The Career Consequences of Being a Dissident Director [1]

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ABSTRACT

This paper explores the career consequences of the decision to ally oneself with an activist investor/hedge fund in a proxy contest. Using 102 observations where an existing director reveals themselves to be a 'dissident director' (i.e. agrees to help an activist in a proxy contest against an unrelated firm), I find weak evidence over the 2011-2015 time period that such a decision results in a loss of board seats or lower director compensation. Yet, over the earlier time period of 2006-2010, evidence persists of negative career consequences to the dissident director. The directors who suffer a loss in board seats over this period come from firms with high CEO ownership, more entrenched directors, and fewer women on the board. Similar results persist for CEOs/officers who reveal themselves to be dissident directors. In total, the results highlight the changing cultural attitudes within the board to activist interventions and yield strong implications for the costs associated with firm-level governance reform.

I Introduction

A recent line of literature has turned to the old question of the disciplinary nature of proxy contests (Gow et al. (2016); Fos and Tsoutsoura (2014)). These papers demonstrate how activist campaigns and proxy contests have in fact resulted in increased turnover for directors sitting at the targeted firms and a loss in other board seats held as well. Such findings highlight the disciplinary nature of these campaigns. Yet, while proxy contests may result in career costs for directors holding positions at the targeted firm, what is to be said about the directors who team up with the activist and agree to be nominated as replacement directors in a proxy contest?

Using a comprehensive, hand-collected data set on 565 activist campaigns over the 2006-2015 time period where an activist proposes at least one replacement director, this paper examines the career consequences associated with a director's decision to team up with an activist investor. From these campaigns, I am able to identify 102 first time 'dissident directors' - individuals who are established directors with other non-activist related boards (i.e. 'standard board seats'), who then decide to join an activist's campaign against an unrelated firm.[1] Examining a three year window around the revelation date, or date in which they first reveal themselves to be teaming up with an activist, I find marginal evidence that these directors experience greater board turnover at their current board seats, suffer a loss in future board seats, or experience a decrease in board compensation. The single time period where evidence persists as to the negative career impact of being a dissident director is over the earlier sample period of 2006-2010. Similarly weak findings are also established when considering the career costs to officers and CEOs who reveal themselves to be dissident directors.

An established line of literature over the 1980s, 1990s, and 2000s documents the 'old boys'

[1]For the purposes of this study, I will refer to such directors as 'dissident directors'. The decision to avoid referring to these directors as 'activist directors' is done to separate 'true activist directors', or those that constantly align themselves with hedge funds in campaigns against other firms, from the directors of importance in this study. This empirical investigation aims to answer how established directors, serving positions on 'normal' boards, are affected by joining an activist campaign. The purpose of the study is not to investigate the career consequences of being a lifetime activist director nominee.

network ideology that rules the boardroom (Brick et al. (2006); Ryan and Wiggins (2004)). If the boardroom has functioned as an environment where directors who voice their opinion or dissent from standard practices suffer career costs, such as rejection from consideration at other boards or even dismissal from their current board positions (Lorsch and MacIver (1989); Mace (1986); Marshall (2010)), then does this form of retribution still ring true today? Over the past 15 years we have seen the reemergence of raiders and activist hedge funds attacking the boards of a wide array of firms (Mulherin and Poulsen (1998); Fos and Tsoutsoura (2014)) and have witnessed the firm-level upheaval that can typically come with these campaigns (Greenwood and Schor (2009)).[2] If boardrooms still function as insular groups that strive to protect their own, then the act of siding with an activist should be perceived as the ultimate act of dissent. Yet, if boards are now more open to the ideas and changes that activist hedge funds bring with them, then perhaps the decision to join the campaign of an activist is a welcome (or neutral) change.[3] With this in mind, the career consequences of revealing oneself to be a dissident director appears to be a natural study into the current state of boardroom culture.

A first concern in any study of this nature is the choice which a director makes to side with an activist campaign. If the director in question makes the decision to team up with an activist because they know that their current board seat is in jeopardy due to poor performance on the board, then the observation of greater board turnover in the future does not necessarily imply that it was caused by the act of siding with an activist campaign. To allay this concern, I compare the sample of 102 first time dissident directors to the full sample of directors available in the RiskMetrics database and observe few performance or director quality differences. First time dissident directors are no more likely to have failed attendance standards, or be from poor performing companies, and are only slightly more likely to have had a financial restatement at the boards they serve on. They do however appear to have slightly shorter tenures and hold more

[2]Mulherin and Poulsen (1998) document 270 campaigns for board seats over the 1979-1994 time period while Fos and Tsoutsoura (2014) document 706 campaigns over the 1996 to 2010 time period.

[3]Boyson and Pichler (2016) highlight how resistance to hedge fund activism by the target firm affects the positive benefits and changes that come with the activists' pressure.

board positions than the average director.

Considering this finding, the first primary result of this paper is that the sample of first time dissident directors appears to have only a marginally greater rate of board turnover or loss in board seats as compared to a propensity score matched sample on the previously mentioned director characteristics. This weak result holds primarily when considering the 2011-2015 time period. Yet, when investigating the 2006-2010 time period, first time dissident directors appear to lose a statistically significant one-third of one board seat (matched sample adjusted) over a 3-year period following the date when they side with an activist.[4] Similarly significant findings persist for director turnover at the boards in which they served prior to participating in the activist campaign.

To provide robustness to the results, I consider a number of additional controls. To address the fact that changes in board seats or turnover may be driven by systematic trends in the labor market for directorships, I also repeat the analysis with year fixed effects and find consistent results. Second, to address the concern that firm-level performance may be driving the changes in board seats held, I also run the analysis using a number of firm controls including firm fixed effects. To address the concern that these changes in board seats held may be driven by unobserved director characteristics (director quality) or the match between a director and firm, I also perform the analysis with director fixed effects and director-firm fixed effects. These treatments allow for one to compare the change in the number of board seats around the revelation date within the same director or director-firm match. Altogether, these controls imply that the results are not driven by changes in the director labor market, time varying firm quality, nor by time-invariant unobservable director quality measures.

While directors over the 2011-2015 time period do not appear to suffer significant career

[4] A central focus here is on the change in the number of non-activist board seats held. This gives one a perspective on how traditional boards and traditional directors reacted to the announcement of a dissident director sitting on their board. This reaction (and measure) is paramount to understanding the modern day climate in the traditional boardroom.

consequences in the form of lost board seats, perhaps they experienced adverse effects to their careers in another manner. Investigating the change in director compensation around the revelation date, I find statistically insignificant differences in total compensation and equity-based compensation for dissident directors as compared to their matched sample counterparts. Though, given the anecdotal evidence on how board pay is set (Lorsch and MacIver (1989)), such a finding is not unexpected. The 'all in or out' mentality which persists within most boards dictates that either a director is removed from their position or pay will scale accordingly over all board members. Given this, the weak findings in terms of director punishment via lower compensation is not surprising.

Next, if certain directors do suffer career consequences because of their decision to join an activist campaign, it serves to reason that more antiquated boards or CEOs might be to blame. To investigate this conjecture, I compare the characteristics of firms/boards where the dissident director retains their seat for a three year period to firms/boards where the dissident director leaves their position in the three year period following the revelation date.[5] Over the early time period of 2006-2010, firms with more dominate CEOs (higher ownership), more entrenched boards, and lower female representation on the board are associated with a greater rate of dissident removal. These findings suggest that firms and boards with less modern forms, or those that are associated with the 'old boys network' ideology of board operations are more likely to punish or see a dissident director leave following the announcement that they have sided with an activist.

Finally, I extend the empirical analysis to a set of 49 officers and CEOs who also chose to join activist campaigns over the same time period. Using similar methodology to that previously mentioned, I explore the issue of CEO/officer performance turnover sensitivity. I observe no increase in the sensitivity of turnover to performance post-revelation. Similarly, I also investigate

[5]While it is true that one cannot be sure that the director was fired from their position on the board, the set of observations where the director departs the board is sure to capture some instances where the dissident director was forced to leave the board.

the change in compensation to the CEO/officer post-revelation. I find no significant change in total compensation nor equity-based compensation after the decision to join an activist campaign. The results expand the literature in several dimensions. First, earlier works document the operational changes and positive wealth effects that follow with hedge fund interventions in companies (Klein and Zur (2009); Brav et al. (2008); Greenwood and Schor (2009)). More recent work highlights that hedge fund activism is generally met with positive announcement returns (Gow et al. (2016)), aids long-term operating performance and in general is not associated with short term, myopic changes (Bebchuk et al. (2015); Goodwin (2016)). The findings in this paper extend these results by providing evidence that the modern board has become more tolerant of the positive force that activists may play in the boardroom. In the present day board there appears to be no significant career costs associated with joining an activist campaign. This result highlights the changing nature of boardroom culture over time.

In addition, these results have significant implications for the costs associated with governance reforms. If in previous time periods well established directors were hesitant to join an activist campaign because of the effect it may have on their career, these findings suggest that such a concern has now diminished. If established directors are less concerned with reprisal from other directors for joining a campaign this implies the costs associated with governance reform at the firm-level (via activist interventions) has decreased. Should an activist notice a deficiency at a particular firm and wish to propose an alternative slate of directors to fix the problem, a great number of skilled directors should be inclined to serve on such a campaign, which increases the ease at which governance reforms can take place in the modern firm.

This paper proceeds as follows. Section II details the construction of the data. Section III presents empirical tests and robustness checks. Section IV concludes the paper.

II Data and Summary Statistics

A Dataset Construction and Variable Specification

The base of the sample used in this study comes from a comprehensive list of 13D filings on Edgar over the 2006-2015 time period covering the Russell 3000. This initial sample is grouped into 1865 campaigns (firm-institutional investor unique identifiers with an average of 4 filings per campaign). This is subsequently paired down to only include 13D filings where the investor mentions the intention of changing the board or seeking representation at the company. Since 13D filings are only necessary if an investor breaches the 5% ownership threshold, this leaves the potential situation where an investor may have a lower equity stake but still take an activist role. On this account, I follow the existing literature (Alexander et al. (2010); Norli et al. (2011)), and collect all DEFC14A, PREC14A, DEFN14A, and DFRN14A statements. These documents amount to official proxy contest materials where an investor, or individual, has decided to run their own slate of directors. In total, over the time period I collect 410 unique contest proxy filings by investors where the vast majority of these filings come from DEFC14A statements.

Combining the proxy contest sample (DEFC14A, PREC14A, DEFN14A, DFRN14A) with the 13D contest sample amounts to 1010 unique campaigns seeking board change. These filings are manually checked for the directors which each activist proposes. Each 13D filing is checked for the first date in which the activist director is proposed. This date is recorded along with all other 13D filing dates, the date in which the activist director was elected (or lost the election), or the date in which a settlement/withdrawal was reached.[6] In total, 445 of these campaigns make mention of a desire to change the board structure, but ultimately have no directors proposed. This leaves us with 565 total campaigns where the activist at some point mentions a director for nomination, and a total of 1811 directors proposed over these campaigns. 410 out of the 565

[6]Further manual checks are made on each campaign to see if the 13D date in which the activist proposes their directors is indeed the first mention of a director's involvement in the campaign. If an earlier date is found, it is recorded as the date in which the director is first involved in the campaign.

campaigns go to an explicit proxy contest or preliminary proxy contest (DEFC14A, PREC14A, DEFN14A, DFRN14A).

In addition to the items previously noted I also collect information on the company being attacked, the investor leading the campaign (whether they are a hedge fund, private equity group, shareholder advocacy group, corporation, etc), the investor's ownership stake at the DEFC14A/13D filing date, the annual meeting date, the job title of the director proposed (whether they are associated with or work for the activist/hedge fund or not), whether the targeted firm is acquired by another firm or the activist tries to force the sale of the target, and whether the target board is staggered or not.[7] Unique identifiers are created for the investor/activist that is running the campaign, each individual director that is proposed by the activist and the campaign itself.

With this initial sample of 1811 activist-proposed directors over the 2006-2015 time period, I next hand match each director to the RiskMetrics database. The RiskMetrics database covers and details director profiles for over 18000 directors per year. Out of the 565 campaigns, 334 of the campaigns are matched to RiskMetrics where at least one of the directors is covered by RiskMetrics either currently or in the future. Next, the date in which the director was proposed across each activist campaign is chronologically ordered to figure out which is the first date in which the the director was revealed to be a dissident director. All directors that are associated with or employed by the activist are removed and all non-financial activist campaigns are removed (i.e. campaigns by firms attempting a hostile acquisition of the target). Finally, to be sure that the date in which the director is first noted to be part of an activist campaign is accurate, I manually search to see if there are any other earlier dates mentioned where the activist director has been associated with a hedge fund or other investor campaign. The final sample comprises 102 first time dissident directors with existing board seats in RiskMetrics before the date they

[7]Throughout I will use the term 'activist' and 'hedge fund activist' interchangeably since the vast majority of campaigns are undertaken by hedge funds.

reveal themselves to be associated with an activist campaign.[8]

In addition to the activist data, Compustat is employed for the necessary firm-level information needed in this study. To obtain information on firm-level institutional ownership and charter provisions, I access the Thomson Financial Institutional Ownership database and the IRRC database, respectively. These two databases serve to provide the necessary information needed to construct various proxies for the governance standards of the firm, including aggregate institutional ownership and block ownership. In addition to information regarding firm characteristics, CRSP is used to define all firm prices and returns. To ensure that outliers do not have an impact on the results, variables are winsorized at the 1% level.

For supplemental board-level data, RiskMetrics is also used for information on director characteristics and board membership. RiskMetrics provides data on board size, director affiliation, director tenure, director ownership, and committee structure. For information pertaining to CEO and director compensation, I access the ExecuComp database. ExecuComp provides CEO, officer and director data, including base salary, total compensation, equity compensation, and ownership levels.

B Sample Summary Statistics

Table I presents summary statistics for the activist campaign sample. Columns (1) - (5) report the descriptive statistics for the full sample of campaigns, the two sub-sample periods, the sample of campaigns with available board info, and the final sample of first time dissident directors.

Panel A of Table I presents sample statistics for each contest. For the full sample, the average number of directors proposed per campaign is 3.21 with 1.17 of these directors being associated with the hedge fund or investor that is attacking the target firm. Columns (2) and (3) show that

[8]First time dissident directors are exclusively directors that have been serving 'normal' board positions and are not associated activists prior to their involvement in the first campaign. Each are hand-checked for prior association or employment with hedge fund activists and are removed accordingly.

over time the number of non-HF directors being proposed has increased while the number of directors associated with the HF has decreased. The average activist has around an 8.14% stake in the target company at the 13D date and 46% of the target firms have a staggered board. For the sample of first time dissident directors (Column (5)), the number of directors proposed per campaign is slightly greater than the general sample at over four directors per contest and there are fewer HF directors being proposed per contest.

Panel B documents the outcomes of the activist campaigns. For the full sample of 565 campaigns, over half of the campaigns (301) end in a voted contest. In 38% of campaigns a non-HF director gains a board seat, while in 42% of campaigns an HF director gains a seat on the board. Over time, the percentage of non-HF directors gaining board seats has increased while the percentage of HF directors gaining board seats has slightly decreased (as noted in Columns (2) and (3)). For the sample of first time dissident directors (Column (5)), 59% of campaigns end with a non-HF director gaining a board seat, and 34% end with a HF director gaining a board seat.[9] Although not directly noted in the table, the fraction of campaigns ending with a HF successfully gaining a board seat increases as their stake goes up. Campaigns where the activist owns over 10% of the firm have a 52% chance of gaining a board seat, while campaigns where the activist owns less than 5% only have a 45% chance of gaining a seat. These high ownership campaigns are also associated with the activist nominating more internal candidates for the board position as well. And, comparable with previous studies (Fos and Tsoutsoura (2014)) the percentage of campaigns ending with the target firm being acquired is approximately 13% for the full sample.

Panel C presents a summary of the characteristics of the target firm. The average size of the target is 3.9 billion in market capitalization and this has increased over time. On average the aggregate institutional ownership totals around 68% for the full sample and has been pretty

[9] Also of note is that the average number of campaigns for a first time dissident director is 1.35. So after they participate in their first campaign with an activist they are likely to participate in 0.35 more campaigns over the 2006 to 2015 period.

constant over time. The sample of first time dissident directors are associated with campaigns against slightly larger companies (6.8 billion in market cap) and with greater institutional ownership (76%) as compared to the full sample in Column (1).

III Empirical Design

In this section, I address and explain the empirical design implemented to test the career consequences associated with being a dissident director. First, I detail the findings associated with the change in board seats. Following this, I detail the results associated with board turnover and director compensation. Next, I turn to the empirical specification for a sample of CEOs and officers that reveal themselves to be dissident directors.

A Change in Board Seats Held by Dissident Directors

The sample of directors who reveal for the first time that they are joining an activist campaign against another firm come from 96 campaigns previously detailed in Table I. If these directors who chose to join a campaign do so because their current board seats are in jeopardy due to poor performance or other director specific factors, then any conclusions about the loss or gain in future board seats is suspect without adjusting for these factors.

To investigate this issue, Table II presents the differences between first time dissident directors and the full population of directors in RiskMetrics that are not associated with an activist campaign.[10] The first two rows detail that for these 102 first time dissident directors holding 142 board positions as of the revelation date, the past performance on these boards appears to be no different than the rest of the RiskMetrics population. Next, the incidence of financial

[10]To differentiate between boards (and board seats) that have activist directors holding positions and those that are not associated with activist campaigns, RiskMetrics is employed throughout and tracked over time to distinguish each board's activist or non-activist status.

restatements at these 142 companies does appear to be slightly higher than the rest of the population (0.107 v. 0.052). Finally, there is no statistically significant difference in the probability of failing attendance standards between the two samples.

Also detailed in Table II are the differences in director characteristics between the two groups. While the age of the first time dissident director is no different from the rest of the non-activist RiskMetrics population, the dissident director does have a lower tenure on existing boards (6.3 years v. 8.8 years), statistically significant at the 1% level. Considering, the total number of board seats held and the size of the firm associated with each board seat, the two groups exhibit little difference. The difference between the two groups in terms of book leverage is also insignificant.[11] In addition, although not noted in the table, the industry breakdown of the seats which dissident directors hold is comparable to the full sample. For the sample of dissident directors the most common industry board seats held are as follows: 30 computer, electronics, and information technology; 18 banking and real estate; 16 retail industry. Looking ahead, the probability that a dissident director's board delists in a given year (drops out of the RiskMetrics board sample) is 9.3%. This is not statistically different from the non-activist board sample's delisting rate of 7.0%. This finding highlights that turnover rate findings in subsequent sections are not driven by firm delistings. Taken altogether the results suggest that performance related metrics on existing board seats may not be the main driver in the dissident director's decision to seek out other board seats.[12]

Yet, the results presented in Table II are integral to the issue of proper identification of the sample which the first time dissident directors should be compared to. To create just such a proper matched sample, I use the variables previously specified to create a propensity score

[11] Additional tests to look at indicators of financial or economic distress (KZ-index) also yields no significant differences. The gender composition of the groups is also pretty similar: the full sample of non-activist directors over this period is 13% female, while the sample of dissident directors here is 10% female.

[12] Comparing the two time sub-samples of dissident directors, the composition of the two groups looks similar. The single statistically significant difference is that the set of directors from the later sample period is much more likely to serve on a board that has recently had a financial restatement (0.20 v 0.05).

matched sample.[13] Specifically, I run a logistic regression where the dependent variable is the choice to serve as an activist director and the independent variables are director attendance, director tenure, director age, number of board seats held, firm size, whether the firm has had a financial restatement in the past two years, and firm one-year BHARs.[14] Using the propensity score, each first time dissident director is matched to a single non-dissident director (a director who never joined an activist campaign) using a nearest neighbors matching approach in the cross-section, without replacement.[15] Using this matched sample as a control sample, Table III presents the change in board seats for dissident directors over time.

Panels A-C detail the results associated with all non-activist related board seats, where the change in the number of non-activist board seats held are tracked for each director from the revelation date (Year t) to three years after the director has revealed themselves to be associated with an activist campaign (Year $t+3$). Panel A shows that three years following the announcement of being a dissident director, such directors hold 0.400 fewer board appointments on average. Considering the matched sample who lost an average of 0.187 board seats, the difference between these two groups is statistically significant at the 5% level. Panel B and C detail the results for the two sub-samples. Panel B highlights that the loss in board seats by dissident directors is primarily driven by the 2006-2010 sample. The difference between the change in the number of board seats held by dissident directors and the propensity score matched sample three years after the revelation date is -0.320, statistically significant at the 5% level.[16] Panel C shows that

[13]Similar results persist throughout if the matched sample is constructed to include the outcome of the activist election. If the election can signal something new about director ability, then this might be a necessary additional control for the matched sample. In such, I also match those dissident directors that win their contested board seat with a sample that has taken a new recent appointment, and those dissident directors that lose their contested board seat with a sample that has just lost a board seat (using all the same other matching variables as well). Similar results persist throughout.

[14]The inclusion of other firm characteristics (financial distress indicators, analyst downgrades, institutional ownership) do not alter this first logistic regression or assignment and results.

[15]It's important to note that given the propensity score, common support is verified between the sample of dissident directors and the sample of non-activist directors. Coefficients are also noted to be balanced across these two samples as well. In addition, using the gender of the director, the industry they are from and an indicator for firm distress does not change the forthcoming results in a material manner.

[16]Results presented here and throughout are robust to excluding directors 75 and older from the analysis.

dissident directors lost 0.053 more board seats over a three year period as compared to their matched sample during the 2011-2015 period (statistically insignificant).[17]

Panels D-F detail the results associated with changes in board seats where all board seats are considered (non-activist board seats and activist campaign related board seats). When considering all board seats, dissident directors in the full sample appear to actually gain 0.01 board seats over a three year period compared to 0.180 board seats lost for the matched sample, a statistically insignificant difference.[18] Similar findings are presented in Panels E and F. In fact, over the 2011-2015 time period dissident directors are actually gaining board seats as compared to their counterparts when one considers all board seats held. A dissident director over the 2011-2015 time period appears to gain 0.157 board seats, while the average matched sample director loses 0.263 seats, a difference significant at the 5% level.

Next, to augment this matched sample specification, I consider a multivariate approach for change in the number of board seats held for each director over time. To control for time-invariant director quality and firm characteristics, I run the following regression:

$$y_{dt} = \alpha + \beta_1 POST_{dt} + X_{dt}\gamma + \eta_d + \eta_t + \epsilon_{dt}$$

where y_{dt} is the number of seats that director d holds in non-HF related boards (non-activist taken board seats), $POST_{dt}$ indicates three years after director d has revealed being a dissident director, X_{dt} is a vector of director and firm controls, η_d are director fixed effects, and η_t are time fixed effects.

Table IV presents the results. Panel A details the change in board seats over the full time period and Panel B details the results for the two sub-sample time periods. Following Fos and Tsoutsoura (2004), to isolate the effect that the announcement of being a dissident has on the

[17]Since this later sample contains a number of directors serving on boards that have experience a financial restatement, repeating the analysis and excluding these directors yields similarly insignificant differences.

[18]For the purposes of this study I will focus primarily on 'non-activist' related board seats because that is central to the question of boardroom culture and the primary question in this paper.

board seats held by each director, I create a three year window for the board seats held around the event date (revelation date) and only focus on first time dissident directors. This specification which focuses only on directors that chose to serve as activist nominees controls for the endogenous matching between directors and firms. First, to supplement this panel specification, Column (1) of Panel A is run with director fixed effects as well, which controls for time-invariant director characteristics such as ability. The coefficient on $Post$ indicates that three years after revelation of being a dissident director, such directors hold 0.10 fewer board seats, significant at the 10% level. In Column (2), I include year fixed effects to account for any time trends in the director labor market, and a series of director-level controls. These controls include whether the director has failed attendance standards at any positions in the last year, has had a financial restatement on another board, average annual return over the past year at board appointments, average ROA, institutional ownership, and director characteristics (age, tenure). In Column (3) I add director fixed effects and time fixed effects together. When these sources of variation are removed, the coefficient on $Post$ is negative 0.31 and significant at the 5% level. A slightly weaker result is observed in Column (4) when the model is run with director fixed effects and director-level controls as well.

In Columns (5) - (8) I repeat the analysis but using the matched sample. Similar to Harford (2003) and Fos and Tsoutsoura (2004), I use the difference in the number of board seats held by the sample director and that of the matched director. The same matching procedure as in the previous tables is used for assignment here. This difference is the dependent variable in Column (5) - (8). The coefficient on $Post$ captures the abnormal change in board seats held relative to the benchmark director. Similar results persist in this specification of the model as compared to previous results, where the coefficient on $Post$ is negative and significant at the 5% level in general.[19]

Next in Panel B, I turn my analysis to the two time period sub-samples. In Columns (1) - (4)

[19]Consistent with previous works, the coefficient on financial restatements and board tenure are both negative and significant throughout.

the same regressions as previously noted are run on the 2011-2015 sample. Throughout these different model specifications, the coefficient on $Post$ is negative but never significant at the 10% level. Columns (5) - (8) present the results for the 2006-2010 time period. The coefficient on $Post$ varies between -0.22 and -0.65 (statistically significant at the 5% level) which indicates that over this time period first time dissident directors lose approximately half a board seat three years after revealing to be a dissident director. This suggests that the loss in board seats is primarily over the earlier period in the sample.

B Board Turnover

While the previous results highlight the relationship between board seats held and the decision to join an activist campaign, the results are limited by the lack of causal interpretation. Fos and Tsoutsoura (2004) note a possible novel instrument to get to the issue of causation in board turnover studies - staggered boards and exposure to a shareholder vote.

In a staggered board structure, directors are typically divided into three classes, where each class of directors comes up for election every three years at staggered intervals. This means that the directors who are not up for election in a given year might not be exposed to losing a board seat should they reveal themselves to be a dissident. And, those that are up for election in a given year will be exposed to losing their board. The staggered board structure of a given company is therefore a nice possible instrument to test if the revelation of siding with an activist is actually a causal element in the reduction in board seats. Of course, as with any instrument, there are potential drawbacks. If directors can and do time their decision to join an activist campaign around the elect structure of their existing board seat, then the exogenous nature of the instrument will be in question and any interpretation of the results being causal are partially diminished.

As a first look at this causal issue, Table V presents the fraction of initial boards held at the

revelation date which the director still holds one, two, and three years out. The first time dissident director is again compared to the propensity score matched sample. Panel A highlights that three years post-revelation the dissident director has lost 0.386 board seats which they initially hold. The matched sample director has lost 0.261 board seats, statistically significant at the 10% level.

Panels B and C report the results associated with the two time period sub-samples. Panel B shows that dissident directors in the 2006-2010 time period lose 0.158 more board seats than their matched counterpart over a three year period, statistically significant at the 10% level. Panel C highlights that the difference in board turnover events for first time dissidents and their benchmark directors is statistically insignificant over the 2011-2015 time period.

Panel D and E of Table V present the results partition by exposure to removal from the board. Following the existing literature, in each of these panels, only directors that sit on staggered boards are included in the analysis. Panel D demonstrates that the dissident directors not up for election (on a staggered board) lose on average 0.265 more board seats than their match directors. Panel E shows that for directors that are up for nomination in Year 0 (on a staggered board), dissident directors are likely to lose just as many board seats three years down the road as compared to their matched counterparts. This goes against any strong causal interpretation that revelation of teaming with an activist leads to retribution from your fellow board members.

Table VI expands upon these results by considering the staggered board framework in a multi-variate setting. To control for director quality, time trends and firm time-invariant characteristics, I run the following linear probability regression:

$$y_{dit} = \alpha + \beta_1 POST_{dt} + \beta_2 Nominated_d + \beta_3 Post_{dt} * Nominated_d + X_{dt}\gamma + \eta_d + \eta_t + \eta_i + \eta_{di} + \epsilon_{dit}$$

where y_{dit} is an indicator that director d holds his/her initial board i position, $POST_{dt}$ indicates three years after director d has revealed being a dissident director, $Nominated_d$ indicates

whether the director was up for nomination in year 0, X_{dit} is a vector of director and firm controls, η_d are director fixed effects, η_i are firm fixed effects, η_{di} are director-firm fixed effects, and η_t are time fixed effects. The vector of director and firm controls include an indicator for whether the director failed attendance standards, had a financial restatement on the board, firm annual return over the past year, ROA, institutional ownership, and director characteristics (age, tenure).

Columns (1) - (8) of Panel A report the results where the sample is restricted to a three year window around the event date. This three year window construction around each board seat held in year 0 follows the same methodology as presented in Table IV. Columns (1) - (4) include all dissident director observations and Columns (5) - (8) only include such observations where the dissident sits on a staggered board. The first four columns present the analysis without $Nominated$ being included as a independent variable. The results highlight that a director is likely to lose between 0.14 and 0.45 board seats (of those they initially held) over a three year period after revealing to be a dissident director, significant at the 5% level.

Columns (5) - (8) focus on the causal interpretation of the results. Only staggered boards are included in these regressions and $Nominated$ captures the director's exposure to removal at the event date. Across these columns we actually see a positive and significant coefficient on the interaction term ($POST * Nominated$) in two of the columns, which goes against the causal interpretation.

Panel B focuses on the two time periods sub-samples. In Columns (1) - (4) the results associated with the 2011-2015 period are presented and in Columns (5) - (8) the results associated with the 2006-2010 period are detailed. For Columns (1) - (4), the coefficient on $Post$ is only marginally significant throughout, while for Columns (5) - (8), the coefficient is significant at the 5% level throughout. These results hold when including director-firm fixed effects, time fixed effects, director/firm level controls and when the matched sample of directors is used to create an 'abnormal board seat held' measure in the same manner as the 'abnormal board seats'

measure used in Table IV.[20] Again, these results highlight that the board turnover results are primarily driven by the earlier time period of 2006-2010.

C Differences in Firms/Boards Based on Dissident Departure

If certain directors do suffer career consequences because of their decision to join an activist campaign, what are the characteristics of these firms or boards that force a dissident director out? While one cannot be sure given the board turnover data that a director was fired from their position on the board, the set of observations where the director departs the board is sure to capture some instances where the dissident director was forced to leave the board.

Table VII presents the results where the set of directors is partitioned by the ex-post observation of removal from the board. Column (1) details the results for the sample of firms where a first time dissident director departs their position within three years-time. Column (2) details the results for the sample of firm where a first time dissident director remains in their position for three years after the revelation date. In each of these columns the average CEO ownership, the average tenure of the board and the percent of female representation on the board is presented. Differences between the two columns are denoted in Column (3).

For the full sample of observations and over the 2011-2015 time period (Panels A and B), there is little difference in the average firm/board characteristics of observations where the director left the board and where they stayed. Yet, over the early time period of 2006-2010, the sample of directors that leave their position are associated with higher CEO ownership, more entrenched boards (longer tenure boards), and lower female representation on the board (significant at the 10% level). These findings highlight that firms and boards with less modern forms, or those that are associated with the 'old boys network' ideology of board operations are more to see the exit of a dissident director following the announcement that they have sided with an

[20] Consistent with the previous literature, the coefficients on firm returns, and attendance standards are negative and highly significant.

activist investor.

D Changes in Director Compensation

If there is little evidence of career consequences in the form of lost board seats over the 2011-2015 time period, perhaps first time dissident directors are punished in their current board seats in another manner. If teaming with an activist is viewed as an act of dissent by the rest of the board perhaps they can seek retribution against the director through altering their equity grants or total compensation. Table VIII investigates just such a claim.

Panel A presents the results for the full board. First, total pay to the dissident director increases by 13 thousand dollars over the three years post-event date. As compared to the matched director who experiences a 25 thousand dollar increase in pay, the difference amounts to -11 thousand dollars, though not statistically significant at the 10% level. Next, turning to equity based compensation (the fraction of pay in the form of equity), we see a 5 percentage point increase in this form of compensation to the dissident director over this time period, yet this is not statistically different from their matched counterpart.[21]

Turning to the two sub-periods, the results over the 2006-2010 and 2011-2015 show equally weak differences in pay changes post-revelation. Over the 2006-2010 time period, dissident directors suffer an abnormal decrease of 10 thousand dollars, while over the 2011-2015 time period they suffer a 14 thousand dollar abnormal decrease in pay (both statistically insignificant). In total, the results provide weak evidence that other directors serving with the first time dissident director choose to seek retribution through a total pay decrease or by awarding less stock or options to the dissident director. Though, given the anecdotal evidence on how board pay is set (Lorsch and MacIver (1989)), such a finding is not unexpected. The 'all in or out' mentality which persists over most boards dictates either a director is removed from their position or pay

[21] Repeating the analysis using the compensation residuals from a regression on the variables noted in the propensity score matching procedure (plus committee positions and meetings held) yields equally insignificant results.

will scale accordingly over all board members. Given this, the weak findings in terms of director punishment via lower compensation is not surprising.

E CEO and Officer Turnover and Compensation

Equally important to our understanding of how modern boards operate is the question of CEO/officer performance-turnover sensitivity. If the board of directors has the right and obligation to monitor and remove the top officers of the company (including the CEO), then the question of whether an average board treats a newly revealed dissident officer more harshly is an important one.

Extending the analysis from dissident directors, I identify 49 observations over the 10 year time period where an officer of a company tracked by ExecuComp teams up for the first time with an activist investor. This identification of 'dissident officers' follows the exact same methodology as employed in identifying dissident directors but with the single change that they no longer need to hold board seats prior to the revelation date, but are required instead to be serving as an officer of a company tracked by Execucomp prior to choosing to side with an activist in a campaign. With these 49 observations I explore the performance-turnover sensitivity relationship in a multivariate framework. To control for officer quality and firm time-invariant characteristics, I run the following linear probability regression:

$$y_{dt} = \alpha + \beta_1 POST_{dt} + \beta_2 Return_{it} + \beta_3 Post_{dt} * Return_{it} + X_{dt}\gamma + \eta_d + \eta_t + +\epsilon_{dt}$$

where y_{dt} is an identifier for if the officer holds a position in the firm at time t, $POST_{dt}$ indicates three years after officer d has revealed being a dissident director, $Return_{it}$ captures the previous year returns at the firm, X_{dt} is a vector of officer and firm controls, η_d are officer fixed effects, and η_t are time fixed effects. The vector of director/firm controls include an indicator for the firm had financial restatement, ROA, past year firm returns, institutional ownership, and officer characteristics (age, tenure).

Table IX presents the results where the sample is restricted to a three year window around the officer revelation date. In Columns (1) - (4) the coefficient on $POST$ varies between -0.29 to 0.15 and is not significant at the 10% level. This indicates that there is little evidence that following the revelation of allying oneself with a dissident, that an officer is more likely to be removed from the job. In Columns (5) - (8) the interaction term $POST * Return$ is included to capture performance-turnover sensitivity and a CEO indicator term is included as well. Again, across many specifications using different fixed effects (including firm, time and director) and a matched difference approach, the coefficient on the interaction term is never significant at the 10% level. These results offer little evidence in support of the idea that CEOs or officers that team up with an activist suffer turnover or negative career consequences post-revelation.

If boards do not appear to abnormally remove newly revealed dissident officers or monitor them more harshly (increased performance turnover sensitivity), then perhaps they seek retribution in the form of lowering the officers compensation. Table X presents changes in officer/CEO compensation from the event date to three years after revealing to be a dissident officer. Similar to the increase in pay over time noted in Table VIII, again three years after joining an activist campaign officers receive on average 24 thousand more in total compensation. Yet, this is statistically indistinguishable from the 26 thousand dollar pay increase for the matched officer sample (propensity score matched sample). A similar negligible result holds when comparing changes in equity based compensation. The results highlight that shifts in pay and turnover to these first time dissident officers is not statistically different from their fellow matched officers over this time period.

IV Conclusion

This paper serves to explore the career consequences of siding with an activist investor (hedge fund) in a proxy contest against an unrelated firm. Using a hand-collected dataset on all proxy

campaigns and activist director nominations initiated by 13D and DEFC14A filings, I find no significant evidence that over the 2011-2015 time frame that dissident directors (establish directors who choose to side with an activist in an unrelated campaign) suffer career consequences in the form of removal from existing board seats, loss of future board seats, or decreases in compensation. Similarly weak findings persist when exploring the career consequences associated with officers/CEOs that join activist campaigns. These results are robust to time-varying firm characteristics, director time-invariant factors and time trends.

Yet, over the earlier period of 2006-2010, I do find evidence consistent with the fact that first time dissident directors lose board seats and experience greater board turnover. For example, a dissident director in this period is expected to lose on average one-third of a board position three years after revealing that they have teamed up with an activist in a proxy contest. This result is also shown to be robust to a variety of time-vary factors and director time-invariant characteristics. Further, firms that see a dissident director depart or fired over this time period appear to display characteristics of the 'old boys network' board mentality. These boards are more entrenched, have greater CEO ownership and lower female representation.

Overall, the results indicate how boards have shifted in their attitude toward activists in the boardroom. With the resurgence in hedge fund activism over the past 10 years, boards have been slow to adapt, but it seems more and more commonplace that firms are willing to negotiate with activists and place suggested new directors on the board. It is this changing culture which seems to manifest in the results; no longer are directors who team up with activists viewed as siding with the enemy. And, in the present day board, there is no significant evidence to suggest that the other board members who serve with the dissident director seek retribution in any form for the act of siding with an activist. In total, the results suggest how culture is changing in the modern boardroom.

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Table I: Summary Statistics

This table reports descriptive statistics. The first column reports descriptive statistics for the full sample of 13D/proxy contests where an activist mentions an intention to change the board (1010 observations) and proposes at least one director for the board, over the 2006 to 2015 time period (565 observations). The second column presents summary statistics for the 2006-2010 sub-sample, and the third column presents summary statistics for the 2011-2015 sub-sample. The fourth column presents statistics for the sub-sample where the necessary board information is found on RiskMetrics. The final column presents the activist summary statistics for the 102 observations where a first time dissident director is revealed (96 distinct campaigns).

	Full Sample (1)	Full Sample (2006-2010) (2)	Full Sample (2011-2015) (3)	Sample with Board Info (4)	Sample of First Time Dissident Directors (5)
Panel A: Sample Stats					
Number of Contests	565	308	257	334	96
# of Directors Proposed per Contest	3.21	3.15	3.29	3.47	4.19
# of HF Directors Proposed per Contest	1.17	1.23	1.09	1.16	0.91
Average HF Stake	8.14%	9.02%	7.17%	7.75%	7.76%
Staggered Board	46.43%	48.35%	44.26%	44.82%	40.1%
Panel B: Results of Contest					
Voted Contests	301	177	124	161	52
Settled Contest	121	41	81	111	26
Withdrawn or Exited Contests	143	90	52	62	18
Non-HF Dissident Gains Seat	38.5%	35.7%	42.0%	45.8%	59.0%
HF Dissident Gains Seat	42.3%	42.9%	41.6%	46.4%	34.5%
Non-HF Dissident average seats gained	0.858	0.694	1.054	1.071	1.30
HF Dissident average seats gained	0.568	0.578	0.556	0.622	0.451
Acquisition	13.4%	17.8%	7.97%	13.0%	11.3%
Average Return from 13D Date	0.162	0.055	0.318	0.201	0.071
Panel C: Firm Characteristics					
Market Cap ($ millions)	3895	1285	6657	4698	6749
Institutional Ownership	68%	67%	70%	76%	76%
ROA	0.053	0.053	0.052	0.071	0.067
One-year BHAR prior	0.082	-0.029	0.139	0.069	0.051

Table II: Difference Between Dissident Directors Before Revealing and Non-Dissident Directors

This table reports differences between the board seats which dissident directors hold one-year before revealing they are a dissident and that of non-dissident directors. The sample covers all RiskMetrics director-year observations of non-dissident directors and all director-year observations of dissident directors one year prior to their first campaign teaming up with an activist. The sample for dissident directors contains 142 board seats and 102 dissident directors. The sample of non-dissident directors includes all RiskMetrics director-year observations where the director is not associated with an activist. Column (1) reports the average characteristic for dissident directors. Column (2) reports the average characteristic for non-dissident directors. Column (3) reports the difference between Column (1) and (2). Column (4) reports the standard errors for Column (3) clustered at the director level. *, **, and *** indicate differences significant at the 10%, 5%, and 1%, respectively.

	Dissident Directors (1)	Non-Dissident Directors (2)	Difference (3)	Standard Errors (4)
Performance Metrics				
One-Year BHARs (raw)	0.1804	0.1641	0.0163	0.0367
One-Year BHARs (market adjusted)	0.0151	0.0311	-0.0160	0.0318
Financial Restatement in Previous Year	0.107	0.052	0.055*	.0175
Failed Attendance Standards	0.0069	0.0073	-0.0004	0.007
Firm/Director Characteristics				
Age	61.876	62.009	-0.133	0.700
Tenure	6.344	8.842	-2.497***	0.651
Total Number of Other Directorships per Year	1.40	1.35	0.05*	0.088
Firm Size	9007.9	11130.4	-2122.5	3809.0
Book Leverage	0.340	0.354	-0.014	0.332
Delisting Rate	0.093	0.070	0.023	0.251

Table III: Change in Board Seats Held After Revelation of Being a Dissident Director

This table reports changes in the number of board seats held by dissident directors from the event year of being revealed as a dissident to three years from the event date. The change in board seats is compared to a matched sample of directors. The matched sample is a propensity score matched sample where assignment is based on the director/firm variables noted in the previous table (average previous year returns over board seats, the existence of a financial restatement in the previous year, failing attendance standards, number of board seats held, average tenure, director age, average firm size over the board seats held). Panels A-C delineate changes in board seats held where all activist related board seats are not considered (i.e. excluding board seats won with respect to HF activist campaigns). Panels D-F delineate changes in board seats where all board seats are considered. Panel A and D detail the full sample of 102 director-treatment observations. Panel B and E detail the 2006-2010 sample and Panel C and F detail the 2011-2015 sample. Heteroscedasticity-consistent standard errors are presented. *, **, and *** indicate differences significant at the 10%, 5%, and 1%, respectively.

Panel A: Non-Activist Board Seats	Year *t*	Year *t+1*	Year *t+2*	Year *t+3*
Dissident	0.000	-0.071	-0.194	-0.400
Matched Sample	0.000	-0.026	-0.145	-0.187
Difference	0.000	-0.045	-0.049	-0.213**

Panel B: Non-Activist Board Seats (2006-2010)	Year *t*	Year *t+1*	Year *t+2*	Year *t+3*
Dissident	0.000	-0.194	-0.222	-0.388
Matched Sample	0.000	-0.068	-0.034	-0.068
Difference	0.000	-0.126*	-0.188*	-0.320**

Panel C: Non-Activist Board Seats (2011-2015)	Year *t*	Year *t+1*	Year *t+2*	Year *t+3*
Dissident	0.000	0.021	-0.154	-0.421
Matched Sample	0.000	0.000	-0.269	-0.368
Difference	0.000	0.021	0.115	-0.053

Panel D: Including Activist Board Seats	Year *t*	Year *t+1*	Year *t+2*	Year *t+3*
Dissident	0.000	0.202	0.113	0.010
Matched Sample	0.000	-0.025	-0.121	-0.180
Difference	0.000	0.227***	0.234**	0.190

Panel E: Including Activist Board Seats (2006-2010)	Year *t*	Year *t+1*	Year *t+2*	Year *t+3*
Dissident	0.000	0.000	0.055	-0.083
Matched Sample	0.000	-0.129	-0.096	-0.129
Difference	0.000	0.129	0.151*	0.046

Panel F: Including Activist Board Seats (2011-2015)	Year *t*	Year *t+1*	Year *t+2*	Year *t+3*
Dissident	0.000	0.354	0.192	0.157
Matched Sample	0.000	0.041	-0.148	-0.263
Difference	0.000	0.313**	0.340**	0.420**

Table IV: Board Seats Held After Revelation of Being a Dissident Director

This table reports the effect of dissident revelation on the number of seats held by the board member. The following regression is estimated: $y_{dt} = \alpha + \beta_1 POST_{dt} + X_{dt}\gamma + \eta_d + \eta_t + \varepsilon_{dt}$, where y_{dt} is the number of seats that director d holds in non-HF related boards (non-activist taken board seats), $POST_{dt}$ indicates three years after director d has revealed being a dissident director, X_{dt} is a vector of director and firm controls, η_d are director fixed effects, and η_t are time fixed effects. Panel A Columns (1) – (4) reports the results for the restricted sample where the sample is restricted to a three year period around each event of dissident director revelation. Panel A Column (5) – (8) reports the results for the restricted sample where the independent variable is match sample adjusted (the difference in board seats held by the dissident and their match). Panel B Column (1) – (4) reports the results for the 2011-2015 time period, and Panel B Column (5) – (8) reports the results for the 2006-2010 time period. The vector of controls include an indicator for whether the director failed attendance standards, had a financial restatement on another board, average annual return over the past year, average ROA, institutional ownership, and director characteristics (age, tenure). Standard errors are robust to heteroscedasticity and are clustered by director. *, **, and *** indicate differences significant at the 10%, 5%, and 1%, respectively.

Panel A: Full Time Period	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Post (t+3)	-0.10*	-0.28***	-0.31**	-0.10	-0.52***	-0.41**	-0.22*	-0.73**
	(0.05)	(0.11)	(0.15)	(0.07)	(0.17)	(0.21)	(0.12)	(0.22)
N	603	511	603	511	603	511	603	511
R^2	0.58	0.79	0.61	0.60	0.03	0.05	0.38	0.48
Year FE	No	Yes	Yes	No	No	Yes	No	No
Director FE	Yes	No	Yes	Yes	No	No	Yes	Yes
Matched Sample	No	No	No	No	Yes	Yes	Yes	Yes
Controls	No	Yes	No	Yes	No	Yes	No	Yes

Panel B: Time Period Sub-Samples	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Post (t+3)	-0.10	-0.15	-0.08	-0.22	-0.22**	-0.26**	-0.35**	-0.65**
	(0.07)	(0.12)	(0.07)	(0.18)	(0.08)	(0.11)	(0.13)	(0.22)
N	337	287	337	287	266	224	266	224
R^2	0.43	0.78	0.45	0.12	0.62	0.81	0.62	0.10
Year FE	No	Yes	Yes	No	No	Yes	Yes	No
Director FE	Yes	No	Yes	No	Yes	No	Yes	No
Matched Sample	No	No	No	Yes	No	No	No	Yes
Controls	No	Yes	No	Yes	No	Yes	No	Yes

Table V: Board Turnover After Revelation of Being a Dissident Director

This table reports the fraction of initial board seats held one, two, and three years post-revelation of being a dissident director. The fraction of initial board seats held is compared to a matched sample of directors. The matched sample noted is a propensity score matched sample where assignment is based on the director/firm variables noted in Table II (average previous year returns over board seats, the existence of a financial restatement in the previous year, failing attendance standards, number of board seats held, average tenure, director age, average firm size over the board seats held). All board turnover events are from the perspective of board seats held before the event date (at Year *t*). Panel A details the full sample of 102 director-treatment observations. Panel B details the 2006-2010 sub-sample and Panel C details the 2011-2015 sub-sample. Panel D details the sample of board turnover events where the director (serving on a staggered board) was not up for nomination in the year in which dissident revelation occurred (Year *t*). Panel E details the sample of board turnover events where the director (serving on a staggered board) was up for nomination in Year *t.* Standard errors are heteroscedasticity-consistent and *, **, and *** indicate differences significant at the 10%, 5%, and 1%, respectively.

Panel A: Board Retention (Full Sample)	Year *t*	Year *t+1*	Year *t+2*	Year *t+3*
Dissident	1.000	0.841	0.741	0.614
Matched Sample	1.000	0.917	0.787	0.739
Difference	0.000	-0.076*	-0.046	-0.125*

Panel B: Board Retention (2006-2010 sub-sample)	Year *t*	Year *t+1*	Year *t+2*	Year *t+3*
Dissident	1.000	0.744	0.697	0.604
Matched Sample	1.000	0.928	0.833	0.762
Difference	0.000	-0.184**	-0.136**	-0.158*

Panel C: Board Retention (2011-2015 sub-sample)	Year *t*	Year *t+1*	Year *t+2*	Year *t+3*
Dissident	1.000	0.900	0.789	0.630
Matched Sample	1.000	0.910	0.736	0.703
Difference	0.000	-0.010	0.053	-0.073

Panel D: Board Retention (Not Nominated in current event-year)	Year *t*	Year *t+1*	Year *t+2*	Year *t+3*
Dissident	1.000	0.666	0.516	0.471
Matched Sample	1.000	0.898	0.842	0.736
Difference	0.000	-0.232**	-0.326**	-0.265**

Panel E: Board Retention (Nominated in current event-year)	Year *t*	Year *t+1*	Year *t+2*	Year *t+3*
Dissident	1.000	0.928	0.777	0.700
Matched Sample	1.000	0.937	0.750	0.700
Difference	0.000	-0.009	0.027	0.000

Table VI: Director Turnover After Revelation of Being a Dissident Director

This table reports the effect of dissident revelation on the probability of board turnover. The following regression is estimated: $y_{dit} = \alpha + \beta_1 POST_{dt} + \beta_2 Nominated_d + \beta_3 POST_{dt} * Nominated_d + X_{dt}\gamma + \eta_d + \eta_t + \eta_{id} + \eta_i + \varepsilon_{dit}$, where y_{dit} is the number of seats that director *d* holds in a given board *i* which he held before the revelation date (either a 1 or 0), $POST_{dt}$ indicates three years after director *d* has revealed being a dissident director, $Nominated_d$ indicates whether a director *d* was up for nomination in a given board the year of revelation, X_{dt} is a vector of director and firm controls, η_d are director fixed effects, η_i are firm fixed effects, η_{id} are director-firm fixed effects, and η_t are time fixed effects. Column (1) – (8) of Panel A reports the results for the restricted sample where the sample is restricted to a three period around the 102 events of dissident director revelation. Columns (1) – (4) of Panel A include the full sample of director revelation events and Column (5) – (8) are restricted to the sample of events where the board is staggered. Column (1) – (4) of Panel B presents the results for the 2011-2015 sub-sample and Column (5) – (8) presents the results for the 2006-2010 sample. The vector of controls include an indicator for whether the director failed attendance standards, had a financial restatement on the board, annual return over the past year, ROA, institutional ownership, and director characteristics (age, tenure). Standard errors are robust to heteroscedasticity and are clustered by director-firm. *, **, and *** indicate differences significant at the 10%, 5%, and 1%, respectively.

Panel A: Full Sample	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Post	-0.14**	-0.29***	-0.17**	-0.45**	-0.15*	-0.02	-0.10	-0.56*
	(0.05)	(0.07)	(0.06)	(0.18)	(0.07)	(0.10)	(0.10)	(0.27)
Nominated					-0.04	-0.15	0.02	0.21
					(0.25)	(0.12)	(0.10)	(0.17)
Post*Nominated					0.32**	0.07	0.20*	-0.04
					(0.11)	(0.05)	(0.06)	(0.61)
N	870	870	710	710	488	488	310	310
R^2	0.42	0.37	0.37	0.34	0.49	0.48	0.38	0.54
Year FE	No	Yes	No	No	No	Yes	No	No
Director FE	No	Yes	No	No	No	Yes	No	No
Director-Firm FE	Yes	No	Yes	No	Yes	No	Yes	No
Controls	No	No	Yes	Yes	No	No	Yes	Yes
Firm FE	No	Yes	No	No	No	Yes	No	No
Matched Sample	No	No	No	Yes	No	No	No	Yes

Panel B: Sub-Samples	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Post	-0.12*	-0.21*	-0.18	-0.22	-0.19**	-0.33***	-0.23**	-0.41**
	(0.07)	(0.10)	(0.10)	(0.16)	(0.07)	(0.09)	(0.09)	(0.19)
N	510	510	415	415	360	360	295	295
R^2	0.42	0.43	0.45	0.39	0.35	0.30	0.32	0.24
Year FE	No	Yes	No	No	No	Yes	No	No
Director FE	No	Yes	No	No	No	Yes	No	No
Director-Firm FE	Yes	No	Yes	No	Yes	No	Yes	No
Controls	No	No	Yes	Yes	No	No	Yes	Yes
Firm FE	No	Yes	No	No	No	Yes	No	No
Matched Sample	No	No	No	Yes	No	No	No	Yes

Table VII: Characteristics Of Boards Where the Director Departs

This table reports differences between firms where directors departed from their board seats and those where the director retained their board seat following the revelation of being a dissident director. The three variables of interest are; percent ownership by the CEO, average board tenure, and the percent of directors on the board that are female. Column (1) details the results for the sample of firms where a first time dissident director departs their position within three years-time. Column (2) details the results for the sample of firms where a first time dissident director remains in their position for three years after the revelation date. Panel A details the results for the full sample of first time dissident directors. Panel B details the 2011-2015 sample, and Panel C details the 2006-2010 sample. Heteroscedasticity-consistent standard errors are constructed. *, **, and *** indicate differences significant at the 10%, 5%, and 1%, respectively.

	Boards Where Director Departed (1)	Boards Where Director Stayed (2)	Difference (3)
Panel A: Board Full Sample			
CEO Ownership (%)	1.52	0.82	0.70
Board Tenure	8.11	7.23	0.88*
Board Percent Female	11.3	14.9	-3.6*
Panel B: Board Sub-Sample 2011-2015			
CEO Ownership (%)	0.24	0.70	-0.46
Board Tenure	6.80	7.77	-0.97
Board Percent Female (%)	15.1	15.5	-0.4
Panel C: Board Sub-Sample 2006-2010			
CEO Ownership (%)	3.21	1.17	2.04*
Board Tenure	8.61	6.86	1.75*
Board Percent Female (%)	6.4	11.5	-4.1*

Table VIII: Change in Director Compensation After Revelation of Being a Dissident Director

This table reports changes in director compensation for the sample of directors that are revealed as dissident directors one, two, and three years following the event date. The compensation variables of note are the total compensation the director receives in a given year, and the equity based compensation (fraction of pay in the form of equity). The change in compensation for each dissident director is compared to a matched sample. The matched sample noted is a propensity score matched sample where assignment is based on the director/firm variables noted in Table II (average previous year returns over board seats, the existence of a financial restatement in the previous year, failing attendance standards, number of board seats held, average tenure, director age, average firm size over the board seats held). Panel A details the results for the full sample (82 director-treatment events). Panel B details the 2006-2010 sample, and Panel C details the 2011-2015 sample. Heteroscedasticity-consistent standard errors are constructed. *, **, and *** indicate differences significant at the 10%, 5%, and 1%, respectively.

Panel A: Full Sample	Year *t*	Year *t+1*	Year *t+2*	Year *t+3*
Total Compensation				
Dissident	0.000	29.176	26.918	13.233
Matched Sample	0.000	20.804	30.513	25.015
Difference	0.000	8.372	-3.595	-11.782
Equity Based Comp				
Dissident	0.000	0.014	0.033	0.050
Matched Sample	0.000	-0.001	0.007	-0.002
Difference	0.000	0.015	0.040	0.052

Panel B: Sub-sample (2006-2010)	Year *t*	Year *t+1*	Year *t+2*	Year *t+3*
Total Compensation				
Dissident	0.000	3.796	13.136	6.332
Matched Sample	0.000	-5.710	1.403	16.492
Difference	0.000	9.506	11.733	-10.160
Equity Based Comp				
Dissident	0.000	0.050	0.077	0.088
Matched Sample	0.000	-0.043	-0.081	-0.078
Difference	0.000	0.093	0.158	0.166

Panel C: Sub-sample (2011-2015)	Year *t*	Year *t+1*	Year *t+2*	Year *t+3*
Total Compensation				
Dissident	0.000	35.521	32.750	19.507
Matched Sample	0.000	30.670	46.105	33.540
Difference	0.000	4.851	-13.355	-14.033
Equity Based Comp				
Dissident	0.000	0.005	0.014	0.015
Matched Sample	0.000	0.016	0.055	0.068
Difference	0.000	-0.011	-0.041	-0.053

Table IX: CEO/Officer Turnover After Revelation of Being a Dissident Director

This table reports the effect of dissident revelation on performance-turnover sensitivity for officers. The following regression is estimated: $y_{dt} = \alpha + \beta_1 POST_{dt} + \beta_2 Return_i + \beta_3 POST_{dt} * Return_i + X_{dt}\gamma + \eta_d + \eta_t + \varepsilon_{dt}$, where y_{dt} is an identifier for if the officer d holds a position in the firm at time t (either a 1 or 0), $POST_{dt}$ indicates three years after officer d has revealed to be a dissident director, $Return_i$ is the firm return over the prior year, X_{dt} is a vector of officer and firm controls, η_d are officer fixed effects, and η_t are time fixed effects. Column (1) – (8) reports the results for the restricted sample where the sample is restricted to a three period around the 49 events of dissident officer revelation. The vector of controls include an indicator for the firm had financial restatement, ROA, past year returns, institutional ownership, and officer characteristics (age, tenure). Standard errors are robust to heteroscedasticity and are clustered by officer. *, **, and *** indicate differences significant at the 10%, 5%, and 1%, respectively.

Panel A: Full Sample	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Post	0.15	-0.29	-0.09	0.13	0.09	-0.25	-0.65	0.30
	(0.44)	(0.23)	(0.56)	(0.54)	(0.14)	(0.24)	(0.50)	(0.33)
Return					-0.18	-0.48	-0.19	-0.09
					(0.06)	(0.26)	(0.35)	(0.08)
Post*Return					0.11	-0.09	0.14	0.17
					(0.08)	(0.21)	(0.09)	(0.11)
CEO Indicator					-0.08	-0.15	0.08	-0.12
					(0.09)	(0.22)	(0.44)	(0.49)
N	320	252	252	320	320	252	252	320
R^2	0.21	0.24	0.27	0.19	0.22	0.24	0.27	0.21
Year FE	No	Yes	No	No	No	Yes	No	No
Officer FE	Yes	Yes	Yes	No	Yes	Yes	Yes	No
Matched Sample	No	No	No	Yes	No	No	No	Yes
Controls	No	Yes	Yes	No	No	Yes	Yes	No

Table X: Change in Officer Compensation After Revelation of Being a Dissident Director

This table reports changes in officer compensation for the sample of officers that are revealed as dissident directors one, two, and three years following the event date. The compensation variables of note are the total compensation the officer receives in a given year, and the equity based compensation (fraction of pay in the form of equity). The change in compensation for each dissident officer is compared to a matched sample of other officers (equivalent in title) and with the same number of board seats, tenure at firm and age. Panel A details the results for the full sample (49 officer-treatment events). Heteroscedasticity-consistent standard errors are constructed. *, **, and *** indicate differences significant at the 10%, 5%, and 1%, respectively.

Panel A: Changes in Officer Comp	Year *t*	Year *t+1*	Year *t+2*	Year *t+3*
Total Compensation				
Dissident	0.000	26.145	25.767	24.090
Matched Sample	0.000	13.556	17.921	26.098
Difference	0.000	12.589	7.846	-2.008
Equity Based Comp				
Dissident	0.000	0.012	0.034	0.028
Matched Sample	0.000	0.003	0.014	0.029
Difference	0.000	0.009	0.020	-0.001