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The value of director reputation: Evidence from outside director appointments

Abstract

This study examines the role of director reputation using a sample of outside director appointments. Relative to existing literature, we focus on outside director appointments involving CEO award winners. Exploiting the award-induced change in a director's reputation, we are able to show that investors react more positively to the appointment of outside directors they perceive as more reputable. We find that this 'reputation premium' is approximately 2%, and robust across a range of subtests that control for a wide range of possibly confounding influences.

Keywords: director reputation; director appointment; announcement returns

Jel Classification: G30

1 Introduction

Reputation is a valuable commodity in the market for outside directors (Fama, 1980; Fama and Jensen, 1983). Recent research in particular has set out to understand the intricacies and implications of director-level reputation (Masulis and Mobbs, 2016, 2014; Jiang et al., 2015; Lin et al., 2016).

One area where reputation is particularly important but has not been directly studied is director appointments. Kaplan and Reishus (1990), for example, argue that while boards retain directors based on loyalty and relationships, director appointments are largely made based on reputation. The appointment of Leonard D. Schaeffer, CEO of WellPoint, as a director to Provident Financial provides an example of the importance of reputation in communicating rationale for appointments, and highlights how investors may be positively (or negatively) swayed based on the reputation conferred through the appointment announcement:

“Mr. Schaeffer was recently selected by BusinessWeek magazine as one of the "Top 25 Managers of the Year," and by WORTH magazine as one of the "50 Best CEOs in America" for his leadership of WellPoint, one of the nation's largest publicly traded health care companies. WellPoint operates in California as Blue Cross of California and as UNICARE Life & Health Insurance Company throughout the rest of the nation.”
(*Business Wire*, 14 February 2001, retrieved from LexisNexis)

It is not clear, however, whether firms benefit from the appointment of a reputable director and how investors view such appointments. Do investors recognize reputation as a resource and an incentive device that motivates directors to act in their

best interest? Or do they take a critical stance and view highly reputable directors as heavily time constrained directors waiting to “trade-up” as described in Masulis and Mobbs (2014) and take board positions at more prestigious firms? Given the difficulty in measuring and quantifying reputation there are no studies that have directly studied director reputation using outside director appointments and its impact on firm value. This study attempts to close this gap.

The hypothesis of our paper is that investors recognize and value director reputation and accordingly react more positive to the announcement of a director they perceive as more reputable. In particular, we expect investors to react significantly more positive to the appointment of a CEO that has won a CEO award. The CEO award serves as a public signal of the CEO’s status and reputation, promoting the CEO to something like a “celebrity” (Malmendier and Tate, 2009). Further, firms derive a certification benefit from the appointment of an active CEO (Fich, 2005; Fahlenbrach et al., 2010). Investors view the appointment of an active CEO more favourable than the appointment of a retired CEO or an early-career executive.

We use a sample that only consists of CEO award winners and evaluate investor reactions to their appointments as outside directors across different stages of their career before and after they win the first CEO award. We collect outside director appointments for individual CEO award winners from *LexisNexis*. Our final sample consists of 432 first-time director appointments of 238 individual directors from 1977 to 2015.

The approach presented in this paper has important advantages. Most existing studies, for example, compare investor reactions to CEO director appointments to those of non-CEO director appointments (Fich, 2005; Fahlenbrach et al., 2010). This

empirical approach, however, captures differences in the quality of directors rather than providing insights in respect to director reputation (Adams et al., 2010). And finally, using an event study we are able to circumvent sample selection concerns common in most studies in this area (Hermalin and Weisbach, 1998).

The key result in this study is consistent with recent research pointing to the importance of director-level reputation in the market for outside directors. We find convincing evidence that, across our sample, investor reactions are significantly stronger for the appointments of CEOs who have won an award. We call this the reputation premium. The premium ranges from 2.02% to 2.10%. For the average firm in our sample, this short-term value effect translates into an economically substantial increase in market value of between \$591 and \$614 million.

However, as in Fich (2005) and Fahlenbrach et al. (2010), the findings could be a reflection of differences in perceived director quality. To mitigate those concerns, we re-estimate our baseline regression for a subsample of just active CEOs. Again, we find that investors react significantly more positive to the announcement of CEO director appointment after the CEO has won an award.

Our findings confirm that reputation is an important commodity for outside directors. Further, we show that the appointment of a highly reputable director leads to a significant short-term value effect. The findings underscore that firms are rewarded for appointing directors based on their reputation. The findings presented throughout this paper allow valuable insights in the intricacies of the labour market for outside directors.

2 Data and descriptive statistics

We use a hand-collected list of CEO awards, in line with Malmendier and Tate (2009) and Shemesh (2014). The awards are from different sources such as *Business Week*, *Financial World*, *Forbes*, *Chief Executive*, *Morningstar.com*, *Electronic Business Magazine*, *Industry Week* and the *Harvard Business Review*. In total, our sample includes 839 CEO awards between 1975-2013. After accounting for those CEOs who have received multiple awards, we identify 582 individual award-winning CEOs.

Using the names of those individual award-winning CEOs, we search the *Lexis/Nexis* data retrieval system for newspaper articles and press releases covering director appointments. We exclude appointments that were announced alongside other major company news such as dividend announcements, press releases around appointments or retirements of executives and directors or proposed acquisitions. Second, we exclude appointments that constitute a director re-election (Fich, 2005). Following this procedure yields a total of 920 outside director appointments for 269 individual directors.

For every appointment we collect information from sources such as *Who's Who in Finance and Business* and *NNDB*, accounting data from *Compustat* and stock market data from *CRSP*. Our final sample for which all required information is available consists of 432 first-time director appointments from 1977 to 2015 of 238 individual directors who at some point over their careers win a CEO award. We then follow the standard methodology of Dodd and Warner (1983) and estimate cumulative abnormal returns (CARs) using the market model for 1 year of trading

data prior to the event window¹.

Information about the, variable definition, variable construction, director sample and firm characteristics are presented in Tables 1, 2. We see from Table 2 that at the time of their appointment as an outside director 58% are active CEOs and 27% are retired. The majority of award winners in our sample are male (>90%). Approximately 5% of the appointees are founders or co-founders and a similar proportion constitutes appointments of individuals who primarily work outside the US. Moreover, at the time of appointment, the average director holds 2.2 corporate board seats. In respect to education, approximately 13% of the directors in the sample hold a Ph.D., J.D. or M.D. and almost 30% have received at least part of their education in an Ivy League institution. Finally, we find that just over half (57%) of the appointments occur after the director has won the first CEO award. On average, the directors in our sample win approximately 1.5 awards throughout their career.

The average appointing firm in our sample is very large with \$46 billion in total assets and a market capitalization of \$29 billion, has a market-to-book value of 3.4, research and development expenses of 6%, and a return on asset of 13%. CARs for director appointment announcements are positive across all event windows and range from 0.3% to 0.6%.

3 Empirical strategy

To formally test our hypothesis, we estimate the following regression model:

$$CAR_i = \alpha_0 + \beta_1 CEO_i + \beta_2 First\ Award_i + \beta_3 CEO \times First\ Award_i + \beta_4 X_i' + \mu_i, \quad (1)$$

¹We also estimate CARs with market-adjusted returns to eliminate the possibility that a bias in the market model parameters are driving our results. The results in our main analysis are robust to the use of market-adjusted returns.

where CAR_i is the 3-day cumulative abnormal return of director announcement i . CEO is an indicator variable equal to 1 if the director is the CEO of another firm at the time of appointment. $First\ Award$ is an indicator variable equal to 1 if the director has won a CEO award at the time of the appointment. $CEO \times First\ Award$ is an interaction effect that is equal to 1 if the director is the CEO of another firm and has won an award at the time of appointment. Control variables (X_i) include director and firm characteristics described below.

To ensure the robustness of our results we re-estimate a similar model for a subset of 237 outside director appointments that occurred while the award winner was a CEO in order to isolate the impact of award winning reputation from quality of appointment. This results in a reduced estimation equation of:

$$CAR_i = \alpha_0 + \beta_1 First\ Award_i + \beta_2 X'_i + \mu_i, \quad (2)$$

We include control variables to capture different stages of the director's career (*Other Chief Executive* and *Other Executive*) and the total number of awards as a measure of ability (*Total Number of Awards*). We include a control variable for gender (*Female*) because female executives have been shown to behave differently compared to their male counterparts (Faccio et al., 2016). As a proxy for academic excellence and ability, we include an indicator variable for whether or not the director received part of his education in an Ivy League institution (*Ivy League*) and whether or not the director has a Ph.D or equivalent (*Ph.D./J.D./M.D*). Further controls include an indicator variable for whether or not the director is a founder or

co-founder (*Founder/CoFounder*), a control for whether or not the appointee works in the US (*International Appointment*). We include the total number of board seats held by the director (*Number of Directorships*) (Fich and Shivdasani, 2006; Falato et al., 2015) and an indicator variable to identify appointments of industry CEOs (*Industry CEO*)². To control for firm characteristics, we include a measures of firm size ($LN(Assets)$), firm value (*Market-to-Book*), research intensity (*R&D Expense*) and the contemporaneous (*ROA*) and lagged operating profitability (ROA_{t-1}). Definitions of all variables are contained in Table 1.

4 Investor reaction to director appointments

We now evaluate the findings to determine whether investor reactions differ according to a director’s reputation. In particular, we evaluate whether investor reactions are significantly stronger after a CEO has won a CEO award. Beginning with univariate results presented in Table 3, and remembering that our entire sample are CEOs at some point in their career and award winners at some point in their career: we find consistently more positive announcement returns for director appointments when the director is an active CEO and for the appointments of directors who have already won a CEO award. However, in both cases the differences are not statistically significant. The differences in appointment returns for CEO award winners, on the other hand, are considerable and statistically significant. Consistent with our argument, we find statistically significant and economically meaningful differences (0.85% vs. 0.17%).

An announcement return of 0.85% translated into an increase in market capitalization

²We define industries using the Fama-French 48 industry classifications. Using the Fama-French 12 industry classification or 2-digit SIC Codes does not change our results

of approximately \$249 million for the average appointing firm in our sample. The increase in market value is even more pronounced for the 5-day and 11-day event window.

Next, we test our prediction in a formal model. The results of our multivariate analysis are presented in 4. We find convincing evidence that, across our sample, investor reactions are significantly stronger for the appointments of CEOs who have won an award. The premium attached to announcements of directors who are CEOs and have won an award at the time of the appointment ($CEO \times FirstAward$) ranges from 2.02% to 2.10% (column (1) to column (6) in Table 4). We call this the reputation premium. Our findings provide direct evidence that reputation is recognized and valued by investors. For a firm with average market capitalization in our sample, the short-term value effect of the reputation premium is equivalent to \$591 to \$614 million.

Nevertheless, the findings could simply be a reflection of differences in perceived director quality (Fich, 2005; Fahlenbrach et al., 2010) due to some directors in our sample being active CEOs and some not, as we are looking at appointments across the award winner's careers, and quality can change over a career. To address this problem, we re-estimate our baseline regression for subsample of outside director appointments who are active CEOs. The results are reported in Table 5. Our results further support our argument that investors attach value to director reputation. Using a similar set of control variables, we find that appointments of outside directors who have won an award yield, on average, a premium around 1%.

A natural follow-on question is whether the observed premium increases with the number of CEO awards a CEO has won. Unreported analysis suggests that this is

not the case. We conclude that while the second (or third) CEO award may still further increase a CEO's reputation, the second award, and any thereafter, do not carry the same weight and are not reflected in investor reactions. Further, unreported univariate results and the empirical findings of Masulis and Mobbs (2014) support the notion that as directors become more reputable, they join the boards of larger firms. Overall, the positive coefficient on *FirstAward* suggests that despite joining the boards of larger firms, which is associated with a more negative reaction, CEO's who have won an award add value to the appointing firm.

5 Conclusion

Director reputation is a subject of study that has received increasing attention in recent years. As primary agents to protect shareholder interests outside directors have important fiduciary responsibilities. Given the limited incentive effects of director compensation, reputation has been recognized as an important incentive device.

Unlike most economic systems, financial incentives are not the primary incentive device the market for outside directors. Instead, director reputation has been recognized as an essential commodity that governs director selection and determines director effectiveness. This study introduces a novel way to study director reputation. Exploiting an exogenous shift in reputation, induced by prestigious CEO awards, we show that investors recognize and value the reputation of appointed outside directors. Moreover, we find that the appointment of a highly reputable director can lead to significant short-term value effect. Further research might provide additional insights by exploiting a similar methodology to study the long-term consequence of

director reputation.

Most important, this study clearly documents the existence of a reputation premium. That alone is an interesting and new finding. We confirm the robustness of the reputation premium for a subsample of CEO director appointments. Given the large average firm size in our sample the reputation premium translates into an economically meaningful short-term value effect.

While this study provides interesting additional insights and adds to our understanding of director reputation, further research is needed to evaluate the long-term consequences of director reputation, implications for firm outcomes and ultimately for shareholders.

6 Tables

Table 1
Variable definitions

Variable	Definition	Data source
Panel A: Awards		
First Award	An indicator variable equal to 1 if the director has won an award at the time of appointment.	CEO awards; LexisNexis
Total Number Awards	The total number of awards the director wins throughout his or her career.	CEO awards
Panel B: Director characteristics		
CEO	An indicator variable equal to 1 if the director is a CEO at the time of appointment	NNDB; Who's Who in Finance and Business, Execucomp
Other Chief Executive	An indicator variable equal to 1 if the director is a chief executive other than CEO at the time of appointment	NNDB; Who's Who in Finance and Business; Execucomp
Other Executive	An indicator variable equal to 1 if the director holds a non-chief executive position at the time of appointment	NNDB; Who's Who in Finance and Business; Execucomp
Retired	An indicator variable equal to 1 if the director is retired at the time of the appointment.	NNDB; Who's Who in Finance and Business; Execucomp
Female	An indicator variable equal to 1 if the director is female	NNDB; Who's Who in Finance and Business
Founder/CoFounder	An indicator variable equal to 1 if the director is a founder or co-founder of a publicly traded company	NNDB; Who's Who in Finance and Business
International Appointment	An indicator variable equal to 1 if the director's primary work is outside the United States.	NNDB; Who's Who in Finance and Business
Number of Board Seats	Number of outside board seats director held at time of appointment	LexisNexis, NNDB, Bloomberg Businessweek, RiskMetrics
More Than 4 Board Seats	An indicator variable equal to 1 if the director held more than 4 outside board seats at the time of appointment.	LexisNexis, NNDB, Bloomberg Businessweek, RiskMetrics
Ph.D./J.D./M.D.	An indicator variable equal to 1 if the director has a Ph.D, J.D. or M.D.	NNDB; Who's Who in Finance and Business
Ivy League	An indicator variable equal to 1 if the director has completed at least parts of his or her education at an ivy league institution	NNDB; Who's Who in Finance and Business
Panel C: Appointing and appointee firm characteristics		
Assets (\$M)	Total assets.	Compustat
Market Capitalization	Market capitalization.	CRSP
Market-to-Book	Market capitalization over book equity.	CRSP; Compustat
R&D Expense	R&D expenditure over lagged assets. Missing values are substituted with zeros unless indicated.	Compustat
ROA	Operating income before depreciation over lagged assets.	Compustat

Table 2
Descriptive statistics

The table below reports director-level descriptive statistics. The sample consists of 432 outside director appointments of 238 individual directors from 1977 to 2015. For every appointment we collect information from sources such as *Who's Who in Finance and Business* and *NNDB*. Balance sheet data is from *Compustat* and stock market data from *CRSP*. Cumulative abnormal returns are computed using the market model for 1 year of trading data prior to the event window around the director appointment. The number of observations are reported in column (1), mean and median in column (2) and (3) respectively, standard deviation in column (4) and the 10th and 90th percentile in column (5) and (6).

	Obs. (1)	Mean (2)	Median (3)	Std. Dev. (4)	p10 (5)	p90 (6)
<u>Director characteristics:</u>						
CEO	430	0.584	1	0.494	0	1
Other Chief Executive	430	0.042	0	0.201	0	0
Other Executive	430	0.107	0	0.309	0	1
Retired	430	0.265	0	0.442	0	1
Female	429	0.096	0	0.294	0	0
Founder/CoFounder	430	0.051	0	0.221	0	0
International Appointment	432	0.049	0	0.215	0	0
Number of Board Seats	430	2.177	2	1.337	1	4
More Than 4 Board Seats	432	0.1759	0	0.3812	9	1
PhD/J.D./M.D.	430	0.126	0	0.332	0	1
Ivy League	430	0.288	0	0.454	0	1
First Award	432	0.567	1	0.496	0	1
Total Number Awards	432	1.479	1	0.975	1	3
<u>Appointing firm characteristics:</u>						
Assets (\$M)	423	46,606	6,443	120,034	282	125,451
Market Capitalization	423	29,256	6,495	63,777	429	70,419
Market-to-Book	423	3.382	2.324	3.669	0.708	7.004
R&D Expense	417	0.059	0.005	0.183	0.000	0.138
ROA	423	0.133	0.146	0.113	0.013	0.253
ROA _(t-1)	417	0.126	0.144	0.118	0.000	0.247
<u>Appointing firm announcement returns:</u>						
CAR[-1,1]	407	0.003	0.002	0.038	-0.038	0.049
CAR[-2,2]	407	0.006	0.004	0.048	-0.048	0.058
CAR[-5,5]	408	0.004	0.001	0.079	-0.077	0.088

Table 3
Univariate analysis: Investor reaction to outside director appointments

This table presents univariate results for the 3-day, 5-day and 11-day cumulative abnormal return (CAR) around the outside director appointments in our sample. We report mean and median cumulative abnormal returns. Panel A compares CARs for CEO director appointments versus non-CEO director appointments. Panel B compares CARs for a subsample of award winners vs. non-award winners and Panel C compares CARs for a subsample of directors who are CEOs and have won an award to the remaining directors in the sample. We report we report a *t*-test for means in column (3) and a Wilcoxon signed-rank test for medians in column (4).

Panel A	Outside director is CEO Mean (Median) (1)	Outside director is not CEO Mean (Median) (2)	t-Value (t-test) (3)	z-Value (Wilcoxon test) (4)
CAR[-1,1]	0.0060 (0.0025)	-0.0002 (0.0001)	1.614	1.372
CAR[-2,2]	0.0074 (0.0060)	0.0035 (0.0002)	0.8197	1.430
CAR[-5,5]	0.0082 (0.0043)	-0.0007 (-0.0019)	1.125	0.970
Panel B	Outside director is award-winner Mean (Median) (1)	Outside director is not award-winner Mean (Median) (2)	t-Value (t-test) (3)	z-Value (Wilcoxon test) (4)
CAR[-1,1]	0.0035 (0.0024)	0.0033 (0.0011)	0.0655	0.373
CAR[-2,2]	0.0073 (0.0058)	0.0039 (0.0033)	0.7086	0.518
CAR[-5,5]	0.0074 (0.0011)	0.0009 (-0.0050)	0.8265	0.509
Panel C	Outside director is CEO and award-winner Mean (Median) (1)	Outside director is not CEO and not award-winner Mean (Median) (2)	t-Value (t-test) (3)	z-Value (Wilcoxon test) (4)
CAR[-1,1]	0.0085 (0.0057)	0.0017 (0.0002)	1.775*	1.969**
CAR[-2,2]	0.0116 (0.0084)	0.0038 (0.0015)	1.789*	1.979**
CAR[-5,5]	0.0172 (0.0118)	0.0002 (-0.0030)	1.955**	1.858*

Table 4
Multivariate analysis: Investor reaction to outside director appointments

This table reports regression results with the 3-day cumulative abnormal return associated with an outside director appointment as dependent variable. The sample consists of 432 outside director appointments of 238 individual directors from 1977 to 2015. An intercept is included in all regressions but not reported. t – statistics given in parentheses are based on standard errors corrected for heteroskedasticity and director-level clustering. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels.

	CAR[-1,1]					
	(1)	(2)	(3)	(4)	(5)	(6)
$CEO \times FirstAward$	0.0209*** (2.78)	0.0210*** (2.75)	0.0202*** (2.66)	0.0204*** (2.63)	0.0203*** (2.62)	0.0207*** (2.66)
CEO	-0.0142** (-2.00)	-0.0141** (-1.98)	-0.0138* (-1.92)	-0.0137* (-1.91)	-0.0142* (-1.96)	-0.0147** (-2.03)
First Award	-0.0126* (-1.94)	-0.0126* (-1.93)	-0.0115* (-1.75)	-0.0115* (-1.72)	-0.0114* (-1.72)	-0.0119* (-1.81)
Total Number Awards	-0.00193 (-0.89)	-0.00191 (-0.84)	-0.00188 (-0.82)	-0.00195 (-0.85)	-0.00196 (-0.86)	-0.00193 (-0.86)
Other Chief Executive	-0.00282 (-0.29)	-0.00292 (-0.30)	-0.00353 (-0.35)	-0.00337 (-0.34)	-0.00321 (-0.32)	-0.00301 (-0.31)
Other Executive	-0.0205*** (-3.12)	-0.0205*** (-3.09)	-0.0212*** (-3.22)	-0.0211*** (-3.18)	-0.0211*** (-3.19)	-0.0208*** (-3.15)
Female	-0.0180*** (-3.46)	-0.0178*** (-3.35)	-0.0183*** (-3.43)	-0.0185*** (-3.37)	-0.0188*** (-3.35)	-0.0190*** (-3.39)
Founder/CoFounder		-0.000977 (-0.14)	-0.00159 (-0.22)	-0.00182 (-0.26)	-0.00172 (-0.24)	-0.00186 (-0.27)
International Appointment		-0.00130 (-0.19)	-0.00201 (-0.30)	-0.00170 (-0.24)	-0.00117 (-0.16)	-0.00138 (-0.20)
Number of Board Seats			-0.00126 (-0.84)	-0.00134 (-0.91)	-0.00127 (-0.86)	
More Than 4 Board Seats						-0.00649 (-1.37)
Ph.D./J.D./M.D.				-0.00327 (-0.62)	-0.00321 (-0.61)	-0.00330 (-0.61)
Ivy League				0.00124 (0.29)	0.00162 (0.37)	0.00158 (0.35)
Industry CEO					0.00617 (0.61)	0.00577 (0.56)
LN(Assets)	-0.00153 (-1.59)	-0.00152 (-1.57)	-0.00154 (-1.58)	-0.00155 (-1.58)	-0.00148 (-1.48)	-0.00153 (-1.52)
Market-to-Book	-0.00107* (-1.70)	-0.00106* (-1.67)	-0.00112* (-1.77)	-0.00111* (-1.77)	-0.00115* (-1.78)	-0.00116* (-1.81)
R&D Expense	-0.00328 (-0.15)	-0.00302 (-0.14)	-0.00121 (-0.06)	-0.000521 (-0.02)	-0.000181 (-0.01)	-0.00170 (-0.08)
ROA	0.0669* (1.96)	0.0674* (1.96)	0.0675* (1.93)	0.0666* (1.92)	0.0673* (1.94)	0.0692** (2.00)
ROA _(t-1)	-0.0237 (-0.59)	-0.0240 (-0.60)	-0.0234 (-0.57)	-0.0227 (-0.55)	-0.0219 (-0.53)	-0.0245 (-0.59)
Observations	398	398	398	398	398	398
R ²	0.067	0.067	0.069	0.070	0.071	0.073

Table 5
Multivariate analysis: Investor reaction to CEO outside director appointments

This table reports regression results with the 3-day cumulative abnormal return associated with the appointment of a CEO as outside director. The sample consists of 237 CEO outside director appointments. An intercept is included in all regressions but not reported. *t* – statistics given in parentheses are based on standard errors corrected for heteroskedasticity and director-level clustering. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels.

	CAR[-1,1]			
	(1)	(2)	(3)	(4)
First Award	0.00921** (2.08)	0.00936** (2.08)	0.00966** (2.10)	0.00969** (2.10)
Total Number Awards	-0.00220 (-0.84)	-0.00224 (-0.85)	-0.00223 (-0.85)	-0.00225 (-0.86)
Female	-0.0211 (-1.59)	-0.0213 (-1.61)	-0.0216 (-1.60)	-0.0220 (-1.60)
Founder/CoFounder	0.000794 (0.09)	0.000572 (0.07)	0.000555 (0.06)	0.000587 (0.07)
International Appointment	-0.0000542 (-0.01)	-0.000608 (-0.07)	-0.000871 (-0.10)	-0.000401 (-0.05)
Number of Board Seats		-0.000867 (-0.43)	-0.000810 (-0.40)	-0.000725 (-0.35)
Ph.D./J.D./M.D.			-0.00418 (-0.70)	-0.00409 (-0.68)
Ivy League			-0.000636 (-0.11)	-0.000252 (-0.04)
Industry CEO				0.00401 (0.35)
LN(Assets)	-0.00268** (-2.02)	-0.00266** (-1.98)	-0.00267** (-1.99)	-0.00259* (-1.84)
Market-to-Book	-0.00125 (-1.45)	-0.00128 (-1.48)	-0.00124 (-1.43)	-0.00129 (-1.41)
R&D Expense	0.00211 (0.05)	0.00336 (0.08)	0.00354 (0.08)	0.00218 (0.05)
ROA	0.0541 (1.44)	0.0542 (1.42)	0.0534 (1.41)	0.0535 (1.40)
ROA _(t-1)	-0.0276 (-0.59)	-0.0264 (-0.55)	-0.0262 (-0.54)	-0.0243 (-0.49)
Observations	237	237	237	237
R ²	0.055	0.055	0.057	0.057

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