HARVARD | BUSINESS | SCHOOL

Consequences to Directors of Shareholder Activism

Ian D. Gow
Sa-Pyung Sean Shin
Suraj Srinivasan

Working Paper 14-071

Consequences to Directors of Shareholder Activism

Ian D. Gow
Harvard Business School

Sa-Pyung Sean Shin
Harvard Business School

Suraj Srinivasan
Harvard Business School

Working Paper 14-071

Copyright © 2014, 2016 by Ian D. Gow, Sa-Pyung Sean Shin, and Suraj Srinivasan

Working papers are in draft form. This working paper is distributed for purposes of comment and discussion only. It may not be reproduced without permission of the copyright holder. Copies of working papers are available from the author.

Consequences to Directors of Shareholder Activism

Ian D. Gow
igow@hbs.edu

Sa-Pyung Sean Shin
sshin@hbs.edu

Suraj Srinivasan
ssrinivasan@hbs.edu

May 26, 2016

Abstract:

Using a comprehensive sample for 2004–2012, we examine the impact of shareholder activist campaigns on the careers of directors of targeted firms. We find that activism is associated with directors being almost twice as likely to leave—and performance-sensitivity of turnover being higher over the subsequent two-year period. Our evidence suggests that director turnover occurs even without shareholder activists engaging in, let alone winning, proxy contests and, in contrast to most prior research, director election results matter. Overall, our evidence suggests that shareholder activism, even in the absence of proxy fights, is associated with greater accountability for independent directors.

JEL Classification: G30; G34; J33; K22; M41.

Keywords: Shareholder activism; hedge funds; Independent directors; Director reputation; Accountability; Shareholder voting

All authors are at Harvard Business School. We thank John Coates, Lucian Bebchuk, and seminar participants at Cornell University, Harvard Business School, Harvard Law School, INSEAD, University of Miami, and University of Notre Dame for helpful comments. We thank the Division of Research at Harvard Business School for financial support. Stephanie Kreutz and Kristen Garner provided excellent research support.

Consequences to Directors of Shareholder Activism

Abstract:

Using a comprehensive sample for 2004–2012, we examine the impact of shareholder activist campaigns on the careers of directors of targeted firms. We find that activism is associated with directors being almost twice as likely to leave—and performance-sensitivity of turnover being higher over the subsequent two-year period. Our evidence suggests that director turnover occurs even without shareholder activists engaging in, let alone winning, proxy contests and, in contrast to most prior research, director election results matter. Overall, our evidence suggests that shareholder activism, even in the absence of proxy fights, is associated with greater accountability for independent directors.

Consequences to Directors of Shareholder Activism

1. Introduction

We examine career consequences for directors when firms are targeted by activist shareholders. Activism by hedge fund and other investors to improve governance and performance of companies has become a significant phenomenon in recent years. Many recent papers (e.g., Brav et al., 2008; Bebchuk et al., 2013) examine the performance consequences of such activism with a focus on identifying whether and how hedge fund activism improves firm performance. Our focus is on the consequences for the board of directors, a group that occupies a central place in corporate governance and in interactions with activist shareholders. One goal of this paper is to evaluate the claim in Bebchuk (2007) that shareholder power to replace directors is largely a "myth" and whether the recent rise of hedge fund activism ameliorates this concern.

We use a sample of 1,490 activism events comprising all publicly disclosed shareholder activism conducted by hedge funds or other major shareholders between 2004 and 2012 to examine a number of different consequences for directors.[1] First, we examine director turnover at firms subject to activism, including the effect of settlement with activists and the impact of activism on the performance-sensitivity of director turnover. Next, we examine whether activism is associated with reduced shareholder support in director elections and the relation between activism, shareholder support in director elections, and subsequent departure of directors. Finally, we examine changes in the number of board positions held by directors at other public firms as a proxy for reputational effects of shareholder activism.

Our paper contributes to the literature in a number of ways. First, we provide evidence that an important class of shareholder activism is associated with career costs for directors, even

[1] Here "major shareholders" means those filing a Form 13D with the Securities and Exchange Commission after reaching an ownership stake of more than five percent of shares.

when such activism does not result in a proxy contest or even relate to demand for board representation. While proxy contests rarely succeed in getting a majority of shareholder support (Bebchuk, 2007), Fos and Tsoutsouras (2014) show that proxy contests are associated with director turnover. This result is to be expected since activists in proxy contests explicitly propose an alternate slate of candidates to replace incumbents. Consistent with Fos and Tsoutsouras (2014), we find that directors targeted by activists in proxy fights are significantly more likely to leave the board after the activism event: 21.4 percent of directors are no longer on the board of targeted firms at the end of the year after the activism is initiated compared to 12.5 percent for non-targeted firms.

However, proxy contests represent just 25% of the events in the total set of activist engagements that we study, and those that proceed to contested elections are just 8%. Among the larger set of activism events that do not lead to a proxy fight, we find that even when activists target firms without public board-related demands, director turnover is 15.7% by the end of the second year after the activism is initiated. And when activists seek board representation, but do not initiate a proxy contest, turnover is 20.7%, similar to the 21.4% when proxy contests do occur. Thus, our results complement those of Fos and Tsoutsouras (2014) who study proxy contests, by showing that shareholder activism is associated with higher levels of director turnover even when such activism does not involve proxy contests, let alone proxy contests that get majority shareholder support. These higher departure rates hold for both inside and independent directors. All these results hold after controlling for firm performance and other factors driving director turnover and activism and when we use propensity score matching to identify control firms. Furthermore, as discussed below, within-firm analyses suggest a causal explanation for the relation between activism and the increased turnover we observe.

Second, we provide evidence on the complex nature of negotiations between shareholders (including activists) and firms. Gantchev (2013) models an activism campaign as a sequential multi-period game involving escalating costs to the activist and provides empirical estimates of the costs of each stage. By providing evidence of increased levels of director turnover in categories of activism that fall short of proxy contests, or even observable demands for board representation, our paper provides evidence consistent with the existence of the kind of complex process modeled by Gantchev (2013). For example, we show that director turnover is actually higher when firms settle with activists than when activists cease campaigns, and indistinguishable from turnover from proxy contests that actually proceed to shareholder votes.

Third, we provide evidence on the interplay between activism and other dimensions of director accountability. We show that activism is associated with higher levels of performance sensitivity of director turnover suggesting higher director accountability for poor firm performance. This increased sensitivity of turnover to poor firm performance holds even when activism does not involve a proxy contest.

Fourth, we provide new evidence on director elections - we find that shareholders penalize directors with lower support in director elections when the firm is targeted by activists but that the effect is relatively limited. We find that directors receive 8.6 percent negative vote in the year of activism and 8.1 percent in the year after activism compared with less than 6 percent for non-targeted firms. One plausible explanation for this seemingly small effect is that many activism events are settled, perhaps because the board settles when shareholder support is particularly weak.

We also find that negative votes in director elections (i.e., votes withheld from a director or votes for a rival candidate) are associated with director turnover. This is in contrast to Cai et

al. (2009) who, using a sample of director elections from 2003 and 2004, do not find an association between a measure of negative votes and director turnover. This suggests that, in the context of activism, directors heed the message in the negative vote and resign their positions, though it is unclear what compels them to do so given that they still receive majority support in most cases. In this regard, our evidence is consistent with that of Fos, Li, and Tsoutsoura (2016), who provide evidence that directors are sensitive to director elections.[2]

Finally, our paper also adds to the body of research that examines labor market consequences of director performance. Empirical research has provided evidence consistent with the Fama and Jensen (1983) conjecture that the market for directorships rewards or penalizes director performance (e.g., Srinivasan, 2005; Fich and Shivdasani, 2007). Prior research has considered directorships as an indication of director prestige (Fich and Shivdasani, 2007; Yermack, 2004), suggesting that if being targeted by activists were viewed as an indication of poor director performance, directors would lose seats on other boards. We find no evidence of an impact of activism on director reputation as reflected in directorships on other boards. Even directly targeted directors experience no loss in other directorships and this apparent non-effect holds for both inside and independent directors. In this regard, our results stand in contrast to those in Fos and Tsoutsoura (2014), who find evidence of other directorships being affected by proxy fights; this difference is likely due to difficult-to-reconcile differences in measurement of outside directorships and sample period.[3]

While our results are suggestive of activism *causing* increased turnover of directors even when activism does not involve proxy fights or explicit demands for board representation, it is

[2] In addition, the discussion of the underlying mechanism on pp. 21–23 of Fos, Li, and Tsoutsoura (2016) provides several examples in which activist investors are a driving force in director accountability.
[3] As discussed below in Section 8.1 we attempt to replicate their analyses using our sample, but find results similar to those in our main analyses. Results from these analyses are found in the Internet Appendix.

difficult to draw unequivocally causal inferences from associations because activists do not select target firms at random. It is possible that activists target those firms possessing unobserved characteristics associated with director turnover. To partially address this concern, we conduct within-firm analyses comparing directors that are individually targeted by activists with directors who are not. We believe causal inference is more appropriate with these tests and they provide results that are consistent with our main analyses.

It is important to note some caveats that apply, even if causal inferences are appropriate. First, it is difficult to discern from public data the precise *mechanism* through which activism causes director turnover. It is difficult to distinguish empirically a director who leaves the board in response to activist demands for his or her departure from one who leaves the board because the activism imposes additional personal costs on him or her. Second, our paper does not speak to the *optimality* of activist-driven director turnover. While prior research has found evidence consistent with increased performance-sensitivity increasing firm value (Weisbach, 1988) and we find evidence of shareholder activism being associated with greater performance sensitivity of director turnover, it is difficult to conclude from our evidence whether turnover following activism is optimal. However, whether departure is voluntary, optimal, or otherwise, our evidence does suggest that activism is associated with career consequences for directors.

The rest of the paper proceeds as follows. Section 2 describes features of shareholder activism campaigns and the prior literature. Section 3 describes our data and descriptive statistics. Section 4 discusses director turnover in targeted companies. Section 5 examines voting results. Section 6 examines reputational impact on other boards. Section 7 examines consequences to directors targeted individually by activists. Section 8 provides additional analyses and Section 9 concludes.

2. Prior research and institutional setting

2.1. Director turnover

Prior papers provide evidence that directors lose their positions when firms experience financial crises or financial misconduct. For instance, greater director turnover is observed in firms subject to securities litigation (Romano, 1991; Brochet and Srinivasan, 2013), firms in financial distress (Gilson, 1990), companies that report accounting restatements (Srinivasan, 2005), and firms that backdated options (Ertimur et al. 2012).[4] Overall, the evidence points to higher board turnover after poor performance, consistent with directors being held accountable for monitoring failures. While these papers examine board turnover, they generally do not explore the mechanisms that bring this about. We identify shareholder activism as one such mechanism and seek to understand the effect of different kinds of direct shareholder action on director turnover.

While we focus on director turnover at firms targeted by activist shareholders, we also examine directors' reputational consequences by looking at the effect of shareholder activism on directorships at other firms. Our paper is therefore related to the literature on director reputation, which shows that directors incur labor market penalties when they are perceived as weak monitors (Srinivasan, 2005; Fich and Shivdasani, 2007).

2.2 Effect of shareholder votes and institutional shareholder activism

Prior research has found that shareholders use voting in director elections as a way to communicate dissatisfaction with performance. Cai, Garner, and Walking (2009) find that directors receive fewer votes after a securities lawsuit and when the director serves on the board

[4] In contrast with these papers, other papers find that director turnover is unchanged after fraud (Agarwal, Jaffe, and Karpoff, 1999) and after litigation (Fich and Shivdasani, 2007).

of another firm that faces a shareholder lawsuit. Ertimur, Ferri, and Maber (2012) find that compensation committee members of option backdating firms receive fewer votes than other directors in these firms.[5]

Grundfest (1993) suggests that directors value their reputation as monitors and therefore respond to negative shareholder votes even when such votes are not binding. Consistent with this, prior literature provides evidence consistent with shareholder voting having some efficacy in bringing about changes in corporate policy. Del Guercio, Seery, and Woidtke (2008) provide evidence that firms respond to "vote no" campaigns by activist institutional investors by improving operating performance, increasing CEO turnover-performance sensitivity, and making governance changes. Ertimur et al. (2010) find that CEOs who receive excess pay and are targeted by "vote no" campaigns subsequently receive lower compensation.

While prior research suggests directors heed the message conveyed by these campaigns, it is not clear that directors are more likely to leave the board in the face of weak shareholder support. With plurality voting, which most firms in the US used until recently (Ertimur et al., 2013), a director is elected even if a minority of shareholders vote in his or her favor since shareholders can only withhold votes and cannot vote against a director. Consistent with such voting being ineffective, Cai et al. (2009) find no relationship between the percent of withheld votes and subsequent director turnover. In contrast, Fischer et al. (2009) find that board-level shareholder approval is negatively associated with board-level turnover, albeit using a much smaller sample. With majority voting, which has been adopted by many firms in recent years, directors are not elected unless a majority of votes are cast in their favor. However, Ertimur et al. (2013) find that votes withheld are not related to director turnover even with majority voting.

[5] Yermack (2010) contains a comprehensive review of the larger shareholder voting literature.

Even when directors fail to win a majority vote, which is itself a rare occurrence, turnover is infrequent and is not related to the voting outcome, regardless of the election standard. We add to the literature on director elections by examining how shareholder activism and shareholder voting coexist in affecting director turnover and, by providing evidence that shareholder voting has a significant effect on board turnover. Our results can help explain why directors are responsive to shareholder concerns expressed by votes in director elections.

2.3 Director elections and proxy fights

The apparent ineffectiveness of uncontested elections has led to the concern that the only way for shareholders to remove underperforming directors is to initiate a proxy solicitation campaign in a contested election. Contested elections are contests between the incumbent set of directors put forward by the company and a dissident slate nominated by an outside investor. Dodd and Warner (1983) provide early evidence consistent with proxy fights being value-creating for shareholders. They find a statistically significant positive share price effect associated with a proxy contest regardless of whether the contest was successful or not. However, a number of studies find limits to the effectiveness of proxy contests. While Mulherin and Poulsen (1998) find evidence "that proxy contests create value" using a sample of 270 proxy contests covering 1979−1994, they also find that "the bulk of the wealth gains stemming from firms that are acquired." Pound (1988) identifies cost of waging a proxy contest and management incumbency as impediments to successful proxy fights. More recently, Bebchuk (2007) claims that shareholders' power to replace the board is largely a "myth," due to free-rider issues associated with investing in costly proxy contents. Fos, Li, and Tsoutsoura (2016) provide evidence consistent with directors being more sensitive to shareholder concerns when elections are sooner. We contribute to this debate by providing evidence consistent with directors being

held accountable for firm performance in the presence of shareholder activism, even when such activism does not involve a proxy contest.

2.4 Hedge fund and other institutional activism

As hedge fund activism is a recent phenomenon, the focus of earlier research was on the effect of shareholder activism by pension and labor union funds. This research focused on the activities of pension plans, such as CalPERS (Smith, 1996) and TIAA-CREF (Carleton, Nelson, and Weisbach, 1998). While pension plans have typically focused on governance changes generally proposed as 14a-8 shareholder proposals, hedge funds often seek to make more wide-ranging changes to the firms they target (see Appendix B for examples). One conclusion from research on pension plan activism is that activist shareholders and firms often reach agreement without a formal 14a-8 proposal being voted upon – for instance Carleton, Nelson, and Weisbach (1998) find that TIAA-CREF is able to reach agreements with targeted companies 95 percent of the time and in over 70 percent of cases without a shareholder vote on the proposal. In the UK, Becht et al. (2008) study a mutual fund (Hermes) and find that this fund acts "predominantly through private interventions." This is consistent with our finding that activism is associated with board turnover, even when there is no formal proxy fight.

Over the last decade, the phenomenon of shareholder activism has been driven in large part by activist hedge funds and more recent research has examined this form of activism. Brav, Jiang, and Kim (2010) suggest that structural benefits enjoyed by hedge funds—such as fewer regulations and improved incentives—have allowed them to be more active than mutual funds or pension funds in pursuing governance changes in companies.

A more recent paper, Fos and Tsoutsouras (2014), shows that proxy contests are associated with consequences for director of affected firms. While our paper is similar in some

respects, it differs in others. First and most importantly, Fos and Tsoutsoura (2014) focus exclusively on proxy contests, while we examine other forms of shareholder activism and find that these are also associated with director turnover. Director turnover in the context of proxy contests should be less surprising, whereas our finding that director turnover accompanies hedge fund activism provides a broader context for understanding how board governance is shaped by activism. In addition, we examine voting outcomes and performance sensitivity of director turnover. In these regards, our paper complements and extends the findings of Fos and Tsoutsoura (2014). Finally, Fos and Tsoutsoura (2014) find that other directorships decline for directors targeted in proxy fights relative to their non-targeted colleagues on the same boards, while we do not find evidence of this effect in our sample.[6]

Our paper also relates to Gantchev (2013), who models activism as a sequential decision process with activism potentially escalating from negotiations with management and requests for board representation to, ultimately, proxy contests. A key element of the analysis in Gantchev (2013) is an estimate of the cost of a typical proxy contest of $10.71 million, an amount equal to two-thirds of the gross returns from the typical activism campaign. Focusing on director turnover, our paper complements Gantchev (2013) by showing that activists often appear able to effect change without pursuing costly proxy contests.

Prior research suggests that hedge fund activists typically target smaller firms, value-oriented firms (low market-to-book), and firms with sound operating cash flows but low sales growth, leverage and dividend payouts (Brav et al., 2010). This evidence motivates us to introduce firm-level covariates to control for factors causing firms to be targeted by activist investors.

[6] We discuss our attempt to reconcile our results with theirs in Section 8.1 below.

3. Data and sample description

Our analysis uses data on directors, firms, and activism events. Each of these is described in turn.

3.1 Directorship data

Our sample consists of all directorships held in firms in the Equilar database for fiscal years ending between January 1, 2004 and December 31, 2012.[7] The data in Equilar comprises directors of every company that files both an annual report and an annual proxy statement (forms 10-K and DEF 14A, respectively) with the SEC. This database provides us with names and other director characteristics. Drawing on data from both Equilar and BoardEx (another widely used database on directors), we construct an identifier for each director that allows us to track directors across firms and over time.

3.2 Firm-level data

Most firm-level financial data come from Compustat and CRSP. Our source for data on voting is ISS Voting Analytics, which provides data about matters voted on at shareholder meetings between 2001 and 2012 for a sample that roughly corresponds to the Russell 3000 index. We get analyst coverage from I/B/E/S and institutional ownership data from WhaleWisdom, which provides comprehensive coverage of 13F and 13F/A filings.

3.3 Activism events

Our data on activism comes from FactSet's SharkWatch database, which contains information on shareholder activism events, primarily in the United States. From SharkWatch, we collect information on all publicly disclosed activism events that commenced in the period

[7] Because we examine outcomes up to two years after an activism event, data availability limits our ability to construct a full sample for more recent activism events.

2004−2012, where the event is not a corporate control contest initiated by another corporation and the targeted firm is incorporated in the United States and is not an investment trust or mutual fund. This provides us with 1,490 activism events, which are primarily conducted by hedge fund activists or other major shareholders (i.e., 13D filers). Note that this does not include activism consisting only of routine shareholder proposals submitted under Rule 14a-8.

We classify these 1,490 activism (*Targeted Firm*) events into three mutually exclusive subcategories: *Targeted Firm – Non-Board, Targeted Board – Non-Proxy*, and *Targeted Board – Proxy*. All activism events not related to a demand for board representation are classified as *Targeted Firm – Non-Board*. We classify as *Targeted Board – Non-Proxy* all events identified by SharkWatch as relating to "Board Representation," "Board Control," "Remove Directors(s)," or "Withhold Vote for Director(s)," but which do not result in a formal declaration of a contested director election (proxy fight). We classify as *Targeted Board – Proxy* as activism events that resulted in a declared proxy fight. This is measured as both (i) activism events involving filings on forms DEFC14A and PREC14A and (ii) cases where the dissident publicly disclosed that it delivered formal notice to the company that it intends to solicit proxies from stockholders. Appendix A provides definitions of all variables used in the analysis. Appendix B provides examples of activism events in each of the above categories.

Of the total sample of 1,490 events, 614 events are board-related (377 as *Targeted Board – Proxy* and 237 *Targeted Board – Non-Proxy*) and the remaining 876 relate to other campaigns by shareholders. Table 1 Panel A provides a distribution of the sample by year and by category. We observe no particular time series patterns in the nine years of data for any of the subgroups except for a slightly higher overall rate of activism in 2007 and 2008. There are no obvious patterns in the activism subcategories. Nevertheless, we include year fixed effects in all our

multivariate tests to account for any year-specific effects. Several of our analyses use director-firm-years as the units of observation and Table 1 Panel B provides the number of such observations by year and category of activism.

Table 1 Panel C provides univariate statistics on director turnover on the board for the five years after shareholder activism. As a benchmark, in the measurement window that we use for our multivariate tests (two-year window from *t* to *t* + 2), we observe a director turnover rate of 12.5 percent for firms that are not targeted for any form of activism (*Non-Targeted Firm*) that remain in our sample for that period. The comparable turnover rate for companies targeted for shareholder activism (*Targeted Firm*) is significantly higher at 18.0 percent in the two-year period that includes the initiation of the activism and the year following it. For non-proxy fight, board-related activism (*Targeted Board – Non-Proxy*), 20.9 percent of directors leave in two years. Proxy fights (*Targeted Board – Proxy*) also exhibit greater director turnover with a 21.4 percent departure rate. We explore these results further using multivariate regressions of director departure in the next section.

Table 1 Panel D presents univariate statistics for voting support in director elections for the year prior to activism (*t*) to the year after initiation of activism (*t* + 2). *Against Votes* represents the percentage of votes from director election voted "against" each director, calculated for uncontested elections as (voted against + voted withheld) divided by (voted for + voted against + voted withheld). For contested elections, the calculation is similar, but we treat votes for one director as votes against the rival director. *ISS Against* represents an unfavorable voting recommendation for each individual director nominee by Institutional Shareholder Services (ISS), a leading proxy advisory firm. The average director in a firm not targeted for activism (*Non-Targeted Firm*) receives 5.4 percent negative votes from shareholders and an unfavorable

ISS recommendation in 10.4 percent of cases. Levels of negative votes and recommendations are higher for targeted companies. The average level of negative votes for directors of targeted firms (*Targeted Firm*) is 8.6 percent in the year of activism and 8.1 percent in the year after activism suggesting a continued negative sentiment against directors. The negative votes are 10.0 percent and 9.2 percent in years $t + 1$ and $t + 2$, respectively, for non-proxy, board-related activism (*Targeted Board – Non-Proxy*) and 9.6 percent and 7.2 percent for proxy fight events (*Targeted Board – Proxy*). We explore the lingering negative effect against directors of targeted firms in the multivariate regression analysis.

In Table 1 Panel E, we provide univariate statistics for other directorships of our sample directors. The average director in a non-targeted firm has 0.610 directorships in other firms. This number reduces over next five years to 0.546. Other directorships of directors in targeted firms display a somewhat similar decline over time and this pattern is repeated in each category of targeted firms. While the univariate statistics do not suggest a pattern of differential impact between targeted and non-targeted firms, we explore the impact of activism on other directorships in a multivariate regression framework in section 6.[8]

4. Director turnover in targeted companies

In this section, we discuss our analyses of the relationship of shareholder activism and director turnover.

4.1 Shareholder activism and director turnover

We first examine how shareholder activism affects director turnover in target companies estimating the following specification for all director-firm-years in our sample.

[8] Additional descriptive statistics on various firm- and director-level control variables are provided in the Internet Appendix Table IA1.

$$Departure_{(t,\, t+2)} = F(Targeted\ Firm - Non\text{-}Board,\ Targeted\ Board - Non\text{-}Proxy,\ Targeted\ Board - Proxy,\ \text{firm controls, director controls, year fixed effects}), \quad (1)$$

where the dependent variable, $Departure_{(t,\, t+2)}$, takes the value 1 if a director of the firm in year t is no longer on the board in year t + 2. *Targeted Firm – Non-Board* takes the value 1 for all directors of a firm that is the target of a non-board related activism event in year t + 1. We classify activism events in which the activist seeks either the removal of existing directors or appointment of new ones into two groups—those that result in a declared proxy fight (*Targeted Board – Proxy*) and those that do not, due to settlement with the activist or the activist dropping its demands (*Targeted Board – Non-Proxy*). Declared proxy fights do not necessarily result in contested elections—the company and dissident might settle before going to a vote even after a proxy fight is initiated. The benchmark group consists of director-firm-years in the Equilar database related to firm-years where the firms were not targeted by activists.

We also include firm, director, and activism characteristics as controls. Poor firm performance has been shown to be an important cause of director turnover (Gilson, 1990; Yermack, 2004). Brav et al. (2008) identify several firm characteristics that distinguish activism targets from other firms. We include these variables in the regression model so as to control for firm characteristics associated with activism. Firm-level controls include firm performance (*Ind. Adj. Return*, *ROA*, *Sales Growth*), log of market capitalization for firm size (*Market Value*), book-to-market ratio (*Book-to-Market*), leverage (*Leverage*), dividend payout ratio (*Dividend*), the number of analysts covering the firm (*Analyst*) and percent of shares held by institutional investors (*Institution*).

Director characteristics include director age (*Age*), director tenure (*Tenure*) as we expect age and tenure to be positively associated with director turnover. We identify directors that are on the audit (*Audit Committee*) and compensation committees (*Compensation Committee*) as

these directors are more likely to play a prominent role on the board (Yermack, 2004). We include year fixed effects to control for unobserved time-related effects. All standard errors are clustered at the firm level.[9]

We examine director departure over a two-year period including the activism event. This allows us to examine up to two nomination cycles for companies with unitary boards. While directors in companies with staggered boards typically serve three-year terms and are not up for nomination within two years, this does not prevent these directors from leaving boards before their term ends. Ertimur, Ferri, and Maber (2012) also use a two-year measurement window, arguing that the effect of a shareholder campaign dissipates over time and longer time windows increase the likelihood of unrelated events affecting director turnover.

Table 2 presents the results of an OLS regression of Equation 1. We tabulate an OLS regression for ease of interpretation of coefficients. (All inferences are identical when we conduct a logit regression - see Table IA2 of the Internet Appendix.) Table 2 Panel A presents results for all directors—independent, inside, and related or "gray" directors. Column 1 of Panel A presents results for all firms, including firms that disappear from Equilar because they were acquired or delisted (went private, bankrupt, etc.). In this analysis, directors can lose their positions either by leaving the board or by the firm ceasing to be a public company. Column 1 results suggest that directors in firms targeted by activist shareholders are more likely to lose their board seats in the two-year period immediately following activism—the coefficient on *Targeted Firm* is positive and significant (coefficient = 16.23, p-value <0.01).

Columns 2 and 3 of Panel A include only firms that continue to exist in year $t + 2$; in this way, the analysis focuses on the likelihood of directors leaving boards of firms that continue to

[9] Clustering by both firm and director does not change our inferences.

exist as public firms. The effect of being a director of a targeted company continues to remain positive and significant (coefficient on *Targeted Firm* = 8.88, p-value <0.01). A coefficient lower in magnitude than that reported in Column 1 is expected, as prior research (Greenwood and Schor, 2009) suggests that one consequence of activism is an increased probability of takeover and this is clearly one way in which board turnover can occur. However, the results in Column 2 suggest that directors face a significantly higher likelihood of turnover even when the company continues to exist as a separate entity. The OLS coefficient estimate implies an increase of 8.9 percentage points in the likelihood that a director will leave the board when the firm is targeted, which is a 71% increase over the 12.5 percent rate for non-targeted firms reported in Panel C of Table 1. The signs of the coefficients on control variables are as expected; e.g., directors are less likely to leave in better-performing firms (both ROA and stock returns) and in larger firms. Directors on the compensation or audit committees are less likely to leave the board. Older directors are more likely to turn over.

Column 3 presents results using a finer classification of activism events. We find not only that directors from targeted firms are more likely to leave their company, but directors are also incrementally more likely to leave if their company is targeted by activists not seeking board representation or the removal of directors: the coefficients on *Targeted Firm – Non-Board*, *Targeted Board – Non-Proxy,* and *Targeted Board – Proxy* are all positive and significant and the coefficients are progressively higher (coefficients of 6.67, 9.97 and 12.77, respectively, with p-values < 0.01 in each case). Surprisingly, the coefficients on *Targeted Board – Non-Proxy* and *Targeted Board – Proxy* are not statistically distinguishable from each other (F-stat of F-stat of 1.66, p-value = 0.20), suggesting that directors on boards targeted by activism resulting in a formal proxy fight have no greater likelihood of leaving than directors in firms with board-

related activism that does not reach that level. In short, these results show that directors in firms targeted by shareholder for activism campaigns face increased likelihood of leaving the board of targeted firms, even when the activism is not explicitly directed at board representation and does not result in a proxy fight.

In untabulated analysis, we include an indicator variable *SharkWatch50*, which identifies activism by the top 50 hedge fund activists, as classified by Factset based on the number of publicly disclosed campaigns waged and size of companies targeted. This set includes noted activist hedge funds such as Pershing Square, Relational Investors, Third Point, and Icahn Enterprises. Overall, 501 of the 1,490 events include a *SharkWatch50* hedge fund in the dissident group. We use this classification to examine if outcomes are different when the activism is directed by these prominent activists. While we might expect that activism by more prominent investors would result in higher levels of turnover due to these investors being taken more seriously, we do not find evidence supporting this in our analysis; in fact the coefficient on *SharkWatch50* is negative and equal to -2.83 (p-value < 0.10) suggesting that turnover is less likely in these cases. We also interacted *SharkWatch50* with the activism classification variables, but found no statistically significant effects.

In columns 4 and 5, we divide $Departure_{(t,\, t+2)}$ into $Departure_{(t,\, t+1)}$ and $Departure_{(t+1,\, t+2)}$, separately looking at directors who leave in year t+1 (Column 4) and year t+2 (Column 5), respectively. We do this to identify to what extent directors leave before the first election (t to $t+1$) when activism is announced and the extent to which directors leave after the first election ($t+1$ to $t+2$). Note that the coefficient on the activism variables in Column 3 will be the sum of the coefficients on the same variable in columns 4 and 5. The significant and positive

coefficients on all activism classifications suggest directors involved in activism events leave in the year of, as well as in the year after, activism.

The results in columns 4 and 5 highlight that much director turnover occurs before the annual meeting in the year of the activism event—i.e., in the period (t, t+1)—especially when the activism does not involve a proxy fight. The positive and significant coefficient in Column 4 ($Departure_{(t,\ t+1)}$) for *Targeted Board – Non-Proxy* is consistent with board seats being granted to dissidents as part of settlement negotiation with the activist investors thereby preventing a proxy fight; in such cases, some incumbent directors would step down as part of the settlement. Some proxy fights likely represent cases where the firm and the activist did not reach a settlement and the activist escalated to a formal proxy fight. While turnover is greater in the period (t+1, t+2) for proxy fights, there is some increased turnover in the period (t, t+1) as well, consistent with directors yielding board seats prior to a vote when confronted with a potential proxy fight. Separating director turnover into two periods shows that a significant amount of turnover occurs concurrently with activism likely as a conflict-avoidance mechanism.

In Panel B of Table 2 we separate the sample into independent directors and inside directors to examine possibly differential effects of activism on the two groups. Columns 1 through 3 present coefficient estimates for the sample of independent directors and Columns 4 through 6 for inside directors ("gray" or affiliated directors are dropped from the sample). In general, the results are very similar to those reported in Panel A of Table 2, so we focus on the differences. The estimated impact of being targeted is greater for inside directors (coefficient on *Targeted Firm* = 11.81, p-value < 0.01) than for independent directors (coefficient = 8.29, p-value < 0.01); the difference is statistically significant (p-value < 0.05). The coefficients between

insider directors and independent directors are different in a statistically significant way when we examine by activism types as well except for cases of *Targeted Firm – Non-Board*.

In untabulated regressions (tabulated in Panel C of Table IA2 of the Internet Appendix), we restrict the sample to CEOs. The estimated coefficients on the activism indicators are similar to those observed for inside directors in Panel B, consistent with many of the inside directors being CEOs.

4.2 Shareholder activism and performance sensitivity of director turnover

We next examine if activism increases the sensitivity of director turnover to poor firm performance. Prior literature (e.g., Weisbach, 1988) suggests that increased turnover-performance sensitivity can be viewed as a positive governance effect. In Table 3, we examine the effect of activism on the performance sensitivity of director turnover using an OLS regression (the logit version is in the Internet Appendix Table IA3 and produces similar results). As the measure of performance, we use industry-adjusted returns over the twelve-month period ending four months after the fiscal year-end (i.e., the approximate time of the annual shareholder meeting). By extending the returns into the fiscal year after the activism event, if any, we pick up performance that is observed by shareholders and thus plausibly affects voting at the annual meeting.

We find that performance sensitivity is significantly increased by shareholder activism: the coefficients on *Ind. Adj. Return* interacted with *Targeted Firm* is negative and significant (p-value < 0.01). In the presence of activism, a one percentage-point decrease in industry-adjusted is associated with an incremental increase in the probability of turnover of all directors of 2.79% (p-value < 0.01) and 2.44% and 3.19% for independent and inside directors, respectively). We also examine performance sensitivity effects for each classification of activism events (*Targeted*

Firm – Non-Board, *Targeted Board – Non-Proxy*, and *Targeted Board – Proxy*) and, while the coefficients are all negative, they are most often not statistically significantly different from zero or from each other.[10] Overall, the results in Panel A of Table 3 suggest that shareholder activism is a mechanism for enhancing board accountability for poor performance even when it does not involve a proxy fight.

4.3 Settlements with activists and director turnover

Next we examine the effect of settlements with activists on director turnover. Results are presented in Table 4 (also see Internet Appendix Table IA4 for the logit version of the results). We define settlements as cases where board seats were granted, but the activism did not proceed to a contested election (i.e., a proxy fight). We distinguish between activism events with and without formal proxy filings. In the former category of events, we find differences in coefficients between settled (*Non-Proxy – Settled*) and non-settled (*Non-Proxy – Not Settled*) cases (6.06 = 12.09 – 6.03, p-value < 0.10). For cases with formal proxy filings, we distinguish cases that were not settled (*Proxy – Not Settled*), from cases that were settled before the shareholder meeting (*Proxy – Not Settled*) and cases that went to election (*Proxy – Went to Election*). The difference in the coefficient estimates for the first two cases is positive and significant as well (*Proxy – Settled* less *Proxy – Not Settled* = 13.18 – 4.97 = 8.21, p-value < 0.05), suggesting that settlement with activists is positively associated with turnover of directors. However, there is no significant difference between *Proxy – Settled* and *Proxy – Went to Election* (14.91 – 14.33 = 0.58, p-value = 0.87). Overall, these coefficients are consistent with boards deciding to settle in cases where

[10] Note that the effects are generally not significant when the sample includes firms that are delisted. This presumably reflects the fact that directors' loss of such board seats is a function of acquisitions, etc., rather than of performance.

they are less likely to prevail in a proxy fight and with contested elections in proxy fights being just the tip of the iceberg in terms of driving director turnover.

4.4 CEO turnover and outside directors

One possible reason for outside director turnover is CEO turnover. A new CEO may seek to replace outside directors associated with prior management. To the extent that CEO turnover is associated with activism, the effect of activism on outside directors may simply reflect this association. To account for this possibility, we include a CEO turnover indicator as control in all our regressions involving outside directors and find that its inclusion does not affect inferences. In Table 5, we also interact CEO turnover with activism indicators.[11] If activism is having an effect on outsider director turnover through the channel of CEO turnover, we expect the coefficients on these interactions to be positive. The coefficient on *CEO Turnover* interacted with *Targeted Board – Proxy* is 10.39 (p-value < 0.05), which is significantly greater than the coefficient on *CEO Turnover* alone. This suggests that outside director turnover following activism is not simply a function of CEO turnover and is consistent with activism leading to increased turnover of both CEOs and outside directors.

5. Voting in director elections

In this section we discuss how shareholder activism affects voting in director elections. We also assess the effect of voting on director turnover to relate the voting results to the findings in the previous section.

[11] Please see Internet Appendix Table IA5 for the logit version of these results.

5.1 Determinants of shareholder support

Shareholders can express displeasure with directors by withholding votes or, if applicable, by voting for an alternative candidate. We examine the effect on activism campaign on director election using the following model.

$$\begin{aligned} \textit{Against Votes \%} = F\,(&\textit{Targeted Firm – Non-Board}, \textit{Targeted Board – Non-Proxy}, \\ &\textit{Targeted Board – Proxy}, \text{ firm controls,} \\ &\text{director characteristics, activism characteristics, year fixed effects}) \end{aligned} \tag{2}$$

The dependent variable is the extent of negative voting received by the director (*Against Votes)*. Firm-level controls include industry-adjusted return, return on assets, sales growth, market value, book-to-market ratio, leverage, dividend payout ratio, the number of analysts, and institutional ownership percentage. Director-level controls include director age, director tenure, director shareholding, and audit and compensation committee position. We include voting recommendations by ISS ($ISS\ Against_{t+1}$), since ISS vote recommendation has been shown to have a significant influence on director elections (Cai et al., 2009).[12]

In our first analysis we examine shareholder votes in the year of the activism campaign. Table 6 present results of regressions with a dependent variable $Against\ Votes_{t+1}$, the percentage of votes against the director in elections in the year of the shareholder activism. Columns 1 and 2 present results when the sample includes all directors and columns 3 and 4 (5 and 6) present results for independent (inside) directors. As expected, directors in targeted firms receive more negative votes than directors of firms that are not targeted. The estimates suggest a significant increase over the mean negative vote for directors of non-targeted firms of about 5.4 percent (see Table 1 Panel D). These effects exist after controlling for unfavorable ISS recommendation (*ISS*

[12] Inferences are unaffected when $ISS\ Against_{t+1}$ is omitted.

Against$_{t+1}$) and votes against the director in the previous year (*Against Votes*$_t$)), which is the year prior to activism, if any.

While meaningful, the extent of the negative vote is unlikely to directly lead to director turnover, e.g., by denying a majority for firms with majority-voting policies. But our results are consistent with either activists targeting firms whose shareholders are dissatisfied with their directors or the activists influencing shareholder perceptions of director performance. Interestingly, the effects are observed for all kinds of activism and there is no statistically significant difference between *Targeted Firm – Non-Board* and *Targeted Board – Non-Proxy* cases.[13]

5.2 Do shareholder votes matter for board turnover?

In this sub-section we relate negative votes in director elections to director departure in the year after the vote. Prior research suggests that, while negative votes are not large in magnitude, directors appear to heed the message they deliver. Shareholder dissatisfaction expressed via negative votes is associated with subsequent governance and performance changes by firms, consistent with directors responding to shareholder disapproval. Cai, Garner, and Walking (2009) document a decrease in excess CEO compensation in the year following a higher negative vote for the compensation committee directors. They also find that the likelihood of CEO turnover increases when independent directors receive lower votes. Interestingly, Cai, Garner and Walking (2009) do not find an effect of votes against directors on director turnover. Fischer, Gramlich, Miller, and White (2009) show that firms whose directors receive fewer votes are more likely to experience subsequent CEO turnover and to hire an outside CEO. These firms

[13] We would have expected a greater level of negative voting in the cases involving proxy fights due simply to the existence of alternative candidates for shareholders to vote for.

also subsequently exhibit lower excess CEO compensation and make better acquisition and spin-off decisions. Ertimur, Ferri, and Muslu (2011) show that excess CEO compensation declines following "vote no" campaigns. More recently, Fos, Li, and Tsoutsoura (2016) find evidence suggesting that directors are more sensitive to shareholder concerns when director elections are sooner.

We extend our voting results and findings in the prior literature by examining whether negative votes are associated with subsequent director turnover in the presence of activism. Results of this analysis are presented in Table 7, where the dependent variable is the director turnover in the year after shareholder activism.[14] Column 1 presents results from the specification used in Panel A of Table 2 with $Departure_{(t,t+2)}$ as the dependent variable, but with the sample restricted to the cases where we have data on voting in year $t + 1$. Columns 2, 3 and 4 present results for all directors, independent directors and insider directors, respectively. The main variable of interest is $Against\ Votes_{t+1}$, which is the percentage of negative votes in the year of activism. The positive and significant coefficients on $Against\ Votes_{t+1}$ in all three columns show that directors, both independent ones and insiders, are less likely to depart if they receive greater support. While activism itself contributes to the greater extent of negative vote in year $t + 1$, the effect of activism on director turnover exists even after controlling for the effect of negative shareholder votes.

6. Directorships on other boards

In this section, we consider the relation between activism and the positions on other boards of directors of affected firms. The impact of activism in the targeted firm on other directorships allows us to examine the reputational impact on directors of targeted firm and

[14] Table IA6 in the Internet Appendix reports results for the logit version of this table. Inferences are identical.

inform the literature on reputational penalties for directors. Fama (1980) and Fama and Jensen (1983) posit that firm performance affects directors' reputations as corporate stewards, which are rewarded or penalized in the market for directorships. Prior papers have found evidence that directors lose their positions on other boards when they serve as directors of firms experiencing a financial crisis or financial misconduct (e.g., Srinivasan, 2005; Fich and Shivdasani, 2007; Ertimur, Ferri and Maber, 2012). As before, directors in firms in the Equilar database with no shareholder activism provide the baseline. We use the following regression specification.

$$\textit{Other Boards}_{t+2} = F(\textit{Targeted Firm – Non-Board}, \textit{Targeted Board – Non-Proxy}, \textit{Target Board – Proxy}, \text{firm controls, director characteristics, activism characteristics, year fixed effects}) \quad (3)$$

The dependent variable is the number of other directorships held in year $t + 2$ by a director who was on the board in year t. The independent variables are as defined earlier.

Table 8 presents results of an OLS regression of Equation 3. As before, we present results for the full board (Column 1 and 2), independent directors (Column 3 and 4) and inside directors (Column 5 and 6). In columns 1, 3, and 5, we find limited evidence of activism being associated with loss of seats on other boards. We find a small positive effect for all directors and independent directors for *Targeted Firm – Non-Board* and a small negative effect for all directors and independent directors for *Targeted Board – Non-Proxy*. One possible explanation for a positive coefficient is that independent directors have increased availability for other directorships when they lose a board seat and are more likely to lose a board seat when the firm is targeted. To account for this possibility, we include an indicator for departure from the targeted board—$\textit{Departure}_{(t,\ t+2)}$—and interact this with the activism indicators. These results are in columns 2, 4, and 6. The coefficient on $\textit{Departure}_{(t,\ t+2)}$ for independent directors (Column 3) is not economically nor statistically significant. For inside directors (Column 4), the coefficient

on $Departure_{(t,\ t+2)}$ (coef. = 0.05, p-value < 0.01) plausibly reflects executives gaining other board seats when they lose their positions *independent* of activism, but we find limited effects of activism when the executive loses his or her seat (e.g. *Targeted Board – Non-Proxy* × $Departure_{(t,\ t+2)}$, coef. = –0.10, p-value < 0.05). The statistically insignificant coefficients on *Targeted Firm – Non-Board* × $Departure_{(t,\ t+2)}$ and *Targeted Board – Non-Proxy* × $Departure_{(t,\ t+2)}$ in Column 4 provide no evidence for the notion that activism could lead to more directorships at other firms when it results in loss of a board seat for an independent director. Overall, Table 8 provides no evidence of directors bearing reputational costs through loss of other directorships following shareholder activism.

7. Analysis of individually targeted directors

In this section we examine the consequences for the directors who are specifically targeted by shareholder activism involving proxy fights. We identify directors as targeted directors (*Targeted Board – Proxy – Targeted Director*) if they are either (i) explicitly named as a target by activists or, (ii) when activists do not explicitly identify the directors they seek to replace, those directors that are up for election during an activism year. Appendix C provides examples of each type.

Panel A of Table 9 presents results from a regression analogous to those in Panel A of Table 2. We focus on $Departure_{(t+1,\ t+2)}$ as the dependent variable, as a director generally needs to be on the board at the time of activism (year t + 1) to be explicitly or implicitly targeted, so turnover of targeted directors is only possible from t + 1. The coefficient on *Targeted Board – Proxy – Targeted Director* is large and significant (21.34, p-value < 0.01), which suggest that the targeted directors are 21 percentage points (19 and 35 percentage points for independent and

inside directors, respectively) more likely to leave the board by the year after activism than non-targeted directors (21.34– 7.08 = 14.26, p-value < 0.01).

Panel B of Table 9 presents regressions analogous to those in Table 6, where the dependent variable is *Other Boards*$_{t+2}$. We find no evidence that directors suffer reputational consequences from being individually targeted.

In short, Table 7 presents evidence consistent with consequences for individually targeted directors being greater in terms of loss of seats on the targeted firm, but provides no evidence of reputational consequences in the form of loss of directorships on other boards.

8. Additional analyses: Causal inference and robustness

One issue with the results presented above is that activists are unlikely to target firms at random and it is difficult to control for all determinants of activists' targeting decisions, as it is likely that some of these are not observable by us. If some of these omitted determinants are correlated with director turnover, our estimates will be biased. In this section we provide additional tests of our prior results using within-firm analysis and a propensity score matched sample.

8.1 Within-firm analyses

With a view to providing stronger evidence for a causal explanation for our results, we conduct two sets of within-firm analyses that focus on directors on boards of two distinct sets of firms.

The first set of firms comprises those with staggered boards and the second set comprises non-staggered boards. The presence of a staggered board means that only some directors will be nominated for election during the activism event and we find that it is these nominated directors that are targeted by activists (see Example 2 of Appendix C for an instance of this). This gives

rise to within-firm variation in whether an individual director was targeted that is plausibly exogenous, as there is no reason to expect that the class of directors up for election in the year of activism to be inherently different from the other classes of directors.[15] Estimating a regression using such firms and including firm-year fixed effects allows us to estimate the effect of being a targeted director independent of any characteristics that led the firm to be targeted in the first place. As such, estimated coefficients from this regression are more plausibly capturing the causal effect of activism. We use ISS Voting Analytics to identify directors who were subject to a director election in the year of activism ($t + 1$).

Table 10 presents results from this analysis. Columns 1 to 3 present results for sample firms that have staggered boards. Columns 1 and 2 include firm fixed effects and firm and year fixed effects, respectively. We find that directors of targeted firms (*Targeted Firm*) are more likely to leave their boards within three months of the shareholder meeting when the firm is subject to activism (coefficient = 2.67 in Column 1, p-value < 0.01). Further, we find that being up for election (*Up for Election*) is positively associated with director turnover; directors up for election are more likely to have left the board within three months following shareholder meetings (coefficient = 3.95 in column 1, p-value < 0.01). In column (3), we include firm-year fixed effects and the coefficient on *Targeted Firm* × *Up for Election* remains positive and significant. This suggests that our director turnover results are not simply a function of being up for election, but are plausibly a consequence of activism.

To complete the picture we also consider the set of firms with non-staggered boards and again include firm-year fixed effects to isolate the impact on targeted directors controlling for firm characteristics. Columns 4, 5, and 6 present these results where we regress director turnover

[15] The possibility that the timing of activism is prompted by the identity of directors up for election in that year is one caveat to our analysis.

on *Targeted Director*. Given that all directors are up for election in each year, activists who seek board positions through proxy fights generally explicitly identify the directors who their candidates would replace (e.g., Example 1 of Appendix C). Columns 4, 5, and 6 include firm, firm and year, and firm-year fixed effects, respectively. Estimates in columns 4 and 5 show that our earlier results from Table 9 Panel A are robust to the inclusion of firm fixed effects and firm and year fixed effects, respectively. In column 6, we find that explicitly targeted directors are indeed more likely to turn over (coefficient 10.39, p-value < 0.05) than their colleagues (i.e., directors at the same firm in the same year) who were not targeted. As explicitly targeted directors are deliberately selected by activists, they are plausibly the ones most likely to suffer broader reputational consequences from being targeted.

In Table 10 panel B we examine the impact of activism on other directorships of targeted directors using the same fixed effects design as discussed in Panel A results above. For staggered boards (columns 1 to 3) we find no effect on targeted firm directors or for the interaction of targeted firm with directors up for election (*Targeted Firm × Up for Election*). Similarly, we find no effect on these variables in non-staggered boards (columns 4 to 6). These results suggest that there is no reputational impact on other directorships from activism consistent with our results in Table 8 and Table 9 panel B.

We also confirm that our findings are robust to an alternative within-firm research design used by Fos and Tsoutsoura (2014). The results of this analysis—reported in Table IA7 of the Internet Appendix—are consistent with our main analyses. In particular, while we find significant effects of activism on a director's seat on the board of the targeted firm, we find no evidence of reputation effects manifesting in the number of directorships on other boards.

While consistent with our earlier results, these inferences are quite different from those in Fos and Tsoutsoura (2014), who find evidence consistent with directors' seats on other boards being negatively affected by proxy fights in which they are up for election. As discussed in the Internet Appendix, our analysis suggests that these differences in inferences are not attributable to research design, but are possibly attributable to differences in sample period and data source (i.e., Fos and Tsoutsoura (2014) use BoardEx, which includes unlisted and non-profit boards).[16]

8.2 Propensity score matching

To confirm that our results are not driven by significant differences between targeted and non-targeted firms that are not effectively controlled for in a linear regression framework, we employ a propensity score matching procedure to achieve covariate balance between the treatment (targeted) and control (non-targeted) firms. We create a control sample of directors whose firms were not targeted, but comparable on all observed covariates to a treatment sample of directors whose firms were targeted by activists. We first use a logit regression using the control variables from Table 2 to estimate the probability (propensity score) that a firm would be targeted by an activist (Pr(*Targeted Firm*)) and match each targeted firm with a non-targeted firm from the same year with the nearest propensity score. Then we compare the difference in outcome variables (in particular, $Departure_{(t,\ t+2)}$, $Other\ Boards_{t+2}$) for the treatment and control firms. We verify that difference in means for each covariate after the match is insignificant,

[16] The average number of other directorships in Fos and Tsoutsoura (2014) is 2.2, which is significantly greater than our 0.613 for non-targeted firms and 0.689 for firms targeted for shareholder activism. This difference is likely attributable to Fos and Tsoutsouras's inclusion of directorships in private companies. We follow most prior research in considering only public companies, as this is where the reputational effect is expected to be stronger. Our numbers are fairly consistent with prior research. For example, Fich and Shivdasani (2007) report 0.95 other directorships for a sample of sued firms in 2002, and Ertimur et al. (2012) report 0.797 other directorships for their sample of firms.

implying covariate balance between the treatment and control samples. We present the covariate balance in the internet appendix (see Table IA6).

Results for director turnover are presented in Panel A of Table 9. Consistent with our results in Table 2 Panel A, directors of targeted firms have higher likelihood of leaving the board of a targeted firm (estimated effect of 0.089, p-value < 0.01) than directors of matched firms, the estimated effect increases as the activism becomes more board-related (estimated effects for *Targeted Board – Non-Proxy* and *Targeted Board – Proxy* of 0.105 and 0.131 respectively, both with p-values < 0.01) and targeted at individual directors (coefficient = 0.137, p-value < 0.01).

Results for other directorships are presented in Panel B of Table 11. These are consistent with those found in Table 9 Panel B. When the number of directorships held by a director on other boards is the outcome, the differences in means are small and statistically insignificant, consistent with our earlier results.

9. Conclusions

We examine career consequences for directors when firms are subject to activist shareholder interventions. First, we study director turnover on the board of the firm subject to activism, including whether activism increases director turnover-performance sensitivity. Next, we examine voting outcomes for directors in elections to assess if shareholders express their displeasure through their votes. We then examine the role of voting in precipitating departures of targeted directors. Finally, we examine reputational consequences of shareholder actions by looking at changes in the number of board positions held by directors at other public firms.

Our results suggest that directors exit boards at higher rates when their firms are targeted by activists: 18.0 percent of directors are no longer on the boards of firms targeted for shareholder activism at the end of the year after the activism event compared to 12.5 percent for

firms that are not targets of activism. Unsurprisingly, directors targeted by activists in proxy fights are significantly more likely to leave the board after the activism event. We find that directors not directly targeted by dissident shareholders are also likely to leave the board, as are directors at targeted firms even when no board-related demands are made as part of the activism, let alone a formal proxy fight. All these results hold after controlling for factors driving director turnover and targeting by activists. The increased turnover exists for both inside and independent directors.

Activism is associated with higher performance sensitivity of director turnover: the association between industry-adjusted stock returns and director turnover is greater when a firm is targeted by activists. We also find that shareholder voting matters for director turnover. Directors that receive a greater negative vote percentage in the year of shareholder activism are less likely to remain on the board in the year after activism. This finding may provide some relief to critics of corporate governance who argue that shareholder voting is ineffective in disciplining directors: Directors appear to heed the message in the negative vote and resign, though it is unclear what compels them to do so given that they receive majority support in most cases.

Director reputation as measured by number of directorships at other firms is not associated with activism. Neither proxy fights nor other forms of shareholder activism have any apparent association with the number of other directorships in the year after the activism event. Even directly targeted directors experience no loss of other directorships and the lack of association holds for both inside and independent directors.

Our paper provides evidence consistent with shareholder activism imposing career costs on directors, even when such activism is not directed explicitly at board representation and does not result in a proxy contest. Evidence from prior research suggests that proxy contests are not

an effective mechanism for disciplining boards since they rarely succeed in getting a majority of shareholder support. Our results suggest that activists need not even engage in, let alone win, proxy contests to remove directors. Overall, while we do not find evidence of broader reputational consequences, our results are consistent with shareholder activism increasing board turnover and accountability for poor performance.

Appendix A. Variable definitions

Variable	Definition
Classification of activism events	
Targeted Firm	Indicator for firm being targeted by an activism event commencing in a given fiscal year (Source: FactSet SharkRepellent)
Targeted Firm – Non-Board	All activism events that are neither *Targeted Board – Proxy* nor *Targeted Board – Non-Proxy*
Targeted Board – Non-Proxy	Activism events not included in *Targeted Board – Proxy*, but identified by SharkRepellent as relating to "Board Representation," "Board Control," "Remove Directors(s)," or "Withhold Vote for Director(s)."
Targeted Board – Proxy	(i) Activism events identified based on SEC filings on Form DEFC14A or PREC14A filed by dissident and (ii) activism events where the dissident publicly disclosed that it delivered formal notice to the company that it intends to solicit proxies from stockholders
*Targeted Board – Proxy – Targeted Director (*also *Targeted Director)*	Indicator for a director being either (i) up for election during an activism year when dissidents do not explicitly identify the directors they seek to replace or (ii) explicitly named as a target by activists
Targeted Board – Proxy – Non-Targeted Director	Indicator for a director being involved in a proxy fight (*Targeted Board – Proxy*), but not being individually targeted by activists
Classification of activism events by settlement (Table 3 Panel B)	
Non-Proxy – Settled	Indicator for a non-proxy fight event resulting in a board seat for dissidents, but did not go to shareholder election
Non-Proxy – Not Settled	Indicator for a non-proxy fight event not resulting in board seats for activists
Proxy – Settled	Indicator for a proxy fight event resulting in a board seat for dissidents, but not going to shareholder election
Proxy – Not Settled	Indicator for a proxy fight event not resulting in any board seats for activists
Proxy – Went to Election	Indicator for a proxy fight going to shareholder election
Dependent variables	
$Departure_{(t,\ t+2)}$	Indicator for the director leaving the board of the firm between years t and $t + 2$ (i.e., the year after the activism event, if any)
$Against\ Votes_{t+2}$	Percentage of votes against the director in director elections in year $t + 2$ (votes against + votes withheld) / (votes for + votes against + votes withheld)
$Other\ Boards_{t+2}$	Number of directorships a director has with companies other than the company of interest in year $t + 2$
Firm controls	
Ind.-Adj. Return	Twelve-month industry-adjusted return, calculated as raw return minus the return for the relevant Fama/French 48-industry portfolio
ROA	EBITDA divided by lagged total assets
Sales Growth	Sales divided by lagged sales
Market Value	Natural log of market capitalization
Leverage	Sum of long-term debt and current liabilities divided by sum of long-term debt, current liabilities and the book value of common equity
Variable	Definition

CEO Turnover	Indicator for CEO Turnover in year $t + 1$
Dividend	Sum of common dividends and preferred dividends divided by earnings before depreciation, interest, and tax
Analyst	Number of analyst forecasts for each firm-year (Source: I/B/E/S)
Institution	Percentage of shares held by institutions (Source: WhaleWisdom)

Director characteristics	
Age	Director's age in year t
Tenure	Number of years a director served on the firm's board at time t
Percent Owned	Number of shares held by a director divided by shares outstanding at fiscal year-end (Source: Equilar)
Audit Committee	Indicator for the director being on the audit committee at time t
Compensation Committee	Indicator for the director being on the compensation committee at time t
Independent Director	Indicator for director being independent
ISS Against$_{t+2}$	Unfavorable recommendation by Institutional Shareholder Services (ISS) in year $t + 2$ for each individual director nominee
Up for Election	Indicator for the director up for election in year $t + 1$ (Source: ISS Voting Analytics)

Appendix B: Activism classification – examples

Case 1: Firm is targeted for activism but not for board-related issues
(*Targeted Firm* and *Targeted Firm – Non-Board*)

Target: Bioenvirion, Inc.
Dissident: Elliott Management Corporation
Dates: 5/30/2007 – 10/4/2007
Proposals/Outcome: Campaign to vote against company's acquisition by Genzyme Corporation for $5.60 per share. Court granted company's petition to reconvene the special meeting and re-open the polls. At the reconvened special meeting the merger was approved.

Target: 99 Cents Only Stores
Dissident: Akre Capital Management LLC
Dates: 1/4/2008 – 9/18/2008
Proposals/Outcome: Campaign urged board to concentrate resources on markets other than Texas. Company announced on 9-18-2008 it will exit the Texas market.

Case 2. Firm is targeted for a board related issue not resulting in a proxy fight
(*Targeted Firm* and *Targeted Board – Non-Proxy*)

Target: American Bank Note Holographics, Inc.
Dissident: Levy, Harkins & Co., Inc.
Dates: 3/30/2007 – 5/24/2007
Proposals/Outcome: Dissident seeking 5 of 5 seats on the company's board and threatened a formal proxy fight if the company failed to address its concerns. Later company settled with the Dissident whereby 2 dissident nominees were appointed on the board.

Target: Exide Technologies
Dissident: Soros Fund
Dates: 12/22/2004 – 4/19/2005
Proposals/Outcome: Dissident met with company to discuss its operating and board concerns. Company appointed one dissident nominee to nine-person board and submitted proposals to declassify the board and to allow 15% of shareholders to call special meetings.

Target: Southwest Gas Corporation
Dissident: GAMCO Asset Management Inc. (2/18/2004 – 5/6/2004)
Proposals/Outcome: Dissident campaign to nominate Salvatore J. Zizza to board. Dissident did not solicit proxies for its nominee, but instead nominated candidate from the floor of the annual meeting. Company's nominees overwhelmingly elected to Board.

Case 3. Firm is target of a proxy fight which is settled without going to a shareholder vote
(*Targeted Firm*, *Targeted Board – Proxy* and *Proxy – Settled*)

Target: Alloy, Inc.
Dissident: Becker Drapkin Management LP/Kleinheinz Capital Partners, Inc.
Dates: 3/17/2010 – 7/15/2010
Proposals/Outcome: Proxy fight for three board seats settled. Company increased the size of the board by one seat and appointed a dissident nominee to fill the vacancy.

Target: The Brink's Company
Dissident: MCM Management, LLC
Dates: 11/30/2007 – 5/2/2008
Proposals/Outcome: Proxy fight for four board seats settled, with company agreeing to nominate two dissident representatives at the 2008 annual meeting and announcing plans to spin-off its Home Security Unit.

Case 4. Firm is target of a proxy fight that goes to a shareholder vote
(*Targeted Firm*, *Targeted Board – Proxy* and *Proxy – Went to Election*)

Target: Blockbuster Inc.
Dissident: Icahn Associates Corp.
Dates: 4/8/2005 – 5/11/2005
Proposals/Outcome: Dissident slate elected, winning three of three seats up for election to seven-member board).

Target: Alaska Air Group, Inc.
Dissident: Richard D. Foley/Stephen Nieman/Terry K. Dayton/William Davidge
Dates: 3/20/2006 – 5/16/2006
Proposals/Outcome: Three-person dissident slate defeated (management won all four seats up for election to twelve-person board). Management's proposals to declassify board and remove supermajority vote for mergers was passed and implemented.

Case 5. Firm is target of a proxy fight that is not settled, but does not go to a shareholder vote
(*Targeted Firm*, *Targeted Board – Proxy* and *Proxy – Not Settled*)

Target: Friendly Ice Cream Corporation
Dissident: Biglari Capital Corp.
Dates: 11/8/2006 – 6/17/2007
Proposals/Outcome: Proxy fight to elect two people to the five-person board at the 2007 annual meeting was withdrawn after company agreed to be acquired. Dissident entered into agreement to vote for the merger.

Appendix C: Identification of targeted directors – examples

In some proxy fights, dissidents specifically name on DEFC14A filings those directors they seek to replace with their own nominees, in which case we consider these directors as *explicitly targeted*. In other cases, dissident do not specify the directors they are trying to replace, but we infer the targeted directors from proxy filings by management. We recognize those director nominees as *implicitly* targeted.

Example 1: Explicitly Targeted Directors
Target: Lions Gate Entertainment Corp. *Dissident:* Carl C. Icahn *Duration:* 12/6/2010 – 12/14/2010

Excerpt from DEFC14A filed by Carl C. Icahn:
"If no specification is made, your shares will be voted (i) FOR Mr. Jay Firestone; (ii) FOR Dr. Michael Dornemann; (iii) FOR Mr. Christopher J. McGurk; (iv) FOR Mr. Daniel A. Ninivaggi; (v) FOR Dr. Harold T. Shapiro; (vi) FOR the persons who have been nominated by Lions Gate to serve as directors, OTHER THAN Mr. Michael Burns, Mr. Harald Ludwig, Mr. G. Scott Paterson, Mark H. Rachesky, M.D. and Mr. Hardwick Simmons."

Full list of director nominees from DEFC14A filed by Lions Gate Entertainment Corp.:

Management Nominees	**Targeted Director**	**Management Nominees**	**Targeted Director**
Michael Burns	True	Norman Bacal	False
Harald Ludwig	True	Arthur Evrensel	False
G. Scott Paterson	True	Jon Feltheimer	False
Mark H. Rachesky	True	Frank Giustra	False
Hardwick Simmons	True	Morley Koffman	False
		Daryl Simm	False
		Phyllis Yaffe	False

Example 2: Implicitly Targeted Directors
Target: Target Corp. *Dissident:* Pershing Square LP *Duration*: 4/21/2009 – 5/28/2009

Excerpt from DEFC14A filed by Target Corp.
"Proxies solicited by the Board of Directors will, unless otherwise directed, be voted for the election of four nominees to serve as Class III directors for three-year terms expiring in 2012 and until their successors are elected. The four nominees are Mary N. Dillon, Richard M. Kovacevich, George W. Tamke, and Solomon D. Trujillo. All of the nominees are currently directors and have consented to be named in this proxy statement and to serve if elected."

Excerpt from DEFC14A filed by Pershing Square LP
"PROPOSAL 2A: To elect William A. Ackman, Michael L. Ashner, James L. Donald and Richard W. Vague as directors of Target Corporation."

Management Nominees	**Targeted Director**
Mary N. Dillon	True
Richard M. Kovacevich	True
George W. Tamke	True
Solomon D. Trujillo	True

References

Agrawal, A., Jaffe, J., and Karpoff, J., 1999. Management turnover and governance changes following the revelation of fraud. Journal of Law and Economics 42(1): 23–56.

Bebchuk, L.A., 2007. The myth of the shareholder franchise. Virginia Law Review 93: 675–732.

Bebchuk, L.A., Brav, A., and Jiang, W., 2013. The long-term effects of hedge fund activism. Working paper.

Becht, M., Franks, J., Mayer, C., and Rossi, S., 2010. Returns to shareholder activism: Evidence from a clinical study of the Hermes UK Focus Fund. Review of Financial Studies 23(3): 3093–3129.

Brav, A., Jiang, W., and Kim, H., 2009. Hedge fund activism: A review. Foundations and Trends in Finance 4(3): 185.

Brav, A., Jiang, W., Partnoy, F., and Thomas R., 2008. Hedge fund activism, corporate governance, and firm performance. Journal of Finance 63(4): 1729–75.

Brochet, F., and Srinivasan, S., 2014. Accountability of independent directors: Evidence from firms subject to securities litigation. Journal of Financial Economics, 111(2): 430–449.

Cai, J., Garner, J., Walkling, R., 2009. Electing directors. Journal of Finance 64: 2389–2421.

Carleton, W. T., Nelson, J. M., and Weisbach, M. S., 1998. The influence of institutions on corporate governance through private negotiations: Evidence from TIAA-CREF. The Journal of Finance 53(4): 1335–1362.

Del Guercio, D., Seery, L., and Woidtke, T., 2008. Do boards pay attention when institutional investor activists just vote no? Journal of Financial Economics 90: 84–103.

Dodd, P., and J. B. Warner., 1983. On corporate governance. Journal of Financial Economics 11 (1-4): 401–438.

Ertimur, Y., Ferri, F., Maber, D., 2012. Reputation penalties for poor monitoring of executive pay: Evidence from option backdating. Journal of Financial Economics 104: 118–144.

Ertimur, Y., Ferri, F., Muslu, V., 2010. Shareholder activism and CEO pay. Review of Financial Studies 24(2): 535–592.

Ertimur, Y., Ferri, F., Oesch, D., 2013. Shareholder votes and proxy advisors: Evidence from say on pay. Journal of Accounting Research, 51(5): 951–996.

Fama, E., 1980. Agency problems and the theory of the firm. Journal of Political Economy 88(2): 288-307.

Fama, E., Jensen, M., 1983. Separation of ownership and control. Journal of Law and Economics 26: 301–25.

Ferris, S., Jagannathan, M., Pritchard, A., 2003. Too busy to mind the business? Monitoring by directors with multiple board appointments. Journal of Finance 58: 1087–1112.

Fich, E., Shivdasani, A., 2007. Financial fraud, director reputation, and shareholder wealth. Journal of Financial Economics 86: 306–336.

Fischer, P., Gramlich, J., Miller, B., White, H., 2009. Investor perceptions of board performance: Evidence from uncontested director elections. Journal of Accounting and Economics 48: 172–189.

Fos, V., Tsoutsoura, M., 2014. Shareholder democracy in play: Career consequences of proxy contests. Journal of Financial Economics, 114(2): 316-340.

Fos, V., Li, K., Tsoutsoura, M., 2016. Do director elections matter? Working paper, Boston College, University of British Columbia and University of Chicago.

Gantchev, N., 2013. The costs of shareholder activism: Evidence from a sequential decision model. Journal of Financial Economics 107: 610–631.

Gilson, S.C., 1990. Bankruptcy, boards, banks, and bondholders: Evidence on changes in corporate ownership and control when firms default. Journal of Financial Economics 27: 355–88.

Greenwood, R., and Schor, M., 2009. Investor activism and takeovers. Journal of Financial Economics 92 (3): 362–375.

Grundfest, J. A., 1993. Just vote no: A minimalist strategy for dealing with barbarians inside the gates, Stanford Law Review 45: 857–937.

Jensen, M., 1983. Organization theory and methodology. Accounting Review, 56. 319–338.

Klein, A., Zur, E., 2009. Entrepreneurial Shareholder Activism: Hedge Funds and Other Private Investors. Journal of Finance LXIV, 187–229.

Mulherin, J. H., Poulsen, A. B., 1998. Proxy contests and corporate change: implications for shareholder wealth. Journal of Financial Economics, 47(3): 279–313.

Pound, J., 1988. Proxy contests and the efficiency of shareholder oversight. Journal of Financial Economics, 20: 237–265.

Romano, R., 1991. The shareholder suit: Litigation without foundation? Journal of Law, Economics, and Organization, 7 (1): 55–87.

Smith, M. P. 1996. Shareholder activism by institutional investors: Evidence from CalPERS. Journal of Finance, 51(1): 227–252.

Srinivasan, S., 2005. Consequences of financial reporting failure for outside directors: Evidence from accounting restatements and audit committee members. Journal of Accounting Research 43: 291–334.

Weisbach, M. S. 1988. Outside directors and CEO turnover. Journal of Financial Economics 20: 431–460.

Yermack, D., 2004. Remuneration, retention, and reputation incentives for outside directors. Journal of Finance 59: 2281–2308.

Yermack, D., 2010. Shareholder voting and corporate governance. Annual Review of Finance and Economics, 2(1): 103–125.

Table 1: Descriptive statistics

Panel A: Activism events by year

This panel reports number of activism events by year. Our sample of targeted firms comes from FactSet SharkRepellent. Activism events that do not involve board related demands by the activist are classified as *Targeted Firm – Non-Board. Targeted Board – Non-Proxy* are board of directors related activism events identified by SharkRepellent as relating to "Board Representation," "Board Control," "Remove Directors(s)," or "Withhold Vote for Director(s)" but that do not lead to a declared proxy contest. *Targeted Board – Proxy* are declared proxy contests including both (i) activism events involving filings on forms DEFC14A and PREC14A and (ii) activism events where the dissident publicly disclosed that it delivered formal notice to the company that it intends to solicit proxies from stockholders. *Proxy Fight Went to Election*, a subset of *Targeted Board – Proxy*, are those declared proxy contests that went to a shareholder vote. We match data on directorships in Equilar (sourced from proxy filings) with activism events that begin in the twelve-month period after proxy filings.

Year	Activism events matched to Equilar				
	Targeted Firm	**Targeted Firm – Non-Board**	**Targeted Board – Non-Proxy**	**Targeted Board – Proxy**	**Proxy Fight Went to Election**
2004	67	32	7	28	10
2005	126	72	18	36	9
2006	229	137	31	61	17
2007	291	200	38	53	22
2008	256	147	40	69	26
2009	131	69	22	40	15
2010	158	92	30	36	12
2011	142	75	27	40	10
2012	90	52	24	14	0
Total	1,490	876	237	377	121

Panel B: Director observations by year and activism category

	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Total**
Targeted Firm	586	1,116	1,950	2,556	2,230	1,133	1,437	1,200	813	13,021
Targeted Firm – Non-Board	286	651	1,128	1,734	1,269	619	863	628	496	7,674
Targeted Board – Non-Proxy	72	150	268	328	351	179	273	216	210	2,047
Targeted Board – Proxy	228	315	554	494	610	335	301	356	107	3,300

Table 1: Descriptive Statistics (cont.)

Panel C: Director departure

We classify directorship-year observations on Equilar into categories based on activism related to the firm in the subsequent year (t + 1). See Panel A for explanation of the classification of activism events. *Non-Targeted Firm* comprises all firms in Equilar database that were not targeted by activists.

	Year *t*	***t*+1**	***t*+2**	***t*+3**	***t*+4**	***t*+5**
Non-Targeted Firm	0.000	0.070	0.125	0.166	0.199	0.223
Targeted Firm	0.000	0.118	0.180	0.209	0.215	0.214
Targeted Firm – Non-Board	0.000	0.107	0.157	0.185	0.190	0.186
Targeted Board – Non-Proxy	0.000	0.136	0.209	0.221	0.246	0.252
Targeted Board – Proxy	0.000	0.132	0.214	0.256	0.256	0.258

Panel D: Shareholder support in director elections

Against Votes represents the percentage of votes against the director in director elections, calculated as (votes against + votes withheld) divided by (votes for + votes against + votes withheld). *ISS Against* represents an unfavorable recommendation by Institutional Shareholder Services (ISS) for each individual director nominee. See Panel A for explanation of the classification of activism events. *Non-Targeted Firm* comprises all firms in Equilar database that were not targeted by activists.

	Against Votes$_t$	**Against Votes$_{t+1}$**	**Against Votes$_{t+2}$**	**ISS Against$_{t+1}$**	**ISS Against$_{t+2}$**
Non-Targeted Firm	0.052	0.054	0.057	0.104	0.103
Targeted Firm	0.075	0.086	0.081	0.138	0.135
Targeted Firm – Non-Board	0.073	0.076	0.081	0.110	0.143
Targeted Board – Non-Proxy	0.079	0.100	0.092	0.120	0.118
Targeted Board – Proxy	0.080	0.096	0.072	0.207	0.125

Panel E: Number of directorships in other firms

The panel indicates the number of directorships a director has with companies other than the company of interest each year. See Panel A for explanation of the classification of activism events.

	Year *t*	***t*+1**	***t*+2**	***t*+3**	***t*+4**	***t*+5**
Non-Targeted Firm	0.610	0.592	0.583	0.571	0.560	0.546
Targeted Firm	0.688	0.679	0.653	0.630	0.608	0.579
Targeted Firm – Non-Board	0.734	0.729	0.713	0.685	0.653	0.620
Targeted Board – Non-Proxy	0.649	0.625	0.570	0.546	0.545	0.516
Targeted Board – Proxy	0.605	0.593	0.565	0.554	0.539	0.519
Year-on-year ratio (Non-Targeted)		0.970	0.985	0.979	0.981	0.975

Table 2: Effect of shareholder activism on director turnover

Panel A: Entire sample

The table presents results from OLS regressions where the dependent variable is $Departure_{(t,\, t+2)}$, i.e., an indicator for the director leaving the board of the firm by year t + 2 (i.e., the year after the activism event, if any). Column 1 presents OLS results for all directors where the firm is present in year t + 2 in the Equilar database. Columns 2 through 5 exclude observations where the firm is not in Equilar in year t + 2, presumably due to bankruptcy, delisting, mergers, etc. All variables are defined in Appendix A. All regressions include year fixed-effects and robust standard errors (in parentheses) clustered at the firm level. *** (**, *) indicates significance at the 1% (5%, 10%) level.

	(1) All directors, all firms	(2) All directors	(3) All directors	(4) Departure (t, t+1)	(5) Departure (t+1, t+2)
Targeted Firm	16.23***	8.88***			
	(1.38)	(0.90)			
Targeted Firm – Non-Board			6.67***	4.48***	2.19***
			(1.10)	(0.84)	(0.70)
Targeted Board – Non-Proxy			9.97***	4.85***	5.11***
			(1.75)	(1.22)	(1.37)
Targeted Board – Proxy			12.77***	3.14***	9.63***
			(1.53)	(1.01)	(1.18)
Control Variables					
Ind. Adj. Return	-1.68***	-0.77***	-0.75***	-0.35***	-0.41***
	(0.25)	(0.14)	(0.14)	(0.11)	(0.08)
ROA	-11.30***	-7.50***	-7.49***	-3.66***	-3.83***
	(1.35)	(0.84)	(0.84)	(0.48)	(0.46)
Sales Growth	0.84	0.88***	0.90***	0.25	0.66***
	(0.54)	(0.32)	(0.32)	(0.21)	(0.21)
Market Value	-9.31***	0.00	0.01	-0.20	0.21
	(0.48)	(0.28)	(0.28)	(0.16)	(0.14)
Book-to-Market	3.08***	1.04***	1.02***	0.59***	0.43**
	(0.54)	(0.35)	(0.35)	(0.21)	(0.20)
Leverage	4.69***	0.75	0.78	0.36	0.43
	(0.86)	(0.50)	(0.50)	(0.29)	(0.26)
Dividend	-18.87*	0.75	1.11	3.84	-2.73
	(10.72)	(6.27)	(6.27)	(4.01)	(3.40)
Analyst	0.14***	0.03	0.03	0.02	0.01
	(0.05)	(0.03)	(0.03)	(0.02)	(0.01)
Institution	0.13	1.74***	1.73***	0.83***	0.90***
	(0.25)	(0.19)	(0.19)	(0.11)	(0.10)
Age	0.21***	0.31***	0.31***	0.16***	0.15***
	(0.02)	(0.02)	(0.02)	(0.01)	(0.01)
Tenure	-0.05**	0.08***	0.08***	0.05***	0.03***
	(0.02)	(0.02)	(0.02)	(0.01)	(0.01)
Audit Committee	-3.03***	-3.86***	-3.86***	-2.62***	-1.24***
	(0.23)	(0.21)	(0.21)	(0.13)	(0.11)

Compensation Committee	-0.99***	-1.28***	-1.27***	-1.16***	-0.11
	(0.23)	(0.21)	(0.21)	(0.13)	(0.11)
Independent Director	-2.50***	-2.39***	-2.40***	-1.03***	-1.37***
	(0.37)	(0.31)	(0.31)	(0.19)	(0.16)
Adj. R^2	0.08	0.02	0.02	0.01	0.01
Num. obs.	297,202	245,774	245,774	245,774	245,774

F-Test for Column (3)

H_0: *Targeted Firm – Non-Board = Targeted Board – Non-Proxy* for *All Directors*

F-stat = 2.76, *Pr*(>*F*) = 0.10*

H_0: *Targeted Board – Non-Proxy = Targeted Board – Proxy* for *All Directors*

F-stat = 1.66, *Pr*(>*F*) = 0.20

H_0: *Targeted Firm – Non-Board = Targeted Board – Proxy* for *All Directors*

F-stat = 12.48, *Pr*(>*F*) = 0.00***

Table 2: Effect of shareholder activism on director turnover (cont.)

Panel B: Independent and inside directors

The table presents results from OLS regressions where the dependent variable is $Departure_{(t,t+2)}$, i.e., an indicator for the director leaving the board of the firm by year t + 2 (i.e., the year after then activism event, if any) with the sample partitioned into independent and inside directors, as classified by Equilar (no results are provided for related directors). Columns 1 and 4 present results for directors where year t + 2 is covered by Equilar, even when the firm is not on Equilar in year t + 2, presumably due to bankruptcy, delisting, mergers, etc.. The remaining columns include only observations where the firm is in the Equilar database in t + 2. Control variables include all variables in Panel A of Table 2 and are suppressed for parsimony. All regressions include year fixed-effects and robust standard errors (in parentheses) clustered at the firm level. *** (**, *) indicates significance at the 1% (5%, 10%) level.

	(1) Independent directors, all firms	**(2) Independent directors**	**(3) Independent directors**	**(4) Inside directors, all firms**	**(5) Inside directors**	**(6) Inside directors**
Targeted Firm	16.30***	8.29***		16.54***	11.81***	
	(1.43)	(0.93)		(1.84)	(1.62)	
Targeted Firm – Non-Board			6.73***			7.65***
			(1.16)			(1.87)
Targeted Board – Non-Proxy			7.87***			16.44***
			(1.84)			(3.64)
Targeted Board – Proxy			11.57***			18.67***
			(1.61)			(2.92)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.09	0.03	0.03	0.09	0.03	0.03
Num. obs.	211,696	174,858	174,858	53,691	44,146	44,146

F-Test for Column (3) of Table 2 Panel B

H_0: *Targeted Firm – Non-Board = Targeted Board – Non-Proxy* for *All Directors*

F-stat = 0.31, *Pr*(>*F*) = 0.58

H_0: *Targeted Board – Non-Proxy = Targeted Board – Proxy* for for *All Directors*

F-stat = 2.65, *Pr*(>*F*) = 0.10

H_0: *Targeted Firm – Non-Board = Targeted Board – Proxy* for *All Directors*

F-stat = 6.78, *Pr*(>*F*) = 0.01***

F-Test for Column (6) of Table 2 Panel B

H_0: *Targeted Firm – Non-Board = Targeted Board – Non-Proxy* for *All Directors*

F-stat = 4.96, *Pr*(>*F*) = 0.03**

H_0: *Targeted Board – Non-Proxy = Targeted Board – Proxy* for for *All Directors*

F-stat = 0.26, *Pr*(>*F*) = 0.61

H_0: *Targeted Firm – Non-Board = Targeted Board – Proxy* for *All Directors*

F-stat = 11.48, *Pr*(>*F*) = 0.00***

Table 3: Impact of activism on performance-sensitivity of director turnover

The table presents results from OLS regressions where the dependent variable is $Departure_{(t,t+2)}$, i.e., an indicator for the director leaving the board of the firm by year t + 2 (i.e., the year after then activism event, if any). *Ind. Adj. Return* is the industry-adjusted return, calculated as raw return minus the return for the relevant Fama/French 48-industry portfolio, over the 12-month period ending 4 months after the fiscal year-end (i.e., the approximate time of the annual meeting). Control variables include all variables in Panel A of Table 2 and are suppressed for parsimony. All regressions include year fixed-effects and robust standard errors (in parentheses) clustered at the firm level. *** (**, *) indicates significance at the 1% (5%, 10%) level.

	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
	All directors	**All directors**	**Independent directors**	**Independent directors**	**Inside directors**	**Inside directors**
Targeted Firm	8.84***		8.31***		11.82***	
	(0.85)		(0.90)		(1.52)	
Targeted Firm – Non-Board		6.85***		6.91***		7.90***
		(1.04)		(1.13)		(1.77)
Targeted Board – Non-Proxy		8.18***		6.35***		12.85***
		(1.78)		(1.88)		(3.76)
Targeted Board – Proxy		12.46***		11.46***		18.26***
		(1.68)		(1.85)		(2.97)
Targeted Firm	-2.79***		-2.44***		-3.19**	
× Ind. Adj. Return	(0.81)		(0.88)		(1.44)	
Targeted Firm – Non-Board		-2.23***		-2.05**		-2.27*
× Ind. Adj. Return		(0.74)		(0.80)		(1.34)
Targeted Board – Non-Proxy		-9.61**		-8.86*		-18.32*
× Ind. Adj. Return		(4.90)		(5.15)		(10.05)
Targeted Board – Proxy		-2.31		-1.50		-1.81
× Ind. Adj. Return		(4.16)		(5.07)		(5.86)
Ind. Adj. Return	-1.07***	-1.07***	-0.83***	-0.83***	-1.95***	-1.95***
	(0.19)	(0.19)	(0.19)	(0.19)	(0.44)	(0.44)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.02	0.02	0.03	0.03	0.03	0.03
Num. obs.	255,031	255,031	181,196	181,196	45,964	45,964

Table 4: Impact of settlement on director turnover

The table presents results from OLS regressions where the dependent variable is $Departure_{(t,t+2)}$, i.e., an indicator for the director leaving the board of the firm by year $t + 2$ (i.e., the year after the activism event, if any). *Non-Proxy – Settled* and *Proxy – Settled* are indicators for non-proxy fight and proxy fight events, respectively, where an activism event resulted in a board seat for dissidents, but did not go to shareholder election. *Non-Proxy – Not Settled* and *Proxy – Not Settled* are indicators for non-proxy fight and proxy fight events, respectively, where an activism event did not result in any board seat for dissidents. *Proxy - Went to Election* is an indicator variable for those proxy fights that went to election. All activism classification variables are mutually exclusive. All columns exclude observations when the firm is not on Equilar in year $t + 2$, due to bankruptcy, delisting, mergers, etc. Column 1 presents results for all directors, Column 2 presents results for independent directors and Column 3 presents results for inside directors. Control variables include all variables in Panel A of Table 2 and are suppressed for parsimony. All regressions include year fixed-effects and robust standard errors (in parentheses) clustered at the firm level. *** (**, *) indicates significance at the 1% (5%, 10%) level.

	(1) All directors	**(2) Independent directors**	**(3) Inside directors**
Targeted Firm – Non-Board	6.67***	6.73***	7.65***
	(1.10)	(1.16)	(1.87)
Non-Proxy – Not Settled	6.03**	5.96**	8.82
	(2.47)	(2.76)	(5.37)
Non-Proxy – Settled	12.09***	8.86***	21.17***
	(2.26)	(2.37)	(4.67)
Proxy – Not Settled	6.65***	4.97**	14.94***
	(2.05)	(2.11)	(5.18)
Proxy – Settled	14.33***	13.18***	20.81***
	(2.32)	(2.41)	(4.31)
Proxy – Went to Election	14.91***	13.99***	18.82***
	(2.88)	(3.11)	(5.19)
Equality of coefficients: p-values			
Non-Proxy – Settled = Non-Proxy – Not Settled	0.07*	0.42	0.08*
Proxy – Settled = Proxy – Not Settled	0.01**	0.01***	0.39
Proxy – Went to Election = Proxy – Settled	0.87	0.84	0.76
Proxy – Went to Election = Proxy – Not Settled	0.01**	0.01**	0.59
Controls	Yes	Yes	Yes
Adj. R^2	0.02	0.03	0.03
Num. obs.	245,774	174,858	44,146

Table 5: Impact of CEO turnover on independent director turnover

The table presents results from OLS regressions where the dependent variable is $Departure_{(t,t+2)}$, i.e., an indicator for the director leaving the board of the firm by year t + 2 (i.e., the year after then activism event, if any). All columns exclude observations where the firm is not on Equilar in year t + 2, presumably due to bankruptcy, delisting, mergers, etc. Column 1 and 2 presents results for independent directors. Control variables include all variables in Panel A of Table 2 and are suppressed for parsimony. All regressions include year fixed-effects and robust standard errors (in parentheses) clustered at the firm level. *** (**, *) indicates significance at the 1% (5%, 10%) level.

	(1) Independent directors	**(2) Independent directors**
Targeted Firm	6.56***	
	(0.91)	
Targeted Firm – Non-Board		5.33***
		(1.12)
Targeted Board – Non-Proxy		6.81***
		(1.88)
Targeted Board – Proxy		8.98***
		(1.57)
CEO Turnover	5.39***	5.39***
	(0.50)	(0.50)
Targeted Firm × CEO Turnover	8.09***	
	(2.98)	
Targeted Firm – Non-Board × CEO Turnover		7.53*
		(4.21)
Targeted Board – Non-Proxy × CEO Turnover		3.64
		(5.56)
Targeted Board – Proxy × CEO Turnover		10.39**
		(4.55)
Controls	Yes	Yes
Adj. R^2	0.03	0.03
Num. obs.	174,858	174,858

Table 6: Shareholder activism and director elections

The table presents results from OLS regressions where the dependent variable is *Against Votes*$_{t+1}$, the percentage votes against the director in director elections in the year of activism (t + 1), if any. Columns 2, 4, and 6 include *Against Votes*$_t$, shareholder opposition for the director in the year before activism, and *ISS Against*$_{t+1}$, an indicator for an ISS recommendation to withhold votes from a director in year t + 1. Columns 1 and 2 present results for all directors, Columns 3 and 4 present results for independent directors and Columns 5 and 6 present results for inside directors. Firm-level controls are industry-adjusted return, return on assets, sales growth, market value, book-to-market ratio, leverage, dividend payout ratio, the number of analysts, and institutional ownership. Director-level controls are director age, director tenure, and audit and compensation committee position. All variables are defined in Appendix A. Controls are suppressed for parsimony. All regressions include year fixed-effects and robust standard errors (in parentheses) clustered at the firm level. *** (**, *) indicates significance at the 1% (5%, 10%) level.

	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
			Dependent Variable: Against Votes$_{t+1}$			
	All directors	**All directors**	**Ind. directors**	**Ind. directors**	**Inside directors**	**Inside directors**
Targeted Firm – Non-Board	5.49***	3.28***	4.28***	2.63***	6.88***	3.18***
	(0.57)	(0.59)	(0.61)	(0.67)	(0.83)	(0.78)
Targeted Board – Non-Proxy	1.92***	1.67***	2.02***	1.59***	1.69***	1.43*
	(0.45)	(0.52)	(0.47)	(0.52)	(0.60)	(0.75)
Targeted Board – Proxy	4.31***	3.25***	4.50***	2.87**	3.74***	3.44**
	(1.00)	(1.25)	(1.06)	(1.22)	(1.34)	(1.54)
Against Votes$_t$	3.84***	4.26***	4.04***	4.18***	3.90***	3.97***
	(0.71)	(1.08)	(0.79)	(1.19)	(1.11)	(1.43)
ISS Against$_{t+1}$		35.46***		34.36***		38.73***
		(1.85)		(2.06)		(3.17)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.04	0.16	0.05	0.14	0.02	0.20
Num. obs.	131,297	80,591	97,199	59,376	22,964	14,572

Table 7: Shareholder activism, director elections, and director turnover

The table presents results from OLS regressions where the dependent variable is *Departure*$_{(t,t+2)}$, i.e., an indicator for the director leaving the board of the firm by year t + 2 (i.e., the year after the activism event, if any). Classification into independent and inside directors comes from Equilar (no results are provided for related directors). *Against Votes*$_{t+1}$ represents shareholder opposition for the director in the year of activism. Columns 1 and 2 study all directors while Column 3 focuses on independent directors and Column 4 focuses on insider directors. We include all control variables from Panel A of Table 2 but these are not tabulated for parsimony. All regressions control for year fixed-effects and robust standard errors (in parentheses) clustered at the firm level. *** (**, *) indicates significance at the 1% (5%, 10%) level.

	(1) **All directors**	**(2)** **All directors**	**(3)** **Independent directors**	**(4)** **Inside directors**
Targeted Firm – Non-Board	2.84**	2.69**	2.71**	4.70*
	(1.17)	(1.17)	(1.29)	(2.67)
Targeted Board - Non-Proxy	5.79**	5.50*	3.01	14.66**
	(2.92)	(2.93)	(3.07)	(6.02)
Targeted Board - Proxy	9.91***	9.57***	9.99***	5.67
	(2.88)	(2.85)	(3.21)	(4.96)
Against Votes$_{t+1}$		7.81***	7.29***	15.86***
		(1.61)	(1.74)	(4.47)
Controls	Yes	Yes	Yes	Yes
Adj. R2	0.01	0.01	0.01	0.02
Num. obs.	100,688	100,688	73,718	17,811

Table 8: Impact of shareholder activism on other directorships

The table presents results from OLS regressions where the dependent variable is *Other Boards*$_{t+2,}$ which is the number of directorships a director has with firms other than the firm of interest in year t + 2 (i.e., the year after then activism event, if any). Columns 1 and 2 present results for all directors. Columns 3 and 4 present results for independent directors and Columns 5 and 6 present results for inside directors. Firm-level controls include industry-adjusted return, return on assets, sales growth, market value, book-to-market ratio, leverage, dividend payout ratio, the number of analysts, and institutional ownership. Director-level controls include director age, director tenure, and audit and compensation committee position. All variables are defined in Appendix A. All regressions include year fixed-effects and robust standard errors (in parentheses) clustered at the firm level. *** (**, *) indicates significance at the 1% (5%, 10%) level. Intercept is not tabulated.

	(1) All directors	**(2) All directors**	**(3) Ind. directors**	**(4) Ind. directors**	**(5) Inside directors**	**(6) Inside directors**
Other Boards$_t$	0.76***	0.76***	0.76***	0.77***	0.74***	0.75***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)
Targeted Firm – Non-Board	0.04***	0.02**	0.05***	0.03**	0.02	-0.01
	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)
Targeted Board – Non-Proxy	-0.04***	-0.03*	-0.03*	-0.03	-0.03	0.01
	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)
Targeted Board – Proxy	-0.00	0.01	-0.00	0.01	0.01	-0.02
	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)
Departure$_{(t,\ t+2)}$		0.00		-0.00		0.05***
		(0.00)		(0.00)		(0.01)
Targeted Firm – Non-Board		0.02		0.04		0.04
× Departure$_{(t,\ t+2)}$		(0.02)		(0.02)		(0.04)
Targeted Board – Non-Proxy		-0.01		0.01		-0.10**
× Departure$_{(t,\ t+2)}$		(0.02)		(0.03)		(0.05)
Targeted Board – Proxy		-0.02		-0.03		0.02
× Departure$_{(t,\ t+2)}$		(0.02)		(0.02)		(0.04)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.67	0.67	0.68	0.69	0.57	0.58
Num. obs.	309,265	307,773	217,780	216,882	57,609	57,171

Table 9: Impact of shareholder activism on individually targeted directors

Panel A: Effects on director turnover

The table presents results from OLS regressions where the dependent variable is $Departure_{(t+1, t+2)}$, i.e., an indicator for the director who was on the board in year t + 1 leaving the board by year t + 2 (i.e., the year after the activism event, if any). *Targeted Board – Proxy – Targeted Director* is an indicator for targeted directors who are either (i) up for election during an activism year when dissidents do not explicitly identify the directors they seek to replace or (ii) explicitly named as a target by activists. *Targeted Board – Proxy – Non-Targeted Director* is an indicator for the rest of directors in *Targeted Board – Proxy*. Observations where the firm is not on Equilar in year t + 2, presumably due to bankruptcy, delisting, mergers, etc. are excluded. We include all control variables from Panel A of Table 2 but these are not tabulated for parsimony. All regressions include year fixed-effects and robust standard errors (in parentheses) clustered at the firm level. *** (**, *) indicates significance at the 1% (5%, 10%) level.

	(1) **All directors**	**(2)** **Independent directors**	**(3)** **Inside directors**
Targeted Firm – Non-Board	1.90***	2.13***	1.50
	(0.70)	(0.80)	(1.11)
Targeted Board – Non-Proxy	5.06***	4.87***	7.29***
	(1.37)	(1.51)	(2.75)
Targeted Board – Proxy	7.08***	7.11***	6.02***
– Non-Targeted Director	(1.08)	(1.22)	(2.20)
Targeted Board – Proxy	21.34***	18.88***	34.66***
– Targeted Director	(3.71)	(4.11)	(7.34)
Controls	Yes	Yes	Yes
Adj. R^2	0.01	0.01	0.01
Num. obs.	245,774	174,858	44,146

Table 9: Impact of shareholder activism on targeted directors (cont.)

Panel B: Other directorships

The table presents results from OLS regressions where the dependent variable is how many directorships a director has with firms other than the firm of interest in year t + 2 (i.e., the year after then activism event, if any). *Targeted Board – Proxy – Targeted Director* is an indicator for targeted directors who are either (i) up for election during an activism year when dissidents do not explicitly identify the directors they seek to replace or (ii) explicitly named as a target by activists. *Targeted Board – Proxy – Non-Targeted Director* is an indicator for the rest of directors in *Targeted Board – Proxy*. Columns 1 and 2 present results for all directors. In Columns 2, 4, and 6 we include interaction variables with $Departure_{(t,t+2)}$, i.e., an indicator for the director leaving the board of the firm by year t + 2 (i.e., the year after the activism event, if any). Columns 3 and 4 present results for independent directors and Columns 5 and 6 present results for inside directors. All control variables from Table 6 are included but not tabulated for parsimony. All regressions include year fixed-effects and robust standard errors (in parentheses) clustered at the firm level. *** (**, *) indicates significance at the 1% (5%, 10%) level.

	(1) All directors	**(2) All directors**	**(3) Ind. directors**	**(4) Ind. directors**	**(5) Inside directors**	**(6) Inside directors**
Other Boards	0.76***	0.76***	0.76***	0.77***	0.74***	0.75***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)
Targeted Firm – Non-Board	0.04***	0.02**	0.05***	0.03**	0.02	-0.01
	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)
Targeted Board – Non-Proxy	-0.04***	-0.03*	-0.03*	-0.03	-0.03	0.01
	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)
Targeted Board – Proxy	-0.00	0.01	-0.00	0.01	-0.01	-0.03
– Non-Targeted Director	(0.01)	(0.02)	(0.01)	(0.02)	(0.02)	(0.03)
Targeted Board – Proxy	0.01	0.02	-0.01	-0.02	0.04	0.07
– Targeted Director	(0.02)	(0.03)	(0.03)	(0.04)	(0.05)	(0.07)
$Departure_{(t,t+2)}$		0.00		-0.00		0.05***
		(0.00)		(0.00)		(0.01)
Targeted Firm – Non-Board		0.02		0.04		0.04
× $Departure_{(t,t+2)}$		(0.02)		(0.02)		(0.04)
Targeted Board – Non-Proxy		-0.01		0.00		-0.10**
× $Departure_{(t,t+2)}$		(0.02)		(0.03)		(0.05)
Targeted Board – Proxy		-0.03		-0.03		0.03
– Non-Targeted Director × $Departure_{(t,t+2)}$		(0.02)		(0.03)		(0.04)
Targeted Board – Proxy		-0.01		0.02		-0.08
– Targeted Director × $Departure_{(t,t+2)}$		(0.04)		(0.05)		(0.08)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.67	0.67	0.68	0.69	0.57	0.58
Num. obs.	309,265	307,773	217,780	216,882	57,609	57,171

Table 10. The effect of proxy fights on directorships: Within-firm analysis

Panel A: Effects on director turnover

This table reports results from OLS regression where the dependent variable is *Departure in 3 months*, i.e., an indicator for the director leaving the board of the firm by 3 months from shareholder meeting date following activism (i.e., the year after the activism event). Sample comprises director-years of firms with staggered boards for the first three columns and director-years of firms with non-staggered boards for the last three columns. *Up for Election* indicates that the director was up for director election according to ISS Voting Analytics in year $t + 1$. *Targeted Director* indicates that the director was targeted by activists due to being explicitly targeted by activists. Numbers in parentheses are robust standard errors. *** (**, *) indicates significance at the 1% (5%, 10%) level.

	Staggered boards			**Non-staggered boards**		
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
	Departure in 3 months	**Departure in 3 months**	**Departure in 3 months**	**Departure in 3 months**	**Departure in 3 months**	**Departure in 3 months**
Targeted Firm	2.67***	3.20***		4.60***	6.22***	
	(0.83)	(0.81)		(0.70)	(0.68)	
Up for Election	3.95***	3.64***	3.48***			
	(0.19)	(0.17)	(0.13)			
Targeted Firm × Up for Election	3.11**	3.20**	3.17***			
	(1.43)	(1.41)	(1.05)			
Targeted Director				8.15*	8.24*	10.39**
				(4.34)	(4.37)	(4.04)
Fixed effects	Firm	Firm & Year	Firm-Year	Firm	Firm & Year	Firm-Year
Adj. R^2	0.18	0.33	0.67	0.16	0.27	0.59
Num. obs.	106,974	106,974	106,974	106,123	106,123	106,123

Table 10. The effect of proxy fights on directorships: Within-firm analysis

Panel B: Other directorships

This table reports results from OLS regression where the dependent variable is *Other Boards*$_{t+2,}$ which is the number of directorships a director has with firms other than the firm of interest in year t + 2 (i.e., the year after then activism event, if any). Sample comprises director-years of firms with staggered boards for the first three columns and director-years of firms with non-staggered boards for the last three columns. *Up for Election* indicates that the director was up for director election according to ISS Voting Analytics in year t + 1. *Targeted Director* indicates that the director was targeted by activists due to being explicitly targeted by activists. Numbers in parentheses are robust standard errors. *** (**, *) indicates significance at the 1% (5%, 10%) level.

	Staggered boards			**Non-staggered boards**		
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
	Other boards$_{t+2}$	**Other boards$_{t+2}$**	**Other boards$_{t+2}$**	**Other boards$_{t+2}$**	**Other boards$_{t+2}$**	**Other Boards$_{t+2}$**
Other Boards	0.75***	0.75***	0.76***	0.75***	0.75***	0.76***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Targeted Firm	-0.02	-0.01		0.02	0.03**	
	(0.02)	(0.02)		(0.01)	(0.01)	
Up for Election	0.01***	0.01***	0.01**			
	(0.00)	(0.00)	(0.00)			
Targeted Firm × Up for Election	-0.01	-0.01	0.00			
	(0.02)	(0.02)	(0.02)			
Targeted Director				0.04	0.04	0.00
				(0.06)	(0.06)	(0.08)
Fixed effects	Firm	Firm & Year	Firm-Year	Firm	Firm & Year	Firm-Year
Adj. R^2	0.72	0.72	0.74	0.70	0.70	0.73
Num. obs.	100,617	100,617	100,617	95,427	95,427	95,427

Table 11. Propensity score matching analysis

Panel A: Effect of shareholder activism on director turnover

The table presents results from analysis using propensity score matching. Coefficients represent estimated effect on $Departure_{(t,t+2)}$, i.e., an indicator for the director leaving the board of the firm by year t + 2 (i.e., the year after the activism event, if any) of being targeted by activists in the respective category relative to directors at non-targeted firms. One control firm is selected for each treated firm using propensity scores and exact matching on years. Propensity scores are estimated using a logit regression where the dependent variable is an indicator for being targeted and the independent variables are the controls reported in Panel A of Table 2. *** (**, *) indicates significance at the 1% (5%, 10%) level. Standard errors are in parentheses.

	(1) All directors	(2) Independent directors	(3) Inside directors
Targeted Firm	0.089***	0.081***	0.127***
	(0.006)	(0.007)	(0.016)
N (Treatment)	8,015	5,840	1,336
Targeted Firm – Non-Board	0.067***	0.064***	0.071**
	(0.008)	(0.009)	(0.020)
N (Treatment)	4,520	3,237	790
Targeted Board – Non-Proxy	0.105***	0.081***	0.154***
	(0.016)	(0.017)	(0.045)
N (Treatment)	1280	947	201
Targeted Board – Proxy	0.131***	0.106***	0.165***
	(0.012)	(0.014)	(0.033)
N (Treatment)	2215	1,656	345
Targeted Director	0.137***	0.104***	0.167***
	(0.029)	(0.032)	(0.071)
N (Treatment)	423	328	60

Table 11. Propensity score matching analysis (cont.)

Panel B: Effect of shareholder activism on other directorships

The table presents results from analysis using propensity score matching. Coefficients represent estimated effect on how many directorships a director has with firms other than the firm of interest in year *t* + 2 (i.e., the year after then activism event, if any) of being targeted by activists in the respective category relative to directors at non-targeted firms. One control firm is selected for each targeted firm using propensity scores and exact matching on years. Propensity scores are estimated using a logit regression where the dependent variable is an indicator for being targeted and the independent variables are the controls reported in Panel A of Table 2. *** (**, *) indicates significance at the 1% (5%, 10%) level. Standard errors are in parentheses.

	(1) All directors	(2) Independent directors	(3) Inside directors
Targeted Firm	0.007	0.003	0.039
	(0.013)	(0.016)	(0.023)
N (Treatment)	11,714	8,561	1,957
Targeted Firm – Non-Board	0.006	0.028	0.033
	(0.018)	(0.021)	(0.031)
N (Treatment)	6,934	5,025	1,194
Targeted Board – Non-Proxy	-0.005**	-0.031	0.058
	(0.031)	(0.037)	(0.052)
N (Treatment)	1,754	1,301	274
Targeted Board – Proxy	0.022	0.030	-0.006
	(0.024)	(0.030)	(0.046)
N (Treatment)	3,026	2,235	489
Targeted Director	0.011	-0.051	0.201***
	(0.048)	(0.061)	(0.079)
N (Treatment)	703	514	144