

The Market for Director Reputation around the World: Evidence from International Shocks to Reputation

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August 2015

Abstract

Using data on over 39,000 outside directors from 38 countries, we examine the labor market consequences of director reputation. We provide three novel findings. First, global reputation events have significant labor market consequences to outside directors. Second, investor protection plays an important role in shaping directors' incentives to build shareholder-friendly reputation. Third, such reputation events have additional effects on directors' incentives such as total pay and board committee chairmanships. The stock market reacts significantly to board appointments of such directors. Overall, outside directors' global reputation is important in directorial labor markets around the world and the market for shareholder-friendly director reputation is complementary to the aggregate governance quality of the country.

JEL Classification Code: G15, G34, K22, M10

Keywords: Labor market for directors, director reputation, international reputation, director compensation, investor protection.

¹ Lel is from Pamplin College of Business at Virginia Tech and Miller is from Edwin L. Cox School of Business at Southern Methodist University. We would like to thank Jim Linck, Luigi Zingales and seminar participants at Georgia State University, Southern Methodist University, the University of Colorado at Boulder and the 2015 GIA conference at the University of Chicago for helpful comments and suggestions. All errors are our sole responsibility.

The Market for Director Reputation around the World: Evidence from International Shocks to Reputation

The labor market for outside directors is often considered an important mechanism that provides incentives to directors to monitor managers rather than collude with them (Fama (1980) and Fama and Jensen (1983)). Ample U.S.-based evidence suggests that directors have incentives to develop reputations as experts in decision control, as outside directors of U.S. firms are penalized or rewarded due to their monitoring effectiveness in the form of the number of board seats to serve on.²

Despite the mounting evidence in the U.S., little is known about whether a labor market for director reputation exists worldwide and whether international shocks to director reputation are reflected in labor markets (Adams, Hermalin and Weisbach (2010)). Answering this question is important, since shareholders worldwide rely on the board of directors to protect their interests, yet the incentives and ability of directors to monitor can vary significantly across countries (e.g., Adams et al. (2010), Dahya, Dimitrov and McConnell (2008) and Shivdasani and Yermack (1999)). For example, theory (Levit and Malinko (2013)) posits that directors' reputation concerns can amplify the existing aggregate level of corporate governance in a country, suggesting the international market for director reputation, if it exists, may help explain why cross-country characteristics are so important to corporate governance (see, e.g. Doidge, Karolyi and Stulz (2007)). Further, while prior research concentrated primarily on domestic shocks to director reputation, recent research shows that directors gain important skills in their cross-country monitoring and advising activities (Giannetti, Liao and Yu (2014)).

In this paper, we examine whether international shocks to reputation impact the number of outside directorships held. We compile a cross-country database of approximately 39,000 outside

² See, e.g., Fos and Tsoutsoura (2014), Jiang, Wan and Zhao (2013), Fich and Shivdasani (2007), Srinivasan (2005), Yermack (2004), Coles and Hoi (2003), Ferris, Jagannathan, and Pritchard (2003), Harford (2003), Brickley, Coles, and Linck (1999), Gilson (1990) and Kaplan and Reishus (1990).

directors from 38 non-U.S countries over the 1998 to mid-2012 time period, comprising over 294,000 director-firm-year observations. Prior research suggests that a director's reputation for international experience could be an important characteristic used by firms in selecting new board members. For example, foreign experience can influence the effectiveness and quality of a director's monitoring and advising capability and lead to improved firm performance (e.g., Giannetti et al. (2014)).³ Board members with international exposure gain experience on global aspects of corporate activity, tap into global networks of shareholders and business connections, and get exposure to global innovations and best governance practices. These channels can facilitate a number of shareholder-friendly corporate activities, including international capital raising, international expansions and improvements in corporate governance (e.g., Masulis et al. (2012), Adams et al. (2010), Bloom and Van Reenen (2007), Hall and Jones (1999), Carpenter and Sanders (1998) and Mace (1986)).⁴

However, in countries where aggregate corporate governance is weak, having an international shareholder-friendly reputation is unlikely to help in obtaining more directorships since boards of other firms are often captured by entrenched managers who want to maintain power (Levit and Malinko (2013)). Therefore, the labor market effects of director reputation around the world are far from obvious.

We employ international shocks that positively impact directors' reputation, including cross-listings in the U.S., first time block equity investments by U.S. institutional investors and international director awards, as well as an international shock that negatively impacts reputation,

³ A recent survey shows that 44% of boards in the U.S. look for directors with international experience when recruiting new directors (see the Spencer and Stuart U.S. Board Index 2013 Report).

⁴ Our study makes use of domestic directors who gain international experience and reputation, which is more in line with Giannetti et al. (2014) who examine the valuation effects of directors with foreign experience in China than studies on the impact of directors with foreign nationality on firm valuation (Daniel, McConnell and Naveen (2013), Masulis, Wang and Xie (2012), Miletkov, Poulsen and Wintoki (2013)). Our analysis focuses on local directors who gain international reputation and thus are less likely to suffer from informational disadvantages arising from foreign directors' geographic and cultural distance from the firm. Such disadvantages can hamper directors' ability and incentives to monitor and advise the management (Masulis et al. (2012)).

U.S. securities class-action lawsuits filed against non-U.S. firms. First, we employ cross-listings in the U.S. as they can increase the human capital of international directors by providing experience in raising capital in U.S. markets as well as stringent U.S. governance and disclosure practices (e.g., Reese and Weisbach (2002), Lel and Miller (2008)).⁵ Further, a U.S. listing enhances the international visibility and prestige of directors through their firm's increased media coverage, analyst following and shareholder base (e.g., Baker, Nofsinger, and Weaver (2002), Lang, Lins and Miller (2002) and Foerster and Karolyi (1999)). Fama and Jensen (1983) argue that more visibility and prestige increases a director's reputation value and therefore increases the director's incentive to be viewed as a competent monitor. Second, we employ the first time presence of U.S. blockholders since they bring superior technology, organizational capital, and access to international capital markets (e.g., Chari, Chen, and Dominguez (2011), Desai, Foley, and Forbes (2007), Haskel, Pereira, and Slaughter (2007)). Third, we employ international director awards that recognize outstanding performance of individual directors in their monitoring and advising duties. Since awards are given to specific directors rather than the entire board, this shock allows us to exploit within-board variation in reputation controlling for common firm effects. Fourth, we employ securities class-action lawsuits by U.S. investors that can indicate the firm's directors have failed in their monitoring duties, as prior research shows that securities class-action lawsuits are associated with negative reputation effects for U.S. directors (e.g., Brochet and Srinivasan (2014), Karpoff, Lee and Martin (2008), Fich and Shivdasani (2007)).

To identify the effect of international shocks to director reputation, we employ a methodology similar to the difference-in-difference estimation where we regress the number of external board seats on our international shock indicator variable along with various controls for director, firm, and country characteristics. The natural concern that arises is that because of

⁵ Our international reputation proxies can capture experience and ability, both of which have been shown to impact future labor market prospects of directors and CEOs (e.g., Harford and Schonlau (2013)).

endogenous sources of variation in the number of directorships, the changes in the number of external board seats we document could have occurred even without the shock to director reputation. For example, one potential concern is that our results are driven by firm or country level time-varying unobservable sources of variation, such as good or bad stock performance or changes in regulations. To address this concern, we control for firm*year fixed effects that show our results cannot be driven by any observable or unobservable time varying firm and country characteristics. Second, our results might be driven by firms that have high or low director turnover, or some unobserved director characteristic, or the match between firms and directors. To address this concern, we control for firm*director fixed effects. Third, our results could be driven by aggregate trends, which we address by including year fixed-effects.⁶

While these fixed effects help rule out several endogenous sources of variation in the number of directorships, a remaining concern is that some time-varying director-specific unobserved characteristics that could cause directors to gain or lose seats is also correlated with the international shock to reputation. To address this concern, we exploit the passage of SEC Rule 12g3-2(b) in September 2008 that led investment banks to create *involuntary* cross-listings in the United States. Following the rule change, over 1,300 firms were involuntarily cross-listed in the U.S without their consent. The U.S. trading volume of new unsponsored ADRs increased from \$0 in 2007 to almost \$10 billion in 2010. Iliev, Miller and Roth (2014) document that the regulation change was widely covered in the financial press, added U.S. international investors to firms' shareholder base and increased their litigation risk. This plausibly increased the reputation of the affected firms' directors, as Harford and Schonlau (2013) show directors who gain important experience and visibility during adverse firm events are rewarded in the directorial labor market. Because it is unlikely that some unobservable director characteristics changed for over 1,300 firms' directors in the same year firms

⁶ These augmented fixed effects specifications are similar to those employed in Fos and Tsoutsora (2014).

were surprised with an involuntary U.S. listing, exploiting this regulation change addresses the concern of time-varying unobserved director characteristics driving our results. Further, the use of firm and director specific global shocks helps us to empirically disentangle the effects of aggregate supply and demand on the labor market for directors.

Our findings show that outside directors of firms experiencing a positive (adverse) shock to reputation obtain more (fewer) external board seats compared to both the pre-shock period and to all other directors around the world. This finding is consistent with the Fama (1980) and Fama and Jensen (1983) arguments for the existence of a labor market for director reputation around the world. For example, following a U.S. cross-listing, directors of these firms on average obtain 0.187 more external board seats compared to all other directors. This number translates into an approximately 6.04% increase in the total number of seats for an average director. Similarly, we find that directors of non-U.S. firms lose on average 15.83% of their external board seats following a shareholder class-action lawsuit by U.S. investors. These results are robust to a battery of additional tests, including a director-year level regression analysis, a matched sample analysis, and the exclusion of inactive firms that go private or bankrupt, or are acquired.

We next turn our attention to factors that may influence the documented labor market effects. First, exploiting the variation in firm and director characteristics that are related to the overall human capital and reputation of directors in the pre-shock period, we find that the change in the number of external board seats following positive global reputation shocks is generally greater for outside directors with lower pre-shock reputation (represented by industry experience, director age and firm size). For example, outside directors of a firm cross-listing in the U.S. experience an average increase of 0.27 seats on average if their firm is small. For the negative global reputation shock measured by U.S. lawsuits, we find that directors with a better reputation experience a larger loss of external board seats.

Second, we examine whether the effects of global shocks to director reputation are related to the aggregate level of investor protection in a country. We find when aggregate corporate governance in a country is strong, an increase (decrease) in international reputation for being shareholder friendly leads to more outside (less) directorships. For example, following first-time investments by U.S. institutional blockholders, directors of such firms experience an average increase of 0.53 board seats, a 17.2% increase, in countries with common law, a commonly used measure of investor protection. Conversely, in countries with weak aggregate corporate governance, we find that this effect is attenuated, and sometimes reversed.

To underscore the economic significance of our results, we analyze how directors' wealth changes around global shocks to reputation. Klein and Leffler (1981) argue that reputational capital can be measured as the quasi-rent stream from delivering the promised level of quality, which in turn aligns the interests of counterparties. Our evidence suggests global reputation shocks impact both total pay and pay per seat. For example, the gain in pay for the average director following a cross-listing corresponds to over \$215,000 in additional income over the 15 years until retirement for the average director. Since directors derive other benefits from their board positions, we also analyze if global reputation shocks impact directors' visibility, network and prestige (Mace (1986)). We find that network size, the number of committee chair appointments and the probability of becoming the chairman of the board are also affected. For example, directors that experience positive international shocks expand their network size and are more likely to chair the board or a board committee. These findings further highlight that international reputation shocks impact the careers of directors.

In the final part of our analysis, we examine the shareholder wealth effects of appointing directors with global shocks to reputation and experience on the board of directors as outside board

members. We find in that investors view appointments of such directors positively, consistent with Gianetti et al. (2014). For example, adding directors subject to U.S. cross-listings results in an average increase of 0.93% within three days surrounding the announcement. For the same group of directors, the market reaction is a statistically insignificant change of -0.25% in the pre-shock period, and the difference in the market reaction between the pre and post shock periods is also significant.

This paper makes two main contributions to the literature. First, it extends the literature on the labor market consequences of director reputation by employing a change in international reputation as the source of reputation change for directors. While negative shocks to firms and the role of prior CEO experience are well documented in the market for outside directors (e.g., Fahlenbrach, Low and Stulz (2010), Fich and Shivdasani (2007), Fich (2005), Srinivasan (2005), Harford (2003), Brickley et al. (1999), Gilson (1990) and Kaplan and Reishus (1990)), to the best of our knowledge we are the first to show the effects of a global change in reputation on directorial labor markets.⁷

Second, it provides a cross-country analysis of the labor market dynamics for director reputation which is new to the literature. We find that the effect of global shocks on the future labor market outcomes of outside directors is concentrated in countries with strong investor protection.⁸ This finding is consistent with Levit and Malenko (2015), and suggests that the market for director reputation is complementary to the aggregate governance quality of the country and highlights one potential reason why cross-country characteristics are so important to corporate governance (see,

⁷ Masulis and Mobbs (2013, 2014) also show the role of reputation in improving a director's monitoring incentives, and its resulting association with changes in firm value and policies, in contrast Ertimur, Ferri, and Maber (2012) find only weak evidence of the labor market punishing directors.

⁸ Shareholder-friendly reputation is defined as reputation gained by directors through increasing shareholder value. As representatives of shareholders, directors maximize firm value through monitoring and advising managers. Superior financial performance, all else equal, results in greater *shareholder-friendly* reputation and more rewards for such directors. However, directors may have incentives to develop reputation of loyalty with managers at the expense of other shareholders' interests (e.g., see Adams et al. (2010), Levit and Malenko (2015)). This *management-friendly* reputation can also result in more board appointments and higher pay, especially in countries where controlling managers derive substantial private benefits from control.

e.g. Doidge et al. (2007)). In this way, this paper adds to the literature on the interactions among different governance mechanisms and investor protection.⁹ Finally, this paper contributes to the literature on the effects of international cross-listing on corporate governance (e.g., Doidge et al. (2009), Lel and Miller (2008)) by showing that future job prospects for outside directors improve following such corporate events, which may further align the incentives of directors and shareholders.

The rest of the paper is organized as follows. In the next section, we discuss sample construction and univariate statistics. In Section 2, we present the empirical specification and in the following section we report the primary empirical results. We provide results from robustness checks in Section 4 and effects of global shocks to reputation on other labor market outcomes in Section 5. We report the event study results on director appointments in Section 6 and conclude in Section 7.

1. Sample Construction

We use the BoardEx database in our analysis of labor market consequences to outside directors of global shocks. This dataset provides detailed historical information on the board structure such as board size and independence, director characteristics such as the number of board directorships, compensation, age, and gender, and covers about 500,000 directors and executives worldwide from 1998 to mid-2012.¹⁰ It is used by several cross-country studies (e.g., Fernandes et al.

⁹ Examples of such studies include those on inside and institutional ownership structure (e.g., Lins, Volpin and Wagner (2013), Aggarwal, Erel, Ferreira and Matos (2011) and La Porta, Lopez de Silanes, Shleifer and Vishny (2002)), on CEO turnover and pay (Fernandes, Ferreira, Matos and Murphy (2013) and Lel and Miller (2008)), on analysts (e.g., Lang, Lins and Miller (2004)), and on corporate control (e.g., Lel and Miller (2014) and Ferreira, Massimo and Matos (2010)).

¹⁰ Although the BoardEx summary file coverage for non-U.S. and non-U.K. firms is less complete before 2000, we are able to back fill some of the data using other BoardEx provided data. More specifically, BoardEx provides data on directors in separate modules, one of which is Board Summary that contains information such as the type of directorship, committee membership, age and compensation. We instead use the information in all other relevant modules to construct a similar summary module by tracking each director's employment history using the start and end

(2013), Ferri and Maber (2013)). We track each director over time for our analysis to calculate their external board directorships and total compensation in publicly traded firms. We use Boardex’s “classification” definition of an outside director as any member of a company’s Board who has never been employed by the company and sits on that company’s board. This definition excludes directors who are either firm employees, former employees, or otherwise affiliated with the firm or its management. The number of outside directorships is the total number of boards of publicly traded companies on which the director is serving on as an outsider as of the report date.¹¹

We merge this dataset with firm financial characteristics obtained from Worldscope database. After excluding firms with assets less than \$1 million and countries with fewer than 200 director-year observations, and dropping firms with missing information on director characteristics and financial information, we have a regression sample of 39,413 outside directors and 294,916 firm-director-year observations in non-U.S. firms from 38 countries.¹² We exclude U.S. firms from the analysis because the main measures of global reputation and visibility arise mainly from non-U.S. firms’ interactions with U.S. capital markets and investors. However, our results are robust to including U.S. firms in the control sample in pooled regressions. Panel A of Table 1 displays the distribution of this sample by country and across five measures of global shocks to reputation.

We use 5 global shocks that proxy for various components of international changes in

dates of their board appointment along with all other information. Such an effort allows us to backfill more information in the pre-2000 period as well as to have more director-specific information in our tests.

¹¹ We exclude inside directors because in most cases, such directors have one directorship in the firm they work for as executives, and have few opportunities for seats on other firms’ boards (e.g., Fich and Shivdasani (2007)). Further, we do not examine CEOs because the focus of our study is to understand the labor market dynamics for independent directors whose main task is to monitor and evaluate the management along with advising on strategic policies. It is often more costly and difficult to dismiss a CEO (e.g., Adams et al. (2010), Taylor (2010)). We do not exclude independent directors who hold one board position in our main tests but our results are robust to excluding such directors.

¹² Our results are robust to other size cutoffs, including \$100 million as well as the removal of the observations from the UK which has the most data on directors.

director reputation, visibility and experience.¹³ Four measures represent increased global reputation and one represents decreased global reputation. The partial correlation coefficients amongst the global reputation measures in the pooled sample range between -0.024 and 0.129, suggesting that they capture different dimensions of international reputation.

The first measure we employ is international cross-listings, including American Depositary Receipts and direct listings on major exchanges as well as Rule 144a debt and equity offerings. These cross-listing events can enhance the reputation of directors by providing experience in raising capital in U.S. markets and in dealing with stringent U.S. governance and disclosure practices and American institutional investors (e.g., Reese and Weisbach (2002), Lel and Miller (2008)). In addition, several studies show that international cross-listings improve visibility and prestige for the cross-listed firm through increased media coverage, analyst following and shareholder base (e.g., Karolyi (2006), Baker et al. (2002)) and consequently for its directors. The J.P. Morgan's ADR database is used to obtain the list of non-US firms that raise equity or debt capital in the form of firm-initiated (i.e. sponsored) level 2 and level 3 exchange listing and Rule 144A debt and equity offerings. We obtain direct listings from CRSP. We match 1,427 directors between these databases and BoardEx.

The second measure is the first-time block equity investments by U.S. institutional investors. Foreign blockholders can bring superior technology, organizational capital, and access to international capital markets (e.g., Chari, Chen, and Dominguez (2011), Desai, Foley, and Forbes (2007), Haskel, Pereira, and Slaughter (2007)). Thus, being part of the board of a company that attracts large institutional investors to acquire a large share in the firm and dealing with such

¹³ We focus on these five measures because they are readily available for a large sample of firms around the world. There can be alternative mechanisms that can enhance or hurt the global human capital of directors. For example, relationships and experience gained through U.S. sales by non-U.S. companies can be used to measure international experience and reputation. However, determining the initial start of foreign sales as well as what constitutes a significant change in foreign sales is challenging. Thus, we use discreet events that influence visibility, media coverage and capital market experience.

investors on a periodical basis can increase the reputation of the firm's directors. Further, firms that seek to attract foreign shareholders may elect such directors. Del Guercio and Woidtke (2013) show that directors of U.S. firms are rewarded with additional external board seats if they comply with the requests of U.S. public pension fund sponsors. Massa and Zaldokas (2014) use the fraction of international bond ownership as a proxy for international recognition, which is part of investor recognition as in Merton (1987).¹⁴ We identify non-US firms with first-time FII investments in excess of 5% of the firm's outstanding shares using the Factset database. This dataset provides information on global equity ownership of financial institutions, mutual funds and beneficial stakeholders. We find 4,827 directors that are subject to such first-time investments.

Third, we employ international director awards that recognize outstanding performance of individual directors in their monitoring and advising duties. BoardEx records the frequency of several types of director awards, including those given by global organizations such as the World Economic Forum, Business Week, IR Magazine, International Herald Tribune and Ernst. Awards include those for directorial and managerial achievements (i.e., best director, best CEO, best chair, best entrepreneur, etc.). Since awards are given to specific directors rather than the entire board, this shock allows us to exploit within-board variation in reputation controlling for common firm effects. We find 346 directors that are given such awards.

Fourth, we use the securities class-action lawsuits by U.S. investors. Prior research suggests that corporate securities litigation is associated with negative reputation effects as a result of a failure by directors in their monitoring duties (e.g., Brochet and Srinivasan (2014), Karpoff, Lee, and Martin (2008), Fich and Shivdasani (2007)). For example, Fich and Shivdasani (2007) show that outside

¹⁴ At the same time, block FIIs may result in fewer board seats in the future given the evidence in Harford (2003) and Lel and Miller (2014) that directors of target firms are more likely to lose their seats and that Ferreira et al. (2010) show that FIIs facilitate cross-border M&As. Our FII data includes both active and passive institutional holdings.

directors receive fewer external directorships following shareholder class-action lawsuits related to fraud. The information on class action lawsuits is obtained from the Securities Class Action Clearinghouse of Stanford Law School and Cornerstone Research available at <http://securities.stanford.edu>. This database includes a comprehensive list of filings of class action securities lawsuits filed after the Private Securities Litigation Reform Act of 1995. We are able to match 1,141 directors of non-U.S. firms between this dataset and BoardEx.

Our final measure is involuntary international cross-listings in the U.S. The passage of SEC Rule 12g3-2(b) in September 2008 led investment banks to create involuntary cross-listings in the United States. As aforementioned, the change in the SEC foreign issuer rules caused over 1300 such cross-listings without the consent of firms. This event allows us to mitigate concerns of some time-varying unobserved director-specific characteristics occurring concurrent to the global reputation shock, as we explain in greater detail in the next section. We obtain the list of involuntary international cross-listings from J.P. Morgan's ADR database at <http://www.adr.com>. Given the SEC rule was passed in September 2008, we focus on all unsponsored international cross-listings in the U.S. since this date and are able to match 5,469 directors between this database and BoardEx.

Panel B of Table 1 provides summary statistics for measures of global reputation and control variables used in the regression analysis. The number of seats, our main dependent variable, is defined as the total number of seats held by each director as outside directors in publicly traded firms in a given year. This variable is a commonly used proxy for the labor market opportunities of directors (e.g., Fos and Tsoutsoura (2014), Del Guercio and Woidtke (2013)). The average director in the regression sample holds 3.096 external board directorships. It ranges from 1.16 in Hungary to 4.03 in Singapore. These numbers are consistent with the average number of directorships reported in U.S.-based studies such as 2.54 in Fos and Tsoutsoura (2014), 2.9 in Field, Lowry and Mkrтчyan

(2013), 2.36 in Fortune 1000 firms (Harford (2003)) and 3.11 in largest 500 U.S. firms (Fich and Shivdasani (2006)). The number of foreign seats is defined as the total number of directorships in countries outside the director's nationality. Consistent with the labor market for directors being largely domestic, the median (mean) number of foreign directorships in the sample is 0 (0.386). Total pay is defined as the total annual compensation earned as outside directors in a given year, which includes salaries, bonuses, restricted stock and option awards, long-term incentive plans, changes in pension plans, and all other compensation measured in 2005 US dollars. The average director pay is \$70,181. For comparison, Adams and Ferreira (2008) report an average total annual compensation of \$92,049 and Bryan and Klein (2004) report it as \$102,976 for U.S. firms. Yermack (2004) shows that an average retainer of \$347,000 for Fortune 500 firms outside directors during their first 5 years of tenure.

2. Empirical Specification

In order to test whether global shocks to reputation and visibility have labor market consequences to outside directors, we estimate the following model in which we regress the total number of external board directorships on the shock indicator variable along with various controls for director, firm and country characteristics in a pooled sample of approximately 294,000 firm-director-year observations where each directorship in a given firm and year corresponds to a separate observation.¹⁵

$$\begin{aligned} \text{Number of external board seats}_{i,j,t} = & \alpha + \beta*(Global\ Shock)_{j,t} + \gamma*X_{i,j,t-1} + \delta*Z_{j,t-1} + \lambda_i*Director\ FE \\ & + \varphi_t*Year\ FE + \vartheta_j*Firm\ FE + \varepsilon_{i,j,t} \end{aligned} \quad (1)$$

¹⁵ In Table 9 we show our results are robust when estimating at the director-year level where each director enters the sample once in a year using the entire BoardEx sample and a matched sample.

where *global shock* refers to one of five global reputation shocks and equals one for directors of firms subject to such shocks in the post-shock period, zero otherwise, X is a group of one-year lagged director specific or director-firm specific time-varying control variables and Z is a set of one-year lagged firm and country control variables. We also include director, firm and year fixed effects in equation (1). The director fixed effects specification allows us to fully exploit the panel nature of our dataset and to control for unobserved heterogeneity not captured by the time-varying director characteristics in the empirical specification such as education and talent. Equation (1) also augments a number of other fixed-effects that are detailed below in section 4.1. All continuous variables are winsorized at the 1% level. We cluster standard errors at the firm level.

The vector X includes director age and tenure because there may be bylaws that can include term and age limits on directors. Further, director age and tenure may proxy for the reputation stock of directors (e.g., Jiang, Wan and Zhao (2013), Milbourn (2003)). We also include an indicator variable to denote whether director age is higher than 65. Fich (2005) shows that CEOs of other firms are more likely to obtain external board directorships and we create a time-varying indicator variable that equals one for directors who are or become CEOs of other firms throughout our regressions to control for such director characteristics. Similarly, the chairman of the board of directors may have greater reputation and visibility than other directors, and we include an indicator variable that represents such directors in equation (1). Indicator variables representing memberships in audit, compensation, and nomination committees are also included.

We use various firm characteristics to control for the corporate demand for outside directors. The financial variables are firm size measured by the natural logarithm of total assets in US\$ that also controls for firm complexity, firm performance measured by annual stock returns, foreign sales ratio that controls for operational exposure to the U.S., and the market-to-book ratio (e.g., Linck et al. (2009)). We also control for inside ownership because directors' incentive to

develop shareholder-friendly reputation can be influenced by the existence of controlling shareholders with an incentive to extract private benefits. Further, we use independent director and foreign director percentages on board to control for boards' preferences for hiring such directors subject to global reputation shocks. In addition, we use the stock market capitalization/GDP ratio to proxy for country's economic and financial development and the availability of domestic managerial talent and industry-specific time-varying market-to-book ratio to control for industry-level business activity, as both variables can affect the demand for directors.

2.1 Identification Strategy

Equation (1) is akin to a difference-in-difference specification where we examine the change in the total number of external board seats for directors before and after the global shock (first difference) and compared to the rest of directors in the entire BoardEx dataset (second difference). In such a setting the treatment group consists of all directors subject to such shocks, the control group consists of directors of firms not subject to such shocks, and the post period represents the post-shock period for the treatment group. The shock indicator in equation (1) is the equivalent to the treatment*post interaction term that provides the difference-in-difference estimator.

The natural concern that arises is that because of endogenous sources of variation in the number of directorships, the changes in the number of external seats we document could have occurred even without the shock to director reputation. For example, one potential concern is that our results are driven by firm and country level time-varying unobservable sources of variation, such as good or bad stock performance or regulations. To address this concern, we augment equation (1) with firm*year fixed effects and show our results cannot be driven by any observable or unobservable time varying firm and country characteristics, such as the governance environment and

growth opportunities which are related to the demand for directors with international reputation.¹⁶ In these tests, control variables $Z_{j,t-1}$ are subsumed by the fixed effects. Further, we use a director-level shock, international awards, which allows us test for reputation effects while controlling for any firm-level characteristic as the identification is achieved through within-board variation in reputation.

Second, our results might be driven by firms that have high or low director turnover, or some unobserved director characteristic like talent (e.g., Hermalin and Weisbach (2003), Boone, Field, Karpoff, and Raheja (2007)), or the endogenous match between firms and directors (e.g., directors with superior ability are less likely to join firms with poor performance or governance). To address this concern, we augment the model with firm*director fixed effects.

Third, our results could be driven by aggregate trends, which we address by testing specifications that include year fixed-effects and firm*year fixed-effects. Due to the high computational demands involving multiple high dimensional fixed effects, we use a method developed by Guimaraes and Portugal (2010) when estimating these various specifications.

These various fixed effects help rule out several endogenous sources of variation in the number of directorships. However, a remaining concern is that some time-varying unobserved characteristics that could cause directors to gain or lose seats is also correlated with the international shock to reputation. To alleviate this concern, we use a fifth measure that employs involuntary international cross-listings. Following the change in SEC Rule 12g3-2(b) in September 2008, over 1,300 firms were involuntary international cross-listed in the U.S without their consent. The U.S. trading volume of new unsponsored ADRs increased from \$0 in 2007 to almost \$10 billion in 2010.

¹⁶ These fixed effects also help us to control for the concern that the probability that a global shock occurs is related to firm and country characteristics which in turn affects the labor market dynamics. For example, shareholder class-action lawsuits in the US may be related to the overall governance and legal environment of the country and prior firm performance such as in the case of earnings restatements (e.g., Srinivasan, Wahid and Yu (2014)), which can also influence the labor market consequences.

Iliev, Miller and Roth (2014) document that the regulation change was widely covered in the financial press, added U.S. international investors to firms' shareholder base and increased their litigation risk. This plausibly increased the reputation of the affected firms' directors, as Harford and Schonlau (2013) show directors who gain important experience and visibility during adverse firm events are rewarded in the directorial labor market. Because it is unlikely that some unobservable director characteristic changed for over 1,300 firm's directors in the same year firms were surprised with an involuntary U.S. listing, exploiting this regulation change addresses the concerns of a time-varying unobserved director characteristics driving our results. This shock and the use of director fixed effects also allow us to control for director talent in our analysis.

Overall, equation (1) and its variants control for time trends, director and firm specific time-invariant heterogeneity, potentially endogenous matching between directors and firms, and firm-specific unobserved time-varying heterogeneity. In section 4.1, we also introduce involuntary international cross-listings as a semi-exogenous shock to control for director-specific unobserved time-varying heterogeneity.

3. Results

The main hypothesis of this paper is that global shocks to reputation have labor market consequences to outside directors. We first test this hypothesis in a univariate setting where we examine the changes in the total number of external board seats around each global shock. Table 2 reports results from this analysis. It shows that the average number of external board seats for outside directors' of the firm with a U.S. cross-listing increases from 2.806 to 4.116 and the difference is statistically and economically significant. The change in the median number of external board seats is also significant at the 1-percent level. Table 2 reports similar significant changes around the other shocks. For example, following a global director award, outside directors

experience an average increase of 1.769 seats and the difference in the external board seats before and after this event is statistically significant at the 1-percent level. Overall, the evidence in Table 2 suggests that our measures of changes in global reputation have labor market consequences to outside directors.

We next estimate equation (1) in the pooled sample of 294,916 firm-director-year observations over the 1998-2012 period. Table 3 reports results from this estimation. In column (1), we include director fixed effects to control for unobserved director characteristics such as talent, firm fixed effects to control for unobserved firm-level heterogeneity such as industry and country characteristics, and year fixed effects to control for aggregate time trends. In subsequent columns, we augment these fixed effects with time-varying director, firm, and country variables as well as additional director*firm and firm*year fixed effects.

Column (1) shows that following a U.S. cross-listing, directors of these firms on average obtain 0.253 more external board seats compared to all other directors. This number translates into approximately 8.2% increase in the total number of seats for an average director given an average number of seats of 3.096 in the sample. The effects of first-time block equity investments by U.S. institutional investors as well as director awards on the future employment opportunities of directors are also positive and statistically significant. For example, directors who receive an award experience an increase of 0.63 seats (a 20% increase) compared to the directors of the same firm that did not receive an award. Column (1) also reports the results for shareholder class-action lawsuits in the U.S., a potentially adverse shock to the global reputation of directors. This column reports a coefficient of -0.595 ($t = -11.175$), indicating that directors on average lose 19% of their external board seats. This result suggests that directors of non-U.S. firms are subject to fewer opportunities

for future employment as board members. This complements Fich and Shivdasani (2007) who document a negative effect on the external directorships of U.S. firms' directors.

Column (2) augments the director, firm and year fixed effects with time-varying director, firm, and country variables. We continue to find that the coefficients on the global shock variables are correctly signed and statically significant. In terms of control variables, column (2) shows that directors on the boards of larger firms that tend to be more visible (e.g., Masulis and Mobbs (2014)) have greater external board seats in the future. In addition, directors of firms with more independent boards, greater managerial ownership, and greater foreign director percentage obtain more board seats in the future. In terms of time-varying director characteristics, column (2) shows fewer future board appointments for directors with longer tenure and those older than 65, but in general older directors and those who are CEOs of other firms have more board seats consistent with Fich (2005) and Fahlenbrach et al. (2010). Audit and compensation committee membership are associated with greater future external board appointments. In addition, there are more employment opportunities as board directors in countries and industries with better economic activity and potentially where the demand is higher.¹⁷

In columns (3) and (4) we exploit the panel data nature of our sample to control for potential concerns with our results in the previous panel. One concern is that our results may be driven by a match between directors and the firm, or director and firm specific unobserved heterogeneity. Column (3) controls for these concerns by augmenting the previous estimation with director*firm fixed effects and shows that our results are economically and statistically robust.

In columns (4) we replace director*firm fixed effects with firm*year fixed effects to control for the effects of any unobserved time-varying firm-level heterogeneity. The results show that our

¹⁷ Controlling for past director busyness, represented as one for directors with at least three directorships (e.g., see Fich and Shivdasani, (2006)) and zero otherwise, does not affect the economic and statistical significance of our results.

estimated coefficients on the shock variables continue to remain economically and statistically significant. Overall, Table 3 shows that our global reputation shocks have repercussions for outside directors in the form of future external board appointments, highlighting that such global events carry ex post labor market consequences for outside directors in charge of monitoring and advising executives. Table 3 further shows that our results are robust to controlling for director and firm specific time-invariant heterogeneity, potentially endogenous matching between directors and firms, and firm-specific unobserved time-varying heterogeneity.

3.1. Involuntary international cross-listings following SEC Rule 12g3-2(b)

In Table 4 we report results for directors whose firms are subject to an involuntary international cross-listing following the passage of SEC Rule 12g3-2(b) in September 2008. Column (1) shows that following an involuntary international cross-listing, directors of these firms on average obtain 0.090 ($t = 3.463$) more external board seats compared to all other directors. This number translates into approximately 2.9% increase in the total number of seats on average. This economic effect is smaller than the other four shocks, consistent with the fact that this cross-listing provides less exposure for directors' experience such as capital raising and U.S. disclosure requirements. Following the structure of Table 3, in column (2) we introduce director specific and director-firm specific time-varying controls, in column (3) we add director*firm fixed effects and in column (4) we include firm*year fixed effects. All columns show that directors obtain significantly more seats following involuntary international cross-listings in the U.S. following the quasi-exogenous regulatory shock in September 2008. Overall, Table 4 suggests that our previously documented results on the labor market effects of global shock to reputation for outside directors are not likely driven by director-specific unobserved time-varying heterogeneity.

3.2. The role of reputation stock in the pre-shock period

In this section, we examine the association between labor market outcomes of global reputation shocks and individual director and firm characteristics that may proxy for director reputation in the pre-shock period. If global positive (adverse) reputation shocks affect the labor market outcomes for directors as our previous results suggest, we should expect greater effects for directors with a low (high) reputation stock in the pre-shock period. This test is analogous to a triple-difference analysis, as the focus of the analysis is the difference in the number of external board directorships between directors of high and low pre-event reputation within the same board before and after the global reputation shock compared to the control group of directors. These tests allow for heterogeneous responses of directors' future employment opportunities to the same treatment of being subject to a global reputation shock.

We use several variables to proxy for the level of directors' reputation stock in the pre-shock period and include interaction terms between these variables and the global shock indicator in equation (1). We use firm size as a proxy for the reputation stock of directors in the pre-shock period as directors of larger firms have more visibility, prestige, compensation and a higher likelihood of obtaining more directorships (see, e.g. Adams and Ferreira (2008), Shivdasani (1993), Ryan and Wiggins (2004), Yermack (2004), and Fich, (2005). Fama and Jensen (1983) argue that these benefits increase the incentives of directors of large firms to be viewed as competent monitors large firms which is supported by Masulis and Mobbs (2014) who show that directors at large firms expend more effort. We create a small firm indicator that equals one for firms in the bottom quartile of the sample in terms of their total assets, zero otherwise. We also employ the variable director age as younger directors have lower reputation and therefore the most to gain in terms of career concerns (Jiang et al. (2013)). Finally, we employ director tenure in the firm's industry as directors with longer tenure likely have greater reputation. From this point on, we include results on involuntary international cross-listings as an additional shock in all tables.

Table 5 shows that for shocks that increase director reputation (cross-listings, director awards, U.S. institutional investors), the change in the number of external board seats following global reputation shocks is generally greater for outside directors with lower pre-shock reputation (represented by industry experience, director age and firm size).¹⁸ Directors that are young, less experienced and at small firms all see larger increases in board seats. For example, directors of small firms that cross-list in the U.S. experience 0.274 ($t = 2.209$) more board seats than large firms. For the negative global reputation shock measured by U.S. lawsuits, the effects of the reputation shocks are reversed as directors with better reputation in the pre-shock period have a significant stock of reputation at stake: directors with better reputation face more severe consequences in terms of the total number of external board directorships.

3.3. The Role of Country-level Investor Protection

Levit and Malenko (2015) show in a theoretical model that a country's aggregate governance environment affects directors' incentives to develop shareholder versus manager friendly reputation. That is, if a country's corporate governance environment is strong and boards of other firms protect the interest of shareholders, then a reputation for being shareholder friendly can help in obtaining more directorships. Conversely, if country level aggregate governance is weak and boards of other firms are captured by their managers, then having a shareholder friendly reputation would not be helpful in obtaining more directorships.¹⁹ Therefore, we next test how the labor market responds to global shocks to director reputation across countries. For example, we investigate if directors of firms subject to positive reputation shocks experience more (fewer) board seats when investor protection is strong (weak). An alternative hypothesis is that global shocks may have bigger effects in weak governance countries due to a smaller supply of good directors in such countries.

¹⁸ We also find similar results if we use directorial tenure rather than industry-specific experience as a proxy for director reputation.

¹⁹ In the U.S., Bouwman (2011) finds a director is more likely to obtain a board seat at a firm if she already has a board seat at a firm with similar governance practices.

We employ two widely used measures of investor protection at the country level. The first measure is whether the country has Common or Civil law legal origin, which is an overall measure of investor protection (La Porta, Lopez de Silanes, and Shleifer (2006)). As a second measure, we employ the anti-self-dealing index which measures the level of difficulty for minority shareholders to thwart the consumption of private benefits by controlling shareholders (Djankov, La Porta, Lopez-de-Silanes and Shleifer (2008)). Djankov et al. (2008) argue that self-dealing is one of the central problems of corporate governance in most countries. Our results are also robust to alternative country level measures of investor protection such as the degree of the enforcement of laws, disclosure standards and anti-director rights.²⁰ It is also important to note that in our tests we control for the availability of domestic managerial talent using the stock market capitalization/GDP ratio.

Table 6 shows results from a series of regressions where an interaction term between the investor protection measures and each of the global reputation shock is included in equation (1). For brevity, we only report the coefficient estimates on the global shock and the interaction term in Table 6. Column (1) reports results for the legal origin measure investor protection where common law variable equals 1 and civil law equals 0 while column (2) reports results for the anti-self-dealing index. We find that in countries with strong investor protection, positive global shocks to director reputation result in an increase in future board seats, while in weak governance countries this effect is attenuated and sometimes even reversed. For example, column (1) shows that directors from firms in strong governance countries (common law) obtain about 0.84 (0.11+0.73) more external board seats after they receive an award. Conversely, in countries where the aggregate corporate

²⁰ While we focus on differences in investor protection in the light of Levit and Malenko (2015), there may be other country-specific variables that can influence labor market dynamics for outside directors. We indeed find evidence of a significant role of culture such as individualism and competition in untabulated tests (e.g., see Ahern, Daminelli and Fracassi (2012)). Our results on investor protection are robust to including such additional country-level variables in the same regression specification.

governance is weak (Civil law), directors who receive an award do not see a significant increase in the number future board seats (the stand-alone coefficient of 0.11 is statistically insignificant, t -statistic=0.58). Furthermore, in the case of the cross-listings and U.S. institutional blockholder shocks, positive global shocks to reputation cause directors to lose seats in countries with poor aggregate corporate governance. For example, column (1) shows directors from firms in civil law countries lose 0.157 external board seats after their firm conducts a U.S. cross-listings. Finally, for negative shocks to director reputation (U.S. lawsuits), the results indicate that outside directors lose seats in both strong and weak governance countries, suggesting that sued firms' directors are less desirable in both shareholder- and management-friendly countries. Column (2) reports results for the anti-self-dealing index, which paints a similar pattern. In countries with strong investor protection, global shocks have greater economic effects and are statistically significant.

Overall, the results in Table 6 are consistent with the predictions of Levit and Malenko (2015). When corporate governance is strong and boards of other firms protect the interest of shareholders, then a reputation for being shareholder friendly can help in obtaining more directorships. Conversely, if country level aggregate governance is weak and boards of other firms are captured by their managers, then having a shareholder friendly reputation is not be helpful in obtaining more directorships. These findings are also consistent with the hypothesis that directors who gain international reputation being viewed as more effective monitors and accordingly not highly demanded by controlling CEOs who intend to protect their own private benefit consumption—which is more frequent in weak investor protection countries (e.g., Dyck and Zingales (2004), Johnson, La Porta, Lopez-de-Silanes and Shleifer (2000)). For example, controlling insiders may prefer management-friendly directors who do not resist excessive CEO pay packages (e.g. Bebchuk and Fried (2004)). Our findings are also consistent with the notion that weak shareholder protection and voting laws may hinder the ability of shareholders to elect directors

optimally in countries with lower scores of anti-self-dealing index (Yermack (2004), Iliev, Lins, Miller and Roth (2014)). Moreover, directors may shy away from such firms to protect their reputation gained through global shocks against problematic governance and low future profitability (Giannetti et al. (2014), Fahlenbrach, Low and Stulz (2013)). Overall, our findings suggests that the labor market for reputation offers limited incentives for independent directors to monitor and advise managers in weak investor protection countries. In this context, such a labor market appears to be complementary to the aggregate governance environment of firms.

4. Robustness Tests

In this section we undertake various additional tests to gauge the robustness of our previously reported results to alternative specifications and samples and report the results in Table 7 through Table 9. In the previous tables we use the entire BoardEx database and the directors of shocked firms in the pre-shock period as the control sample. An alternative control sample is to examine the impact of global reputation shocks on the affected directors before and after the shock, which mitigates the concern that observations in the control group are driving our results. In the first row, we report results from this alternative control sample and continue to find similar results. In the main tests we use a long event window to account for the fact that some firms have staggered boards that prevent immediate board elections around shocks (e.g., Harford (2003)). Further, shareholder voting mechanisms and vehicles such as proxy contests and majority voting are limited in some countries, so it may take time for the effects of global shocks to appear in labor markets (Iliev et al. (2014)). We re-estimate our main regressions using a narrower time period of (0, +5) years around the shock following Fos and Tsoutsoura (2014). Row (2) of Table 7 reports that we continue to find significant results suggesting that the higher average seats are not fully explained by the affected directors serving longer tenures than other directors.

In row (3), we repeat the analysis after excluding directors of firms that became privately held, merged, liquidated, or otherwise became inactive throughout the sample period because several studies show that such events can also affect labor market outcomes for outside directors. Results are similar to the full sample results reported in Table 3. While Table 1 shows the labor market for directors is largely domestic, we also rerun our tests excluding foreign directors in row (4) and find our results hold. We also consider the impact of global shocks on directorships on boards of both publicly-traded and privately-held boards. Results in the final column show that four of five global shocks affect the overall number of seats in public and private firms. Finally, our results are also robust to additional specifications such as excluding the global crisis years of 2007-2009, regulated and financial industries, directors with a single seat in the period prior to the global shock, and boards with a high percentage of foreign directors (untabulated).

4. 1. Director-Year Level Regressions

In our main tests we use firm-director-year level observations. As an additional robustness check, we construct a director-year level sample design where each director in a given year corresponds to a separate observation. The benefit of the director-year level is that it allows to examine if the previous specification of treating each director-firm as a separate observation is driving our results since it violates the assumption that the observations are independent (though controlled for by clustering standard errors and various fixed effects). The cost of this sample is that not all fixed effects can be exploited and that all firm characteristics have to be averaged over the directors' seats. For example, for a director holding 3 board seats simultaneously, we use the average value of firm performance across the three firms as the firm performance measure and collapse 3 observations to 1 observation for each year.

We estimate this specification using three different estimation methods. First, we use OLS as in previous tables. Second we use a Poisson estimation as our main dependent variable is a count variable. Third, we estimate a negative binomial model that does not assume equal mean and variance of the sample unlike a Poisson model. In each estimation, we include director and year fixed effects and cluster standard errors by director.²¹ Results from this robustness check are reported in Table 8. This table shows that all 5 global shocks to reputation have statistically and economically significant effects on the future employment opportunities as outside directors. For example, directors of firms subject to class-action lawsuits in the U.S. suffer from reputation shocks in the form of fewer seats in the future (-0.354, $t = -14.917$) as reported in column (1), or -11% ($t = -8.049$) as reported in column (2) using a Poisson estimation.

Our next series of robustness tests exploits a matched sample approach. While our primary specifications so far use the entire BoardEx dataset with various fixed effects, we next construct a matched sample of directors with observable characteristics similar to directors with global shocks in the pre-shock period (e.g., Angrist and Pischke (2009)). Such a specification helps us to ensure that our results are not capturing pre-shock differences among directors rather than the effects of global shocks. We use the nearest neighbor matching procedure with the Mahalanobis metric as the weighting criterion (Abadie, Herr, Imbens, and Drukker (2004)).²²

We test whether the means for the matching variables for the treatment and control group differ in the year prior to the shock. Panel A in Table 9 presents results from this comparison for

²¹ Clustering at the firm level is not feasible in these tests because some directors appear in multiple firms at the same time (i.e., they are non-nested).

²² Specifically, we match each director subject to a global reputation shock (labeled as the treatment group) to one director who is not subject to global shocks (labeled as the control group) with replacement using the following characteristics as of the year prior to the shock: total number of board seats, director age and gender, average stock returns, natural logarithm of total assets and inside ownership, and legal environment proxied by English legal origin and the degree of corruption. The matching criteria also include the presence of an ADR program in the U.S. for the global shocks of block FII investments, global awards, and class action lawsuits.

each of the four measures of global shocks. It shows that the means for our main matching variables are not significantly different for the treated and control groups in most cases. The only variables that are significantly different between the two groups is the natural logarithm of assets for involuntary listings. In Panel B, we undertake a multivariate analysis as another way to test for significant differences and find that our matching strategy yields a sample of control directors that are similar in number of board seats, size, profitability, and director age and gender to treatment directors.²³ Panel A and Panel B together suggest that the control sample of directors represents a valid counterfactual to test for the effect of global shocks on labor market outcomes for outside directors.

We then use this set of director-year observations to estimate our main specification in equation (1). The results, which are reported in Panel C of Table 9, show similar effects of global reputation shocks on the labor market consequences to outside directors. For example, column (1) shows that outside directors of firms with a U.S. cross-listing experience an increase of 0.221 external board seats following such events, and this effect is statistically significant at the 1% level. Overall, this table shows that the effects of global reputation shocks on labor market outcomes in the previous table are not due to potential differences between the treatment and control directors in the pre-shock period. Table 9 and Table 10 together show that our previously reported results are robust to these alternative sample designs and specifications.

5. Changes in other labor market outcomes: compensation, networks, and committee roles

Directors derive monetary benefits from their board positions as well as other benefits that broaden their prestige, network and visibility (e.g, Mace 1986). Klein and Leffler (1981) argue that

²³ The sample size is smaller in the case of U.S. cross-listings compared to other global reputation shocks. This is because firms subject to this event are very large within their home countries and are thus difficult to match on size.

reputational capital can be measured as the quasi-rent stream from delivering the promised level of quality, which in turn aligns the interests of counterparties. To bolster our previous tests on the labor market related consequences imposed on directors experiencing global shocks and highlight their economic significance, we examine if such shocks also influence the compensation from external directorships, the geography of new directorships, the degree of the connectedness of the director, her committee roles and the future probability of becoming a board chairman.

Column (1) of Table 10 Panel A reports results from estimating equation (1) where the dependent variable is the natural logarithm of total outside director pay earned across all board positions.²⁴ We include the annualized volatility of stock returns to proxy for firm risk in this table as an additional control variable. Results show that monetary benefits (damages) in terms of total compensation from board seats incur to directors of firms with positive (negative) global shocks. For example, total director pay is about 16% higher for directors whose firms are subject to U.S. cross-listings compared to other directors. Assuming the average director retires at age 72, this corresponds to a gain in wealth of over \$215,000 in additional income over the 15 years until retirement. Column (2) shows this is not just an artifact of the increase in the number of board seats, as the total pay per seat also changes in a similar direction, with the exception of the U.S. lawsuit shock that has a negative but statistically insignificant coefficient. These results are in line with the previous estimates that board seats are valuable. For example, Fich and Shivdasani (2007) and Yermack (2004) estimate that a board seat in a large US firm is worth around \$ 1 million on average.²⁵ Columns (3) and (4) reports results from estimating equation (1) where the dependent

²⁴ Director pay data is less populated in the Boardex dataset. The country breakdown for the director pay sample for countries with the largest representation is UK (46.34%), France (12.74%), Germany (7.40%), Italy (5.12%), Sweden (5.05%), Netherlands (4.10%), Switzerland (2.97%), Belgium (2.53%), Spain (2.17%), Ireland (2.13%), and Norway (1.94%).

²⁵ A caveat with the compensation analysis is that total director pay may not be an ideal representative of the labor market effects since boards can be entrenched as well, where total pay for an entrenched director with a single seat can exceed total pay for other directors with multiple seats. Thus, director pay can be an indicator of agency problems (e.g.,

variable is the number of domestic and foreign external board seats. Consistent with the labor market for outside directors being largely domestic, it shows that directors experiencing global shocks to reputation obtain more domestic board seats following all three positive global reputation shocks while only involuntary cross-listings result in more seats abroad.

Panel B of Table 10 examines changes in directors' network size, the number of committee chair appointments and the probability of becoming chairman of the board. In the first two columns we examine changes in board members' key board committee and executive roles following the global reputation shocks. Column (1) shows that directors attain more committee chair positions following 4 of 5 positive shocks to global reputation. For example, directors' propensity to become committee chairs increases by 0.05 (or, 12.5% where the average committee chairmanship is 0.405 in the sample) following foreign awards. Directors' likelihood of becoming a board chairman also changes in 3 of the 5 global reputation events as shown in column (2). In column (3) we focus on changes in the size of director network following the global reputation shocks. Director network as reported by BoardEx captures the total number of social ties including professional connections through past and present employment, not-for-profit organizations and education. We use the natural logarithm of the size of the directors' network due to the skewed nature of the data. Several studies suggest that better connectedness can provide additional benefits to directors, managers and firms in terms of pay, tenure and informational asymmetry (e.g., Engelberg et al. (2013) and Cai and Sevilir (2012)). Column (3) shows that director networks change following 4 of 5 global shocks to reputation although the economic significance is low.

Overall, Table 10 shows that global reputation shocks have repercussions for outside directors in the form total director pay, pay per directorship, network size, number of committee

Brick, Palmon and Wald (2006), Shivdasani and Yermack (1999)). Further, while we ideally would like to include directors' equity stakes in calculating total director wealth, the tests do not take into equity ownership of outside directors due to data unavailability.

chair appointments. These results further highlight the consequences in directorial labor markets of being subject to global reputation shocks.

6. Market reaction to board appointments of directors subject to global shocks

Our results so far suggest outside directors subject to positive (negative) global reputation shocks obtain more (fewer) external board seats. In this section we analyze the shareholder wealth effects to firms that subsequently hire these directors. To the extent adding such directors to the board are viewed as value-relevant by investors, we should observe a significant stock market reaction to these board appointments.

To implement this event study analysis, we obtain data on announcement dates of board appointments from BoardEx and daily stock returns data from Compustat Global and Datastream. If a firm hires a director multiple times within a year, we exclude the subsequent announcements. We also search the top and bottom 10% of abnormal returns to exclude observations where the firm is subject to an important event such as earnings releases and takeovers within three days around the director appointment announcements. The event study is based on an estimation period of 250 days, from day -270 to day -20 where the announcement day is defined as day 0. To measure abnormal returns, we estimate a market model using local currency daily returns for each firm and the MSCI ACWI world index as a proxy for the market index. Abnormal returns are then averaged across firms to form the cumulative average abnormal return (CAR) over the (-1, +1) window relative to the announcement day 0.

Table 11 summarizes the results from this event study analysis. We report mean and median CARs separately for each shock along with test statistics for whether the mean and median values are different from zero. The first row shows that firms that add directors subject to U.S. cross-listings experience an average increase of 0.931% within three days surrounding the announcement.

For the same group of directors, the median market reaction is 0.025% with a p-value of 0.154 from a sign test. In row (2), we find that appointments of directors who previously experienced block equity investments by U.S. institutional investors in their firm are associated with a positive market reaction on average. The median CARs are also statistically different from zero. In row (3), we find that appointments of directors who are recognized with an award are associated with a positive market reaction on average. In row (4), we find a negative statistically significant market reaction to appointments of directors who are subject to class-action lawsuits in the US. In the final row we find that firms that hire directors subject to involuntary international cross-listings experience a positive market reaction surrounding the announcement date.

Overall, these results suggest that investors view appointments of directors that experience a positive global shock to their reputation to the board positively. Such a positive market reaction is consistent with Gianetti et al. (2014), who show that Chinese directors with experience abroad improve firm value upon being hired by Chinese firms following the adoption of laws that make it easier for the firms to hire such directors.²⁶ At the same time, it is important to note that the results in Table 11 are subject to the caveat that the CARs reflect both the existing human capital of directors and the change in human capital due to the global reputation shocks as well as firm characteristics. To partially get at this issue, we also examine the stock market reaction to the pre-shock appointments of directors who eventually become subject to the global reputation shocks. We then compare the differences in means and medians in market reaction to board appointments before and after each of the five global shock separately. We find significant differences for 3 of 5 global reputation shocks, suggesting that the changes in directors' human capital after the shock drive the stock market reaction. The results from this comparison are reported in the appendix. The

²⁶ In a similar vein, Fich (2005) shows that appointments of other firms' CEOs as an outside director is associated with increases in firm value, and such directors obtain more external seats conditional on superior firm performance. Further, Fich and Shivdasani (2007) document positive cumulative abnormal returns for firms that dismiss directors on the boards of firms engaged in financial fraud.

small sample sizes due to a lack of information on announcement dates prevent us from employing director fixed effects or create matched samples based on certain firm and director characteristics for each shock in a cross-sectional analysis of these CARs.

7. Conclusion

The board of directors is one of the pillars of modern corporations. Corporate boards are delegated by shareholders to protect their interests worldwide by monitoring and advising managers. However, the incentives and ability of directors to safeguard shareholders' interests can vary significantly across countries. In this paper, we consider the role of the market for director reputation as a mechanism to align the interests of directors with shareholders (e.g., Fama (1980) and Fama and Jensen (1983)). In particular, we focus on five global events that plausibly affect the reputation of independent directors and examine the labor market consequences of these shocks to director reputation in a cross-country sample. In this way, we also examine whether there is an active market for director reputation around the world. To date, there is little evidence on whether a labor market for director reputation exists worldwide and whether an across-the-border shock to director reputation is reflected in increasingly globalized labor markets. Further, there is no prior evidence on whether the market for director reputation can remedy some of the shortcomings of the overall governance environment observed in many countries. An active labor market for director reputation can incentivize directors to be more pro-active in monitoring managers and protecting minority shareholders' rights.

We find that outside directors subject to positive (negative) global reputation shocks obtain more (fewer) external board seats. This finding is consistent with the Fama (1980) and Fama and Jensen (1983) arguments for the existence of a labor market for director reputation worldwide. Our

results also show that the labor market consequences of such global shocks are concentrated in countries with strong governance environments. This suggests that the market for director reputation is complementary to strong investor protection environment, consistent with the predictions of Levit and Malenko (2015). We also find that total director pay and other labor market outcomes such as the number of board committee chairmanships change following global reputation shocks. Overall, these results suggest that changes in director reputation due to global shocks are reflected in the labor market for directors in the form of external board directorships and total directorial compensation. However, these effects are not universal, and take place mostly in countries with strong investor protection. Thus, the labor market for reputation appears to offer limited incentives for independent directors to monitor and advise managers in weak investor protection countries.

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Table 1. Descriptive Statistics

This table provides descriptive statistics for the regression sample. Panel A presents the distribution of the sample by country along with information on the number of directors, the average number of external board seats, and the global shock measures of reputation and visibility. These measures are time-varying indicator variables based on whether the firm cross-lists its shares in the U.S. (cross-listing in the U.S.), a block equity investment by U.S. institutional investors (U.S. institutional blockholder), an international award or an award by an internationally recognized foreign institution given to the director (foreign award), a shareholder class action lawsuit in U.S. courts (U.S. lawsuits), and an involuntary international cross-listing in the United States since October 2008 (involuntary cross-listing in the U.S.). Panel B displays descriptive statistics used in the regression analysis. The number of external seats is the annual number of outside directorships held by each director. Similarly, the number of foreign seats measures how many of such directorships are in non-domestic firms. Total pay is the sum of all annual compensation that each director earns from outside directorships and total pay/number of seats is total pay divided by the number of outside directorships. Total number of committee chairmanships is the total number of committees an outside director chairs where the committees include audit, nominating, compensation, and governance committees. Log (professional network size) is the natural logarithm of the total number of social ties of each outside director including professional connections through past and present employment, not-for-profit organizations and education. Stock returns is the annual total investment return. Log (assets) is the natural logarithm of total firm assets in \$US. Market-to-book ratio is the ratio of market value of equity to book value of equity. Foreign sales ratio is foreign sales divided by net sales. Board independence % is the number of outside directors divided by board size. Inside ownership % represents the ownership stake of insiders including officers, directors and their immediate families, and shares held in trust by other companies. Foreign director % is the number of directors with a foreign nationality divided by board size. Log (director age) is the natural logarithm of outside director's age. Age > 65 dummy is an indicator variable that equals one if the outside director is older than 65, zero otherwise. Log (tenure) is the natural logarithm of the outside director's tenure in the firm. Another firm CEO equals one if the outside director is a current or retired top executive of a firm, zero otherwise. Chairman equals one if the outside director is also the chairman of the board of directors, zero otherwise. Audit, compensation and nomination committee member equals one if the director is a member of the audit, compensation and nomination committee, respectively. Industry market-to-book ratio is the average annual market-to-book ratio of the industry the firm belongs to firms (at 2-digit SIC level). Stock market cap/GDP is the stock market capitalization of the country divided by the GDP. The anti-self-dealing index measures the level of difficulty for minority shareholders to thwart the consumption of private benefits by controlling shareholders, from Djankov et al. (2008). Common law equals one for firms located in countries with an English legal system, zero if French, German, or Scandinavian legal system. It is from La Porta, Lopez de Silanes, and Shleifer (2006). We winsorize all continuous variables at the one percent level and use one-year lagged values of time-varying independent variables.

Panel A. Sample Distribution by Country

Country	No. of observations	No. of directors	No. of seats	Global Shocks				
				Cross-listing in the U.S.	U.S. institutional blockholder	Foreign award	U.S. lawsuit	Involuntary cross-listing in the U.S.
Argentina	1,082	154	1.826	0.340	0.023	0.000	0.015	0.009
Australia	18,938	2,296	3.841	0.022	0.159	0.007	0.020	0.131
Austria	4,013	500	2.364	0.006	0.084	0.000	0.002	0.111

Belgium	5,998	748	2.556	0.041	0.047	0.007	0.015	0.191
Bermuda	824	177	3.037	0.008	0.074	0.022	0.015	0.027
Brazil	2,110	449	1.764	0.125	0.090	0.006	0.001	0.011
Canada	27,106	3,071	3.012	0.091	0.223	0.014	0.056	0.009
Chile	736	88	1.709	0.393	0.095	0.004	0.000	0.012
China	5,303	1,211	2.812	0.035	0.180	0.009	0.005	0.294
Czech Republic	318	63	1.537	0.000	0.006	0.009	0.000	0.016
Denmark	3,611	532	1.682	0.016	0.047	0.000	0.044	0.137
Finland	3,510	492	2.132	0.009	0.114	0.003	0.010	0.209
France	23,990	2,915	2.521	0.035	0.135	0.010	0.068	0.127
Germany	14,582	1,973	2.423	0.072	0.207	0.012	0.121	0.142
Greece	2,094	366	1.697	0.129	0.065	0.007	0.024	0.139
Hong Kong	11,098	1,134	3.966	0.037	0.172	0.010	0.005	0.183
Hungary	334	55	1.155	0.033	0.000	0.000	0.254	0.003
India	15,485	1,963	3.924	0.191	0.179	0.035	0.006	0.005
Ireland	3,102	473	2.219	0.027	0.138	0.012	0.067	0.049
Israel	4,925	736	2.693	0.076	0.161	0.005	0.084	0.013
Italy	9,249	1,284	2.321	0.041	0.082	0.006	0.038	0.215
Japan	1,736	310	2.029	0.080	0.107	0.008	0.008	0.135
Luxembourg	1,441	269	2.289	0.031	0.161	0.010	0.033	0.148
Malaysia	1,938	247	2.787	0.000	0.058	0.012	0.000	0.017
Mexico	1,351	177	2.789	0.190	0.004	0.027	0.034	0.021
Netherlands	7,224	953	2.662	0.041	0.180	0.002	0.094	0.058
New Zealand	438	62	2.863	0.162	0.285	0.055	0.000	0.212
Norway	5,870	1,027	1.732	0.012	0.103	0.001	0.016	0.091
Poland	941	186	1.575	0.132	0.136	0.001	0.003	0.143
Portugal	1,794	307	1.960	0.004	0.045	0.005	0.013	0.284
Russia	1,693	366	1.661	0.246	0.123	0.031	0.050	0.012
Singapore	6,037	753	4.034	0.024	0.231	0.021	0.030	0.249
South Africa	8,924	1,058	3.527	0.040	0.182	0.011	0.028	0.140
Spain	6,640	797	2.340	0.061	0.046	0.004	0.031	0.173
Sweden	14,764	2,017	2.292	0.014	0.109	0.002	0.017	0.132
Switzerland	8,413	1,131	2.294	0.079	0.218	0.015	0.086	0.126
Turkey	427	83	1.628	0.098	0.019	0.023	0.040	0.164
United Kingdom	66,877	8,990	3.992	0.030	0.114	0.006	0.016	0.062
Total	294,916	39,413	3.096	0.054	0.142	0.0096	0.036	0.102

Panel B. Firm, Director, and Country Characteristics

Variable	Mean	Median	Std. Dev.
Dependent variables			
The number of external seats	3.096	2	2.635
The number of foreign seats	0.386	0	0.872
Total pay (\$ thousands)	70.181	44.272	92.810
Total pay/number of seats	29.511	23.291	206.156
Total number of committee chairmanships	0.405	0	0.642
Chairman	0.107	0	0.310
Log (professional network size)	5.165	5.283	1.324
Global shocks to reputation			
Cross-listing in the U.S.	0.054	0	0.225
U.S. institutional blockholder	0.142	0	0.349
Foreign awards	0.0096	0	0.098
U.S. lawsuits	0.036	0	0.186
Involuntary international cross-listing	0.102	0	0.303
Firm financial characteristics			
Stock returns	0.190	0.088	0.724
Log (assets)	21.053	21.055	2.445
Market-to-book ratio	2.352	1.376	5.341
Foreign sales ratio	0.267	0.059	0.373
Firm governance characteristics			
Board independence %	0.794	0.813	0.153
Inside ownership %	0.325	0.296	0.274
Foreign director %	0.173	0.111	0.200
Director characteristics			
Log (director age)	4.047	4.078	0.170
Age > 65 dummy	0.254	0	0.436
Log (tenure)	1.446	1.569	0.951
Another firm CEO	0.129	0	0.336
Audit committee member	0.430	0	0.495
Compensation committee member	0.360	0	0.480
Nomination committee member	0.300	0	0.458
Country and industry characteristics			
Industry market-to-book ratio	1.124	0.972	0.842
Stock market cap/ GDP	4.166	3.150	13.022
Anti-self dealing index	0.626	0.64	0.265
Common law	0.566	1	0.487

Table 2. Univariate analysis of labor market consequences of global shocks to reputation

This table provides univariate statistics for the labor market consequences to outside directors of global reputation shocks in terms of changes in the total number of external board seats. The first and second columns report the mean and median values for the number of external board seats in the periods following and prior to the global reputation shock, respectively. The third column reports results from a t-test for the difference in means and from a Wilcoxon-Mann-Whitney test for the difference in medians between the pre and post shock periods.

	Pre-shock	Post-shock	Difference
Total number of external seats	(1)	(2)	(2) – (1)
Cross-listing in the U.S.			
Means	2.806	4.116	1.309***
Medians	2	3	1***
U.S. institutional blockholder			
Means	2.689	4.124	1.435***
Medians	2	3	1***
Foreign award			
Means	2.853	4.622	1.769***
Medians	2	4	2***
U.S. lawsuits			
Means	3.719	2.841	-0.877***
Medians	3	2	-1***
Involuntary international cross-listing			
Means	2.790	3.654	0.864***
Medians	2	3	1***

Table 3. Labor market consequences of global shocks to reputation

This table presents regression estimates of the labor market consequences to outside directors of global reputation shocks. Table 1 provides variable definitions. We winsorize all continuous variables at the one percent level and use one-year lagged values of time-varying independent variables. The t-statistics appear in brackets below parameter estimates. Robust standard errors are estimated by clustering at the firm level. Asterisks ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Variables	(1)	(2)	(3)	(4)
Cross-listing in the U.S.	0.253*** [3.140]	0.187** [2.074]	0.201** [2.228]	0.317*** [3.438]
U.S. institutional blockholder	0.126*** [4.028]	0.108*** [3.074]	0.151*** [4.255]	0.201*** [4.110]
Foreign awards	0.630*** [4.089]	0.612*** [3.379]	0.638*** [3.088]	0.414*** [2.868]
U.S. lawsuits	-0.595*** [-11.175]	-0.491*** [-9.030]	-0.463*** [-8.393]	-0.161** [-2.376]
Log (tenure)		-0.064*** [-8.904]	0.043*** [4.221]	-0.061*** [-8.100]
Log (director age)		1.155*** [5.710]	-0.015 [-0.068]	11.193*** [16.397]
Age > 65		-0.326*** [-15.786]	-0.275*** [-13.691]	-0.151*** [-7.082]
Another firm CEO		0.224*** [8.682]	0.190*** [7.346]	0.169*** [6.665]
Chairman		0.001 [0.039]	0.049 [1.261]	-0.029 [-1.205]
Audit committee member		0.381*** [27.520]	0.518*** [31.606]	0.341*** [24.808]
Compensation committee member		0.127*** [6.410]	0.132*** [4.601]	0.147*** [8.564]
Nomination committee member		-0.027 [-1.167]	-0.029 [-0.872]	0.035* [1.688]
Stock returns		0.005 [1.404]	0.005 [1.339]	
Market-to-book ratio		0.001 [1.062]	0.001 [0.979]	
Log (assets)		0.033*** [2.766]	0.021* [1.668]	
Foreign sales ratio		0.034 [1.206]	0.024 [0.849]	
Foreign director %		0.171** [1.977]	0.248*** [2.713]	
Board independence %		0.339*** [4.242]	0.301*** [3.733]	
Inside ownership %		0.099*** [4.009]	0.090*** [3.753]	
Stock market cap/GDP		0.256*** [13.173]	0.220*** [11.748]	
Industry market-to-book ratio		0.001*** [2.834]	0.001*** [2.699]	
Director, Firm and Year FEs	Yes	Yes	Yes	Yes
Director*Firm FEs	No	No	Yes	No
Firm*Year FEs	No	No	No	Yes
Observations	396,356	294,916	294,916	294,916
R-squared	0.837	0.845	0.869	0.886

Table 4. Labor market consequences of involuntary cross-listings in the U.S. to reputation

This table presents regression estimates of the labor market consequences to outside directors of involuntary international cross-listings. Table 1 provides variable definitions. We winsorize all continuous variables at the one percent level and use one-year lagged values of time-varying independent variables. The t-statistics appear in brackets below parameter estimates. Robust standard errors are estimated by clustering at the firm level. Asterisks ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Variables	(1)	(2)	(3)	(4)
Involuntary cross-listing in the U.S.	0.090*** [3.463]	0.085*** [3.038]	0.056** [1.990]	0.268*** [6.110]
Log (tenure)		-0.064*** [-8.888]	0.042*** [4.063]	-0.061*** [-8.049]
Log (director age)		1.083*** [5.188]	0.021 [0.091]	11.272*** [16.461]
Age > 65		-0.333*** [-15.848]	-0.279*** [-13.685]	-0.153*** [-7.146]
Another firm CEO		0.226*** [8.630]	0.191*** [7.234]	0.168*** [6.608]
Chairman		0.003 [0.128]	0.05 [1.276]	-0.027 [-1.148]
Audit committee member		0.382*** [27.626]	0.520*** [31.679]	0.342*** [24.979]
Compensation committee member		0.128*** [6.465]	0.131*** [4.574]	0.149*** [8.679]
Nomination committee member		-0.03 [-1.310]	-0.033 [-0.997]	0.036* [1.708]
Stock returns		0.007* [1.688]	0.006 [1.629]	
Market-to-book ratio		0.001 [1.171]	0.001 [1.065]	
Log (assets)		0.040*** [3.330]	0.029** [2.281]	
Foreign sales ratio		0.039 [1.375]	0.029 [1.019]	
Board independence %		0.326*** [4.028]	0.294*** [3.602]	
Inside ownership %		0.101*** [4.041]	0.091*** [3.738]	
Foreign director %		0.165* [1.880]	0.248*** [2.690]	
Stock market cap/GDP		0.262*** [13.265]	0.225*** [11.827]	
Industry market-to-book ratio		0.001*** [2.733]	0.001*** [2.578]	
Director, Firm and Year FEs	Yes	Yes	Yes	Yes
Director*Firm FEs	No	No	Yes	No
Firm*Year FEs	No	No	No	Yes
Observations	396,356	294,916	294,916	294,916
R-squared	0.837	0.845	0.868	0.886

Table 5. The pre-shock reputation of directors and labor market consequences of global shocks

This table presents regression estimates of the labor market consequences on global shocks across directors with varying degrees of pre-shock reputation. Table 1 provides variable definitions. We estimate equation (1) after including one of the following three variables as interaction terms in the specification used in column (3) of Table 2: log (industry experience) is defined as the natural logarithm of the number of years spent in the industry the firm belongs to, log (director age) is the natural logarithm of director age, and small firm indicator equals one for firms in the bottom quartile of the sample in terms of their total assets, zero otherwise. We only report the coefficient estimates on the global shock indicators and their interaction terms with these three variables for brevity. We winsorize all continuous variables at the one percent level and use one-year lagged values of time-varying independent variables. The t-statistics appear in brackets below parameter estimates. Robust standard errors are estimated by clustering at the director level. Asterisks ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Variables	Attribute is defined as		
	Log (industry experience) (1)	Log (director age) (2)	Small firm (3)
Cross-listing in the U.S.	0.211** [2.389]	3.516*** [9.947]	0.173* [1.874]
Cross-listing in the U.S. * attribute	-0.028*** [-4.345]	-0.802*** [-8.937]	0.274** [2.209]
U.S. institutional blockholder	0.178*** [3.998]	9.362*** [11.410]	0.056 [1.503]
U.S. institutional blockholder * attribute	-0.022*** [-5.135]	-2.257*** [-11.148]	0.300*** [4.479]
Foreign awards	0.768*** [3.274]	6.384*** [13.448]	0.597*** [3.256]
Foreign awards * attribute	-0.064*** [-3.520]	-1.456*** [-11.111]	0.408* [1.755]
U.S. lawsuits	-0.105* [-1.728]	12.338*** [8.525]	-0.504*** [-9.013]
U.S. lawsuits * attribute	-0.031*** [-4.537]	-3.100*** [-8.718]	0.419*** [3.425]
Involuntary cross-listing in the U.S.	0.220*** [5.777]	5.065*** [8.594]	0.068** [2.476]
Involuntary cross-listing in the U.S.* attribute	-0.025*** [-5.770]	-1.212*** [-8.342]	0.316** [2.390]
Director, firm and country time-varying controls	Yes	Yes	Yes
Director, Firm and Year FEs	Yes	Yes	Yes
Observations	294,916	294,916	294,916
R-squared	0.847	0.847	0.845

Table 6. Investor protection and labor market consequences of global shocks to reputation

This table presents regression estimates of the labor market consequences to outside directors of global reputation shocks in countries with varying levels of investor protection. Table 1 provides variable definitions. We winsorize all continuous variables at the one percent level and use one-year lagged values of time-varying independent variables. The t-statistics appear in brackets below parameter estimates. Robust standard errors are estimated by clustering at the director level. Asterisks ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Variables	Investor Protection defined as	
	Common law (1)	Anti-self-dealing index (2)
Cross-listing in the U.S.	-0.157* [-1.782]	0.062 [0.404]
Cross-listing in the U.S. * Inv. Prot.	0.560*** [4.637]	0.236** [2.034]
U.S. institutional blockholder	-0.244*** [-5.452]	-0.485*** [-6.512]
U.S. institutional blockholder * Inv. Prot.	0.533*** [8.720]	0.910*** [7.677]
Foreign awards	0.110 [0.583]	0.177 [0.563]
Foreign awards * Inv. Prot.	0.730*** [2.937]	0.688* [1.915]
US lawsuits	-0.360*** [-5.806]	-0.662*** [-5.568]
US lawsuits * Inv. Prot.	-0.198 [-0.806]	0.438 [1.124]
Involuntary cross-listings in the U.S.	-0.061** [-2.266]	-0.348*** [-6.622]
Involuntary cross-listings in the U.S.* Inv. Prot.	0.357*** [7.091]	0.711*** [7.769]
Director, firm and country time-varying controls	Yes	Yes
Director, Firm and Year FEs	Yes	Yes
Observations	294,092	294,092
R-squared	0.846	0.846

Table 7. Robustness Checks

This table presents results from various robustness checks. In the first row, the control sample includes the pre-shock observations for the directors subject to global shocks. In the second row we only focus on observations within five years around the global shock to identify the impact of shocked directors. In the third row we exclude directors of firms that became privately held, merged, liquidated, or otherwise became inactive throughout the sample period. In the fourth row, we exclude directors of foreign nationality. In the final row, we consider the impact of global reputation shocks to the sum of board seats in publicly-traded and privately-held firms. Table 1 provides variable definitions. We winsorize all continuous variables at the one percent level and use one-year lagged values of time-varying independent variables. The t-statistics appear in brackets below parameter estimates. Robust standard errors are estimated by clustering at the director level. Asterisks ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Variables	Cross-listings in the U.S. (1)	U.S. institutional blockholder (2)	Foreign awards (3)	U.S. lawsuits (4)	Involuntary cross-listings in the U.S. (5)
Control sample includes only pre-shock observations					
Shock	0.172* [1.873]	0.091*** [2.657]	0.758*** [3.284]	-0.483*** [-8.763]	0.131*** [3.969]
Post-period includes only (0, +5)					
Shock	0.272*** [2.852]	0.167*** [4.905]	0.416*** [2.944]	-0.316*** [-5.908]	0.108*** [4.030]
Inactive firms are excluded					
Shock	0.223** [2.025]	0.204*** [5.116]	0.830*** [3.753]	-0.517*** [-8.077]	0.148*** [5.283]
Foreign directors excluded					
Shock	0.196*** [6.681]	0.092*** [6.550]	0.450*** [8.001]	-0.509*** [-19.927]	0.056*** [4.346]
Private board seats included					
Shock	0.290** [2.288]	0.111 [1.425]	0.500** [2.327]	-0.523*** [-5.032]	0.256*** [3.450]

Table 8. Robustness Checks: Director-level Regressions

This table presents estimates of the labor market consequences to outside directors of global reputation shocks using a director-year level sample. Table 1 provides variable definitions. We winsorize all continuous variables at the one percent level and use one-year lagged values of time-varying independent variables. The t-statistics appear in brackets below parameter estimates. Robust standard errors are estimated by clustering at the director level. Asterisks ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Variables	OLS	Poisson	Negative Binomial
Cross-listing in the U.S.	0.189*** [7.039]	0.054*** [3.610]	0.054*** [3.610]
U.S. institutional blockholder	0.057*** [4.412]	0.017** [2.326]	0.017** [2.326]
Foreign awards	0.274*** [5.424]	0.063** [2.395]	0.063** [2.395]
U.S. lawsuits	-0.354*** [-14.917]	-0.110*** [-8.049]	-0.110*** [-8.049]
Involuntary cross-listing in the U.S.	0.117*** [9.683]	0.040*** [5.477]	0.040*** [5.477]
Log (tenure)	-0.143*** [-30.387]	-0.060*** [-19.528]	-0.060*** [-19.528]
Log (director age)	7.050*** [32.239]	3.162*** [21.081]	3.162*** [21.078]
Age > 65	-0.143*** [-14.236]	-0.044*** [-7.224]	-0.044*** [-7.224]
Another firm CEO	1.184*** [37.574]	0.296*** [18.585]	0.296*** [18.585]
Chairman	0.041*** [2.645]	0.022** [2.351]	0.022** [2.351]
Stock returns	0.000*** [3.436]	0.000* [1.943]	0.000* [1.943]
Market-to-book ratio	-0.000 [-0.341]	-0.000 [-0.220]	-0.000 [-0.220]
Log (assets)	0.194*** [60.507]	0.067*** [34.678]	0.067*** [34.678]
Board independence %	0.337*** [11.051]	0.134*** [6.851]	0.134*** [6.851]
Inside ownership %	0.001*** [4.023]	0.000*** [2.988]	0.000*** [2.988]
Foreign sales ratio	0.043*** [3.210]	0.020** [2.217]	0.020** [2.217]
Foreign director %	-0.000 [-0.010]	-0.006 [-0.336]	-0.006 [-0.336]
Stock market cap/GDP	0.002*** [21.635]	0.001*** [12.973]	0.001*** [12.973]
Industry market-to-book ratio	0.001*** [4.032]	0.000*** [2.751]	0.000*** [2.751]
Constant	-29.475*** [-34.092]	—	—
Director and Year FEs	Yes	Yes	Yes
Observations	240,286	237,229	237,229
R-squared	0.047	—	—
Log likelihood	—	-255,890***	-255,890***

Table 9. Labor market consequences of global shocks to reputation: a matched sample analysis

This table presents regression estimates of the labor market consequences to outside directors of global reputation shocks for the matched sample at the director-year level. Panel A presents the univariate matching diagnostic test results and Panel B presents the multivariate logit regression estimates for the matched sample separately for each proxy for global reputation. The treatment group consists of directors of non-U.S. firms subject to the respective event, and the control group includes directors of firms not subject to the respective event. Matching is established at the director level using the nearest neighbor matching procedure with the Mahalanobis metric as the weighting criterion and as of the year prior to the shock using one-year lagged total number of board seats, director age and gender, average stock returns, natural logarithm of total assets, inside ownership, and legal environment. For the second, third, and fourth measures of global reputation and visibility, the matching criteria also include the presence of international cross-listings in the United States. Cross-listing is an indicator variable that equals one if the firm has an American Depository Receipt issuance. The coefficient estimates on each proxy for global reputation are reported in Panel C separately for each global reputation shock. Table 1 provides variable definitions. We winsorize all continuous variables at the one percent level and use one-year lagged values of time-varying independent variables. The t-statistics appear in brackets below parameter estimates. Robust standard errors are estimated by clustering at the director level. Asterisks ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Panel A. Matching Diagnostics: univariate statistics

Variable	Cross-listing in the U.S.			U.S. institutional blockholder			Foreign awards			U.S. lawsuits			Involuntary cross-listings in the U.S.		
	Treated	Control	Δ	Treated	Control	Δ	Treated	Control	Δ	Treated	Control	Δ	Treated	Control	Δ
Stock returns	0.383	0.356	0.027	0.419	0.388	0.030	0.269	0.275	-0.006	0.015	0.022	-0.007	0.114	0.092	0.022*
Log (assets)	22.256	22.253	0.003	20.776	20.737	0.039	22.287	22.047	0.240	23.435	23.366	0.069	22.463	22.329	0.134*
Log (director age)	4.017	4.021	-0.004	4.022	4.024	-0.002	3.986	3.995	-0.009	4.076	4.071	0.005	4.041	4.041	0.000
Female director	0.028	0.028	0.000	0.081	0.081	0.000	0.160	0.153	0.007	0.074	0.071	0.003	0.094	0.094	0.000
Total number of seats	2.866	2.771	0.095	3.012	2.931	0.082	3.300	3.448	-0.149	2.197	2.190	0.007	2.440	2.364	0.076
Inside ownership %	0.317	0.317	0.000	0.280	0.279	0.000	37.627	37.737	-0.110	0.209	0.206	0.003	0.346	0.346	0.000
Corruption	0.763	0.810	-0.046	1.553	1.555	-0.002	1.242	1.252	-0.010	1.542	1.548	-0.006	1.423	1.438	-0.016
Civil law	0.572	0.572	0.000	0.356	0.356	0.000	0.303	0.282	0.021	0.613	0.608	0.006	0.615	0.615	0.000
Cross-listing	—	—	—	0.209	0.203	0.005	0.371	0.347	0.024	0.563	0.562	0.001	—	—	—

Panel B. Matching Diagnostics: multivariate analysis

Variables	Cross-listing in the U.S.	U.S. institutional blockholder	Foreign awards	U.S. lawsuits	Involuntary cross-listings in the U.S.
	(1)	(2)	(3)	(4)	(5)
Stock returns	0.020 [1.202]	0.009 [1.541]	-0.004 [-0.079]	-0.001 [-0.366]	0.027 [1.637]
Log (assets)	0.002 [0.295]	0.002 [0.697]	0.015 [1.096]	0.006 [0.667]	0.014 [1.431]
Log (director age)	-0.055 [-0.598]	-0.033 [-0.894]	-0.070 [-0.492]	0.058 [0.572]	-0.025 [-0.757]
Female director	-0.013 [-0.169]	-0.004 [-0.166]	0.015 [0.202]	0.015 [0.291]	0.003 [0.175]
Total number of seats	0.012 [1.586]	0.004 [1.514]	-0.006 [-0.551]	-0.001 [-0.072]	0.006 [0.930]
Inside ownership %	-0.002 [-0.052]	-0.001 [-0.012]	0.001 [0.113]	0.001 [0.195]	-0.001 [-0.028]
Corruption	-0.013 [-0.832]	0.000 [0.017]	-0.004 [-0.114]	-0.005 [-0.242]	-0.007 [-0.175]
Civil law	0.014 [0.375]	0.001 [0.051]	-0.001 [-0.022]	0.003 [0.098]	-0.005 [-0.068]
Cross-listing	—	0.009 [0.455]	0.004 [0.053]	-0.015 [-0.385]	—
Constant	0.625 [1.549]	0.568*** [3.704]	0.424 [0.724]	0.126 [0.304]	0.280 [1.171]
No. of observations	1,076	7,006	397	1,476	9,770
R-squared	0.005	0.001	0.005	0.001	0.003

Panel C. Regression Results

Variables	Cross-listing in the U.S. (1)	U.S. institutional blockholder (2)	Foreign awards (3)	U.S. lawsuits (4)	Involuntary cross-listings in the U.S. (5)
Shock	0.221*** [4.052]	0.068* [1.733]	0.506** [2.295]	-0.077** [-2.094]	0.099*** [5.584]
Log (director age)	7.533*** [6.338]	8.504*** [9.723]	14.341* [1.941]	14.350*** [12.158]	8.295*** [17.506]
Age > 65	-0.127** [-2.359]	-0.251*** [-6.238]	0.385 [1.120]	-0.059 [-1.386]	-0.227*** [-10.901]
Log (tenure)	-0.190*** [-6.711]	-0.179*** [-8.855]	-0.213** [-2.549]	-0.187*** [-8.874]	-0.229*** [-23.382]
Another firm CEO	1.091*** [7.740]	1.168*** [11.472]	0.533 [1.314]	1.110*** [10.045]	1.063*** [19.659]
Chairman	0.012 [0.130]	-0.052 [-0.908]	-0.140 [-0.446]	0.127* [1.667]	0.053 [1.583]
Stock returns	0.032 [1.475]	-0.006 [-0.402]	0.101* [1.822]	0.050** [2.365]	0.021** [2.277]
Log (assets)	0.316*** [18.871]	0.202*** [16.567]	0.334*** [4.099]	0.159*** [12.013]	0.225*** [33.328]
Foreign sales ratio	0.499*** [5.220]	-0.008 [-0.159]	0.626* [1.820]	0.069 [1.064]	0.029 [1.029]
Market-to-book ratio	<0.001 [0.079]	<0.001 [-0.513]	0.084 [0.364]	<0.001 [1.334]	<0.001 [0.728]
Board independence %	0.939** [2.079]	0.332*** [2.863]	-0.011 [-0.018]	0.831*** [5.177]	0.108 [1.613]
Inside ownership %	0.331*** [4.039]	-0.055 [-0.880]	0.174 [0.473]	0.427*** [5.488]	0.053* [1.667]
Foreign director %	-0.214 [-1.361]	-0.037 [-0.343]	-1.258 [-1.238]	0.145 [1.135]	-0.009 [-0.147]
Stock market cap/GDP	0.414*** [7.197]	0.128*** [3.681]	0.378* [1.876]	0.302*** [5.962]	0.126*** [8.462]
Industry market-to-book ratio	<0.001 [-0.249]	0.002*** [2.612]	-0.091 [-0.492]	<0.001 [0.120]	0.001*** [2.673]
Constant	-34.343*** [-7.324]	-34.895*** [-9.970]	-59.172** [-2.074]	-57.993*** [-12.993]	-34.820*** [-18.696]
Director, Firm, and Year FEs	Yes	Yes	Yes	Yes	Yes
Observations	8,353	19,253	3,4223	11,386	66,923
R-squared	0.103	0.058	0.103	0.093	0.061

Table 10. Changes in other labor market outcomes

This table presents regression estimates of changes in board seats in total director pay, domestic and non-domestic firms, the size of director network, and obtaining positions as committee chairs, and board chairs following global reputation shocks. Table 1 provides variable definitions. We winsorize all continuous variables at the one percent level and use one-year lagged values of time-varying independent variables. The t-statistics appear in brackets below parameter estimates. Robust standard errors are estimated by clustering at the director level. Asterisks ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Panel A. Changes in total director compensation and board seats abroad

	Log (total pay)	Log (total pay/ number of seats)	Board seats in domestic firms	Board seats abroad
Variables	(1)	(2)	(3)	(4)
Cross-listing in the U.S.	0.162*** [2.899]	0.233*** [3.617]	0.192** [2.112]	0.001 [0.080]
U.S. institutional blockholder	0.117*** [5.327]	0.099*** [4.753]	0.101*** [2.875]	0.003 [1.508]
Foreign awards	0.249*** [3.927]	0.150** [2.075]	0.597*** [3.322]	0.015 [1.599]
U.S. lawsuits	-0.088*** [-2.721]	-0.003 [-0.096]	-0.485*** [-8.920]	-0.005 [-0.911]
Involuntary cross-listing in the U.S.	0.056*** [3.694]	0.033** [2.211]	0.079*** [2.849]	0.005** [2.548]
Director, Firm, and Year FEs	Yes	Yes	Yes	Yes
Time-varying Director and Firm Controls	Yes	Yes	Yes	Yes
Observations	95,787	95,787	294,916	294,916
R-squared	0.778	0.735	0.844	0.928

Panel B. Changes in network and committee roles

	Total number of committee chairmanships	Probability of becoming a chairman	Log (professional network size)
Variables	(1)	(2)	(3)
Cross-listing in the U.S.	0.021* [1.901]	-0.008 [-1.423]	0.001*** [3.723]
U.S. institutional blockholder	0.010* [1.739]	0.007* [1.954]	0.001* [1.894]
Foreign awards	0.051** [2.212]	0.029* [1.915]	0.002** [2.063]
U.S. lawsuits	-0.028** [-2.129]	-0.013* [-1.802]	-0.001** [-2.138]
Involuntary cross-listing in the U.S.	0.007 [1.281]	0.001 [0.321]	<0.001 [0.898]
Director, Firm, and Year FEs	Yes	Yes	Yes
Time-varying Director and Firm Controls	Yes	Yes	Yes
Observations	291,939	291,939	136,732
R-squared	0.770	0.652	0.549

Table 11. Market reaction to appointments of directors with global reputation shocks

This table presents the stock market reaction to announcements of board appointments of directors that experience global reputation shocks as outside directors. CAR is defined as the cumulative average daily abnormal returns calculated over the (-1, 1) event window where day 0 is the announcement day of the board appointment of an outside director. Daily abnormal returns are market model adjusted using parameters estimated over a 250 day estimation period between day-20 and day-270 where day is set as the announcement date. The MSCI ACWI index is used as a proxy for market returns. Table 1 provides variable definitions. Asterisks ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

	Average CAR	T-test p-value	Median CAR	Sign-test p-value
(1) Cross-listing in the U.S. (n=157)	0.931%	0.002	0.025%	0.154
(2) U.S. institutional blockholder (n = 576)	0.787%	0.001	0.248%	0.035
(3) Foreign awards (n = 73)	0.572%	0.063	0.151%	0.184
(4) US lawsuits (n = 161)	-1.120%	0.049	-0.244%	0.279
(5) Involuntary cross-listings in the U.S. (n = 407)	0.721%	0.004	0.257%	0.009

APPENDIX

Table 1. Market reaction to appointments of directors around global reputation shocks

This table presents the stock market reaction to announcements of board appointments of directors that experience global reputation shocks as outside directors. CAR is defined as the cumulative average daily abnormal returns calculated over the (-1, 1) event window where day 0 is the announcement day of the board appointment of an outside director. Daily abnormal returns are market model adjusted using parameters estimated over a 250 day estimation period between day-20 and day-270 where day is set as the announcement date. The MSCI ACWI index is used as a proxy for market returns. Columns (1) and (2) report results from t-tests of mean CARs and Wilcoxon rank tests of median CARs. The last column reports whether the means and medians are statistically different between the pre and post event periods. Table 1 provides variable definitions. Asterisks ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Variables	Post-event (1)	Pre-event (2)	Difference (1)-(2)
(1) Cross-listing in the U.S. (n=170)			
Average CAR	0.931%***	-0.245%	1.176%**
Median CAR	0.025%	-0.077%	0.102%
(2) U.S. institutional blockholder (n = 701)			
Average CAR	0.787%***	-0.271%	1.057%*
Median CAR	0.248%**	-0.934%	1.182%**
(3) Foreign awards (n = 83)			
Average CAR	0.572%*	0.023%	0.549%
Median CAR	0.151%	0.299%	-0.148%
(4) US lawsuits (n = 224)			
Average CAR	-1.120%**	0.103%	-1.224%
Median CAR	-0.244%	-0.187%	-0.057%
(5) Involuntary cross-listings in the U.S. (n = 1,182)			
Average CAR	0.721%***	0.132%	0.589%**
Median CAR	0.257%***	-0.349%	0.606%**