | (5.50) -6.988*** | (5.31) 6.075* | (3.29) -7.102*** | (5.51) -6.858*** | (5.34) 6.130* | (3.29) -6.844*** |
| <i>Director Tenure</i> | (-3.94) 0.075*** | (1.78) 0.076*** | (-2.94) 0.070*** | (-3.99) 0.075*** | (1.74) 0.077*** | (-3.01) 0.069*** | (-3.93) 0.075*** | (1.76) 0.077*** | (-2.91) 0.070*** |
| <i>Director Age</i> | (11.49) 0.003 | (14.59) 0.003 | (7.69) 0.015* | (11.53) 0.003 | (14.67) 0.002 | (7.65) 0.014* | (11.52) 0.003 | (14.70) 0.002 | (7.68) 0.015* |
| <i>Financial Expertise</i> | (0.64) -0.178 | (0.65) -0.089 | (1.81) -0.137 | (0.48) -0.191* | (0.36) -0.105 | (1.65) -0.142 | (0.59) -0.186* | (0.48) -0.109 | (1.80) -0.139 |
| <i>Audit Committee Member</i> | (-1.61) -0.052 | (-0.99) -0.071 | (-0.91) -0.234** | (-1.74) -0.050 | (-1.16) -0.068 | (-0.95) -0.231** | (-1.68) -0.052 | (-1.20) -0.070 | (-0.92) -0.234** |
| <i>Compensation Committee Member</i> | (-0.76) 0.463*** | (-1.22) 0.472*** | (-2.35) 0.465*** | (-0.74) 0.460*** | (-1.17) 0.468*** | (-2.32) 0.461*** | (-0.76) 0.461*** | (-1.21) 0.468*** | (-2.35) 0.464*** |
| <i>Nomination Committee Member</i> | (6.79) 0.021 | (8.00) -0.072 | (4.80) 0.026 | (6.72) 0.023 | (7.92) -0.068 | (4.76) 0.027 | (6.75) 0.023 | (7.93) -0.069 | (4.79) 0.028 |
| <i>ISS Against</i> | (0.31) 20.330*** | (-1.23) 19.778*** | (0.26) 20.988*** | (0.33) 20.333*** | (-1.16) 19.780*** | (0.27) 20.989*** | (0.33) 20.333*** | (-1.18) 19.779*** | (0.28) 20.992*** |
| <i>Institutional Ownership</i> | (60.29) 0.660*** | (66.02) -0.424 | (43.66) -0.260 | (60.34) 0.666*** | (66.04) -0.416 | (43.67) -0.243 | (60.34) 0.661*** | (66.05) -0.422 | (43.69) -0.256 |
| <i>Stock Ownership</i> | (2.59) -0.066*** | (-1.52) -0.058*** | (-0.65) -0.034 | (2.62) -0.065*** | (-1.49) -0.057*** | (-0.60) -0.034 | (2.60) -0.065*** | (-1.51) -0.058*** | (-0.64) -0.034 |
| <i>Attended <75% of meetings</i> | (-2.89) 1.803*** | (-2.85) 2.154*** | (-1.42) 2.203** | (-2.87) 1.801*** | (-2.80) 2.152*** | (-1.40) 2.197* | (-2.88) 1.804*** | (-2.82) 2.156*** | (-1.43) 2.206** |
| <i>Busy Director</i> | (2.62) 0.699*** | (3.27) 0.742*** | (1.97) 0.875*** | (2.61) 0.642*** | (3.27) 0.665*** | (1.96) 0.842*** | (2.62) 0.678*** | (3.28) 0.687*** | (1.97) 0.876*** |
| | (8.82) | (10.84) | (8.32) | (8.02) | (9.48) | (8.12) | (8.39) | (9.87) | (8.33) |

| Variables | (1) <i>%Dissent</i> Full sample | (2) <i>%Dissent</i> Full sample | (3) <i>%Dissent</i> M&A subsample | (4) <i>%Dissent</i> Full sample | (5) <i>%Dissent</i> Full sample | (6) <i>%Dissent</i> M&A subsample | (7) <i>%Dissent</i> Full sample | (8) <i>%Dissent</i> Full sample | (9) <i>%Dissent</i> M&A subsample |
|---------------------------|---------------------------------------|---------------------------------------|--|---------------------------------------|---------------------------------------|--|---------------------------------------|---------------------------------------|--|
| <i>Incumbent Director</i> | 0.366*** (3.82) | 0.475*** (4.94) | 0.315** (2.04) | 0.368*** (3.85) | 0.479*** (4.97) | 0.316** (2.05) | 0.364*** (3.81) | 0.477*** (4.96) | 0.308** (2.00) |
| <i>Female</i> | -0.357*** (-4.09) | -0.264*** (-4.04) | -0.422*** (-3.30) | -0.358*** (-4.09) | -0.266*** (-4.08) | -0.425*** (-3.32) | -0.357*** (-4.08) | -0.262*** (-4.01) | -0.423*** (-3.30) |
| <i>Constant</i> | -1.380* (-1.70) | 2.513** (2.29) | 0.275 (0.22) | -1.315 (-1.62) | 2.566** (2.34) | 0.210 (0.17) | -1.347* (-1.66) | 2.537** (2.31) | 0.260 (0.20) |
| Observations | 43,269 | 43,256 | 16,543 | 43,269 | 43,256 | 16,543 | 43,269 | 43,256 | 16,543 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | No | Yes | Yes | No | Yes | Yes | No | Yes |
| Firm FE | No | Yes | No | No | Yes | No | No | Yes | No |
| Adjusted R ² | 0.538 | 0.601 | 0.539 | 0.538 | 0.602 | 0.539 | 0.538 | 0.602 | 0.539 |

This table presents OLS regressions examining the association between directors' acquisition experience and shareholder voting, with the inclusion of *M&A Likelihood* as a control variable. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The dependent variable is *%Dissent*, defined as the number of shareholder votes against a director plus the number of shareholder votes abstained, divided by the sum of the number of shareholder votes for, against and abstained. Definitions of the other variables are presented in Appendix A. Standard errors are clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Appendix F: Descriptive statistics examining directors' compensation

Table F1: Descriptive statistics analysing compensation differences by firm

| Variables | Observations | Mean | SD | Minimum | Maximum |
|--|--------------|--------|--------|---------|---------|
| Difference in <i>Total Compensation</i> between directors within the same firm | 57,180 | 138.54 | 128.79 | 0.00 | 620.71 |
| Standard deviation of the difference in <i>Total Compensation</i> between directors within the same firm | 57,176 | 44.74 | 40.85 | 0.00 | 324.15 |

This table reports the descriptive statistics showcasing the mean difference and standard deviation of compensation between directors within the same firm, to ensure the compensation results are not capturing a between firm effect and are actually identifying an increase in *Total Compensation* due to directors having M&A experience. *Total Compensation* is the total compensation of directors, which includes cash, stock, stock options, pensions, non-equity incentives and "other".

Appendix G: Inclusion of directors' general experience as a control

Table G1: The association between directors' M&A experience and director compensation including *Ln(NED Experience)* as a control

| Variables | (1) <i>Ln(Total Compensation)</i> Full sample | (2) <i>Ln(Total Compensation)</i> Full sample | (3) <i>Ln(Total Compensation)</i> M&A subsample | (4) <i>Ln(Total Compensation)</i> Full sample | (5) <i>Ln(Total Compensation)</i> Full sample | (6) <i>Ln(Total Compensation)</i> M&A subsample |
|---------------------------|---|---|---|---|---|---|
| <i>M&A Experience</i> | 0.015*** (5.94) | 0.006*** (3.84) | 0.009*** (2.89) | 0.016*** (6.02) | 0.006*** (4.10) | 0.009*** (3.06) |
| <i>SumCAR</i> | | | | -0.051 (-1.14) | -0.029 (-1.02) | -0.047 (-1.04) |
| <i>Duality</i> | -0.065*** (-7.60) | -0.018** (-2.54) | -0.060*** (-5.15) | -0.065*** (-7.60) | -0.018** (-2.55) | -0.060*** (-5.15) |
| <i>Board Independence</i> | 0.751*** (7.81) | 0.268*** (3.63) | 0.622*** (3.97) | 0.750*** (7.80) | 0.269*** (3.64) | 0.621*** (3.96) |
| <i>Ln(Board Size)</i> | -0.070** (-2.06) | -0.107*** (-4.49) | -0.094* (-1.82) | -0.070** (-2.06) | -0.107*** (-4.50) | -0.094* (-1.82) |
| <i>Ln(Firm Size)</i> | 0.146*** (23.84) | 0.092*** (9.10) | 0.134*** (14.92) | 0.146*** (23.84) | 0.092*** (9.10) | 0.134*** (14.91) |
| <i>Leverage</i> | -0.006 (-1.12) | -0.008*** (-4.01) | -0.004 (-0.61) | -0.006 (-1.11) | -0.008*** (-4.01) | -0.004 (-0.59) |
| <i>MTB</i> | 0.001 (0.69) | 0.003*** (4.00) | 0.001 (0.42) | 0.001 (0.68) | 0.003*** (4.00) | 0.001 (0.41) |
| <i>Stock Return</i> | 0.011 (1.64) | 0.005 (1.00) | 0.028*** (3.05) | 0.011* (1.65) | 0.006 (1.01) | 0.028*** (3.05) |
| <i>ROA</i> | 0.244*** (4.54) | 0.146*** (3.13) | 0.335*** (3.31) | 0.244*** (4.54) | 0.146*** (3.13) | 0.335*** (3.31) |
| <i>ROA (t-1)</i> | 0.142*** (3.12) | 0.173*** (5.36) | 0.122 (1.51) | 0.142*** (3.13) | 0.174*** (5.37) | 0.123 (1.52) |
| <i>Loss</i> | 0.017* (1.12) | -0.012* (-1.12) | 0.034** (1.92) | 0.017* (1.12) | -0.012* (-1.12) | 0.034** (1.92) |

| Variables | (1) <i>Ln(Total Compensation)</i> Full sample | (2) <i>Ln(Total Compensation)</i> Full sample | (3) <i>Ln(Total Compensation)</i> M&A subsample | (4) <i>Ln(Total Compensation)</i> Full sample | (5) <i>Ln(Total Compensation)</i> Full sample | (6) <i>Ln(Total Compensation)</i> M&A subsample |
|--------------------------------------|---|---|---|---|---|---|
| <i>Firm M&A Experience</i> | (1.69) 0.006*** | (-1.70) 0.001 | (2.39) 0.002 | (1.68) 0.006*** | (-1.71) 0.001 | (2.37) 0.002 |
| <i>Classified Board</i> | (2.93) 0.019** | (0.40) 0.019** | (0.82) 0.012 | (2.96) 0.019** | (0.41) 0.019** | (0.87) 0.012 |
| <i>Director Tenure</i> | (2.29) 0.003** | (2.08) 0.005*** | (1.05) 0.005*** | (2.27) 0.003** | (2.08) 0.005*** | (1.02) 0.005*** |
| <i>Director Age</i> | (2.32) 0.003*** | (7.02) 0.004*** | (3.24) 0.002* | (2.32) 0.003*** | (7.03) 0.004*** | (3.23) 0.002* |
| <i>Financial Expertise</i> | (3.16) 0.054*** | (6.09) 0.034*** | (1.81) 0.048*** | (3.15) 0.054*** | (6.08) 0.034*** | (1.79) 0.048*** |
| <i>Audit Committee Member</i> | (4.28) 0.013 | (4.79) 0.015*** | (2.96) 0.004 | (4.25) 0.013 | (4.72) 0.015*** | (2.91) 0.004 |
| <i>Compensation Committee Member</i> | (1.44) 0.015* | (2.91) 0.007 | (0.30) 0.008 | (1.44) 0.015* | (2.92) 0.006 | (0.30) 0.007 |
| <i>Nomination Committee Member</i> | (1.75) 0.024*** | (1.27) 0.005 | (0.62) 0.007 | (1.74) 0.024*** | (1.26) 0.005 | (0.60) 0.007 |
| <i>Ln(NED Experience)</i> | (2.89) -0.494 | (1.01) -0.345 | (0.55) -0.467 | (2.88) -0.497 | (1.01) -0.347 | (0.54) -0.470 |
| <i>Constant</i> | (-1.08) 3.212*** (32.69) | (-1.45) 4.20*** (35.15) | (-0.87) 3.540*** (24.40) | (-1.08) 3.213*** (32.69) | (-1.46) 4.204*** (35.16) | (-0.88) 3.543*** (24.37) |
| Observations | 57,180 | 57,179 | 22,300 | 57,180 | 57,179 | 22,300 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | No | Yes | Yes | No | Yes |
| Firm FE | No | Yes | No | No | Yes | No |
| Adjusted R ² | 0.252 | 0.561 | 0.250 | 0.252 | 0.561 | 0.250 |

| Variables | (1) | (2) | (3) | (4) | (5) | (6) |
|-----------|--|--|--|--|--|--|
| | <i>Ln(Total Compensation)</i> Full sample | <i>Ln(Total Compensation)</i> Full sample | <i>Ln(Total Compensation)</i> M&A subsample | <i>Ln(Total Compensation)</i> Full sample | <i>Ln(Total Compensation)</i> Full sample | <i>Ln(Total Compensation)</i> M&A subsample |

This table presents OLS regressions examining the association between directors' acquisition experience and compensation. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The dependent variable is *Ln(Total Compensation)*, defined as the natural logarithm of the total compensation of directors, which includes cash, stock, stock options, pensions, non-equity incentives and "other". Definitions of the other variables are presented in Appendix A. Standard errors are clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table G2: The association between the quality of directors' M&A experience and director compensation including *Ln(NED Experience)* as a control

| Variables | (1) <i>Ln(Total Comp.)</i> Full sample | (2) <i>Ln(Total Comp.)</i> Full sample | (3) <i>Ln(Total Comp.)</i> M&A subsample | (4) <i>Ln(Total Comp.)</i> Full sample | (5) <i>Ln(Total Comp.)</i> Full sample | (6) <i>Ln(Total Comp.)</i> M&A subsample | (7) <i>Ln(Total Comp.)</i> Full sample | (8) <i>Ln(Total Comp.)</i> Full sample | (9) <i>Ln(Total Comp.)</i> M&A subsample |
|--|--|--|---|--|--|---|--|--|---|
| <i>SumCAR</i> | 0.006 (0.13) | -0.008 (-0.28) | -0.026 (-0.57) | | | | | | |
| <i>Positive SumCAR</i> | | | | 0.010** (2.16) | 0.002 (0.82) | 0.004 (0.75) | | | |
| <i>Negative SumCAR</i> | | | | 0.021*** (4.24) | 0.010*** (3.59) | 0.015*** (2.83) | | | |
| <i>Positive M&A Experience</i> | | | | | | | 0.048*** (4.49) | 0.019*** (3.28) | -0.005 (-0.38) |
| <i>Negative M&A Experience</i> | | | | | | | 0.052*** (4.44) | 0.025*** (3.55) | |
| <i>Duality</i> | -0.064*** (-7.52) | -0.018** (-2.55) | -0.059*** (-5.06) | -0.065*** (-7.59) | -0.018** (-2.54) | -0.059*** (-5.14) | -0.064*** (-7.54) | -0.018** (-2.52) | -0.059*** (-5.07) |
| <i>Board Independence</i> | 0.761*** (7.90) | 0.270*** (3.66) | 0.620*** (3.95) | 0.750*** (7.79) | 0.269*** (3.64) | 0.619*** (3.94) | 0.746*** (7.74) | 0.268*** (3.63) | 0.620*** (3.96) |
| <i>Ln(Board Size)</i> | -0.069** (-2.05) | -0.107*** (-4.52) | -0.096* (-1.86) | -0.070** (-2.06) | -0.107*** (-4.51) | -0.094* (-1.81) | -0.071** (-2.11) | -0.107*** (-4.50) | -0.096* (-1.86) |
| <i>Ln(Firm Size)</i> | 0.147*** (24.01) | 0.091*** (9.05) | 0.134*** (14.91) | 0.146*** (23.81) | 0.092*** (9.09) | 0.134*** (14.87) | 0.146*** (23.75) | 0.092*** (9.09) | 0.134*** (14.93) |
| <i>Leverage</i> | -0.006 (-1.15) | -0.008*** (-3.99) | -0.004 (-0.58) | -0.006 (-1.11) | -0.008*** (-4.01) | -0.004 (-0.59) | -0.006 (-1.09) | -0.008*** (-3.97) | -0.004 (-0.59) |
| <i>MTB</i> | 0.001 (0.71) | 0.002*** (3.98) | 0.001 (0.40) | 0.001 (0.68) | 0.003*** (4.00) | 0.001 (0.41) | 0.001 (0.66) | 0.002*** (3.96) | 0.001 (0.40) |
| <i>Stock Return</i> | 0.011* (1.67) | 0.005 (0.99) | 0.028*** (3.06) | 0.011 (1.64) | 0.005 (1.00) | 0.028*** (3.05) | 0.011* (1.66) | 0.005 (0.99) | 0.028*** (3.06) |
| <i>ROA</i> | 0.243*** | 0.145*** | 0.332*** | 0.244*** | 0.146*** | 0.336*** | 0.242*** | 0.145*** | 0.332*** |

| Variables | (1) <i>Ln(Total Comp.)</i> Full sample | (2) <i>Ln(Total Comp.)</i> Full sample | (3) <i>Ln(Total Comp.)</i> M&A subsample | (4) <i>Ln(Total Comp.)</i> Full sample | (5) <i>Ln(Total Comp.)</i> Full sample | (6) <i>Ln(Total Comp.)</i> M&A subsample | (7) <i>Ln(Total Comp.)</i> Full sample | (8) <i>Ln(Total Comp.)</i> Full sample | (9) <i>Ln(Total Comp.)</i> M&A subsample |
|--|--|--|---|--|--|---|--|--|---|
| <i>ROA (t-1)</i> | (4.52) 0.139*** | (3.12) 0.173*** | (3.28) 0.120 | (4.55) 0.142*** | (3.14) 0.174*** | (3.32) 0.123 | (4.50) 0.141*** | (3.12) 0.173*** | (3.28) 0.119 |
| <i>Loss</i> | (3.04) 0.018* | (5.36) -0.012* | (1.47) 0.034** | (3.13) 0.017* | (5.37) -0.012* | (1.53) 0.034** | (3.09) 0.017* | (5.34) -0.012* | (1.47) 0.035** |
| <i>Firm M&A Experience</i> | (1.81) 0.006*** | (-1.70) 0.001 | (2.39) 0.003 | (1.69) 0.006*** | (-1.71) 0.001 | (2.39) 0.002 | (1.65) 0.006*** | (-1.74) 0.001 | (2.39) 0.003 |
| <i>Classified Board</i> | (3.03) 0.020** | (0.41) 0.020** | (0.93) 0.012 | (2.97) 0.019** | (0.41) 0.019** | (0.89) 0.012 | (2.99) 0.019** | (0.37) 0.019** | (0.92) 0.013 |
| <i>Director Tenure</i> | (2.33) 0.002 | (2.17) 0.005*** | (1.04) 0.005*** | (2.28) 0.003** | (2.07) 0.005*** | (1.04) 0.005*** | (2.27) 0.003** | (2.07) 0.005*** | (1.06) 0.005*** |
| <i>Director Age</i> | (1.28) 0.003*** | (6.44) 0.004*** | (3.05) 0.002* | (2.32) 0.003*** | (7.01) 0.004*** | (3.23) 0.002* | (2.38) 0.003*** | (7.22) 0.004*** | (3.06) 0.002* |
| <i>Financial Expertise</i> | (3.33) 0.059*** | (6.17) 0.036*** | (1.91) 0.048*** | (3.15) 0.054*** | (6.07) 0.034*** | (1.79) 0.048*** | (3.22) 0.051*** | (6.12) 0.032*** | (1.92) 0.048*** |
| <i>Audit Committee Member</i> | (4.68) 0.012 | (5.02) 0.015*** | (2.94) 0.003 | (4.27) 0.013 | (4.76) 0.016*** | (2.93) 0.004 | (4.01) 0.012 | (4.45) 0.015*** | (2.95) 0.003 |
| <i>Compensation Committee Member</i> | (1.33) 0.016* | (2.84) 0.007 | (0.24) 0.009 | (1.44) 0.015* | (2.92) 0.006 | (0.30) 0.007 | (1.39) 0.016* | (2.89) 0.007 | (0.24) 0.009 |
| <i>Nomination Committee Member</i> | (1.88) 0.024*** | (1.34) 0.005 | (0.70) 0.007 | (1.73) 0.024*** | (1.25) 0.005 | (0.59) 0.006 | (1.79) 0.025*** | (1.28) 0.005 | (0.71) 0.007 |
| <i>Ln(NED Experience)</i> | (2.82) 0.062 | (0.94) -0.142 | (0.56) -0.292 | (2.87) -0.496 | (1.00) -0.345 | (0.53) -0.468 | (2.92) -0.501 | (1.02) -0.382 | (0.55) -0.296 |
| <i>Constant</i> | (0.14) 3.193*** (32.41) | (-0.62) 4.204*** (35.13) | (-0.56) 3.557*** (24.43) | (-1.08) 3.214*** (32.68) | (-1.45) 4.205*** (35.16) | (-0.88) 3.544*** (24.36) | (-1.10) 3.229*** (32.71) | (-1.61) 4.201*** (35.09) | (-0.56) 3.558*** (24.43) |
| Observations | 57,180 | 57,179 | 22,300 | 57,180 | 57,179 | 22,300 | 57,180 | 57,179 | 22,300 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | No | Yes | Yes | No | Yes | Yes | No | Yes |

| Variables | (1) <i>Ln(Total Comp.)</i> Full sample | (2) <i>Ln(Total Comp.)</i> Full sample | (3) <i>Ln(Total Comp.)</i> M&A subsample | (4) <i>Ln(Total Comp.)</i> Full sample | (5) <i>Ln(Total Comp.)</i> Full sample | (6) <i>Ln(Total Comp.)</i> M&A subsample | (7) <i>Ln(Total Comp.)</i> Full sample | (8) <i>Ln(Total Comp.)</i> Full sample | (9) <i>Ln(Total Comp.)</i> M&A subsample |
|-------------------------|--|--|---|--|--|---|--|--|---|
| Firm FE | No | Yes | No | No | Yes | No | No | Yes | No |
| Adjusted R ² | 0.250 | 0.561 | 0.249 | 0.252 | 0.561 | 0.250 | 0.252 | 0.561 | 0.249 |

This table presents OLS regressions examining the association between directors' the quality of directors' acquisition experience and compensation. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The dependent variable is *Ln(Total Compensation)*, defined as the natural logarithm of the total compensation of directors, which includes cash, stock, stock options, pensions, non-equity incentives and "other". Definitions of the other variables are presented in Appendix A. Standard errors are clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table G3: The association between directors' M&A experience and shareholder dissent including *Ln(NED Experience)* as a control

| Variables | (1) %Dissent Full sample | (2) %Dissent Full sample | (3) %Dissent M&A subsample | (4) %Dissent Full sample | (5) %Dissent Full sample | (6) %Dissent M&A subsample |
|--------------------------------|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|-------------------------------------|
| <i>M&A Experience</i> | 0.049** (2.22) | 0.069*** (3.68) | 0.048* (1.65) | 0.046** (2.05) | 0.070*** (3.62) | 0.044 (1.46) |
| <i>SumCAR</i> | | | | 0.231 (0.69) | -0.050 (-0.16) | 0.284 (0.85) |
| <i>Duality</i> | 0.092 (1.35) | -0.145* (-1.74) | -0.053 (-0.49) | 0.092 (1.35) | -0.146* (-1.74) | -0.053 (-0.50) |
| <i>Board Independence</i> | -0.143 (-0.23) | 0.967 (1.27) | -1.801 (-1.63) | -0.143 (-0.23) | 0.967 (1.27) | -1.803 (-1.63) |
| <i>Ln(Board Size)</i> | -0.737*** (-3.04) | 0.008 (0.03) | -0.996*** (-2.98) | -0.738*** (-3.04) | 0.007 (0.03) | -0.999*** (-2.98) |
| <i>Ln(Firm Size)</i> | -0.074** (-2.50) | -0.139 (-1.53) | 0.045 (0.94) | -0.073** (-2.48) | -0.139 (-1.53) | 0.047 (0.97) |
| <i>Leverage</i> | 0.095*** (4.37) | 0.073** (2.38) | 0.110*** (3.03) | 0.094*** (4.37) | 0.073** (2.38) | 0.109*** (3.02) |
| <i>MTB</i> | -0.026*** (-4.69) | -0.020*** (-2.71) | -0.023** (-2.55) | -0.026*** (-4.68) | -0.020*** (-2.71) | -0.022** (-2.53) |
| <i>Stock Return</i> | 0.215*** (2.83) | 0.250*** (3.36) | 0.272** (2.02) | 0.214*** (2.83) | 0.250*** (3.36) | 0.269** (2.00) |
| <i>ROA</i> | -1.197*** (-2.77) | -1.735*** (-3.92) | -2.335*** (-3.27) | -1.197*** (-2.78) | -1.735*** (-3.92) | -2.336*** (-3.28) |
| <i>ROA (t-1)</i> | -1.623*** (-3.60) | -1.629*** (-3.40) | -2.903*** (-4.21) | -1.624*** (-3.60) | -1.629*** (-3.40) | -2.907*** (-4.21) |
| <i>Loss</i> | 0.623*** (6.29) | 0.434*** (4.25) | 0.377** (2.57) | 0.624*** (6.30) | 0.434*** (4.25) | 0.379*** (2.58) |
| <i>Firm M&A Experience</i> | 0.029*** (2.64) | 0.015 (0.96) | 0.004 (0.22) | 0.029*** (2.63) | 0.015 (0.96) | 0.004 (0.19) |
| <i>Classified Board</i> | 0.467*** (6.09) | 0.788*** (5.98) | 0.437*** (3.63) | 0.468*** (6.10) | 0.787*** (5.98) | 0.438*** (3.65) |

| Variables | (1) %Dissent Full sample | (2) %Dissent Full sample | (3) %Dissent M&A subsample | (4) %Dissent Full sample | (5) %Dissent Full sample | (6) %Dissent M&A subsample |
|--------------------------------------|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|-------------------------------------|
| <i>Director Tenure</i> | 0.078*** (9.22) | 0.078*** (11.18) | 0.067*** (6.11) | 0.078*** (9.22) | 0.078*** (11.19) | 0.068*** (6.10) |
| <i>Director Age</i> | 0.002 (0.29) | 0.001 (0.12) | 0.009 (1.04) | 0.002 (0.30) | 0.001 (0.12) | 0.009 (1.05) |
| <i>Financial Expertise</i> | -0.183* (-1.72) | -0.117 (-1.34) | -0.115 (-0.79) | -0.182* (-1.71) | -0.117 (-1.34) | -0.112 (-0.77) |
| <i>Audit Committee Member</i> | -0.039 (-0.58) | -0.061 (-1.10) | -0.205** (-2.10) | -0.039 (-0.59) | -0.061 (-1.09) | -0.206** (-2.10) |
| <i>Compensation Committee Member</i> | 0.464*** (6.98) | 0.470*** (8.16) | 0.498*** (5.25) | 0.465*** (6.99) | 0.470*** (8.16) | 0.498*** (5.26) |
| <i>Nomination Committee Member</i> | 0.017 (0.25) | -0.073 (-1.30) | 0.027 (0.27) | 0.017 (0.25) | -0.073 (-1.29) | 0.027 (0.27) |
| <i>ISS Against</i> | 20.327*** (61.25) | 19.777*** (67.43) | 21.073*** (44.67) | 20.326*** (61.25) | 19.777*** (67.42) | 21.070*** (44.65) |
| <i>Institutional Ownership</i> | 0.478* (1.96) | -0.468* (-1.76) | -0.327 (-0.85) | 0.477* (1.95) | -0.468* (-1.76) | -0.332 (-0.86) |
| <i>Stock Ownership</i> | -0.069*** (-3.04) | -0.060*** (-2.92) | -0.052* (-1.85) | -0.069*** (-3.04) | -0.060*** (-2.92) | -0.052* (-1.85) |
| <i>Attended <75% of meetings</i> | 1.584** (2.33) | 1.952*** (3.03) | 2.374** (2.15) | 1.583** (2.33) | 1.952*** (3.03) | 2.369** (2.15) |
| <i>Busy Director</i> | 0.654*** (8.35) | 0.677*** (9.92) | 0.821*** (8.13) | 0.656*** (8.36) | 0.677*** (9.90) | 0.822*** (8.14) |
| <i>Incumbent Director</i> | 0.363*** (3.92) | 0.473*** (5.10) | 0.282* (1.87) | 0.364*** (3.93) | 0.472*** (5.10) | 0.286* (1.89) |
| <i>Female</i> | -0.352*** (-4.13) | -0.261*** (-4.12) | -0.413*** (-3.24) | -0.352*** (-4.12) | -0.261*** (-4.12) | -0.412*** (-3.24) |
| <i>Ln(NED Experience)</i> | -0.806 (-0.29) | -0.171 (-0.07) | 3.649 (0.97) | -0.793 (-0.28) | -0.174 (-0.07) | 3.672 (0.98) |
| <i>Constant</i> | -1.335 (-1.64) | 2.548** (2.32) | 0.313 (0.25) | -1.337 (-1.64) | 2.550** (2.32) | 0.312 (0.24) |

| Variables | (1) <i>%Dissent</i> Full sample | (2) <i>%Dissent</i> Full sample | (3) <i>%Dissent</i> M&A subsample | (4) <i>%Dissent</i> Full sample | (5) <i>%Dissent</i> Full sample | (6) <i>%Dissent</i> M&A subsample |
|-------------------------|---------------------------------------|---------------------------------------|--|---------------------------------------|---------------------------------------|--|
| Observations | 43,269 | 43,256 | 16,543 | 43,269 | 43,256 | 16,543 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | No | Yes | Yes | No | Yes |
| Firm FE | No | Yes | No | No | Yes | No |
| Adjusted R ² | 0.538 | 0.601 | 0.541 | 0.538 | 0.601 | 0.541 |

This table presents OLS regressions examining the association between directors' acquisition experience and shareholder voting. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The dependent variable is *%Dissent*, defined as the number of shareholder votes against a director plus the number of shareholder votes abstained, divided by the sum of the number of shareholder votes for, against and abstained. Definitions of the other variables are presented in Appendix A. Standard errors are clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table G4: The association between the quality of directors' M&A experience and shareholder dissent including *Ln(NED Experience)* as a control

| Variables | (1) %Dissent Full sample | (2) %Dissent Full sample | (3) %Dissent M&A subsample | (4) %Dissent Full sample | (5) %Dissent Full sample | (6) %Dissent M&A subsample | (7) %Dissent Full sample | (8) %Dissent Full sample | (9) %Dissent M&A subsample |
|------------------------------------|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|-------------------------------------|
| <i>SumCAR</i> | 0.393 (1.17) | 0.188 (0.60) | 0.389 (1.18) | | | | | | |
| <i>Positive SumCAR</i> | | | | 0.049 (1.40) | 0.047 (1.62) | 0.050 (1.31) | | | |
| <i>Negative SumCAR</i> | | | | 0.050 (1.10) | 0.097** (2.56) | 0.046 (0.90) | | | |
| <i>Positive M&A Experience</i> | | | | | | | 0.085 (1.04) | 0.153** (2.23) | 0.050 (0.55) |
| <i>Negative M&A Experience</i> | | | | | | | 0.039 (0.48) | 0.179** (2.55) | |
| <i>Duality</i> | 0.093 (1.36) | -0.145* (-1.74) | -0.050 (-0.46) | 0.092 (1.35) | -0.146* (-1.75) | -0.053 (-0.49) | 0.093 (1.37) | -0.145* (-1.73) | -0.049 (-0.46) |
| <i>Board Independence</i> | -0.133 (-0.21) | 0.982 (1.28) | -1.827* (-1.66) | -0.143 (-0.23) | 0.970 (1.27) | -1.800 (-1.63) | -0.146 (-0.23) | 0.963 (1.26) | -1.827* (-1.66) |
| <i>Ln(Board Size)</i> | -0.737*** (-3.03) | 0.006 (0.03) | -1.007*** (-3.01) | -0.737*** (-3.04) | 0.005 (0.02) | -0.996*** (-2.98) | -0.738*** (-3.04) | 0.005 (0.02) | -1.007*** (-3.00) |
| <i>Ln(Firm Size)</i> | -0.073** (-2.47) | -0.140 (-1.54) | 0.045 (0.93) | -0.074** (-2.50) | -0.140 (-1.54) | 0.045 (0.94) | -0.074** (-2.52) | -0.140 (-1.54) | 0.043 (0.90) |
| <i>Leverage</i> | 0.094*** (4.37) | 0.073** (2.38) | 0.110*** (3.05) | 0.095*** (4.37) | 0.073** (2.38) | 0.110*** (3.03) | 0.095*** (4.38) | 0.073** (2.39) | 0.111*** (3.06) |
| <i>MTB</i> | -0.026*** (-4.67) | -0.020*** (-2.72) | -0.023** (-2.56) | -0.026*** (-4.69) | -0.020*** (-2.71) | -0.023** (-2.55) | -0.026*** (-4.70) | -0.020*** (-2.73) | -0.023** (-2.58) |
| <i>Stock Return</i> | 0.215*** (2.84) | 0.250*** (3.36) | 0.271** (2.01) | 0.215*** (2.83) | 0.250*** (3.36) | 0.272** (2.01) | 0.216*** (2.85) | 0.250*** (3.35) | 0.274** (2.04) |
| <i>ROA</i> | -1.192*** (-2.77) | -1.740*** (-3.93) | -2.347*** (-3.30) | -1.197*** (-2.78) | -1.733*** (-3.91) | -2.335*** (-3.27) | -1.198*** (-2.78) | -1.748*** (-3.95) | -2.349*** (-3.30) |
| <i>ROA (t-1)</i> | -1.624*** | -1.626*** | -2.911*** | -1.623*** | -1.628*** | -2.903*** | -1.623*** | -1.631*** | -2.907*** |

| Variables | (1) %Dissent Full sample | (2) %Dissent Full sample | (3) %Dissent M&A subsample | (4) %Dissent Full sample | (5) %Dissent Full sample | (6) %Dissent M&A subsample | (7) %Dissent Full sample | (8) %Dissent Full sample | (9) %Dissent M&A subsample |
|--|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|-------------------------------------|
| <i>Loss</i> | (-3.61) 0.628*** (6.35) | (-3.40) 0.434*** (4.25) | (-4.22) 0.379*** (2.58) | (-3.60) 0.623*** (6.29) | (-3.40) 0.434*** (4.25) | (-4.20) 0.377** (2.57) | (-3.60) 0.625*** (6.31) | (-3.40) 0.431*** (4.23) | (-4.21) 0.377** (2.57) |
| <i>Firm M&A Experience</i> | 0.029*** (2.66) | 0.015 (0.96) | 0.004 (0.24) | 0.029*** (2.64) | 0.015 (0.96) | 0.004 (0.22) | 0.029*** (2.68) | 0.015 (0.96) | 0.005 (0.28) |
| <i>Classified Board</i> | 0.469*** (6.12) | 0.795*** (6.03) | 0.439*** (3.65) | 0.467*** (6.09) | 0.786*** (5.96) | 0.437*** (3.63) | 0.468*** (6.10) | 0.789*** (5.99) | 0.438*** (3.64) |
| <i>Director Tenure</i> | 0.075*** (8.95) | 0.074*** (10.71) | 0.067*** (6.02) | 0.078*** (9.22) | 0.078*** (11.19) | 0.067*** (6.10) | 0.077*** (9.01) | 0.077*** (11.07) | 0.066*** (6.01) |
| <i>Director Age</i> | 0.002 (0.36) | 0.001 (0.24) | 0.010 (1.13) | 0.002 (0.29) | 0.000 (0.11) | 0.009 (1.04) | 0.002 (0.34) | 0.001 (0.20) | 0.010 (1.12) |
| <i>Financial Expertise</i> | -0.170 (-1.60) | -0.103 (-1.18) | -0.108 (-0.73) | -0.183* (-1.72) | -0.118 (-1.35) | -0.115 (-0.78) | -0.178* (-1.66) | -0.122 (-1.38) | -0.110 (-0.75) |
| <i>Audit Committee Member</i> | -0.040 (-0.61) | -0.064 (-1.14) | -0.208** (-2.12) | -0.039 (-0.58) | -0.061 (-1.09) | -0.205** (-2.10) | -0.040 (-0.60) | -0.063 (-1.13) | -0.208** (-2.12) |
| <i>Compensation Committee Member</i> | 0.467*** (7.04) | 0.473*** (8.23) | 0.501*** (5.29) | 0.464*** (6.98) | 0.470*** (8.17) | 0.498*** (5.25) | 0.466*** (7.01) | 0.470*** (8.18) | 0.500*** (5.28) |
| <i>Nomination Committee Member</i> | 0.015 (0.22) | -0.078 (-1.37) | 0.026 (0.26) | 0.017 (0.25) | -0.073 (-1.30) | 0.027 (0.28) | 0.016 (0.24) | -0.074 (-1.31) | 0.028 (0.28) |
| <i>ISS Against</i> | 20.324*** (61.22) | 19.774*** (67.40) | 21.071*** (44.67) | 20.327*** (61.25) | 19.777*** (67.43) | 21.073*** (44.68) | 20.326*** (61.25) | 19.776*** (67.44) | 21.074*** (44.70) |
| <i>Institutional Ownership</i> | 0.476* (1.95) | -0.478* (-1.80) | -0.337 (-0.87) | 0.478* (1.96) | -0.468* (-1.76) | -0.327 (-0.85) | 0.477* (1.95) | -0.475* (-1.78) | -0.332 (-0.86) |
| <i>Stock Ownership</i> | -0.070*** (-3.07) | -0.061*** (-2.99) | -0.053* (-1.88) | -0.069*** (-3.04) | -0.060*** (-2.91) | -0.052* (-1.85) | -0.070*** (-3.06) | -0.060*** (-2.94) | -0.053* (-1.89) |
| <i>Attended <75% of meetings</i> | 1.585** (2.33) | 1.955*** (3.03) | 2.378** (2.16) | 1.584** (2.33) | 1.954*** (3.03) | 2.374** (2.15) | 1.586** (2.34) | 1.959*** (3.04) | 2.381** (2.16) |
| <i>Busy Director</i> | 0.702*** (9.00) | 0.743*** (11.05) | 0.849*** (8.28) | 0.654*** (8.35) | 0.676*** (9.88) | 0.821*** (8.13) | 0.684*** (8.64) | 0.695*** (10.22) | 0.850*** (8.29) |

| Variables | (1) <i>%Dissent</i> Full sample | (2) <i>%Dissent</i> Full sample | (3) <i>%Dissent</i> M&A subsample | (4) <i>%Dissent</i> Full sample | (5) <i>%Dissent</i> Full sample | (6) <i>%Dissent</i> M&A subsample | (7) <i>%Dissent</i> Full sample | (8) <i>%Dissent</i> Full sample | (9) <i>%Dissent</i> M&A subsample |
|-------------------------|---------------------------------------|---------------------------------------|--|---------------------------------------|---------------------------------------|--|---------------------------------------|---------------------------------------|--|
| <i>Incumbent</i> | 0.362*** | 0.471*** | 0.282* | 0.363*** | 0.472*** | 0.282* | 0.361*** | 0.471*** | 0.276* |
| <i>Director</i> | (3.91) | (5.09) | (1.87) | (3.92) | (5.09) | (1.87) | (3.90) | (5.08) | (1.83) |
| <i>Female</i> | -0.352*** | -0.260*** | -0.411*** | -0.352*** | -0.262*** | -0.413*** | -0.351*** | -0.258*** | -0.411*** |
| | (-4.12) | (-4.10) | (-3.23) | (-4.13) | (-4.13) | (-3.24) | (-4.11) | (-4.06) | (-3.23) |
| <i>Ln(NED</i> | 0.425 | 1.626 | 4.356 | -0.807 | -0.182 | 3.650 | -0.036 | 0.278 | 4.398 |
| <i>Experience)</i> | (0.15) | (0.72) | (1.16) | (-0.29) | (-0.08) | (0.97) | (-0.01) | (0.12) | (1.17) |
| <i>Constant</i> | -1.370* | 2.547** | 0.393 | -1.335 | 2.563** | 0.313 | -1.348* | 2.543** | 0.379 |
| | (-1.68) | (2.32) | (0.31) | (-1.64) | (2.34) | (0.25) | (-1.66) | (2.31) | (0.30) |
| Observations | 43,269 | 43,256 | 16,543 | 43,269 | 43,256 | 16,543 | 43,269 | 43,256 | 16,543 |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | No | Yes | Yes | No | Yes | Yes | No | Yes |
| Firm FE | No | Yes | No | No | Yes | No | No | Yes | No |
| Adjusted R ² | 0.538 | 0.601 | 0.541 | 0.538 | 0.601 | 0.541 | 0.538 | 0.601 | 0.541 |

This table presents OLS regressions examining the association between the quality of directors' acquisition experience and shareholder voting. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The dependent variable is *%Dissent*, defined as the number of shareholder votes against a director plus the number of shareholder votes abstained, divided by the sum of the number of shareholder votes for, against and abstained. Definitions of the other variables are presented in Appendix A. Standard errors are clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Appendix H: Sample excluding directors with only one directorship

Table H1: The association between directors' M&A experience and compensation (restricted to directors with more than one directorship)

| Variables | (1) <i>Ln(Total Compensation)</i> | (2) <i>Ln(Total Compensation)</i> | (3) <i>Ln(Total Compensation)</i> | (4) <i>Ln(Total Compensation)</i> | (5) <i>Ln(Total Compensation)</i> |
|------------------------------------|--|--|--|--|--|
| <i>M&A Experience</i> | 0.008*** (3.11) | 0.008*** (3.27) | | | |
| <i>SumCAR</i> | | -0.053 (-1.18) | -0.024 (-0.54) | | |
| <i>Positive SumCAR</i> | | | | 0.002 (0.47) | |
| <i>Negative SumCAR</i> | | | | 0.015*** (2.87) | |
| <i>Positive M&A Experience</i> | | | | | 0.014 (1.32) |
| <i>Negative M&A Experience</i> | | | | | 0.020* (1.76) |
| <i>Duality</i> | -0.062*** (-6.64) | -0.062*** (-6.63) | -0.061*** (-6.58) | -0.062*** (-6.63) | -0.062*** (-6.59) |
| <i>Board Independence</i> | 0.605*** (4.98) | 0.605*** (4.98) | 0.606*** (4.99) | 0.604*** (4.96) | 0.605*** (4.97) |
| <i>Ln(Board Size)</i> | -0.058 (-1.46) | -0.058 (-1.45) | -0.058 (-1.45) | -0.058 (-1.45) | -0.059 (-1.47) |
| <i>Ln(Firm Size)</i> | 0.131*** (18.81) | 0.131*** (18.81) | 0.131*** (18.86) | 0.130*** (18.79) | 0.131*** (18.84) |
| <i>Leverage</i> | -0.004 (-0.64) | -0.003 (-0.63) | -0.004 (-0.65) | -0.003 (-0.62) | -0.004 (-0.63) |
| <i>MTB</i> | 0.000 (0.08) | 0.000 (0.07) | 0.000 (0.09) | 0.000 (0.07) | 0.000 (0.08) |
| <i>Stock Return</i> | 0.015** | 0.015** | 0.015** | 0.015** | 0.015** |

| Variables | (1) <i>Ln(Total Compensation)</i> | (2) <i>Ln(Total Compensation)</i> | (3) <i>Ln(Total Compensation)</i> | (4) <i>Ln(Total Compensation)</i> | (5) <i>Ln(Total Compensation)</i> |
|--------------------------------------|--|--|--|--|--|
| <i>ROA</i> | (2.08) 0.294*** | (2.09) 0.294*** | (2.12) 0.293*** | (2.09) 0.294*** | (2.10) 0.293*** |
| <i>ROA (t-1)</i> | (4.22) 0.124** | (4.22) 0.124** | (4.20) 0.123** | (4.23) 0.125** | (4.20) 0.123** |
| <i>Loss</i> | (2.23) 0.013 | (2.24) 0.012 | (2.20) 0.013 | (2.25) 0.013 | (2.21) 0.013 |
| <i>Firm M&A Experience</i> | (1.06) 0.005** | (1.05) 0.005** | (1.11) 0.005** | (1.06) 0.005** | (1.06) 0.005** |
| <i>Classified Board</i> | (2.42) 0.021** | (2.45) 0.021** | (2.52) 0.022** | (2.47) 0.021** | (2.47) 0.021** |
| <i>Director Tenure</i> | (2.35) 0.004*** | (2.33) 0.004*** | (2.37) 0.004*** | (2.34) 0.004*** | (2.36) 0.004*** |
| <i>Director Age</i> | (3.59) 0.002*** | (3.58) 0.002*** | (3.53) 0.003*** | (3.58) 0.002*** | (3.58) 0.003*** |
| <i>Financial Expertise</i> | (2.62) 0.045*** | (2.61) 0.045*** | (2.89) 0.046*** | (2.61) 0.045*** | (2.76) 0.045*** |
| <i>Audit Committee Member</i> | (3.62) 0.014 | (3.58) 0.014 | (3.68) 0.013 | (3.59) 0.014 | (3.59) 0.013 |
| <i>Compensation Committee Member</i> | (1.42) 0.012 | (1.42) 0.012 | (1.34) 0.012 | (1.42) 0.011 | (1.38) 0.012 |
| <i>Nomination Committee Member</i> | (1.18) 0.018* | (1.16) 0.018* | (1.25) 0.018* | (1.15) 0.018* | (1.22) 0.018* |
| <i>Constant</i> | (1.90) 3.493*** | (1.90) 3.495*** | (1.89) 3.484*** | (1.89) 3.495*** | (1.91) 3.488*** |
| | (31.76) | (31.75) | (31.62) | (31.73) | (31.67) |
| Observations | 42,445 | 42,445 | 42,445 | 42,445 | 42,445 |
| Year FE | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes |
| Adjusted R ² | 0.235 | 0.235 | 0.235 | 0.236 | 0.235 |

| Variables | (1) <i>Ln(Total Compensation)</i> | (2) <i>Ln(Total Compensation)</i> | (3) <i>Ln(Total Compensation)</i> | (4) <i>Ln(Total Compensation)</i> | (5) <i>Ln(Total Compensation)</i> |
|---|--|--|--|--|--|
| <p>This table presents OLS regressions examining the association between directors' acquisition experience and compensation, restricting the sample to directors that have had more than one directorship. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The dependent variable is <i>Ln(Total Compensation)</i>, defined as the natural logarithm of the total compensation of a director. Definitions of the other variables are presented in Appendix A. Standard errors are clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.</p> | | | | | |

Table H2: The association between directors' M&A experience and shareholder dissent (restricted to directors with more than one directorship)

| Variables | (1) <i>%Dissent</i> | (2) <i>%Dissent</i> | (3) <i>%Dissent</i> | (4) <i>%Dissent</i> | (5) <i>%Dissent</i> |
|------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <i>M&A Experience</i> | 0.058*** (2.63) | 0.055** (2.42) | | | |
| <i>SumCAR</i> | | 0.287 (0.85) | 0.473 (1.41) | | |
| <i>Positive SumCAR</i> | | | | 0.061* (1.78) | |
| <i>Negative SumCAR</i> | | | | 0.054 (1.20) | |
| <i>Positive M&A Experience</i> | | | | | 0.133 (1.62) |
| <i>Negative M&A Experience</i> | | | | | 0.073 (0.89) |
| <i>Duality</i> | 0.057 (0.75) | 0.056 (0.75) | 0.058 (0.78) | 0.056 (0.75) | 0.059 (0.79) |
| <i>Board Independence</i> | -0.421 (-0.56) | -0.422 (-0.56) | -0.432 (-0.58) | -0.421 (-0.56) | -0.439 (-0.59) |
| <i>Ln(Board Size)</i> | -0.891*** (-3.84) | -0.892*** (-3.85) | -0.893*** (-3.85) | -0.892*** (-3.84) | -0.895*** (-3.86) |
| <i>Ln(Firm Size)</i> | -0.043 (-1.28) | -0.042 (-1.25) | -0.043 (-1.29) | -0.043 (-1.27) | -0.044 (-1.31) |
| <i>Leverage</i> | 0.096*** (3.80) | 0.096*** (3.79) | 0.095*** (3.78) | 0.096*** (3.80) | 0.096*** (3.81) |
| <i>MTB</i> | -0.026*** (-4.17) | -0.026*** (-4.16) | -0.026*** (-4.15) | -0.026*** (-4.18) | -0.026*** (-4.19) |
| <i>Stock Return</i> | 0.276*** (3.06) | 0.275*** (3.05) | 0.276*** (3.07) | 0.276*** (3.06) | 0.278*** (3.09) |
| <i>ROA</i> | -1.943*** (-3.88) | -1.943*** (-3.88) | -1.939*** (-3.89) | -1.943*** (-3.88) | -1.950*** (-3.90) |
| <i>ROA (t-1)</i> | -1.664*** | -1.666*** | -1.662*** | -1.665*** | -1.664*** |

| Variables | (1) %Dissent | (2) %Dissent | (3) %Dissent | (4) %Dissent | (5) %Dissent |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | (-3.62) | (-3.63) | (-3.62) | (-3.62) | (-3.62) |
| <i>Loss</i> | 0.505*** | 0.506*** | 0.510*** | 0.505*** | 0.505*** |
| | (4.57) | (4.58) | (4.63) | (4.57) | (4.58) |
| <i>Firm M&A Experience</i> | 0.013 | 0.013 | 0.013 | 0.013 | 0.014 |
| | (1.02) | (0.99) | (1.05) | (1.01) | (1.06) |
| <i>Classified Board</i> | 0.386*** | 0.387*** | 0.389*** | 0.386*** | 0.387*** |
| | (4.55) | (4.56) | (4.58) | (4.55) | (4.55) |
| <i>Director Tenure</i> | 0.082*** | 0.082*** | 0.082*** | 0.082*** | 0.082*** |
| | (11.95) | (11.95) | (11.94) | (11.95) | (11.96) |
| <i>Director Age</i> | -0.001 | -0.001 | 0.000 | -0.001 | -0.000 |
| | (-0.21) | (-0.20) | (0.01) | (-0.21) | (-0.08) |
| <i>Financial Expertise</i> | -0.178 | -0.176 | -0.170 | -0.178 | -0.176 |
| | (-1.61) | (-1.60) | (-1.53) | (-1.61) | (-1.58) |
| <i>Audit Committee Member</i> | -0.063 | -0.063 | -0.066 | -0.063 | -0.065 |
| | (-0.88) | (-0.88) | (-0.92) | (-0.88) | (-0.90) |
| <i>Compensation Committee Member</i> | 0.589*** | 0.589*** | 0.593*** | 0.589*** | 0.591*** |
| | (8.07) | (8.07) | (8.15) | (8.07) | (8.10) |
| <i>Nomination Committee Member</i> | 0.044 | 0.044 | 0.042 | 0.044 | 0.044 |
| | (0.61) | (0.60) | (0.57) | (0.61) | (0.61) |
| <i>ISS Against</i> | 20.503*** | 20.501*** | 20.501*** | 20.503*** | 20.504*** |
| | (58.34) | (58.33) | (58.31) | (58.35) | (58.35) |
| <i>Institutional Ownership</i> | -0.339 | -0.342 | -0.350 | -0.339 | -0.344 |
| | (-1.31) | (-1.32) | (-1.35) | (-1.31) | (-1.33) |
| <i>Stock Ownership</i> | -0.085*** | -0.085*** | -0.085*** | -0.085*** | -0.085*** |
| | (-3.00) | (-2.99) | (-2.99) | (-3.00) | (-3.00) |
| <i>Attended <75% of meetings</i> | 1.121 | 1.118 | 1.123 | 1.120 | 1.125 |
| | (1.40) | (1.40) | (1.41) | (1.40) | (1.41) |
| <i>Busy Director</i> | 0.668*** | 0.669*** | 0.720*** | 0.668*** | 0.696*** |
| | (8.39) | (8.40) | (9.00) | (8.39) | (8.65) |
| <i>Incumbent Director</i> | 0.254*** | 0.256*** | 0.251** | 0.254*** | 0.250** |
| | (2.59) | (2.61) | (2.55) | (2.59) | (2.54) |
| <i>Female</i> | -0.343*** | -0.342*** | -0.340*** | -0.343*** | -0.341*** |
| | (-3.77) | (-3.77) | (-3.75) | (-3.77) | (-3.75) |

| Variables | (1) <i>%Dissent</i> | (2) <i>%Dissent</i> | (3) <i>%Dissent</i> | (4) <i>%Dissent</i> | (5) <i>%Dissent</i> |
|-------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <i>Constant</i> | 0.247 (0.30) | 0.244 (0.30) | 0.210 (0.25) | 0.247 (0.30) | 0.226 (0.27) |
| Observations | 32,036 | 32,036 | 32,036 | 32,036 | 32,036 |
| Year FE | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes |
| Adjusted R ² | 0.535 | 0.535 | 0.534 | 0.535 | 0.534 |

This table presents OLS regressions examining the association between directors' acquisition experience and shareholder voting, restricting the sample to directors that have had more than one directorship. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The dependent variable is *%Dissent*, defined as the number of shareholder votes against a director plus the number of shareholder votes abstained, divided by the sum of the number of shareholder votes for, against and abstained. Definitions of the other variables are presented in Appendix A. Standard errors are clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Appendix I: Director fixed effects

Table I1: The association between directors' M&A experience and compensation (using director fixed effects)

| Variables | (1) <i>Ln(Total Compensation)</i> | (2) <i>Ln(Total Compensation)</i> | (3) <i>Ln(Total Compensation)</i> | (4) <i>Ln(Total Compensation)</i> | (5) <i>Ln(Total Compensation)</i> |
|------------------------------------|--|--|--|--|--|
| <i>M&A Experience</i> | 0.008** (2.22) | 0.009** (2.49) | | | |
| <i>SumCAR</i> | | -0.056 (-1.08) | -0.025 (-0.47) | | |
| <i>Positive SumCAR</i> | | | | 0.004 (0.69) | |
| <i>Negative SumCAR</i> | | | | 0.015*** (2.75) | |
| <i>Positive M&A Experience</i> | | | | | 0.020** (2.11) |
| <i>Negative M&A Experience</i> | | | | | 0.017 (1.64) |
| <i>Duality</i> | -0.026*** (-2.93) | -0.026*** (-2.94) | -0.026*** (-2.93) | -0.026*** (-2.94) | -0.026*** (-2.91) |
| <i>Board Independence</i> | 0.221** (2.49) | 0.222** (2.49) | 0.225** (2.53) | 0.222** (2.49) | 0.222** (2.50) |
| <i>Ln(Board Size)</i> | -0.082*** (-2.76) | -0.082*** (-2.76) | -0.082*** (-2.73) | -0.082*** (-2.76) | -0.082*** (-2.73) |
| <i>Ln(Firm Size)</i> | 0.116*** (15.13) | 0.116*** (15.06) | 0.116*** (15.01) | 0.116*** (15.06) | 0.116*** (15.10) |
| <i>Leverage</i> | -0.006** | -0.006** | -0.006** | -0.006** | -0.006** |

| Variables | (1) <i>Ln(Total Compensation)</i> | (2) <i>Ln(Total Compensation)</i> | (3) <i>Ln(Total Compensation)</i> | (4) <i>Ln(Total Compensation)</i> | (5) <i>Ln(Total Compensation)</i> |
|--|--|--|--|--|--|
| | (-2.11) | (-2.11) | (-2.10) | (-2.12) | (-2.09) |
| <i>MTB</i> | 0.002* | 0.002* | 0.002* | 0.002* | 0.002* |
| | (1.92) | (1.93) | (1.94) | (1.93) | (1.92) |
| <i>Stock Return</i> | 0.005 | 0.005 | 0.005 | 0.005 | 0.005 |
| | (0.93) | (0.92) | (0.95) | (0.92) | (0.93) |
| <i>ROA</i> | 0.158*** | 0.159*** | 0.160*** | 0.159*** | 0.159*** |
| | (2.93) | (2.94) | (2.96) | (2.95) | (2.94) |
| <i>ROA (t-1)</i> | 0.140*** | 0.140*** | 0.142*** | 0.140*** | 0.141*** |
| | (3.57) | (3.56) | (3.64) | (3.57) | (3.58) |
| <i>Loss</i> | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | (0.03) | (0.03) | (0.06) | (0.04) | (0.02) |
| <i>Firm M&A Experience</i> | 0.001 | 0.001 | 0.000 | 0.001 | 0.001 |
| | (0.59) | (0.59) | (0.13) | (0.58) | (0.26) |
| <i>Classified Board</i> | -0.003 | -0.003 | -0.003 | -0.003 | -0.002 |
| | (-0.29) | (-0.31) | (-0.25) | (-0.31) | (-0.23) |
| <i>Director Tenure</i> | 0.009*** | 0.009*** | 0.009*** | 0.009*** | 0.009*** |
| | (4.96) | (4.98) | (4.79) | (4.98) | (5.00) |
| <i>Financial Expertise</i> | 0.018 | 0.018 | 0.019 | 0.018 | 0.018 |
| | (0.43) | (0.43) | (0.46) | (0.43) | (0.43) |
| <i>Audit Committee Member</i> | -0.001 | -0.000 | -0.001 | -0.000 | -0.001 |
| | (-0.07) | (-0.06) | (-0.11) | (-0.07) | (-0.09) |
| <i>Compensation Committee Member</i> | 0.008 | 0.008 | 0.008 | 0.008 | 0.008 |
| | (0.94) | (0.94) | (0.93) | (0.95) | (0.94) |
| <i>Nomination Committee Member</i> | 0.013* | 0.013* | 0.013* | 0.013* | 0.013* |
| | (1.70) | (1.71) | (1.69) | (1.70) | (1.71) |

| Variables | (1) | (2) | (3) | (4) | (5) |
|-------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | <i>Ln(Total Compensation)</i> | <i>Ln(Total Compensation)</i> | <i>Ln(Total Compensation)</i> | <i>Ln(Total Compensation)</i> | <i>Ln(Total Compensation)</i> |
| <i>Constant</i> | 4.198*** (45.21) | 4.195*** (45.32) | 4.207*** (45.50) | 4.194*** (45.39) | 4.199*** (45.57) |
| Observations | 55,777 | 55,777 | 55,777 | 55,777 | 55,777 |
| Year FE | Yes | Yes | Yes | Yes | Yes |
| Director FE | Yes | Yes | Yes | Yes | Yes |
| Adjusted R ² | 0.659 | 0.659 | 0.659 | 0.659 | 0.659 |

This table presents OLS regressions examining the association between directors' acquisition experience and compensation. All tests in this table include director and year fixed effects. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The dependent variable is *Ln(Total Compensation)*, defined as the natural logarithm of the total compensation of a director. Definitions of the other variables are presented in Appendix A. Standard errors are clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Table I2: The association between directors' M&A experience and shareholder voting (using director fixed effects)

| Variables | (1) <i>%Dissent</i> | (2) <i>%Dissent</i> | (3) <i>%Dissent</i> | (4) <i>%Dissent</i> | (5) <i>%Dissent</i> |
|------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <i>M&A Experience</i> | 0.080** (2.22) | 0.070* (1.92) | | | |
| <i>SumCAR</i> | | 0.759 (1.32) | 0.991* (1.76) | | |
| <i>Positive SumCAR</i> | | | | 0.082 (1.60) | |
| <i>Negative SumCAR</i> | | | | 0.078 (1.28) | |
| <i>Positive M&A Experience</i> | | | | | 0.207* (1.80) |
| <i>Negative M&A Experience</i> | | | | | 0.143 (1.32) |
| <i>Duality</i> | -0.128 (-1.44) | -0.128 (-1.44) | -0.130 (-1.46) | -0.128 (-1.44) | -0.127 (-1.43) |
| <i>Board Independence</i> | 1.274 (1.54) | 1.257 (1.53) | 1.269 (1.54) | 1.273 (1.54) | 1.274 (1.54) |
| <i>Ln(Board Size)</i> | -0.373 (-1.36) | -0.366 (-1.34) | -0.359 (-1.31) | -0.373 (-1.36) | -0.366 (-1.33) |
| <i>Ln(Firm Size)</i> | -0.076 (-1.28) | -0.080 (-1.34) | -0.081 (-1.35) | -0.076 (-1.28) | -0.076 (-1.27) |
| <i>Leverage</i> | 0.101*** (3.31) | 0.101*** (3.32) | 0.101*** (3.31) | 0.101*** (3.30) | 0.101*** (3.31) |
| <i>MTB</i> | -0.026*** | -0.026*** | -0.026*** | -0.026*** | -0.026*** |

| Variables | (1) <i>%Dissent</i> | (2) <i>%Dissent</i> | (3) <i>%Dissent</i> | (4) <i>%Dissent</i> | (5) <i>%Dissent</i> |
|--------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | (-3.50) | (-3.50) | (-3.46) | (-3.50) | (-3.49) |
| <i>Stock Return</i> | 0.173** | 0.173** | 0.174** | 0.173** | 0.173** |
| | (2.18) | (2.19) | (2.19) | (2.18) | (2.18) |
| <i>ROA</i> | -1.895*** | -1.897*** | -1.885*** | -1.895*** | -1.890*** |
| | (-4.13) | (-4.14) | (-4.11) | (-4.13) | (-4.12) |
| <i>ROA (t-1)</i> | -2.277*** | -2.274*** | -2.245*** | -2.277*** | -2.265*** |
| | (-4.62) | (-4.61) | (-4.56) | (-4.62) | (-4.58) |
| <i>Loss</i> | 0.452*** | 0.452*** | 0.453*** | 0.452*** | 0.451*** |
| | (4.23) | (4.23) | (4.24) | (4.23) | (4.21) |
| <i>Firm M&A Experience</i> | 0.014 | 0.015 | 0.011 | 0.014 | 0.011 |
| | (0.81) | (0.81) | (0.61) | (0.81) | (0.64) |
| <i>Classified Board</i> | 0.624*** | 0.626*** | 0.630*** | 0.624*** | 0.627*** |
| | (4.95) | (4.97) | (4.99) | (4.95) | (4.97) |
| <i>Director Tenure</i> | 0.055*** | 0.055*** | 0.050*** | 0.055*** | 0.053*** |
| | (3.73) | (3.72) | (3.49) | (3.73) | (3.65) |
| <i>Financial Expertise</i> | -0.441 | -0.442 | -0.434 | -0.441 | -0.446 |
| | (-0.97) | (-0.97) | (-0.96) | (-0.97) | (-0.98) |
| <i>Audit Committee Member</i> | -0.065 | -0.066 | -0.068 | -0.065 | -0.066 |
| | (-0.81) | (-0.82) | (-0.85) | (-0.81) | (-0.82) |
| <i>Compensation Committee Member</i> | 0.313*** | 0.314*** | 0.313*** | 0.313*** | 0.312*** |
| | (4.18) | (4.19) | (4.17) | (4.18) | (4.17) |
| <i>Nomination Committee Member</i> | -0.162** | -0.164** | -0.165** | -0.162** | -0.162** |
| | (-1.98) | (-2.00) | (-2.02) | (-1.98) | (-1.98) |
| <i>ISS Against</i> | 20.440*** | 20.437*** | 20.433*** | 20.440*** | 20.438*** |
| | (64.42) | (64.41) | (64.39) | (64.41) | (64.41) |
| <i>Institutional Ownership</i> | -0.099 | -0.095 | -0.111 | -0.098 | -0.107 |

| Variables | (1) | (2) | (3) | (4) | (5) |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | <i>%Dissent</i> | <i>%Dissent</i> | <i>%Dissent</i> | <i>%Dissent</i> | <i>%Dissent</i> |
| | (-0.31) | (-0.30) | (-0.35) | (-0.31) | (-0.34) |
| <i>Stock Ownership</i> | -0.077** | -0.078** | -0.077** | -0.077** | -0.078** |
| | (-2.35) | (-2.35) | (-2.34) | (-2.35) | (-2.36) |
| <i>Attended <75% of meetings</i> | 1.616** | 1.618** | 1.629** | 1.616** | 1.623** |
| | (2.32) | (2.32) | (2.34) | (2.32) | (2.33) |
| <i>Busy Director (t-1)</i> | 0.325*** | 0.324*** | 0.339*** | 0.325*** | 0.328*** |
| | (3.44) | (3.44) | (3.60) | (3.44) | (3.49) |
| <i>Incumbent Director</i> | 0.372*** | 0.373*** | 0.372*** | 0.372*** | 0.370*** |
| | (3.35) | (3.36) | (3.36) | (3.35) | (3.34) |
| <i>Constant</i> | 2.993*** | 3.022*** | 3.120*** | 2.995*** | 3.009*** |
| | (3.04) | (3.07) | (3.18) | (3.05) | (3.05) |
| Observations | 41,323 | 41,323 | 41,323 | 41,323 | 41,323 |
| Year FE | Yes | Yes | Yes | Yes | Yes |
| Director FE | Yes | Yes | Yes | Yes | Yes |
| Adjusted R ² | 0.628 | 0.628 | 0.628 | 0.628 | 0.628 |

This table presents OLS regressions examining the association between directors' acquisition experience and shareholder voting. All tests in this table include director and year fixed effects. All continuous variables have been winsorized at the 0.5% and 99.5% percentiles. The dependent variable is *%Dissent*, defined as the number of shareholder votes against a director plus the number of shareholder votes abstained, divided by the sum of the number of shareholder votes for, against and abstained. Definitions of the other variables are presented in Appendix A. Standard errors are clustered by director. The numbers reported in parentheses are t-statistics. ***, **, * denote statistical significance at the 1%, 5% and 10% level, respectively.

Chapter 4: Conclusion

4.1 Conclusion

This thesis examines the demand in the director labour market for directors with M&A experience. Chapter 2 explores whether directors who assume more monitoring responsibility on the board are held more accountable for M&A outcomes, and whether there is ex-post settling-up in the director labour market for experienced directors based on the number and prestige of the directorships offered to them.

The evidence in Chapter 2 extends the previously documented demand for directors with M&A experience in the director labour market (Harford & Schonlau, 2013), and finds directors with higher monitoring responsibilities are not penalised for poor M&A outcomes. In fact, there is no association between the quality of acquisitions the Chair of the Board and the lead director have been involved in and their post-M&A board seats. However, long-tenured directors are penalised in the director labour market for engaging in both value-enhancing and value-destroying acquisitions. In addition to directors with heightened monitoring responsibilities avoiding penalties for value-destroying acquisitions, director labour market ex-post settling-up incentives do not appear to function in the M&A setting; the evidence presented in Chapter 2 indicates directors gain more prestigious directorships for both value creation and value destruction during M&As.

Consequently, the findings of Chapter 2 confirm directors gain additional directorships regardless of their individual characteristics and responsibility levels and are not penalised through other channels in the director labour market, such as prestige. This further reinforces the findings of prior studies, demonstrating there is demand for directors with M&A experience.

Accordingly, Chapter 3 investigates what drives the demand for directors with M&A experience, as well as examining directors' post-acquisition compensation and whether shareholders approve of the presence of directors with M&A experience on the board. Chapter 3 considers whether resource dependence theory and agency theory can explain the demand for directors with M&A experience. Consistent with resource dependence theory, firms more likely to engage in acquisitions and CEOs who do not have any prior M&A experience are more likely to appoint directors with M&A experience. Indicative of agency problems within the firm, younger CEOs and boards with a higher percentage of directors with M&A experience are also more likely to appoint directors with M&A experience to the board.

The findings of Chapter 3 show that the demand for directors with M&A experience is also reflected through the compensation they are offered. Specifically, the evidence suggests firms use compensation to attract directors with M&A experience to the board by awarding them with higher compensation relative to other directors, consistent with resource dependence and agency theory. Reinforcing findings in the literature that ex-post settling-up in the director labour market does not provide post-acquisition incentives for directors (Harford & Schonlau, 2013), this study shows compensation does not provide ex-post settling-up for poor acquisition decisions. The results presented demonstrate directors with both value-enhancing and value-destroying M&A experience are awarded with higher compensation by firms in a bid to attract and retain them to boards.

While the prior literature and findings of this thesis indicate firms demand M&A experienced directors, shareholders do not echo this sentiment. Specifically, shareholders vote against the appointment of directors with M&A experience which is suggestive of them not approving experienced directors' presence on the board. Interestingly, shareholders do not distinguish between directors based on the quality of their experience when voting; there is no association

between shareholder voting during director elections and the quality of the M&A experience possessed by the directors involved in elections.

The findings of this thesis make a contribution to the literature by helping to further explain why ex-post settling-up in the director labour market reflects M&A experience but not M&A outcomes (Harford & Schonlau, 2013; Field & Mkrtyan, 2017). What can be observed from the findings is that resource dependence and agency theory both explain the appointment of directors with M&A experience; in particular, agency theory helps explain the appointment of value-destructive directors. These findings extend the corporate governance literature exploring directors' ex-post settling-up incentives post-acquisition and their value in subsequent acquisitions (Field & Mkrtyan, 2017; Harford & Schonlau, 2013).

The findings of this thesis also have implications for the literature on director compensation. As the director labour market does not provide ex-post settling-up for poor M&A decisions (Harford & Schonlau, 2013), compensation awards should provide them with appropriate settling-up incentives following poor acquisitions. However, as this thesis documents, firms use compensation to attract directors to the board post-acquisition irrespective of the quality of those acquisitions; therefore, directors' post-acquisition compensation does not provide appropriate ex-post settling-up for poor M&A outcomes. Specifically, directors receive higher compensation in the wake of both value-enhancing and value-destroying acquisitions.

The importance of considering the views of shareholders is also documented in this thesis, which in this case identifies the presence of agency problems within firms (Fama & Jensen, 1983). While firms value directors with M&A experience, whether it be due to resource dependence or agency issues, shareholders do not. This is evident through directors with M&A experience being appointed to boards even though shareholders express their disapproval by voting against their appointment more compared with the appointment of other directors. Thus,

these findings indicate the need to caution against dismissing shareholders' views especially because, as owners of firms without a direct line to incite change, their only representation is indirectly through the board of directors.

4.2 Limitations and avenues for future research

There are limitations to this thesis which need to be recognised. First, in terms of Chapter 2, the post-M&A effects observed could be due to the individual choices of directors, rather than director labour market consequences. For example, the finding suggesting directors receive additional directorships post-acquisition could reflect an increased willingness for directors with M&A experience to join corporate boards, rather than gain directorships due to firms valuing their M&A experience. This thesis utilises propensity score matching to attempt to address this endogeneity issue, but this method may not fully address the problem as propensity score matching can be insufficient in alleviating broad concerns related to endogeneity (Shipman et al., 2017).

The findings of Chapter 3 are also subject to limitations. While looking at shareholder voting highlights agency issues present in the appointment of directors with M&A experience, it is difficult to disentangle whether the appointment of experienced directors is better explained by agency theory or resource dependence theory. More specifically, while the firm and CEO characteristics discussed have been chosen based on whether they reflect resource dependence or agency theory, it is impossible to eliminate the possibility the other theory may explain the appointment of experienced directors too.

The findings of this chapter provide avenues for future research. For example, it is important to explore the reason behind the appointment of directors with value-destroying M&A experience. Prior studies show directors with value-destroying M&A experience do not value-add in subsequent acquisitions (Field & Mkrtchyan, 2017). As such, they are unlikely to be

appointed for their ability to enhance subsequent acquisition performance. However, in line with resource dependence theory, experienced directors may still be a useful asset in other firm activities. The skills gained by directors during acquisitions, such as an ability to sift through large amounts of information, and complex problem-solving and decision-making skills (McDonald et al., 2008), may be relevant in other business areas. Therefore, future research could examine if M&A experience is valuable in other firm activities; value-destroying M&A experience may be beneficial in firm activities such as capital raising, deal negotiations and divestitures.

Moreover, it would be interesting to examine whether directors with M&A experience are more likely to engage in subsequent acquisitions compared with other directors, and whether this has any effect on the likelihood of being appointed to a firm. Addressing these questions can provide further evidence on understanding director expertise and why director M&A experience is continually demanded in the director labour market irrespective of the M&A outcomes achieved.

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