DIRECTORS' PROFESSIONAL DEVALUATION FROM FIRM BANKRUPTCY: AN

INTEGRATED MODEL OF THE EFFECTS OF STIGMA, DEVALUATED

COMPETENCE, AND GAINED EXPERIENCE

A Dissertation

Presented to

The Faculty of the C.T Bauer College of Business

University Of Houston

In Partial Fulfillment

Of the Requirements for the Degree

Doctor of Philosophy

By

Klavdia Ballard

August 2016

ABSTRACT

Building on signaling theory and the literature on judgment under uncertainties, I examine the effects of a stigmatizing event on board of directors' professional future. I ask if the professional devaluation of directors--in terms of number of board appointments, quality of board appointments, and compensation from board appointments--takes place due to the stigma of incompetence, or courtesy stigma, or layered stigma. My theoretical model differentiates among directors associated with (1) the origin of the bankruptcy, (2) its filing, and (3) the organizational reorganization. I associate bankruptcy origination with stigma of incompetence, and bankruptcy filing with courtesy stigma. In addition, I argue that monitoring a company through bankruptcy reorganization is a value-increasing experience and will be rewarded by the executive labor market. Finally, the model considers the possibility of overlaps in the involvement of directors in more than one stage of Chapter 11 bankruptcy, and the associated consequences in the executive labor market.

My findings confirm that, indeed, directors are treated differently by the elite labor market, because of the types of stigmas they carry. More specifically, directors, who are stigmatized as incompetent, carry fewer board appointments than those who are stigmatized by association. Although my predictions about the effects of layered stigma and the effects of involvement in reorganization were not supported, I uncovered some promising relationships that may indicate stigma internalization by compromised board members.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER 1: INTRODUCTION

If we accept that corporate boards are in place "to scrutinize the highest decision makers in the firm" (Fama, 1980:294), then, how do we explain that the directors of Blockbuster, Radio Shack, Circuit City, and Blackberry failed shareholders' expectations severely and allowed these companies to reach the performance bottom? To prevent such financial disasters, a number of board accountability mechanisms exist – government regulations, firms' shareholders, and the executive labor market. In the case of government regulations, despite the passing of Sarbanes-Oxley and the well-intentioned attempts to create the environment which promotes corporate accountability, Sarbanes-Oxley did not address "the real problem with corporate governance—boards of directors" and "failed to fully account for the critical role a board of directors plays in improving corporate governance"(Forbes, 2012). In the case of shareholders, they have very little power to demand directors' accountability mainly because of the politics of the nomination process and the staggered (or classified) structure of the boards (Aguilera, 2005).

Research examining the effects of the executive labor market as a mechanism for board accountability has shown actual ramifications for board directors such as the impact of past performance of the focal firm on both the number of current and future board appointments for directors (Fama and Jensen, 1983, Ferris, Jagannathan, and Pritchard, 2003). Additionally, outside directors who leave the boards of financially distressed firms held one-third fewer seats on other boards three years following their departure (Gilson, 1990). Overall, many studies have confirmed that directors' turnover rises in the firms that experience poor performance (Boeker and Goodstein, 1991; Crutchley, Garner, and Marshall, 2002). In fact, the directors whose professional biography is compromised with financial restatements are 65 percent more likely to be dismissed from the board of the firm where the business failure occurred (Arthur-Day, Certo, Dalton and Dalton, 2006) and 25 percent on average are more likely to lose the board appointments at other firms (Srivinsan, 2005). These studies share as common denominator the

phenomenon of "settling-up," which is rooted in the notion that agents' current performance will affect their future opportunities and pay (Fama, 1980).

Although research findings highlight that corporate failure--significant damage to a firm's performance, financial health, or legitimacy (Weisenfeld, Wurthmann, and Hambrics, 2008)--causes negative outcomes to the directors' future career, there is no consensus in explaining the underlying mechanisms of why the elite labor market holds some actors more accountable for corporate failure than others. To address this question, I theorize that directors are treated in different manner because they carry different types of stigma. I define stigma as the possession (or perceived possession) of "some attribute, or characteristic, that conveys a social identity that is devalued in a particular social context" (Crocker, Major, Steele, Gilbert, and Fiske, 1998: 505). Moreover, I examine if corporate failure unavoidably leads to professional devaluation, as it traditionally has been presented, or, if, in some cases, the executive labor market is forgiving and even rewarding.

I seek to contribute to corporate governance research in three ways. First, this study offers new insights into the specific mechanisms behind directors' professional devaluation. Specifically, using the stereotyping literature and signaling theory to advance investigation of directors' devaluation, I take a fine-grained approach in examining two types of stigma – stigma of incompetence and courtesy stigma - as an important differentiator of directors' stature on the market. To date, research on directors' devaluation has been primarily targeting two areas. The first area addresses stigma management, that is, how executives manage or manipulate the connection between a corporate failure and the individual (Semadeni, Cannella Jr., Fraser, and Lee, 2008). These studies have focused on how timing of detachment from a failing organization affects directors' professional future (Gilson, 1990; Arthaud-Day, Certo, Dalton, and Delton, 2006). The second area deals with directors' characteristics (e.g., director independence, committees, appointments, and directors' capital) that either elevate or defuse the impact of

corporate deterioration on directors' careers (Arthaud-Day et al., 2006; Srinivasan, 2005, Marcel and Cowen, 2014). However, the boards vary not only in characteristics reflecting the directors' capital and their role on the board, but also in the degree to which directors of the bankrupt firm are actually associated with the bankruptcy. As a result of this heterogeneity, different board members experience different types of stigma due to occurrence of bankruptcy. Such diversity can be an influential factor in explaining why the elite labor market holds some actors more accountable for corporate failure than others. By differentiating between stigma of incompetence and courtesy stigma, this study responds to the recent call for empirical investigation of consequences of stigma--a factor that has been relatively neglected in organizational and work settings (Paetzold, Dipboye, and Elsbach, 2008).

Second, this research broadens the spectrum of consequences that a director may face after association with corporate deterioration. To date, studies on executive devaluation have examined the directors' turnover rate by measuring the change in directors' board appointments before and after a corporate failure event. However, I argue that the nature of the consequences may not be limited only to the loss of board seats held by a director. Thus, in addition to the decline in the number of directorship appointments, I investigate if directors involved with the bankruptcy will face (1) change in quality of board appointments and (2) a decline in compensation from board appointments Moreover, prior research has been focused on the total number of board appointments before and after a corporate failure event as an indicator of settling-up (Arthaud-Day et al., 2006; Gilson, 1990). I also propose that the changes in the number of board appointments may change due to the level of familiarity of an affiliated board with a particular director. In other words, instead of capturing the change in the total number of board appointments as a whole, I differentiate new board memberships (board seats gained after the bankruptcy filing) from preexisting ones.

Finally, this study seeks to advance our understanding of the degree to which the executive labor market values directors' experience. The vast majority of studies stress the negative impact of corporate failure on a director's ability to keep existing board appointments and to assure board seats in the future. In this study, I propose that the experience of organizational reorganization after a bankruptcy can actually become an asset for both a director and the affiliated boards that he or she is on, and a valuable experience that is rewarded in the executive labor market. In other words, I propose that the experience of monitoring a company through the process to reorganization is a value-increasing experience and may actually be rewarded by the executive labor market.

In the sections that follow, I start by reviewing what we know and do not know about bankruptcy and its consequences for firm's executives and board directors, and about stigma in organizations. Then, I introduce a conceptual model and hypotheses on the relationship between the directors' involvement in different stages of Chapter 11 Bankruptcy and the consequences for them in the executive labor market. Finally, I delineate the next steps in testing the hypotheses by describing the sample, measures, and methods associated with this study.

CHAPTER 2: LITERATURE REVIEW

Bankruptcy and its consequences

Bankruptcy occurs when an organization lacks sufficient capital to meet all its obligations. I adopt Moulton and Thomas' definition of bankruptcy as "a legal process for ensuring that all claimants are treated fairly when the resources of the firm are inadequate to meet the claims on it in full" (1993:131). As shown in Table 1, Chapter 11 of the Bankruptcy Code offers an alternative to the liquidation of the distressed company (Chapter 7 of the Bankruptcy Code) and to the Out-of-Court settlement.

TABLE 1

Types of Corporate Bankruptcy

Reorganization Bankruptcy (Chapter 11)	Liquidation Bankruptcy (Chapter 7)	Out-of-Court Settlement
usually proposes a plan of reorganization to keep its business alive and pay creditors over time	provides for "liquidation" - the sale of a debtor's assets and the distribution of the proceeds to creditors	offers resolution of disputes between firms and its creditors without court involvement

Management research has examined corporate bankruptcy as a unique context for exploring the link between corporate governance and firm performance (Daily and Dalton, 1994). In the case of this study, bankruptcy provides a number of contextual conditions which are critical for the investigation of the relationship between a stigmatized event of corporate failure and the future careers of the directors. First, bankruptcy has been discussed as a stigmatized event (Weesenfeld et al., 2008) with severe consequences for a firm's managers and directors because of a long established association between bankruptcy and decision-makers' failure (Flynn and

Farid, 1991). Second, bankruptcy presents a unique setting to differentiate the two types of stigma examined in this study – stigma of incompetence and courtesy stigma. Third, since Chapter 11 Bankruptcy has been many companies' preferred choice to resolve financial crisis (Annabi, Breton, and Francois, 2012; Dovidenko, 2010), its consequences on the executive labor market deserve further investigation and are highly relevant to practicing managers.

Chapter 11 Bankruptcy presumes that keeping a company afloat is in greater benefit to its creditors than liquidating the firm. Since a firm lacks sufficient capital to meet its obligation, Chapter 11 Bankruptcy assists troubled companies with reorganization of their debt. Under protection of Chapter 11, management retains control over the firm's assets and freezes all creditors' claims – prohibiting them from collecting the debt and foreclosing on their collateral (Datta and Iskandar-Datta, 1995). Such measures enable falling companies to rehabilitate and continue on with "a financial fresh start" (Jackson, 1986:4). Indeed, Sirower (1991) points out that in the short run, bankruptcy filing increases shareholders' returns. Although some scholars advocate that Chapter 11 Bankruptcy can serve as a strategic tool for company's longevity (Flynn and Farid, 1991), most researchers state that bankruptcy is a costly and damaging endurance which often results in increased interest rates, inability to enter long-term contracts, and reduced bargaining power over suppliers (Hambrick and D'Aveni, 1988; Moulton and Thomas, 1993; Sutton and Callahan, 1987; Wruck, 1990).

The management literature has primarily focused on the investigation of bankruptcy as a result of specific governance characteristics. In other words, researchers have centered their efforts on uncovering executives and directors' attributes that can serve as predictors of financial deterioration (Chaganti, Mahajan, and Sharma, 1985; Hambrick and D'Aveni, 1992; Rauterkus, Rauterkus, and Munchus, 2013). For example, CEO's duality, low proportion of independent directors, and high proportion of affiliated directors are found to be some of the governance features of bankrupt firms (Daily and Dalton, 1994a, 1994b). Also, the board size of distressed

firms significantly decreases two years prior filing the bankruptcy due to the departure of outside board members (Gales and Kesner, 1994). Moreover, bankrupt firms' boards demonstrate a significantly lower percentage of interlocking board appointments, and a lower percentage of directors who are currently CEOs of other companies (Plat and Plat, 2012). Surprisingly, neither audit committee composition nor institutional investor holdings were found to be positively associated with bankruptcy (Daily, 1996).

Another stream of research on bankruptcy focuses on the consequences of such event for the involved executives and directors. Sutton and Callahan's (1987) case studies of four computer firms demonstrated that bankruptcy not only triggers a set of negative reactions from the key organizational stakeholders but also spoils the images of the firm's top managers. The notion that executives associated with bankruptcy are penalized was empirically tested by Gilson (1990). He presents evidence that 36 percent of the directors who resign from the boards of financially deteriorated firms (Chapter 11 Bankruptcy or private restructuralization) hold fewer outside board appointments three years following their departure.

In addition to the bankruptcy context, evidence of negative consequences for the executives affiliated with other stigmatized actions has been discussed. For example, a survey of corporate governance experts showed that association with a firm that is stigmatized as having a failing board will result in loss of outside directorships (Wurthmann, 2014). Furthermore, Srinivasan (2005) investigated the phenomenon of directors' devaluation in the context of earnings restatements – firm's acknowledgment that prior financial statement were not in agreement with generally accepted accounting principles (Palmrose and Scholz, 2004). The results of the study indicate that the executive labor market penalizes the directors of compromised organizations by offering them fewer board appointments. Moreover, such penalties become harsher for the audit-committee members and the directors of the firms with more severe restatements. Similarly, directors affiliated with fraud-related restatements are more likely to be dismissed because of

their negative impact on resource provision ability of the firm (Cowen and Marcel, 2011). Thus, growing research of career devaluation due to the link with stigmatized events has demonstrated that labor market penalizes compromised executives and directors.

Stigma: Definitions and Origins

Society, throughout history, has tended to mark those who were considered "polluted" by physical abnormality or a flaw of character. For example, Nathaniel Hawthorne, in his well-recognized novel *The Scarlet Letter,* describes how in 1642, a young woman living in Boston, Hester Prynne, is required to wear a scarlet "A" as a symbol of adultery because she is found to be unfaithful. In Nazi Germany, Jews were required to wear identifying badges (usually with the Star of David) as a symbol of being different and inferior to the rest of the population (Gutman, 1990). During the Middle Ages, those infected with leprosy, a feared and misunderstood disease, were obligated to wear distinctive clothes and ring bells to warn others of their proximity. Such visual signs as letter "A", the Star of David, or bells were referred by Greeks as stigma. In Greece, such markings were normally carved or burned on one's body as a mark of someone to be avoided such as criminals, traitors, or slaves (Goffman, 1963).

Stigmatized members of society "possess (or are believed to possess) some attribute, or characteristic, that conveys a social identity that is devalued in some particular social context" (Crocker, Major, and Steele, 1998:505). The stigmatized individuals face various unfavorable conditions – awkward and embarrassing social relations (Goffman, 1963), exclusion from strange interactions (Langer, Fiske, Taylor, and Chanowitz, 1976), challenges in securing employment (Jones et al., 1984).

According to Goffman (1963), stigma originates from (1) physical deformities, (2) blemishes of individual character, or (3) belonging to a particular tribe (race, nation, religion). Jones and colleagues (1984) took a different approach and suggested six groupings based on the nature of the stigma: (1) concealability – the extent to which a stigmatizing attribute is visible (teenager's

8

pregnancy), (2) course of the mark – the extent to which stigmatized characteristic will progress/or not over time (alcoholism vs facial disfiguration), (3) disruptiveness – the extent to which stigmatized characteristic becomes an obstacle to the normal flow of interactions (strong accent), (4) aesthetics – subjective view of unattractiveness of stigmatized characteristic (some experience much stronger negative feelings towards obese people than others), (5) origin of stigmatization (congenital, accidental, or intentional), (6) peril – the extent to which stigmatized characteristic is perceived dangerous to others (AIDS verses blindness) (Jones, Farina, Hastorf, Markus, Miller, and Scott, 1984).

In order for stigmatization to take place – based either on stigma origin or stigma nature – it has to be triggered by a certain motivation. The stereotyping literature suggests three functional approaches to explain the motivation for stigmatization. Some scholars suggest that people perceive society as a cluster of their own group – *us* - and all other groups- *them*, and a prejudiced view of *them* is created to provide personal benefits (Snyder and Miene, 1994) For example, young and middle-aged adults – *us* – perceive senior citizens – *them*- as dependent, slow-thinking, ill-tempered, and depressed (Hummert, 1994). For *us,* such stereotyping in the work place creates benefit - less competition for career opportunity since elderly employees are viewed as too old to perform effectively and should not be considered for promotions and employment in general. Creating benefit for *us* via stereotyping *them* due to age translates into discrimination against aging employees which is well documented in the literature (Freedberg, 1987; Zebrowitz and Montepare, 2008).

Other researchers argue that stigma is motivated by increased self-esteem and social identity, which occurs when one contrasts oneself against a devalued group (Fein and Spencer, 1997; Rubin and Hewstone, 1998). Finally, motivation for stigmatization may be rooted in the human tendency to avoid danger. Perceptions of easily-observable characteristics of others – their race, gender, accent, tattoos – serve as a valuable survival mechanism (Stangor and Crandall, 2003)

9

and allow quick detection of potential threats (Zebrowitz, 1996). Thus, some groups become stigmatized because they are viewed as threatening. In fact, among six stigma dimensions proposed by Jones and colleagues (1984) – concealability, course of the mark, disruptiveness, aesthetics, origin of stigmatization, and peril - the dimension of peril (the perceived threat of the stigmatizing attribute to the well-being of others) was found to be the most significant among other stigma dimensions (Deaux, Reid, Mizrahi, and Ethier, 1995). Given that current literature determines perception of threat to be the most feasible explanation for the development of stigma (Frable, 1993; Jones et al. 1984; Stangor and Crandal, 2003:67), I employ the same approach in this study.

Stigma in organizations

Research of sigma and its effects on organizations and their members has been relatively neglected in the management literature (Paetzold, Dipboye, and Elsbach, 2008). Recently, however, with qualitative and empirical studies, scholars have initiated conversation about organizational stigma - its comprehensive theory as well as its positive and negative consequences (Carberry and King, 2012; Devers, Dewett, Mishina, and Belsito, 2009, Helms and Patterson, 2014; Hudson and Okhuysen, 2009; Vergne, 2012). Scholars studying individual level stigma have primarily concentrated their efforts on examination of work-place discrimination as a function of stigmas based on race, disability, pregnancy, depression, obesity, and sexual orientation (Finkelstein, Frautschy, and Sweeney, 2007; King, Hebl, George, Matusik, 2009; Martin, 2010; Trau, 2015).

The two types of the individual level stigmas--stigma of incompetence and courtesy stigma--, which are in the spotlight of this study, have received very little attention in management literature. Stigma of incompetence was recently investigated in the study of Leslie, Mayer, and Kravitz (2014) and was found to be an explaining factor of why others evaluate performance of affirmative action plans' targets (e.g., women, ethnic minorities) negatively. As far as courtesy

stigma, Kulik, Brainbridge, and Cregan (2008) proposed a theoretical model that explains how employees stigmatized with courtesy stigma are evaluated by their peers. Some of the propositions made by the authors are put to the empirical test by this study in the context of bankruptcy. In the next section, I build on the distinction between stigma of incompetence and courtesy stigma as mechanisms through which the directors' involvement in different stages of Chapter 11 bankruptcy impacts their future directorships.

CHAPTER 3: THEORETICAL MODEL

Figure 1 shows my proposal of directors' involvement in different stages of chapter 11 bankruptcy and the resulting stigma. As mentioned earlier, I differentiate between two types of stigma: stigma of incompetence and courtesy stigma. I define stigma of incompetence as one's professional devaluation due to perceived inability to effectively fulfill job' demands because of some sort of professional failure in the past. In this context, stigma of incompetence results from a perception of directors as lacking the necessary competences--knowledge, skills, abilities, and personal traits—required to fulfill their duties effectively and successfully. I expect that, depending on the stage of Chapter 11 bankruptcy in which the directors are in involved, some of the directors will be stigmatized as incompetent. Specifically, I will argue in my hypotheses that, by being on the board of the troubled firm at the time of bankruptcy origination, those directors will be contaminated with stigma of incompetence. In contrast to the stigma of incompetence, courtesy stigma or stigma by association does not take place because of one's knowledge, skills, abilities, and personal traits. Courtesy stigma is defined as stigma that is transferred from the stigmatized one to the one who does not possess the stigmatizing attribute, but yet is "obligated to share some of the discredit of the stigmatized" (Goffman, 1963). Courtesy stigma is triggered by audience's association of one with a "blamed category." In the case of directors of a financially distressed firm, depending on the point in time in which the directors were involved with the firm, some of them will "absorb the stigma of the category to which they are perceived to belong" (Wiesenfeld et al., 2008:236). Specifically, I will argue that, by being on the board of the troubled firm at the time of bankruptcy filing and being associated with stigmatizing event-- bankruptcy--, those directors will be contaminated with courtesy stigma.

FIGURE 1

Stigma and Directors' Involvement in Chapter 11 Bankruptcy
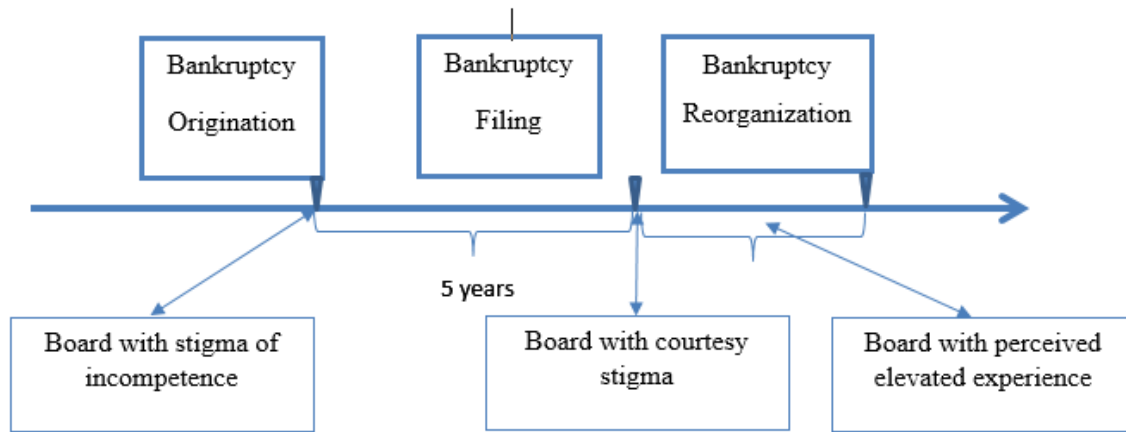
In Figure 1, I also differentiate among three types of involvement depending on the stage of the Chapter 11 bankruptcy in which the directors participated. Since "the board that is in place at the time of bankruptcy filing is not necessarily the board that presided over the decline on the firm" (Robinson, Robinson, and Sisneros, 2012:271), the first group represents the directors serving on the board of a company during the time of the bankruptcy's origination. This group consists of the directors serving on a board long before bankruptcy was filed. This board's input, or lack of one, may have contributed to the firm's financial failure. I argue that this board will be the one suffering from devaluated perceived expertise in the eyes of the executive labor market once the bankruptcy is filed, and, thus, will carry stigma of incompetence. I also know that financially distressed companies show evidence of financial deterioration as many as 5 years prior filing bankruptcy (Hambrick and D'Aveni, 1988). Therefore, I focus in my theorizing on the board that was in place five years prior to the bankruptcy filing; this timeframe is consistent with other studies investigating the relationship of board composition and likelihood of firm's bankruptcy (Daily and Dalton, 1994; Daily, 1996).

The second group in Figure 1 represents directors serving on the board at the time when a firm files for a bankruptcy. Unlike the first group, these directors do not possess a stigmatizing characteristic such as incompetence. Rather they are associated with the stigmatizing event itself--bankruptcy--by being on the board of the troubled firm at the time of bankruptcy filing. According to Goffman (1963), stigma has a tendency to spread to the ones who are associated with the stigmatized object and makes them "share some of the discredit of the stigmatized" (1963:30). I propose that this group of directors will be carrying a burden of stigma by association, also known as courtesy stigma.

Finally, the third group in Figure 1 represents directors serving on the board of the company while it goes through the reorganization process. Traditional Chapter 11 bankruptcy filings go through a reorganization period for an average of two years (Altman, 1993; Bradley and Rosenzweig, 1992; Moulton and Thomas, 1993). Directors, who are present on the board two years after the bankruptcy filing possess the experience of the reorganization, and, thus, I propose that such experience adds to the portfolio of directors' valuable assets and favors their position in the executive labor market.

Figure 2 shows my proposal of the directors' involvement in different stages of Chapter 11 bankruptcy and the associated consequences in the executive labor market. When examining these consequences for directors associated with bankruptcy, I use as one of my comparison groups those directors that have not served on boards of firms that went bankrupt. The assumption is that members from this reference group satisfy general expectations of directors' role, that is, the protection of the financial interests of the shareholders. In other words, they "do not depart negatively from particular expectations" (Goffman, 1963:5).

FIGURE 2

Directors' Involvement in Chapter 11 Bankruptcy and Consequences in Executive Labor Market
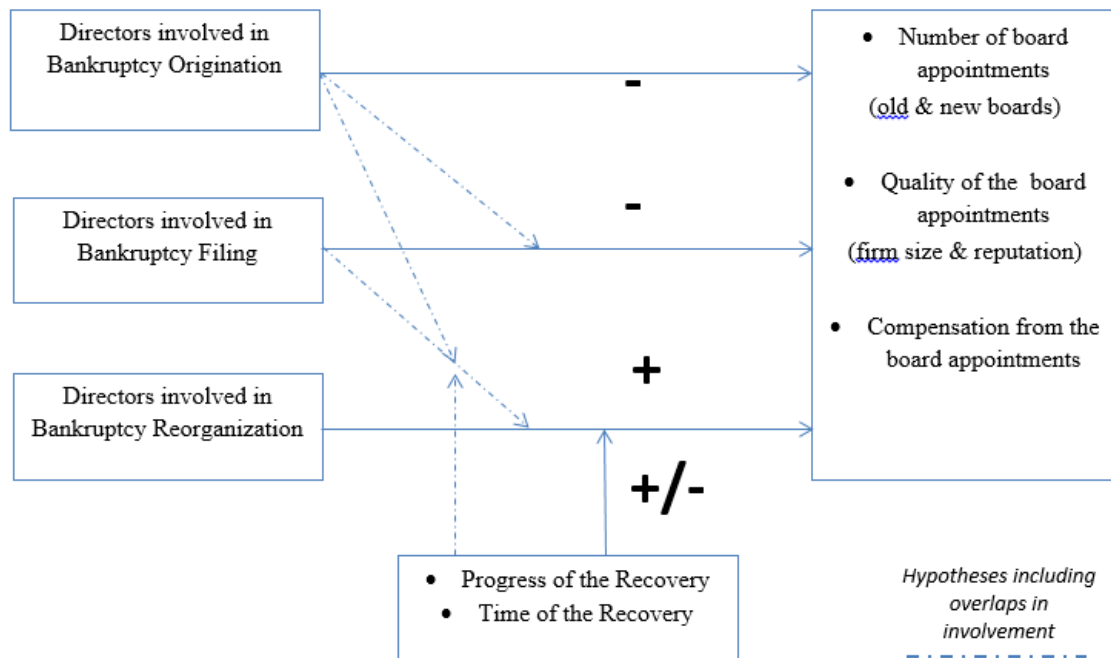
Past research suggests that mostly only the CEOs are rewarded for firms' good performance and blamed for poor results, leaving board members out of the spotlight (Graffin, Wade, Porac, and McNamee, 2008; Meindl, Ehrlich, and Dukerich, 1985). Nevertheless, the financial literature suggests that the ability of the boards to advise appropriate steps and follow-up on implementation of the decisions made is likely to define the financial stature of the company (Robinson, Robinson, and Sisneros, 2012) and that a "board has a major impact on the firm's ability to avoid bankruptcy" (Platt and Platt, 2012:1143). Moreover, boards "are influential in a wide range of outcomes related to strategic leadership" and are "involved in a broad range of activities that affect how top managers and CEOs do their job" (Finkelstein S, Hambrick D, Cannella. 2008:269). Indeed, Ken Lay, former CEO of Enron, never held the board accountable, but he clearly stated that board members gave a "green light" to all his actions (Ferrell and Ferrell, 2011). Both a special committee of Enron's own board and a Senate subcommittee concluded that board failed to monitor (Coffee, 2003).

In the next sections, I hypothesize how the directors' involvement in various stages of bankruptcy impacts their future directorship appointments in terms of: (1) the total number of board appointments including those in familiar firms and unfamiliar firms, (2) the quality of the board appointments in terms of firm size and firm reputation, and (3) the compensation resulting from board appointments.

Negative consequences of bankruptcy involvement on number of board appointments

In their recent review of the director selection literature, Withers, Hillman, and Cannella (2012) make a distinction between two rationales applied to the selection of the board members – economic and social. The authors argue that firms employing economic reasoning (meeting governance and resource needs, monitoring, and organizational legitimacy) for director selection will prefer those who are better equipped to carry out the primary functions of the board and positively influence governance and organizational performance (Fama and Jensen, 1983). Thus, when director selection is economically driven, the overall competence of the candidates is likely to be one of the deciding factors.

Given the evidence suggesting that boards have an effect on a firm's financial well-being, I propose that directors of bankrupt firms will likely be perceived as lacking competence as board members. Competence is traditionally defined as knowledge, skills, abilities, and personal traits required for effective work performance (Veres, Locklear, and Sims, 1990). Consequently, people who perform their jobs more competently than others are viewed as having a superior set of attributes (Sandberg, 2000). These attributes utilized to perform at a work environment are not context-free, but rather context-dependent (Barley, 1996; Tyre and Von Hippel, 1997). In the setting of a boardroom, directors are expected to have attributes that will enable them to fulfill the primary responsibilities of the board: monitor managers' decisions, assist with advice and counsel, provide valuable resources to the company and maintain firm legitimacy (Fama, 1980; Pfeffer and Salancik, 1978; Pfeffer, 1972; Selznick, 1957).

When the primary responsibilities of the board are not fulfilled, very undesirable organizational outcomes, such as bankruptcy, may take place (Finkelstein, Hambrick , and Cannella Jr, 2008). In the event of bankruptcy – "an organizational death" (D'Aveni, 1990:123) involved directors are perceived as unable to fulfill their essential duties effectively and are likely to be viewed as incompetent. Since competence contributes to the board's human capital (experience, expertise, and reputation) and is found to be positively associated with the ability of the board to provide critical resources (Hillman and Dalziel, 2003), directors polluted with perceived incompetence will be viewed as inadequate to fulfill the resource provision function. A director's lack of competence might be perceived as a threat to the effective functioning of affiliated boards and affiliated companies.

Building on the notion that perceived threat establishes a foundation for stigmatization, I argue that the directors serving on a company's board at the time of bankruptcy origination will be stigmatized as incompetent. Indeed, "people will stigmatize those seen as hindering the effective functioning of groups" (Neuberg, Smith, and Asher, 2000:37). Research shows that in cooperative groups, relatively incompetent members are disliked because they decrease the group's chances of success (Rosenfield, Stephan, and Lucker, 1981). According to Neuberg and colleagues, "because groups need to get things done, individuals viewed as incompetent will be stigmatized" (2000:47), and this process is rooted in the very biological need of humans to exist among capable and competent (Neuberg, Smith, and Asher, 2000).

Moreover, those directors stigmatized as incompetent might be viewed as a threat because of their damaged personal professional legitimacy, where professional legitimacy is an indicator of a person's qualifications in terms of knowledge, skills, and competencies for a particular profession (Lawrence, 1998). Since the directors' ability to deliver financial stability to the company is doubtful, the normative legitimacy of the affiliated firm might be under fire. The presence of legitimate directors suggests to stakeholders the value and worth of the company

(Pfeffer and Salancik, 1978). Therefore, executives of the affiliated firms are likely to exercise one of their main responsibilities--to maintain firm legitimacy (Selznick, 1957)--and will cut existing ties and relationships with the directors carrying stigma of incompetence. Suchman (1995) refers to these steps as disassociation--"structural change to symbolically distance the organization from "bad influence"" (1995: 598), and Brewer confirms that "individuals will gain advantage if they selectively avoid, reject, or eliminate other individuals whose behaviors are disruptive to group organization" (1999:57). A firm's association with a stigmatized director will cause immediate audiences (e.g., shareholders, employees, and lenders) to question if such affiliation will harm their interest. Hence, I predict:

Hypothesis 1: Three years after the bankruptcy filing, directors serving on a company's board at the time of bankruptcy origination will hold fewer total board appointments than directors not associated with bankruptcy.

Bankruptcy filing as an event of corporate failure has a negative effect on executives because it is associated with stigma (Sutton and Callahan, 1987). Wiesenfeld and colleagues argue that stigma lays the very foundation of the process by which an event of corporate failure results in professional devaluation of corporate elites. According to the process of stigmatization proposed by Wiesenfeld et al (2012), the directors of the financially distressed firms will be stigmatized due to their belonging to a "blame category"—a type of "courtesy stigma" (Goffman, 1963) or stigma by association. In other words, stakeholders' perception of directors serving on the board at the time of bankruptcy filing "will be influenced by the negative stereotype attached to the stigma source" (Kulik et al,, 2008:219); in the context of this study, that source is bankruptcy. I expect that, by being on the board of the troubled firm at the time of bankruptcy filing and being associated with the stigmatizing event--bankruptcy--the directors will be contaminated with stigma by association. Once the directors are stigmatized, they become the stigma source on

18

their own, and involvement with such directors will expose members of affiliated boards to stigma by association as well.

Goffman (1963) theorized that stigma by association can "mark" people affiliated with the stigmatized group through either social structure connections or choice. For instance, Walther and Devine (2002) has found that pairing of the photos of a "neutral" person with a disliked one results in devaluation of a "neutral" individual. Moreover, males who are associated with homosexual men were rated less positively than the males who were associated with heterosexual men (Neuberg, Smith, Hoffman and Russel, 1994). Hudson and Okhuysen's (2009) qualitative study of men's bathhouses showed that stigma transfers not only to the immediate patrons of the establishments but also to their network partners - vendors and the representative of the regulatory agencies (building inspectors and health department inspectors). Research has established that "stigma by association is a highly robust phenomenon" (Pryor, Reeder, and Monroe, 2012:235) and the very vigorous nature of it provides a reason why relations with stigmatized individuals are "either to be avoided or to be terminated, where existing" (Goffman, 1963:30).

As it was the case for directors serving on the board at the time of bankruptcy and carrying stigma of incompetence, the motivation for the stigmatization of directors serving on the board at the time of bankruptcy filing is rooted in perceived threat. Affiliated boards will try to avoid stigmatized directors because of the perceived threat of damaging their socially generated assets. Since stakeholders' mentality may follow the old proverb "birds of a feather flock together", the boards that choose to associate with the stigmatized directors may be perceived as problematic (Mehta and Farina, 1988). Moreover, stakeholders may assume that the reason that a board affiliates with a stigmatized director is that higher status candidates are not attracted to the board (Pryor, Reeder, and Monroe, 2012). Thus, directors contaminated with stigma present a threat to

the social approval assets - status, image, and prestige of those who are in contact with them (Hebl, Tickle, Heatherton, 2000).

Damaged prestige and status play a critical role in the directors' election process. As mentioned earlier, Withers and colleagues' (2012) review highlights that firms' selection process is driven by economic or social factors. For the socially driven companies, the director nomination and selection process is motivated by factors that are "less about good corporate governance and more about social status and prestige" (Withers et al, 2012:247). Thus, when director selection is socially driven, firms will avoid affiliation with directors discredited by courtesy stigma (Mace, 1971; Mills, 1956; Useem, 1984). Hence, I predict:

Hypothesis 2: Three years after the bankruptcy filing, directors serving on a company's board at the time of a bankruptcy filing will hold fewer total board appointments than directors not associated with bankruptcy.

According to Ferris, Jagannathan, and Pritchard (2003), prior financial performance of the firm is significant as a determinant of current and future boards' appointments. The study concludes that the market rewards superior monitoring skills as they result in elevated financial organizational outcomes. Similarly, Srinivasan (2005) states that "those [directors] who perform poorly will be penalized by loss in positions and benefits" (2005: 292). These prior findings seem to suggest that directors serving on the board five years prior to bankruptcy filing, and carrying stigma of incompetence, experience a higher turnover rate than the ones who are on the board at the time of filing. However, I argue that this will not be the case in the context of bankruptcy and that, in contrast, the most recent board will be penalized more than the one which is associated with the very origins of corporate deterioration.

My argument is rooted in the literature on judgment under uncertainty and signaling theory. At the times of bankruptcy, a great deal of haziness surrounds all who are somehow associated

with the event. For the most part, outside audiences do not have accurate information about all actors who directly or indirectly participated in corporate failure. In such conditions, when information is limited and the environment does not provide clearly defined clues in favor of particular outcomes, one heavily relies on heuristics (Holcomb, Ireland, Holmes, and Hitt, 2009) - "cognitive shortcuts that emerge when information, time, and processing capacity is limited" (Bingham and Eisenhardt, 2011: 1439). Since the bankruptcy filing event is the most recent in contrast to the origins of the failure years ago, it will be discussed intensively by the media as well as elite business circles. According to Tversky and Kahneman (1974), this is an example of the use of representativeness heuristics--that is, making judgments about an object in question by the degree to which this object represents or resembles a certain object class. In this context, the board under which the bankruptcy filing is announced is an "object" and the financial failure is a "certain object class". As a result, whoever represents the troubled firm at the most recent time, will be related to the failure in stakeholders' minds.

Signaling theory suggests that the presence of stigmatized or compromised directors serve as one of the company's observable attributes that increases investors' uncertainty about a firm's value. Uncertainty arises because the investors are cautious to see if jeopardized directors engage in poor monitoring and ineffective council. In fact, Kang (2008) argues that investors do focus on the board appointments of the CEOs, whose companies are accused of financial reporting fraud, to see if interlocking firms adopt similar improper accounting practices. Moreover, since bankruptcy indicates "some form of business failure that is costly to all stakeholders" (Moulton and Thomas, 1993), investors might doubt the monitoring effectiveness of a board, which includes directors related to bankruptcy. Shareholders' perception of ineffective board monitoring and doubtful accounting practices is positively associated with likelihood reputational spillovers from a trouble firm to the associated one (Kang, 2008). Shareholders, as majority of humans, have a tendency to provide a simple explanation to the complex situations –

cognitive shortcuts. According to Staw and Sutton (1992) people tend to seek for simple and vivid explanation of firm's actions rather than engage in the uncomfortable task of investigation and understanding of complicated nature of variables contributing to the organizational activity. Thus, firm's audiences are likely to favor an obvious link between the most recent event – filing the bankruptcy – and the directors who were holding the board seats at the time of filing. By doing so, they are likely to overlook the association of bankruptcy with the board members who were there five years prior the filing and whose influence could have contributed to the financial distress of the company.

> *Hypothesis 3: Three years after the bankruptcy filing, directors serving on a company's board at the time of a bankruptcy filing will hold fewer total board appointments than directors serving on the company's board at the time of the bankruptcy origination.*

As I have noted earlier, not all boards will react in a same manner towards the directors of bankrupt firms. For example, boards with greater dependence on external audiences are more likely to dismiss compromised directors (Cowen and Marcel, 2011). I suggest that the difference in outcomes also is rooted in the level of familiarity of the affiliated board with the director of a failing company. I propose to divide all directorships of the compromised directors into two categories. The first category consists of boards on which directors served when the bankruptcy of the focal company was filed. I will refer to them as *familiar* boards. The second category is made up of the boards which directors joined after the bankruptcy announcement, and those will be referred as *unfamiliar* boards. I argue that *familiar* and *unfamiliar* boards will not perceive a stigmatized director in the same way. My reasoning is rooted in the notion of cognitive processing – particularly in the model of multi-characteristic processing known in the literature as the balancing principle (Freese and Cohen, 1973; Freese, 1974). This principle states that audiences will block expectations from one's defused characteristic if more concrete characteristic of a different evaluation exists (Knottnerus, 1988). For example, an audience is

likely to rely on defuse characteristic with low evaluation (gender) when they perceive a woman as lacking strength and endurance for serving in the military. However, the audiences who have undergone combat operations (performance characteristic with a high evaluation) with the same woman are likely to perceive her as a competent peer. According to the model of multi-characteristic processing such difference in perception is explained by the fact that the experience characteristic is more substantive than a symbolic characteristic of gender (Freese and Cohen, 1973: 179). Thus, characteristic of a woman's performance gained through mutual experience will "overweight" the characteristic of gender.

Similarly, the directors with stigma of incompetence will not be perceived in the same manner by *old* and *new* boards. *New* boards will evaluate a compromised director based on easily-observable characteristics such as age, gender, race, presence of bankruptcy in their professional biography and other information what *is known to them* about this individual (for example, the scope of previous experience and extent of his/her network). In contrast, *old* boards will evaluate the same director by the information what *is experienced by them*. Such evaluation will discount the fact of bankruptcy in director's professional biography and "utilize only the performance characteristic to infer task ability" (Knottnerus, 1988:428).

For a different theoretical reason, the evaluations of directors who carry courtesy stigma by the familiar boards will not be the same with their evaluations by unfamiliar boards. Building on interpersonal perception literature, Kulik et al. (2008) propose theoretical model of stigma by association in the workplace. The authors argue that stigma by association is less likely to take place when the associates have established relationship with a carrier of courtesy stigma. The proposition is explained by the access to more information about the stigmatized one. More information, including personal, in turn, is likely to trigger deeper cognitive processes, which will serve as a "speed bump" (2008:220) during the process of stigmatization.

Hypothesis 4: Three years after the bankruptcy filing, directors serving on a company's board at the time of the bankruptcy origination will hold fewer board appointments with new boards than with the old ones.

Hypothesis 5: Three years after the bankruptcy filing, directors serving on a company's board at the time of a bankruptcy filing will hold fewer board appointments with new boards than with the old ones.

Negative consequences of bankruptcy involvement on compensation from board appointments

Although some scholars advocate that "joining new boards is the only unambiguous indicator of how well a director is regarded by this market" (Davis, 1993), I argue that there might be additional indicators, and that the directors' settling up will not limited only to the decrease in the number of board appointments. I propose that directors will also suffer from economic penalties after the bankruptcy of the focal firm is filed. Devers and her colleagues state that stakeholders' negative reaction to stigma results not only in minimizing interaction with the stigmatized firm, but also in "demanding attractive economic exchange at the expense of the organization" (Devers et al., 2009). Such economic penalties can very likely be on the individual level as well. Indeed, qualitative research indicates that top managers of the bankrupt companies experienced difficulties in finding new employment, and "were often forced to accept new jobs with lower status and pay" (Sutton and Callahan, 1987:422).

Economic penalties of the directors can be explained by their weakened power as a result of the stigmatizing event since stigmas tend to reduce the power of compromised actors (Jones et al.,1984). An event of bankruptcy present in a director's professional record hands the audience a considerable leverage in compensation negotiations with the director of a fallen firm. Bankruptcy exemplifies an "objective peril" (Sutton and Callahan, 1987:417)--rather than a vague overall financial state of the firm--which is hard to oppose since it is a solid fact rather

than one's opinion or interpretation. Bankruptcy represents a tangible threat, which is instrumental in nature. Tangible threats endanger a material good – safety, wealth, or social position (Shaller, 1999). Thus, the very objective and threatening nature of the bankruptcy "disarms" compromised directors by giving the actors of the labor market a tangible argument for lower compensations during the negotiations. Past literature indicates that in negotiations, power plays a critical role for obtaining desirable outcome, because it can determine the allocation of rewards (Kim, 1997; Pinkley, Neale, & Bennett, 1994).

In the context of a stigmatized event, such as bankruptcy, the negotiating power of compromised directors weakens because of their deflated expert power. Expert power is one of five types of power which originates from various aspects of the relationship between the influencing partner and the influenced partner (French, Raven, and Cartwright, 1959). According to French and Raven, expert power is described as A's power over B as a function of B's perception that A possesses some special knowledge or expertise. In the setting of my investigation, B, the actors of the executive labor market, perceive that A, the compromised directors, lack the expertise needed to fulfill the primary responsibilities of the board: monitor managers' decisions, assist with advice and counsel, and provide valuable resources to the company (Fama, 1980, Pfeffer and Salancik, 1978; Pfeffer, 1972).   Moreover, Emerson introduces power as a function of dependence and states that "the power of B over A is equal to and based upon the dependence of A upon B" (1962: 32–33). In other words, the power of the directors' labor market over compromised directors is proportional to the degree of dependence of the compromised directors upon labor market' actors. Directors of the bankrupt firms become more dependent and consequently, less powerful, because the pool of the firms who are willing to engage with shunned directors becomes significantly smaller after the bankruptcy is announced.

An additional explanation for proposing a reduced compensation for directors associated with a bankrupt firm is offered by stigma research. Lerner (1980) suggests that, in order to justify one's unfortunate outcomes, the stigmatized individuals often become even more stigmatized by the more fortunate individuals or groups. This ironic phenomenon is explained by people' strong faith in a world that is just and fair. For example, AIDS is often perceived as a punishment for homosexual lifestyle and poverty is viewed as punishment for laziness (Furnham and Gunter, 1984; Robinson and Bell, 1978). Similarly, the lower compensation might be perceived and applied as a punishment to the board members of a bankrupt company for their lack of expertise. According to Lerner (1980), for executive labor market' actors, offering low compensation is justified by the principle of 'people get what they deserve', and therefore, directors of bankrupt firms must deserve their fate. Hence, I propose:

Hypothesis 6: Three years after the bankruptcy filing, directors serving on a company's board at the time of the bankruptcy origination will be compensated less for board appointments than directors not associated with bankruptcy.

Hypothesis 7: Three years after the bankruptcy filing, directors serving on a company's board at the time of a bankruptcy filing will be compensated less for board appointments than directors not associated with bankruptcy.

Negative consequences of bankruptcy involvement on quality of board appointments

I argue that corporate failure's consequences for directors are not limited only to the loss of board appointments and economic penalties. I expect that the quality of the board appointments that can be secured by the directors of the bankrupt firms will change as well, both in terms of the size of the firms and the reputation of the firms offering the appointments. Particularly, large firms and organizations with high reputation will be cautious about engaging or continuing the relationship with directors with "spotted" professional records, including both stigma of incompetence and courtesy stigma.

26

On average, large firms maintain more stakeholder ties (social and contractual), which in turn increases the organizations' status and visibility (Fombrun and Shanley, 1990; Meznar and Nigh, 1995; Phillips and Zuckerman, 2001). High visibility places the actions of large firms under a magnified glass. Each step made by a highly visible firm undergoes a great deal of scrutiny from multiple stakeholders. Affiliation with the directors involved in bankruptcy origination or bankruptcy filing will be noticed and be presented as a negative event given that bankruptcy is usually associated with financial destruction and deterioration. Such publicity might be very costly for a company because the organizations that are associated with negative events lose stakeholders' approval (Pfarrer, DeCelles, Smith, and Taylor, 2008; Suchman 1995) which translates into withdrawal from transactions with the organizations (Jonsson, Greve, and Fujiwara-Greve, 2009). Hence, I predict:

> *Hypothesis 8: Three years after the bankruptcy filing, directors serving on a company's board at the time of the bankruptcy origination will hold board appointments with smaller firms than directors not associated with bankruptcy.*

> *Hypothesis 9: Three years after the bankruptcy filing, directors serving on a company's board at the time of a bankruptcy filing will hold board appointments with smaller firms than directors not associated with bankruptcy.*

Large firms are not the only object to increased visibility. Reputable companies also stay under the stakeholders' spotlight because reputation is positively associated with media attention (Deephouse, 2000). Therefore, similarly to the case of large firms, organizations with high reputation will try to avoid occurrence of negative events. High reputation elevates the level of social expectations, which, at times of disruptions, leads to a more severe perception of the violation of those expectations (Wade, Porak, Pollock, and Graffin, 2006). Moreover, reputation is a valuable intangible asset, which provides an organization with sustainable competitive advantage (Barney, 1991) and is positively associated with firms' financial performance (Roberts

and Dowling, 2002). Therefore, a firm will guard its reputation and stay away from anything that might damage it, including directors marked by the stigma of incompetence or courtesy stigma.

Directors' reputation plays a critical role on the executive labor market. Signaling theory (Spence, 1973) proposes that hiring decisions are always accompanied with some uncertainty because employers cannot directly observe the marginal contribution of the applicants. Therefore, the hiring party must rely on observable characteristics as a proxy to make hiring decisions. According to Weigelt and Camerer (1988), uninformed agents can use reputation as a screening tool to determine the abilities of another agent. For example, the bank uses the reputation of the loan applicant to determine the borrower's ability to repay the loan and, in this case, the borrower's credit history score (a measure of his or her reputation as a loan applicant) serves as a screening tool (Stiglitz and Weiss, 1983). Fich (2005) suggests that a record of "prior accomplishments can be used as a measure of an individual's talents" (2005: 1946). In the executive labor market, all contributions and attributes of a director are not known to the hiring committees, thus, the evaluation of the candidates involves some degree of uncertainty. In this context, directors' reputation plays a critical role to indicate their abilities to fulfill their expected roles successfully. In contrast, directors with their reputation damaged by stigma by association with bankruptcy are not only perceived as a threat to well-being of the affiliated board, but also are not fully equipped to project competence and legitimacy to the executive labor market.

Directors are well aware of the rewarding reputational benefits arising from the firm's successful performance (Raheja, 2005), and also of the reputational burden coming from a firm's performance failure. Positive reputation may spill over between interorganizational networks (Stuart, Hoang, and Hybels, 1999) and enable a director to secure additional board sits in more elite organizations. Kang (2008) confirms that reputation does spill over but not uniformly. According to Kang, reputational spillovers are "more likely when associated firms have weak governance structures that may fail to protect investors' interests" (2008:551). In the case of

reputable firms, they will examine the director's reputation and will stay away from anything that might damage their strong company reputation, including directors marked by the stigma of prior bankruptcy involvement. Hence, I predict:

> *Hypothesis 10: Three years after the bankruptcy filing, directors serving on a company's board at the time of the bankruptcy origination will hold board appointments with lower reputation firms than directors not associated with bankruptcy.*

> *Hypothesis 11: Three years after the bankruptcy filing, directors serving on a company's board at the time of a bankruptcy filing will hold board appointments with lower reputation firms than directors not associated with bankruptcy.*

Positive consequences of bankruptcy involvement

Although most of the literature and a great deal of conventional wisdom stress the harmful nature of bankruptcy, a few studies investigate its benefits on an organizational level. For example, bankruptcy filing increases short-term shareholders return (Sirower, 1991) and can be a useful strategy for managing financial distress (Flynn and Farid, 1991). Having looked at the negative consequences of directors' involvement in bankruptcy, I propose in this final set of hypotheses that serving on the board of a company that undergoes bankruptcy can add to the portfolio of its directors' valuable experience.

Existing literature provides evidence that the executive labor market rewards one's experiences. For example, political experience of the directors was found to be valuable especially in regulated industries (Etzion and Davis; 2008; Hillman, 2005), and the range and depth of the expertise was directly associated with likelihood of politicians to be appointed as outside directors (Lester, Hillman, Zardkoohi, Cannella, 2008). Moreover, Brickley, Linck, and Coles (1999) found a strong association between the likelihood of post-retirement board directorships and CEO's performance while on the job. Significantly, the labor market appreciates director's experience with particular types of business affairs. Harford and Schonlau

(2013) discovered that acquisitions are positively associated with CEO's future board appointments. The fact that both value-creating and value-destroying acquisitions have positive effects on the CEO's future board seats illustrates that the director market values the experience of going through the acquisition process and disregards the outcome of this business venture.

Based on the value of experience, I believe that directors of the companies that undergo reorganization will be welcomed by the executive labor market. Chapter 11 bankruptcies are designed to prevent further financial deterioration of a firm through reorganization and restructuring of company's debt (Federal Bankruptcy Code). Ultimately, a reorganization process presents three possible outcomes: (a) financial recovery which allows firms to continue on with a new start as independent entity, (b) acquirement by another firm, or (c) an organizational death, that is, firm's liquidation. The last outcome, liquidation, generally "results from failing to procure the support of creditors" (D'Aveni, 1990:123). Creditors' support is essential for firm's reanimation because creditors extend loans' deadlines, adjust the interest rates, refinance existing debts, and reorganize the financial structure of the client (Williams, 1984). To come forward with these solutions, which will breathe financial life back into the troubled firms, creditors must have faith that the company will eventually recover and the debt will be paid off as a result of competent and honest management (Jensen and Meckling, 1976; D'Aveni, 1989). However, analysis of 339 corporate bankruptcies suggest that financial failures may be attributed to the deficit of managerial knowledge and firms' inertia to reacting to the environmental changes (Thornhill and Amit, 2003).

Moreover, the *time of recovery* is an important factor in the successful financial recovery because the longer it takes for a firm to emerge from the bankruptcy, the more loss is encountered by the stockholders (Datta and Iskandar-Datta, 1995).The time of recovery can also serve as an indicator of effectiveness of directors' involvement in the process of reorganization. It is reasonable to suggest that the directors who enable quick debt recovery will

be viewed as more competent. Also, I argue that another indicator of effectiveness of directors'

involvement in the process of reorganization is the *progress of the recovery.* This one is

captured by the *solvency of debtors*, that is, the company's assets divided by its debt (Warren and

Westbrook, 1999). For instance, in a scenario in which at the time of filing the company's assets

were 500 million and the debt was 800 million, then the solvency ratio at the time of filing was

0.625. After three years of reorganization, some debt was reduced (through pay-off, refinancing,

or interest reduction) and now is 550 million, thus the solvency ratio three year after the filing is

0.90. Comparing these two ratios leaves us with the positive difference of 0.275. Therefore, the

higher the ratio becomes in comparison to the original one (at the time of bankruptcy filing), the

more progress is made to pay off the original amount of debt. Hence, I predict:

Hypothesis 12: Three years after the bankruptcy filing, the directors' serving on the

company's board at the time of reorganization will hold more board appointments than

directors serving on a company's board at the time of (a) the bankruptcy origination and (b)

the bankruptcy filing, and this relationship will be positively moderated by the progress of

recovery such that as progress of recovery increases the relationship between directors

involvement in bankruptcy reorganization and board appointments become stronger.

Hypothesis 13: Three years after the bankruptcy filing, the directors' serving on the

company's board at the time of reorganization will hold more board appointments than

directors serving on a company's board at the time of (a) the bankruptcy origination and (b)

the bankruptcy filing, and this relationship will be negatively moderated by the time of the

recovery such that as time of the recovery decreases the relationship between directors

involvement in bankruptcy reorganization and board appointments become stronger.

Also, I argue that the directors with the experience of the reorganization process will also be

rewarded economically in contrast to those who was involved in either only origination of the

bankruptcy or its filing. My argument is rooted in the literature on negotiation. Past literature

indicates that in negotiations, power plays a critical role for obtaining desirable outcome, because it can determine the allocation of rewards (Kim, 1997; Pinkley, Neale, & Bennett, 1994). The negotiating power of directors involved in the recovery process strengthens as a result of unique experience of reorganization. Because of their increased expert power, they have a great deal of leverage over the other actors of the executive labor market. Moreover, I argue that the greater the complexity of the bankruptcy, as well as, the more progress made in the firm recovery, the stronger the expert power of the directors involved. Thus, I hypothesize,

Hypothesis 14: Three years after the bankruptcy filing, directors serving on the company's board at the time of reorganization will be compensated more for the board appointments than directors serving on a company's board at the time of (a) the bankruptcy origination and (b) the bankruptcy filing, and this relationship will be positively moderated by the progress of recovery such that as progress of recovery increases the relationship between directors involvement in bankruptcy reorganization and compensation from board appointments become stronger.

Hypothesis 15: Three years after the bankruptcy filing, directors serving on the company's board at the time of reorganization will be compensated more for the board appointments than directors serving on a company's board at the time of (a) the bankruptcy origination and (b) the bankruptcy filing, and this relationship will be negatively moderated by the time of the recovery such that as the of the recovery decreases the relationship between directors involvement in bankruptcy reorganization and compensation for unfamiliar board appointments become stronger.

Overlaps in directors' involvement

So far, I have hypothesized about possible consequences for the directors who served on the company's board at one of three points in time (bankruptcy origination, bankruptcy filing, and

32

bankruptcy reorganization). As mentioned earlier, directors involved at the time of a bankruptcy filing (carriers of courtesy stigma) and directors involved at the time of the bankruptcy origination (carriers of stigma of incompetence) will suffer negative consequences . In contrast, directors involved at the time of reorganization capture the value of enhanced experience in coming out of bankruptcy. It is very likely, however, that directors serve on the board of the troubled firm for a long time, and thus, they qualify to be included in more than one group. As a result of these overlaps, some directors may carry the stigma of incompetence as well as courtesy stigma, and other directors may carry courtesy stigma as well as the benefits of enhanced experience in bankruptcy reorganization. Particularly, I focus on the overlap between (1) origination and filing, (2) origination, filing, and reorganization, and (3) filing and reorganization. To avoid added complexity, I also focus in this section only on the effects of the overlaps in directors' involvement on number of board appointments. I discuss the possibility of directors being involved in origination and reorganization, as part of the future research directions resulting from the current study.

Prior literature has proposed the concept of layered stigma – simultaneous occurrence of different types of stigma toward the same subject. The concept primarily has been employed in the human resource literature and medical studies. Human resource scholars have found that carriers of layered (multiple) stigma based on race, gender, and age encounter compounded discrimination (Jones, 1997). For example, women with disabilities – who are stigmatized based on both: gender and disability -, in average, earn 35 percent less than men with disabilities – who are stigmatized based only on disability (Bowe, 1993). When the third layer of stigma, in form of race, compounds stigmas based on gender and stigma based on disability, it appears that African-American women with disabilities encounter the most of discrimination in the workplace (Alston and McCown, 1994). Similarly, medical studies examine how patients with various diseases and disorders suffer from multiple stigmas. For example, HIV stigma is often layered on top of

preexisting stigmas, such as stigmas of gender, sexual orientation, and age, and this layering results in more negative perception of the patients (Bharat, 2011; Holmes and Shea, 1997; Johnson, 1995; M. Y. Lee, Campbell, and Mulford, 1999).

I argue that the directors who carry layered stigma will suffer more severe consequences than the ones who carry only one type of stigma – either stigma of incompetence or courtesy stigma. My position is not based on the simple fact of critical mass – the more stigmas one carries the more negative outcomes one will face. I rather build my arguments on the nuances of the director selection process and labor market mechanisms. As I previously noted, companies apply two distinct rationales to the selection of the board members – economic and social (Withers Hillman, and Cannella; 2012). The firms employing the economic approach will prefer those who are better equipped to carry out primary functions of the board and positively influence governance and organizations performance (Fama and Jensen, 1983). However, the firms employing the social approach will be motivated by factors that are less about good corporate governance and more about social status and prestige (Mace, 1971; Mills, 1956; Useem. 1984; Withers, Hillman, and Cannella, 2012). Based on these two approaches, I conclude that the labor market will evaluate directors according to two broad sets of criteria. Companies employing an economic approach will greatly focus on nominees' expertise, knowledge, and abilities related to the successful execution of the primary functions of the board while companies employing a social approach will center their attention on candidates assets of social approval – prestige and status.

As I established earlier in this study, directors who are stigmatized as incompetent will suffer negative consequences because companies who practice the economic approach to director selection are unlikely to consider them as a possible nominee for directorship. Thus, demand for such directors significantly decreases. Moreover, I established that directors with courtesy stigma will also encounter unfavorable market conditions because the companies employing the social

34

approach to director selection are likely to exclude them from the pool of the candidates.

Consequently, the demand for those directors drops too. Since "the market for directors can be analyzed like any other labor markets" (Davis, 1993:202), it is reasonable to suggest that when supply is greater than demand some of the candidates are left without a directorship job offer. In case of directors with layered stigma (stigma of incompetence and courtesy stigma) the decreased demand will come from both camps of companies - those which practice an economic approach and those who employ a social approach towards director selection. As a result, the demand for directors with layered stigma will drastically drop. Hence,

> *Hypothesis 16: Three years after the bankruptcy filing, directors serving on a company's board at the times of bankruptcy origination and filing will hold fewer total board appointments than (a) directors serving on a company's board only at the time of bankruptcy origination and (b) directors serving on a company's board only at the time of a bankruptcy filing.*

Now, I discuss the possibility of directors being involved in the three stages of bankruptcy: origination, filing and reorganization. Just like the directors who are involved in both bankruptcy origination and filing, the directors who are involved in all three stages will be subject to layered stigma: stigma of incompetence and courtesy stigma. However, I argue, that the fact that these directors also undergo the process of reorganization will soften the negative impact of two stigmas. My position is rooted in the notion that "stigmas are neither inevitable nor permanent" (Paetzold, Dipboye, and Elsbach, 2008). Some psychologists believe that with the change in the beliefs of the audience and in the nature of relationship between audience and stigma targets, stigmas weaken or completely disappear (Kurzban and Leary, 2001). For example, in the last few decades, through media, breast cancer educational programs, and nation-wide breast cancer awareness walks, our society has been more and more educated about cancer as a disease. As a result of continues awareness and education, the audience' beliefs have changed. In turn, women

who undergone a mastectomy - a surgical removal of the entire breast, are no longer viewed as less feminine or less attractive. In fact, in many cases, what was previously stigmatized—a mastectomy—has now become a sign of courage and respect.

Others scholars believe that with elimination of threat (or of the perception of threat) represented by an individual or a group, those stigmatized become significantly less stigmatized (Neuberg, Smith, and Asher, 2003). According to this school of thought, directors who were involved in all three stages of bankruptcy - origination, filing and reorganization - will present less of a threat. They will actually no longer be perceived as incompetent since they have undergone the process of reorganization and have gained unique and valuable experiences. As a result of reduced perceived threat, these directors will carry less stigma of incompetence or not carry it at all. Thus, the firms employing economic reasoning (meeting governance and resource needs, monitoring, and organizational legitimacy) for director selection will not exclude these candidates from the pool of potential nominees and their chances for board appointments become greater. Moreover, I argue that the greater the complexity of the bankruptcy as well as the greater progress made in firm recovery, the greater the perception of directors' expertise. Hence,

Hypothesis 17: Three years after the bankruptcy filing, directors serving on a company's board at the times of bankruptcy origination, filing, and reorganization will hold more total board appointments than directors serving on a company's board at the time of bankruptcy origination and at the time of bankruptcy filing, and this relationship will be positively moderated by the progress of recovery such that as the progress of recovery increases the relationship between directors' involvement in bankruptcy origination, filing, and reorganization and total board appointments become stronger.

Hypothesis 18: Three years after the bankruptcy filing, directors serving on a company's board at the times of bankruptcy origination, filing, and reorganization will hold more total board appointments than directors serving on a company's board at the time of

bankruptcy origination and at the time of bankruptcy filing, and this relationship will be

negatively moderated by the time of the recovery such that as time of the recovery

decreases the relationship between directors' involvement in bankruptcy origination,

filing, and reorganization and total board appointments become stronger.

Finally, for the case of directors involved in both bankruptcy filing and reorganization, and based on the previous arguments, I expect that these directors will carry courtesy stigma, but will also benefit in the executive labor market from the expertise gained from the reorganization. I predict that the net effect of these negative and positive forces will be positive, with the fact that these directors underwent the process of reorganization softening the negative impact of their involvement in the bankruptcy filing. Furthermore, I argue that the greater the complexity of the bankruptcy as well as the greater progress made in firm recovery, the greater the softening effect coming from the expertise in bankruptcy reorganization. Hence,

Hypothesis 19: Three years after the bankruptcy filing, directors serving on a company's

board at the times of bankruptcy filing and reorganization will hold more total board

appointments than directors serving on a company's board <u>only</u> at the time of bankruptcy

filing, and this relationship will be positively moderated by the progress of recovery such

that as the progress of recovery increases the relationship between directors' involvement

in bankruptcy filing and reorganization and total board appointments become stronger.

Hypothesis 20: Three years after the bankruptcy filing, directors serving on a company's

board at the times of bankruptcy filing and reorganization will hold more total board

appointments than directors serving on a company's board <u>only</u> at the time of bankruptcy

filing, and this relationship will be negatively moderated by the time of the recovery such

that as the time of the recovery decreases the relationship between directors' involvement

in bankruptcy filing and reorganization and total board appointments become stronger.

Table 2 summarizes all the hypotheses included in this study.

TABLE 2

Summary of Hypotheses

Hypotheses
Negative consequences
Hypothesis 1: Three years after the bankruptcy filing, directors serving on a company's board at the time of bankruptcy origination will hold fewer total board appointments than directors not associated with bankruptcy.
Hypothesis 2: Three years after the bankruptcy filing, directors serving on a company's board at the time of a bankruptcy filing will hold fewer total board appointments than directors not associated with bankruptcy.
Hypothesis 3: Three years after the bankruptcy filing, directors serving on a company's board at the time of a bankruptcy filing will hold fewer total board appointments than directors serving on the company's board at the time of the bankruptcy origination.
Hypothesis 4: Three years after the bankruptcy filing, directors serving on a company's board at the time of the bankruptcy origination will hold fewer board appointments with new boards than with old ones.
Hypothesis 5: Three years after the bankruptcy filing, directors serving on a company's board at the time of a bankruptcy filing will hold fewer board appointments with new boards than with old ones.
Hypothesis 6: Three years after the bankruptcy filing, directors serving on a company's board at the time of the bankruptcy origination will be compensated less for board appointments than directors not associated with bankruptcy.
Hypothesis 7: Three years after the bankruptcy filing, directors serving on a company's board at the time of a bankruptcy filing will be compensated less for board appointments than directors not associated with bankruptcy.
Hypothesis 8: Three years after the bankruptcy filing, directors serving on a company's board at the time of the bankruptcy origination will hold board appointments with smaller firms than directors not associated with bankruptcy.
Hypothesis 9: Three years after the bankruptcy filing, directors serving on a company's board at the time of a bankruptcy filing will hold board appointments with smaller firms than directors not associated with bankruptcy.
Hypothesis 10: Three years after the bankruptcy filing, directors serving on a company's board at the time of the bankruptcy origination will hold board appointments with lower reputation firms than directors not associated with bankruptcy.

Hypothesis 11: Three years after the bankruptcy filing, directors serving on a company's board at the time of a bankruptcy filing will hold board appointments with lower reputation firms than directors not associated with bankruptcy.

Positive consequences

Hypothesis 12: Three years after the bankruptcy filing, the directors' serving on the company's board at the time of reorganization will hold more board appointments than directors serving on a company's board at the time of (a) the bankruptcy origination and (b) the bankruptcy filing, and this relationship will be positively moderated by the progress of recovery such that as progress of recovery increases the relationship between directors involvement in bankruptcy reorganization and board appointments become stronger.

Hypothesis 13: Three years after the bankruptcy filing, the directors' serving on the company's board at the time of reorganization will hold more board appointments than directors serving on a company's board at the time of (a) the bankruptcy origination and (b) the bankruptcy filing, and this relationship will be negatively moderated by the time of the recovery such that as the time of the recovery decreases the relationship between directors involvement in bankruptcy reorganization and board appointments become stronger.

Hypothesis 14: Three years after the bankruptcy filing, directors serving on the company's board at the time of reorganization will be compensated more for unfamiliar board appointments than directors serving on a company's board at the time of (a) the bankruptcy origination and (b) the bankruptcy filing, and this relationship will be positively moderated by the progress of recovery such that as the progress of recovery increases the relationship between directors involvement in bankruptcy reorganization and compensation for unfamiliar board appointments become stronger.

Hypothesis 15: Three years after the bankruptcy filing, directors serving on the company's board at the time of reorganization will be compensated more for unfamiliar board appointments than directors serving on a company's board at the time of (a) the bankruptcy origination and (b) the bankruptcy filing, and this relationship will be negatively moderated by the time of the recovery such that as the time of the recovery decreases the relationship between directors involvement in bankruptcy reorganization and compensation for unfamiliar board appointments become stronger.

Overlaps in directors' involvement

Hypothesis 16: Three years after the bankruptcy filing, directors serving on a company's board at the times of bankruptcy origination and filing will hold fewer total board appointments than (a) directors serving on a company's board only at the time of bankruptcy origination and (b) directors serving on a company's board only at the time of a bankruptcy filing.

Hypothesis 17: Three years after the bankruptcy filing, directors serving on a company's board at the times of bankruptcy origination, filing, and reorganization will hold more total board appointments than directors serving on a company's board at the time of bankruptcy origination and at the time of bankruptcy filing, and this relationship will be positively moderated by the progress of recovery such that as the progress of recovery increases the relationship between directors' involvement in

bankruptcy origination, filing, and reorganization and total board appointments become stronger.
Hypothesis 18: Three years after the bankruptcy filing, directors serving on a company's board at the times of bankruptcy origination, filing, and reorganization will hold more total board appointments than directors serving on a company's board at the time of bankruptcy origination and at the time of bankruptcy filing, and this relationship will be negatively moderated by the time of the recovery such that as the time of the recovery decreases the relationship between directors' involvement in bankruptcy origination, filing, and reorganization and total board appointments become stronger.
Hypothesis 19: Three years after the bankruptcy filing, directors serving on a company's board at the times of bankruptcy filing and reorganization will hold more total board appointments than directors serving on a company's board <u>only</u> at the time of bankruptcy filing, and this relationship will be positively moderated by the progress of recovery such that as the progress of recovery increases the relationship between directors' involvement in bankruptcy filing and reorganization and total board appointments become stronger.
Hypothesis 20: Three years after the bankruptcy filing, directors serving on a company's board at the times of bankruptcy filing and reorganization will hold more total board appointments than directors serving on a company's board <u>only</u> at the time of bankruptcy filing, and this relationship will be negatively moderated by the time of recovery such that as the time of the recovery decreases the relationship between directors' involvement in bankruptcy filing and reorganization and total board appointments become stronger.

CHAPTER 4: METHODS

Sample and data

The initial list of firms involved in bankruptcy was generated from the UCLA-LoPucki

Bankruptcy Research Database (BRD) - a dataset consisting data on public company

bankruptcies filed in the United States Bankruptcy Courts since October 1, 1979. I chose to focus

on the firms which filed for bankruptcy between 2010 and 2012. The choice of this three-year

time frame is suitable for this study for the two following reasons. First, between 2007 and

2009, the United States witnessed a series of banking crises that resulted in a prolonged

recession, which increased the bankruptcy rate and financial failure had often become an

expected outcome in the crippled economy. Thus, strong effect of bankruptcy stigma was

mellowed by an excuse of world-wide financial crises. Second, the dependent variables are

measured with a three-year lag, thus independent variables later than 2012 could not be

considered. UCLA-LoPucki BRD indicated 93 US public firms which filed for bankruptcy in

years 2010, 2011, and 2012. To identify firms for this study, I applied two criterions to the initial

list of 93 firms. First, I selected companies with assets greater than $50 million at the time of

bankruptcy filing. This contingency included the firms for which the event of bankruptcy is

associated with tremendous psychological cost in the form of stigma (Shepherd, 2003). In

contrast, for the small firms, bankruptcy does not carry the same intensity of stigma since

financial deterioration is more common and more accepted for small firms. Indeed, 80 percent of

the US firms that have filed for bankruptcy report assets under $1 million, and 88 percent report

employing fewer than 20 employees (Warren and Westbrook, 1999). Moreover, the

bankruptcies of large firms although generate "the minority of firm filings in terms of numbers,

constitute the majority of filings in terms of firm size" (Daily, 1996:361).

Second, I excluded the firms that filed for bankruptcy for non-financial reasons (for example

to avoid liability suits).

The final list consisted of 47 firms that filed for chapter 11 bankruptcy in years 2010, 2011, and 2012. Since bankruptcies of large firms are a low base rate phenomenon (Hambrick and D'Aveni, 1988) and, on average, less than five large firms file for bankruptcy every year (Hambrick and D'Aveni 1992), I employ a matched-pair design which is considered suitable for studying phenomenon with the low rate of occurrence. Also, a matched-pair design is consistent with other studies examining the phenomenon of settling-up (Arthaud-Day et al., 2006; Cannella, Fraser, and Lee, 1995; D'Aveni, 1989; Kaplan and Reishus, 1990; Wurthmann, 2014). Each of 47 bankrupt firms was matched with a control firm based on a company's size, measured in firm's total assets, industry, using a 2-digit Standard Industry Code (SIC), and firm's age, measured in the number of years since the date of company's foundation. The matching process resulted in the final list of 94 firms – 47 bankrupt firms and 47 control non-bankrupt firms. From this list, I developed the sample of 808 directors - 501 directors from the bankrupt firms and 307 directors from a matched non-bankrupt firms. It is noteworthy that the group of directors from bankrupt firms is significantly larger. It is because this group of 501 directors combined of directors involved in bankruptcy origination (5 years prior filing), bankruptcy filing, and/or reorganization process.

Measures

Dependent Variables. All data for dependent variables was obtained from COMPUSTAT, BOARDEX, form DEF 14A (companies' proxy statements), form 8-K (announces major events that shareholders should know about), and form 10-K (offers a detailed picture of what the company does, and the risks it faces). All dependent variables are lagged three years and collected for all groups of directors examined here -- directors involved in bankruptcy origination, bankruptcy filing, organizational reorganization as well as directors from a control group and those who are involved in various stages of the bankruptcy. I chose a three-year lag here because of the periodic nature of directors' elections. Although some boards elect directors

annually, others, who hold staggered elections, appoint their board members every three years. Moreover, three year departure window is consistent with research of settling up phenomenon (Cowen and Marcel, 2011; Srinivasan, 2005).

The number of appointments with old boards is measured as a number of the same board appointments that a director held at the time of the bankruptcy filing and he/she still was holding three years after the bankruptcy filing.

The *number of appointments with new boards* is measured as a number of the board appointments which directors did not have at the time of the bankruptcy filing, but did have three years after the bankruptcy filing.

The *total number of board appointments* is measured as a sum of a number of appointments with *old* and a number of appointments with *new* boards three years after filing the bankruptcy. That is to say, this measure reflects all board appointments held by a directors three years after the bankruptcy filing.

Quality of the board appointments is measured by the *size* and the *reputation* of the companies on whose boards directors serve. The *size* of the companies is measured by the log of average of revenue of all firms with which director holds board appointments. Then, if the firm is listed on the FORTUNE World's Most Admired Companies list, it was considered to have a high *reputation* and was coded "1", otherwise "0".

C*ompensation from the board appointments* is measured as an average amount of director's salary and amount of director's equity ownership from all his/her board appointments three years after the bankruptcy filing.

Independent Variables.

The series of dummy variables were created to capture the timing of director's affiliation with a bankrupt firm.

Directors serving on the board of a company at the time of bankruptcy' origination is a

dichotomous variable which is assigned a value of "1" if a director served on the board of the bankrupt firm five years prior the bankruptcy filing and a value of "0" if he/she did not. Although, in some cases, financial decline can start 10 years prior to the time when a firm files for the bankruptcy (Hambrick and D'Aveni, 1988), I take a 5-year lag because this time-frame is consistent with other studies investigating the relationship between the board characteristics and firm's bankruptcy (Aziz, Emanuel, and Lawson, 1988; Baldwin and Glezen, 1992; Daily and Dalton, 1994; Daily, 1996; D'Aveni, 1990; D'Aveni and MacMillan, 1990; Hambrick and D'Aveni, 1992).

Directors serving on the board at the time of the firm's bankruptcy filing is a dichotomous variable which is assigned a value of "1" if a director served on the board of the bankrupt firm at the time of bankruptcy filing and a value of "0" if he/she did not.

Directors serving on the board of the company during reorganization process - is a dichotomous variable which is assigned a value of "1" if a director served on the board of the firm during the process of bankruptcy reorganization and a value of "0" if he/she did not.

Moderating Variables.

For the *progress of recovery,* I employed the solvency of debtors, that is, the ratio of company's total assets to its total debt (Warren and Westbrook, 1999). To measure the *progress of recovery,* I calculated the difference of the solvency of debtors for the time of emerging from the bankruptcy reorganization and the solvency of debtors for the time of bankruptcy filing.

Time of recovery is measured by the period of reorganization, which is the time between the date of bankruptcy filing and the date of emerging from the bankruptcy reorganization.

Control Variables.

Industry. I control for industry, a 2-digit SIC, because the intensity of stigma associated with failure varies with the industries. For example, failure of a firm in a high-tech industry known for high uncertainties will generate less stigma than a failure of the firm operating in low-tech, low-

risk industry (Lee, Peng, and Barney, 2007).

Director's age. I control for age for the following reasons. First, research suggests that people carry negative stereotypes associated with age (Finkelstein, Burke, and Raju, 1995), and in different social contexts being "too young" or "too old" may intensify devaluation (Zebrowitz and Montepare, 2008). Second, since the change in the number of board appointments may take place due to the directors' age, this study is being consistent with prior research (Arthaud-Day et al., 2006; Farrell and Whidbee, 2000; Kaplan and Reishus, 1990; Yermack, 2004; Wurthmann, 2014) and controls for expected change in board appointments due to age.

Director's race and gender. The literature provides much evidence about negative racial stereotypes (Devine and Elliot, 1995; Dovidio, Brigham, Johnson, and Gaertner, 1996) which are closely related to tribal stigmas (Biernat and Dovidio, 2003). Therefore, I control for *race* of the directors. African-American directors were coded "1", and all others were coded "0". For the same reasons – tribal or group-based stigmas- which often result in one's social devaluation (Lueptow, Garovich, and Lueptow, 1995) I control for directors' *gender.*

Directors' upper class background. Since the Wurthmann' recent study (2014) found that directors' upper-class origins negatively moderate the association between serving as an outside director on a stigmatized board and subsequent loss in number of directorships, I control for *directors' upper class background*. If a director attended elite educational institution, he/she is considered to have *upper class background* and coded "1", otherwise "0". To determine the elite status of educational institutions, I adopted Useem and Karabel's (1986) list which reflects schools that "historically have educated corporate executives" (Useem and Karabel, 1986:187). Moreover, Useem's ranking was employed by numerous previous studies (Billiveau, O'Reilly, & Wade, 1996; Palmer & Barber, 2001) and it specifically focuses on the corporate elite as a function of elite education rather than targeting social elite in general.

Directors' independence is a dichotomous variable and has a value of "1" if the director is not employed with the focal firm, and a value of "0" if otherwise.

Firm's size is measured as a log of the firms' total assets in the year of filing the bankruptcy.

CHAPTER 5: DATA ANALYSIS AND RESULTS

To examine the consequences of directors involved in the various stages of a stigmatizing event, I use a linear regression analysis. This method is appropriate when analyzing a binary independent variable, such as involvement of the directors in a state on bankruptcy, and a continuous dependent variable, such as a number of boards or compensation from the board appointments.

Descriptive statistics and correlations for the variables are reported in Table 3. The size and direction of the correlations are in line with prior research on settling up. I found that the largest variance inflation factor was 2.09 (compared to a maximum acceptable level of 10), indicating no evidence of multicollinearity based on general diagnostics (Hair Jr, Black, Babin, Anderson and Tatham, 2010). The check of dependent variables for possible outliers resulted in finding no values with standardized scores larger than +3.0 or smaller than -3.0. The missing values were replaced with the means. It is noteworthy that the correlation table omits the correlations between director's non-involvement in bankruptcy (matched sample) and two other variables – old board appointments and new board appointments. This is due to the contingencies set by the hypotheses (hypotheses 4 and 5), these variables were collected only for the directors who were involved in the origination and filing stages of bankruptcy, and were not collected for the directors of the matched sample.

Insert Table 3 about here

Negative consequences of bankruptcy involvement on a number of board appointments

Table 4 reports the results of linear regression for the relationship between directors' involvement in bankruptcy origination and total number of board appointments held three years after the bankruptcy filing. Here, three control variables, director's age (β=- 0.09, p=0.05) and

director's elite education (β=0.14, p<0.001) show statistical significance. In this model, the sample of directors stigmatized as incompetent (involved in bankruptcy origination) is coded "1", and then compared with the comparison variable – directors who are not involved in any bankruptcy stages (matched sample) -- which are coded "0". As shown in table 4, the results provide strong support for Hypothesis 1. The coefficient for directors involved with bankruptcy origination is negative and largely significant (β =-0.27, p=0.00).

Insert Table 4 about here

Table 5 reflects the results for testing Hypothesis 2 which argues that, three years after the bankruptcy filing, directors serving on a company's board at the time of a bankruptcy filing will hold fewer total board appointments than directors not associated with bankruptcy. Here, one control variable – director's elite education (β =0.12, p=0.02) – remains significant. In addition, focal company industry (β =-0.14, p=0.01) and director's insider/outsider status (β=-0.10, p=0.05) show strong significance as well In this model, directors stigmatized by association (involved in bankruptcy filing) are coded "1", and the comparison variable – directors who are not involved in any bankruptcy stages (matched sample) -- is coded "0". The results (β =-0.13, p=0.01) indicate that the directors involved with bankruptcy filing indeed will hold fewer board appointment in contrast with non-stigmatized directors, and that is in line with predictions of Hypothesis 2.

Insert Table 5 about here

In table 6, I present the results for Hypothesis 3. Here, the directors involved with bankruptcy origination (coded "1") are compared to the directors associated with bankruptcy filing (coded

"0"). Two control variables – director's race (β =-0.13, p=0.05) and focal company's industry (β =-0.17, p=0.01) – are shown to be significant. The Hypothesis 3 argues that the most recent board – the one involved in bankruptcy filing -- will be penalized more than the one which is associated with the very origins of corporate deterioration. As shown in table 6, the test was not significant (β =-0.16, p=0.03). The results show a significant coefficient in the opposite direction. That is, three years after the bankruptcy filing, directors serving on a company's board at the time of a bankruptcy filing hold more total board appointments than directors serving on the company's board at the time of the bankruptcy origination. Thus, Hypothesis 3 was not supported. In other words, the recentness and salience of the bankruptcy filing do not stir actors of executive labor market towards devaluating the directors who were holding the board seats at the time of filing. The results show that the board members, who were on the board five years prior the filing and whose influence could have contributed to the financial distress of the company suffer more harsh consequences in terms of how many board seats they hold.

Insert Table 6 about here

Further, the results in table 7 provide no support for Hypothesis 4, which predicted that, three years after the bankruptcy filing, directors serving on a company's board at the time of the bankruptcy origination will hold fewer board appointments with new boards than with old ones. Here, director's race (β=-0.11, p=0.04) as well as focal company's size (β =0.12, p=0.03) are significant control variables. In this model, old board appointments or the ones that directors had gained at the time of bankruptcy filing are coded "1", and the new board appointments which were secured after the bankruptcy filing, are coded "0". Although the direction of the relationships is as hypothesized (positive coefficient), they are not significant (β=0.05, p=0.31).

49

Table 8 presents results (β=0.17, p=0.03) for the relationship proposed in Hypothesis 5. One control variable demonstrates significance here –focal company's industry (β=-0.26, p=0.00). To test Hypothesis 5, the old appointments are coded "1", and the new ones are coded "0". In contrast to the directors serving on a company's board at the time of the bankruptcy origination, the directors serving on a company's board at the time of a bankruptcy filing do hold fewer new board appointments comparing with the old ones. Thus, Hypothesis 5 is supported.

Negative consequences of bankruptcy involvement on compensation from board appointments

Hypotheses 6 and 7 argue the association between directors' involvement in bankruptcy origination and bankruptcy filing (respectively) with decreased compensation from the board appointments in comparison with directors from the matched sample. For both hypotheses, none of the control variable has shown to be significant. For both hypotheses, the directors of the matched sample are coded "0". The directors who served on the board five years prior filing (for Hypothesis 6) and at the time of bankruptcy filing (for Hypothesis 7) are coded "1". Tables 9 (for Hypothesis 6) and 10 (for Hypothesis 7) demonstrate that my predictions about directors' decreased compensation due to association either with the bankruptcy origination (Hypothesis 6, β=0.06, p=0.22) or with bankruptcy filing (Hypothesis 7, β=0.05, p=0.37) were largely unsupported.

Insert Tables 9 and 10 about here

Negative consequences of bankruptcy involvement on quality of board appointments

The next four hypotheses - 8, 9, 10, and 11- argue that directors' association with bankruptcy origination or bankruptcy filing will affect the quality of the board appointments that the compromised directors can secure. Hypotheses 8 and 9 focus on the size of the firms with which directors have appointments, and Hypothesis 10 and 11 concentrate on the reputation of the companies on whose boards the stigmatized directors seat. For all four hypotheses, the compromised directors are coded "1", and the comparison group – the directors of the matched sample – are coded "0".

I found no support for Hypothesis 8 (β=0.17, p=0.00). The results show a significant coefficient in the opposite direction. In other words, my findings show that the directors who were on board five years prior bankruptcy and left the troubling firm at some point before bankruptcy was filed carry appointments with larger firms comparing to the non-stigmatized directors. These counterintuitive findings should be interpreted very cautiously. I believe that this unexpected relationship might be initiated by the directors rather than the companies which are looking to fill the director's chair. Once the board members have experiences serving on the board of financially distressed firm and have departed in time to avoid wide range of penalties (Arthaud-Day et al., 2006; Boeker and Goodstein, 1991; Crutchley, Garner, and Marshall, 2002; Fama and Jensen, 1983; Ferris, Jagannathan, and Pritchard, 2003; Gilson, 1990), in the future they fastidiously evaluate available board appointments. This results might tell us that directors choose to serve predominantly on the boards of large firms because firm's size serves as an indicator of stability and legitimacy (Baum and Oliver, 1991).

51

Insert Table 11 about here

Table 12 demonstrates that Hypothesis 9 is rejected as well. The results (β=-0.04, p=0.46) indicate that, when compared with directors' from the matched sample, the directors who served on the company's board at the time of a bankruptcy filing do not hold board appointments with smaller firms.

Insert Table 12 about here

Hypotheses 10 and 11 were also rejected. Both hypotheses predict that directors compromised by association with bankruptcy (either its origination or filing) will face challenges securing board appointments with highly reputable firms. However, as it is shown in tables 13 and 14, these predictions were largely unsupported (β=-0.03, p=0.46 for Hypothesis 10, β=-0.02, p=0.67 for Hypothesis 11). Various reasons can explain the lack of significant relationships. One reason might arise from the specifics of the sample. For these hypotheses, the firm is considered to have a high *reputation* if the company is included in the FORTUNE World's Most Admired Companies list. I noticed that in the sample of this study only 7.3 percent of the companies affiliated with directors involved in bankruptcy origination are listed on the FORTUNE World's Most Admired Companies list, 8.8 percent of the firms associated with the directors involved in bankruptcy filing, and 8.1 percent of the companies employing directors not involved in bankruptcy (matched sample). Thus, lack of variance in this measure could influence its significance.

Insert Table 13 and 14 about here

Positive consequences of bankruptcy involvement

The following four hypotheses state that serving on the board of a company that undergoes bankruptcy reorganization can be a value-adding experience in the director's portfolio. For all four hypotheses, two groups of directors are compared against each other - directors who were involved in the process of reorganization (coded "1") and the ones who were a part of both – bankruptcy origination and bankruptcy filing (coded "0"). In hypothesis 12 and 13, I argue that the directors who are involved in the process of reorganization will be recognized with more board seats in the future in contrast to those who were involved in both – bankruptcy origination and filing. Moreover, I state that this relationship becomes stronger once the progress of recovery increases or the time of recovery decreases. As table 15 demonstrates, despite the significance (β=1.98, p=0.02) shown for interaction proposed by hypothesis 12, the overall model is not supported.

Insert Table 15 about here

I also found no evidence for moderating effect of the time of the recovery. Thus, as table 16 shows, relationship proposed in Hypothesis 13 (β=-0.40, p=0.50) is not supported.

Insert Table 16 about here

Hypotheses 14 and 15 predict that three years after the bankruptcy filing, directors serving on the company's board at the time of reorganization will be compensated more for their board

appointments than directors serving on a company's board at the time of (a) the bankruptcy origination and (b) the bankruptcy filing, and this relationship will be positively moderated by the progress of recovery (Hypothesis 14) and the time of recovery (Hypothesis 15). Tables 17 and 18 report the results for Hypothesis 14 and 15. While modestly significant relationship is noted for progress of recovery, the results disappear with introduction of interaction terms. The time of recovery, however, shows no significance at all. Thus, neither one of the hypotheses is supported (Hypothesis 14, β=-0.49, p=0.65; Hypothesis 15, β=0.69, p=0.24).

Insert Table 17 and 18 about here

Overlaps in directors' involvement (exploratory hypotheses)

Hypothesis 16 is the first one out of the following five that focused on the overlap of bankruptcy stages in which directors' are involved. . This hypothesis tests if directors serving on a company's board at the times of bankruptcy origination and filing will hold fewer total board appointments than (a) directors serving on a company's board only at the time of bankruptcy origination and (b) directors serving on a company's board only at the time of a bankruptcy filing. Ultimately, this hypothesis argues that layered stigma causes more professional devaluation than a solo stigma. Here, directors serving on the company's board at the times of bankruptcy filing and origination serve as a reference group and are coded "0". As it is shown in Table 19 (β=0.04 p=0.61; β=-0.15 p=0.04), my prediction is not supported. Although, the results demonstrate significance for the directors involved in bankruptcy origination, the direction of the relationship (negative coefficient) is opposite of theorized.

Insert Table 19 about here

Hypotheses 17 and 18 take in consideration another combination of directors' overlapping times of involvement in bankruptcy. Here, I compare two groups - directors serving on a company's board at the times of bankruptcy origination, filing, and reorganization (coded "1") and directors serving on a company's board at the time of bankruptcy origination and at the time of bankruptcy filing (coded "0"). Particularly, these hypotheses predict that the directors who were engaged with all three stages of bankruptcy will hold more board appointments. Moreover, this relationship will be moderated by the progress of recovery (Hypothesis 17) and the time of recovery (Hypothesis 18). Table 20 reports that Hypothesis 17 is not supported ($\beta=0.33$, $p=0.66$). Hypothesis 18 also is not supported as presented in Table 21 ($\beta=0.44$, $p=0.42$).

Insert Table 20 and 21 about here

Finally, the last hypotheses, 19 and 20, like the previous two, consider the same moderating variables - the progress of recovery and the time of recovery (respectively). However, they compare two other groups of directors – the one who served on a company's board bankruptcy filing and reorganization and the one who was on the board only at the time of filing I do not report the results for these hypotheses because of the sample size inequality. Here, $N_1=79$ for the directors involved in the bankruptcy filing, and $N_2=9$ for the directors involved in bankruptcy filing and reorganization. Thus, the index of sample size inequality is 70, which translates into the effective loss of total sample size of 56 (Rosenthal and Rosnow, 1991). Such drastic reduction leaves us with the effective sample size of 32 directors which clearly is not large enough to test hypotheses 19 and 20.

In post hoc analysis, I also examined the association of directors' involvement in reorganization with other outcome variables: the average compensation from the board

appointments, the size of the firms, and the reputation of the firms. None of these tests provided significant results.

In conclusion, out of originally proposed tenty hypotheses, I reported results for eighteen since two hypotheses – 19 and 20 – were not tested due to the sample-size inequality. Among eighteen hypotheses that I did test, three are supported (Hypotheses 1, 2, and 5), and the rest are rejected. As table 22 shows, the number of subjects in compared groups largely differ from one another. Such differences can also contribute to the fact that very few hypotheses were supported due to low power.

TABLE 22
Number of directors involved in each stage of bankruptcy

Director's involvement in bankruptcy	N
1. Director's involvement with bankruptcy origination	164
2. Director's involvement with bankruptcy filing	79
3. Director's involvement with reorganization	144
4. Director's non-involvement with bankruptcy (matched)	307
5. Director's involvement with bankruptcy origination and filing	78
6. Director's involvement with bankruptcy origination, filing, and reorganization	27
7. Director's involvement with bankruptcy filing and reorganization	9

CHAPTER 6: DISCUSSION AND CONCLUSIONS

The present chapter starts by discussing in detail my findings and non-findings. Then, I describe the limitations of the study, implications for theory and practice, and future research agenda.

The main findings of this study are: (1) directors carry different stigmas and thus, are treated differently by the executive labor market and (2) the settling up effects translate only in the reduced number of board appointments leaving quality of the board appointments and the compensation from appointments on the same level with the non-stigmatized directors.

This study extends our understanding of the settling-up phenomenon and, particularly, of the role of stigma in the devaluation of directors by offering empirical evidence about the number of stigma-related devaluations of the board members due to various degrees of association with a stigmatizing event. This research builds upon four core arguments. First, heterogeneity in stigma carried by the board members is an influential factor in explaining why the elite labor market holds some actors more accountable for corporate failure than others. Second, layered stigma does play role in executives' devaluation. Therefore, the directors who carry multiple stigmas will suffer more severe consequences than the ones who carry only one type of stigma. Third, experience of organizational reorganization can in fact serve as an asset for both - a director and the boards he or she is on and is rewarded by the executive labor market. Finally, the fourth argument states that the consequences of stigmatization will not only be limited to the loss of board appointments but also will include reduction in compensation from the board appointments as well as in quality of the board appointments (firm's size and reputation).

This study provides support for the first core argument and demonstrates that stigma diversity does play significant role in directors' settling up. Empirical results show that the directors carrying stigma of incompetence (involved in bankruptcy origination) and directors stigmatized by association (involved in bankruptcy filing) face different degrees of their

professional devaluation. Three years after the stigmatizing event, directors compromised with either one of two stigmas secure fewer board appointments than non-compromised directors (tables 4 and 5).

However, the most intriguing results come from testing Hypothesis 3 (table 6). Although the overall argument of stigma heterogeneity on boards as one of the causes for professional devaluation is strongly supported here, the results are opposite of what I predicted. The model indicates that directors with stigma of incompetence are devaluated more than the ones with stigma by association, and these results should be interpreted cautiously. On the one hand, these findings can indicate that most firms employ directors for economic reasons (meeting governance and resource needs, monitoring, and organizational legitimacy) (Withers, Hillman, and Cannella, 2012) and prefer those who are better equipped to carry out primary functions of the board and positively influence governance and organizations performance (Fama and Jensen, 1983). Thus, directors stigmatized as incompetent (involved in bankruptcy origination) secure fewer board appointments. On the other hand, reduced number of board appointments can be a function of the directors learning from the painful experiences. In other words, motivated by preservation of their personal reputation, the directors who served on the board of a financially distressed firm and managed to separate from it before bankruptcy filing have become more selective and critical with evaluating potential board appointments.

This argument speaks even louder once I consider other finding from this study. Such, although directors who carry stigma of incompetence carry less board appointments than those who are stigmatized by association, the board seats that they do secure are with the firms of a larger size (Table 11). Thus, having fewer board seats but ones with more prominent firms indicates directors' tendency to serve on the boards of more stable and secure companies.

I found no evidence in support of the second core argument - layered stigma influences directors' professional future in a more negatively dramatic way than a singly sourced stigma.

Originally, I theorized that carrying multiple stigmas will reduce number of directors' future board appointments. Although this study demonstrates that the examined here two layers of stigma (stigma of incompetence and stigma by association) do not influence directors' career more than a single stigma (table 19), it does not mean that layered stigmas do not have an effect on directors' professional future It does mean that combination of these particular stigmas have no effect on the total number of directors' board appointments. Thus, future research should consider different types of stigmas and different combinations of them to further explore the phenomenon of layered stigma.

The third core argument of this research was that involvement in reorganization process is a unique and valuable experience which is rewarded the executive labor market. Empirical results have shown no support for the beneficial nature of going through reorganization with a financially distressed firm.

Based on these findings I can conclude that experience of reorganization may not be as recognized on the director's labor market as I originally thought. However, there might be an alternative explanation to these findings. It is that experience of reorganization might be a very specific set of skills and experiences desired only by the firms who are in a financial distress and/or are foreseeing filing for a bankruptcy in the near future. Thus, upcoming research may want to consider a different set of moderators, for example financial standing of the interlocking companies.

The fourth core argument was to examine a wider spectrum of consequences - average compensation from the board appointments as well as their size and reputation to extend the previous research that focused on the total number of board appointments before and after a corporate failure event as an indicator of settling-up (Arthaud-Day et al., 2006; Gilson, 1990). In addition, I investigated the nature of the board appointments held after the stigmatizing event by dividing them into the old ones – secured before the bankruptcy filing - and new ones – gained

after the bankruptcy filing. The findings suggest that stigmatized directors do not encounter changes in either in their average compensation or the reputation of the affiliating board appointments. However, as previously mentioned, directors who are involved with bankruptcy origination tend to secure board seats with the larger firms, and the directors who are involved in bankruptcy filing primarily hold board appointment which were secured before the filing. On the one hand it might indicate that firms are cautious with hiring recently compromised directors. On the other hand, the result might be coming from the fact that directors do not actively pursue new opportunities due to avoidance of humiliation and fear of rejection.

Limitations

While the findings contribute to on-going conversation about settling-up and stigmas of the executives, I note there are limitations to my study. First, due to the rare occurrence rate of bankruptcy among large corporations, the sample consists of 47 firms. Although, it provided some meaningful results, it was not large enough to explore all the relationships I proposed (Hypotheses 19 and 20 were not tested due to sample-size inequality). Moreover, a larger sample could have revealed some hidden significant relationships that a smaller sample cannot (Rosenthal and Rosnow, 1991).

This study also encountered the boundaries of data availability. Particularly, I experienced limitations with data for two variables – directors' compensation and directors' association with bankruptcy reorganization. Directors' compensation was obtained from company's schedule 14A which was readily available for the firms from the matching sample. However, troubled firms do not always file schedule 14A as they undergo bankruptcy and /or reorganization. This resulted in some missing data in directors' compensation. Further, accessing information about directors' involvement with the process of reorganization also presented some barriers. To collect the most complete lists of the directors involved in reorganization, I closely worked with the professionals from the United States Securities and Exchange Commission. With their generous guidance, I

was able to obtain the most data available. Yet, it did not provide me with the complete list of directors participating in reorganization because many firms are not consistent, accurate, and/or punctual with filing forms 8-K (announces major events that shareholders should know about) and 10-K (offers a detailed picture of what the company does, and the risks it faces).

Contributions to theory

This study was set to answer the question why the elite labor market holds some actors more accountable for corporate failure than others. The findings make a number of significant contributions. First, the empirical evidence makes a valuable addition to the literature on settling up. Until this study, research on directors' devaluation has been focusing on mechanisms of minimizing negative consequences of failure on one's career (Arthaud-Day et al., 2006; Gilson, 1990; Semadeni et al., 2008) and directors' individual characteristics as a predictor of professional devaluation (Arthaud-Day et al., 2006; Srinivasan, 2005; Marcel and Cowen, 2014). The findings confirm that indeed directors encounter various treatment by the elite labor market because of the types of stigmas they carry. Particularly, differentiation between stigma of incompetence and courtesy stigma presents intriguing insights to the mechanisms of settling up. Such, directors who are stigmatized as incompetent carry fewer board appointments than the ones who are stigmatized by association.

Second, this study responds to the recent call for empirical investigation of consequences of stigma--a factor that has been relatively neglected in organizational and work settings (Paetzold, Dipboye, and Elsbach, 2008). Not only have I revealed how executive labor market discriminates against directors stigmatized for different reasons, I have also uncovered some promising traits that may indicate stigma internalization by compromised board members. Stigma internalization - the tendency to accept and blame for negative consequences (O'Brien, Latner, Puhl, Vartanian, Giles, Griva, and Carter, 2016), to believe the negative stereotypes about self-identity, and/or to want to reject and distance the self from this negative identity (Quinn, Williams, Quintana,

61

Gaskins, Overstreet, Pishori, Earnshaw, Perez, and Chaudoir, 2014). My findings reveal that

although the directors stigmatized by courtesy stigma (involved in bankruptcy filing) carry more

board appointments than the directors who carry stigma of incompetence, their appointments

primarily consist of old board seats. To put it differently, the directors who are involved in

bankruptcy filing face challenges with securing new board appointments. On the one hand, this

tendency may be a result of setting up effect when firms prefer to avoid affiliations with

devaluated executives. However, it is well possible, that these findings are rooted in the

stigmatized directors themselves. For them, internal identification with stigma triggers some

coping mechanisms such as avoidance of situations where stigma can or has to be revealed.

Therefore, domination of old board seats in the directors' portfolio may reflect their passive

position in pursuing new opportunities due to humiliation and fear of rejection. These findings

establish a promising ground for further conversation about stigma internalization on the

executive level.

Contributions to practice

For practitioners, the study offers insight on the specific mechanisms about upper echelon

labor market. As is traditionally thought, CEOs take the most blame for organizational failures

(Graffin et al., 2008; Meindl et al., 1985) Enron's Ken Lay and Jeff Skilling, former chief

executive/chairman and president, vividly exemplify such conventional approach. This study,

however, demonstrates that although directors manage to stay out of the spot light during the

failure, they cannot avoid the harsh consequences in their professional future. Interestingly, the

settling-up effect is generated not only by the executive labor market but also by directors'

internal self-evaluation of professional –worth. My theoretical model and empirical results

highlight the executive labor market as an additional vehicle for holding directors accountable

for their primary responsibility – protecting the interests of the shareholders.

Future research

Following research faces a number of opportunities to extend our understanding about what role stigma plays in executives' devaluation. Here, I suggest three directions that I see may be fruitful for scholars in the future.

First, future research should further explore the phenomenon of layered stigma. Human resource scholars have started this investigation with examining stigmas of gender, race, and age (Alston and McCown, 1994; Bowe, 1993; Jones, 1997). However, many stigmas are not as easily observed as tribal stigmas (gender, age, and race) and thus, remain un-explored. To further investigate the phenomenon of layered stigma in the context of executives' devaluation, researches might want to consider different types of stigmas and different combinations of them.

Second, so far the literature on settling up has been focusing on reaction of the firms, focal and interlocking, on the compromised executives. Although this stream of research offers valuable insights on settling up process, it does not take in consideration the internal state of the compromised ones. Such investigation is overdue because it will equip us with understanding of how, when, and why the stigmatized executives approach new career opportunities, deal with self-devaluation, and internalize professional failure.

Finally, this study has focused on the various stigmas directors carry and a degree to which the executive labor market holds them accountable. To continue with exploration of corporate accountability as a function of settling-up, following studies can also examine members of top management teams. So far, the conversation on settling up has been around CEOs and board members, however, investigation of other senior executives may offer findings about additional mechanisms of upper echelon labor market.

Conclusions

In summary, this study brings attention to the executive labor market as a mechanism that penalizes or rewards directors' performance. The hypotheses as a whole argue the specific

63

mechanisms behind directors' professional devaluation coming from involvement in various

stages of stigmatizing event which results in different stigmas carried by the directors. Indeed,

this study empirically demonstrates that directors with different stigmas face different degrees of

harshness from the executive labor market. Moreover, unlike many existing studies, my model

introduced the experience of bankruptcy reorganization as an asset for both – the director and the

affiliated boards. Although, I do not find support for several of the hypotheses, I have started a

conversation about the possible positive effects of stigmatizing events, and I encourage further

investigation on this counterintuitive topic. At this point, my theoretical model highlights the

executive labor market as an additional vehicle for holding directors accountable for their

primary responsibility – protecting the interests of the shareholders.

REFERENCES

Aguilera, R. 2005. Corporate Governance and Director Accountability: an Institutional Comparative Perspective. *British Journal of Management*, 16:39-53.

Alston, R. J., & McCowan, C. J. 1994. African American women with disabilities: Rehabilitation issues and concerns. *Journal of Rehabilitation Washington*, 60: 36-36.

Altman, E. I. 1993. Corporate Financial Distress and Bankruptcy. Wiley, New York.

Annabi, A., Breton, M., & François, P. 2012. Resolution of financial distress under Chapter 11. *Journal of Economic Dynamics and Control*, 36(12): 1867-1887.

Arthaud-Day, M. L., Certo, S. T., Dalton, C.M., & Dalton, D. R. 2006. A changing of the guard: Executive and director turnover following corporate financial restatements. *Academy of Management Journal*, 49: 1119–1136.

Aziz, A., Emanuel, D. C., & Lawson, G. H. 1988. Bankruptcy prediction: An investigation of cash flow based model, *Journal of Management Studies*, 25: 419-437.

Baldwin, J., & Glezen G. W. 1992. Bankruptcy prediction using quarterly financial statement data. *Journal of Accounting, Auditing & Finance*, 7: 269-289.

Barley, S. R. 1996. Technicians in the workplace: Ethno-graphic evidence for bringing work into organization studies. *Administrative Science Quarterly*, 41: 404-441.

Barney, J. 1991. Firm resources and sustained competitive advantage. (The Resource-Based Model of the Firm: Origins, Implications, and Prospects). *Journal of Management*, 17(1): 99.

Baum, J. A. C., & Oliver, C. 1991. 'Institutional linkages and organizational mortality'. *Administrative Science Quarterly*, 36: 187–218.

Belliveau, M. A., O'Reilly, C. A., III, & Wade, J. B. 1996. Social capital at the top: Effects of social similarity and status on CEO compensation. *Academy of Management Journal*, 39: 1568.

Bharat, S. 2011. A systematic review of HIV/AIDS-related stigma and discrimination in India: current understanding and future needs. *SAHARA-J: Journal of Social Aspects of HIV/AIDS*, *8*(3): 138-149.

Bingham, C.B., & Eisenhardt, K.M., 2011. Rational heuristics: the 'simple rules' that strategists learn from process experience. *Strategic Management Journal*, *32*(13): 1437-1464.

Boeker, W., & Goodstein, J., 1991. Organizational performance and adaptation: Effects of environment and performance on changes in board composition. *Academy of Management Journal*, 34(4): 805-826.

Bowe, F. G. 1993. Statistics, politics, and employment of people with disabilities commentary. *Journal of Disability Policy Studies*, 4(2): 83-91.

Bradley. M., & Rosenzweig, M. 1992. The untenable case for Chapter 11. *Yale Law Journal*, 111:1043-1090.

Brewer, M. B. 1999. The psychology of prejudice: ingroup love or outgroup hate? *Journal of Social Issues*, 55: 429-444.

Brickley, J. A., Linck, J. S., & Coles, J. L.1999.What happens to CEOs after they retire? New evidence on career concerns, horizon problems, and CEO incentives. *Journal of Financial Economics*, 52(3): 341–377.

Cannella, A. A., Fraser, D. R., & Lee, D. S. 1995. 'Firm failure and managerial labor markets: evidence from Texas banking'. *Journal of Financial Economics*, 38: 185–210.

Carberry, E.J., & King, B.G., 2012. Defensive practice adoption in the face of organizational stigma: Impression management and the diffusion of stock option expensing. *Journal of Management Studies*, 49(7): 1137-1167.

Chaganti, R.S., Mahajan, V., & Sharma, S., 1985. Corporate board size, composition and corporate failures in retailing industry [1]. *Journal of Management Studies*, 22(4): 400-417.

Coffee, J. C. 2003. What caused Enron? A capsule social and economic history of the 1990s. *Cornell Law Review*, 89(1): 269–309.

Cowen A, Marcel J. 2011 Damaged goods: Board decisions to dismiss reputationally compromised directors. *Academy Of Management Journal*, **54**(3): 509-527.

Crocker, J., Major, B., Steele, C., Gilbert, D. T., & Fiske, S. T. 1998. *The handbook of social psychology.* The handbook of social psychology.

Crutchley, C.E., Garner, J.L., & Marshall, B.B. 2002. An examination of board stability and the long-term performance of initial public offerings. *Financial Management*, 63-90.

Datta, S., & Iskandar-Datta, M. E. 1995. The information content of bankruptcy filing on security holders of the bankrupt firm: An empirical investigation. *Journal of Banking and Finance*, 19(5): 903-919.

D'Aveni, R. A. 1989. The aftermath of organizational decline: a longitudinal study of the strategic and managerial characteristics of declining firms. *Academy of Management Journal*, 32: 577–605.

D'Aveni, R. A.. 1990. Top managerial prestige and organizational bankruptcy, *Organization Science*, 1: 121-142.

D'Aveni, R. A., & MacMillan, I. 1990. Crisis and the content of managerial communications: A study of the focus of attention of top managers in surviving and failing firms. *Administrative Science Quarterly*, 35: 634-657.

Davydenko, S. A. 2012, November. When do firms default? A study of the default boundary. *EFA Moscow Meetings Paper*.

Davis, G. F. 1993, August. Who gets ahead in the market for corporate directors: the political economy of multiple board memberships. In *Academy of Management Proceedings*, 1: 202-206.

Daily, C. 1996. Governance patterns in bankruptcy reorganizations. *Strategic Management Journal,* 17(5): 355-375.

Daily, C. M., & Dalton, D. R. 1994a. Bankruptcy and corporate governance: The impact of board composition and structure. *Academy of Management Journal*, 37(6): 1603-1617.

Daily, C. M., and Dalton, D. R. 1994b. Corporate governance and the bankrupt firm: An empirical assessment. *Strategic Management Journal*, 15(8): 643-654.

Deaux, K., Reid, A., Mizrahi, K., & Ethier, K. A. 1995. Parameters of social identity. *Journal of Personality and Social Psychology*, 68(2): 280-291.

Deephouse, D. 2000. Media reputation as a strategic resource: An integration of mass communication and resource-based theories. *Journal of Management,* 26(6): 1091-1112.

Devers, C. E., Dewett, T., Mishina, Y., & Belsito, C. A. 2009. A general theory of organizational stigma. *Organization Science*. 20(1):154–171.

Devine, P. G., & Elliot, A. J. 1995. Are racial stereotypes really fading? The Princeton trilogy revisited. *Personality and Social Psychology Bulletin*, 21(11): 1139-1150.

Dovidio, J. F., Brigham, J. C., Johnson, B. T., & Gaertner, S.L. 1996. Stereotyping, prejudice, and discrimination: Another look. *Stereotypes and Stereotyping*, 276: 319.

Emerson, R. M. 1962. Power-dependence relations. *American Sociological Review,* 27: 31–40.

Etzion, D., & Davis, G. 2008. Revolving doors? A network analysis of corporate officers and U.S. government officials. *Journal of Management Inquiry*, 17: 157-161.

Fama, E. F. 1980. Agency problems and the theory of the firm. *The Journal of Political Economy*, 288-307.

Fama, E., & Jensen, M. 1983. Separation of ownership and control. *Journal of Law and Economics,* 26: 301-326.

Farrell, K. A., & Whidbee, D. A. 2000. The consequences of Forced CEO Succession for Outside Directors (Digest Summary). *Journal of Business*, 73(4): 597-627.

Fein, S., & Spencer, S. J. 1997. Prejudice as self-image maintenance: Affirming the self through derogating others. *Journal of Personality and Social Psychology*, 73(1): 31.

Ferrell, O. C., & Ferrell, L. 2011. The responsibility and accountability of CEOs: The last interview with Ken Lay. *Journal of Business Ethics,* 100(2): 209-219.

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

Fich, E. 2005. Are some outside directors better than others? Evidence from director appointments by Fortune 1000 firms. *Journal of Business,* 78: 1943–1972.

Finkelstein, L.M., Frautschy Demuth, R.L., & Sweeney, D.L. 2007. Bias against overweight job applicants: Further explorations of when and why. *Human Resource Management*, *46*(2): 203-222.

Finkelstein, S., Hambrick, D., & Cannella. 2008. Strategic leadership: Theory and research on executives, top management teams, and boards. Strategic Management.

Flynn, D., & Farid, M. 1991. The intentional use of chapter XI: Lingering versus immediate filing. *Strategic Management Journal,* 12(1): 63-74.

Fombrun, C., & Shanley, M. 1990. What's in a name? Reputation building and corporate strategy. *The Academy of Management Journal,* 33(2): 233-258.

Frable, D.E. 1993. Dimensions of marginality: Distinctions among those who are different. *Personality and Social Psychology Bulletin*, 19(4): 370-380.

Freedberg, S. P. 1987, October 13. Forced exits? Complaints confront way of age-discrimination suits. *The Wall Street Journal*, 37.

Freese, L. 1974. Conditions for status equality in informal task groups. *Sociometry,* 37(2): 174-188.

French, J. R. P., Jr., and Raven, B. 1959. The bases of social power. In D. Cartwright (Ed.), *Studies in Social Power,* 150–167. Ann Arbor: University of Michigan Press.

French, J. R., Raven, B., & Cartwright, D. 1959. The bases of social power. *Classics of Organization Theory*, 311-320.

Furnham, A., & Gunter, B. 1984. Just world beliefs and attitudes towards the poor. *British Journal of Social Psychology*, 23(3): 265-269.

Gales, L.M. & Kesner, I.F. 1994. An analysis of board of director size and composition in bankrupt organizations. *Journal of Business Research*, 30(3): 271-282.

Geletkanycz, M. A., & Hambrick, D. C. 1997. The external ties of top executives: Implications for strategic choice and performance. *Administrative Science Quarterly,* 42: 654–681.

Gilson, S. 1990. Bankruptcy, boards, banks and blockholders: Evidence on changes in corporate ownership and control when firms default. *Journal of Financial Economics*, **27**: 355-387.

Goffman, E. 1963. *Stigma: Notes on the management of spoiled identity*. Englewood Cliffs, N.J: Prentice-Hall.

Graffin, S. D., Wade, J. B., Porac, J. F., & McNamee, R. C. 2008. The impact of CEO status diffusion on the economic outcomes of other senior managers. *Organization Science*, 19: 457-474.

Gutman, I. 1990. *Encyclopedia of the Holocaust.* Jerusalem: Yad Vashem.

Hair, J.F., Black, B., Babin, B., Anderson, R.E., & Tatham, R.L., 2010. Multivariate data analysis Pearson. *New Jersey*.

Hambrick, D. C., & R. A. D'Aveni. 1988. Large corporate failures as downward spirals, *Administrative Science Quarterly*, 33: 1-23.

Hambrick, D. C., & D'Aveni, R. A. 1992. Top team deterioration as part of the downward spiral of large corporate bankruptcies. *Management Science*, 38: 1445-1466.

Harford, J., & Schonlau, R. 2013. Does the director labor market offer ex post settling-up for CEOs? The case of acquisitions. *Journal of Financial Economics*, 110(1): 18-36.

Hebl, M.R., Tickle, J., & Heatherton, T.F. 2000. Awkward moments in interactions between nonstigmatized and stigmatized individuals. *The social psychology of stigma*, 275-306.

Helms, W.S., & Patterson, K.D. 2014. Eliciting acceptance for "illicit" organizations: The positive implications of stigma for MMA organizations. *Academy of Management Journal*, 57(5): 1453-1484.

Hillman, A. J. 2005. Politicians on the board of directors: Do connections affect the bottom line? *Journal of Management*, 31: 464-481.

Hillman, A., & Dalziel, T. 2003. Boards of directors and firm performance: Integrating agency and resource dependence perspectives. *The Academy of Management Review*, *28*(3): 383-396.

Holcomb, T. R., Ireland, R. D., Holmes Jr, R. M., & Hitt, M. A. 2009. Architecture of entrepreneurial learning: Exploring the link among heuristics, knowledge, and action. *Entrepreneurship Theory and Practice*, 33(1): 167-192.

Holmes, W. C., & Shea, J. A. 1997. Performance of a new, HIV/AIDS-targeted Quality of Life (HAT-QoL) instrument in asymptomatic seropositive individuals. *Quality of Life Research*, 6(6): 561–571.

Hudson, B.A., & Okhuysen, G.A. 2009. Not with a ten-foot pole: Core stigma, stigma transfer, and improbable persistence of men's bathhouses. *Organization Science*, 20(1): 134-153.

Hummert, M. L. 1994. Stereotypes of the elderly and patronizing speech. *Sage Focus Editions*, 173: 162-162.

Jackson, T.H., 1986. Of liquidation, continuation, and delay: An analysis of bankruptcy policy and nonbankruptcy rules. *Am. Bankr. LJ*, 60: 399.

Jensen, M.C., & Meckling, W.H., 1976. Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4): 305-360.

Jones, G. E. 1997. Advancement opportunity issues for persons with disabilities. *Human Resource Management Review*, 7(1): 55-76.

Jones, E.E., Farina, A., Hastorf, A.H., Markus, H., Miller, D.T., & Scott, R.A., 1984. *The dimensions of stigma: The psychology of marked relationships.*

Johnson, S. D. 1995. Model of factors related to tendencies to discriminate against people with AIDS. *Psychological Reports*, 76(2): 563–572.

Jonson, Stefan, Greve, Henrich, & Fujiwara-Greve, Takako. 2009. Undeserved loss: The spread of legitimacy loss to innocent organizations in response to reported corporate deviance. (Case study). *Administrative Science Quarterly*, 54(2): 195.

Finkelstein, L.M., Burke, M.J., & Raju, M.S. 1995. Age discrimination in simulated employment contexts: An integrative analysis. *Journal of Applied Psychology*, 80(6): 652.

Flynn, D.M., & Farid, M. 1991. The intentional use of Chapter XI: Lingering versus immediate filing. *Strategic Management Journal*, 12(1): 63-74.

Kang, E. 2008. Director interlocks and spillover effects of reputational penalties from financial reporting fraud. *Academy of Management Journal*, 51: 537–555.

Kaplan, S. N., & Reishus, D. 1990. Outside directorships and corporate performance. *Journal of Financial Economics*, 27: 389–410.

Kim, P. H. 1997. Strategic timing in group negotiations: The implications of forced entry and forced exit for negotiators with unequal power. *Organizational Behavior and Human Decision Processes*, 71: 263–286.

King, E.B., Hebl, M.R., George, J.M., & Matusik, S.F. 2009. Understanding tokenism: Antecedents and consequences of a psychological climate of gender inequity. *Journal of Management*.

Knottnerus, J. 1988. A Critique of expectation states theory theoretical assumptions and models of social cognition. *Sociological Perspectives*, 31(4): 420-445.

Kulik, C. T., Bainbridge, H. T., & Cregan, C. 2008. Known by the company we keep: Stigma-by-association effects in the workplace. *Academy of Management Review*, 33(1): 216-230.

Kurzban, R., & Leary, M. R. 2001. Evolutionary origins of stigmatization: the functions of social exclusion. *Psychological Bulletin*, 127(2): 187.

Langer, E.J., Fiske, S., Taylor, S.E., & Chanowitz, B. 1976. Stigma, staring, and discomfort: A novel-stimulus hypothesis. *Journal of Experimental Social Psychology*, 12(5): 451-463.

Lawrence, T. B. 1998. Examining resources in an occupational community: reputation in Canadian forensic accounting. *Human Relations*, 51: 1103–31.

Lee, M. Y., Campbell, A. R., & Mulford, C. L. 1999. Victim-blaming tendency toward people with AIDS among college students. *The Journal of Social Psychology*, 139(3): 300–308.

Lee, S.H., Peng, M.W., & Barney, J.B., 2007. Bankruptcy law and entrepreneurship development: A real options perspective. *Academy of Management Review*, 32(1): 257-272.

Leslie, L.M., Mayer, D.M., & Kravitz, D.A., 2014. The stigma of affirmative action: a stereotyping-based theory and meta-analytic test of the consequences for performance. *Academy of Management Journal*, 57(4): 964-989.

Lester, R.H., Hillman, A., Zardkoohi, A., & Cannella, A.A., 2008. Former government officials as outside directors: The role of human and social capital. *Academy of Management Journal*, 51(5): 999-1013.

Lerner, M. 1980. The Belief in a Just World : A Fundamental Delusion.

LoPucki, L., & Whitford, W. 1993. Corporate governance in the bankruptcy reorganization of large, publicly held companies. *University of Pennsylvania Law Review*, 141: 669–800.

Lueptow, L.B., Garovich, L., & Lueptow, M.B. 1995. The persistence of gender stereotypes in the face of changing sex roles: Evidence contrary to the sociocultural model. *Ethology and Sociobiology*, 16(6): 509-530.

Mace, M.L. 1971. Directors: Myth and reality.

Marcel, J.J., & Cowen, A.P. 2014. Cleaning house or jumping ship? Understanding board upheaval following financial fraud. *Strategic Management Journal*, 35(6): 926-937.

Martin, A. 2010. Individual and contextual correlates of managers' attitudes toward depressed employees. *Human Resource Management*, *49*(4): 647-668.

Meindl, J. R., Ehrlich, S. B., & Dukerich, J. M. 1985. The romance of leadership. *Administrative Science Quarterly*. 30(1): 78-102.

Mehta, S.I., & Farina, A. 1988. Associative stigma: Perceptions of the difficulties of college-aged children of stigmatized fathers. *Journal of Social and Clinical Psychology*, 7(2-3): 192.

Meznar, M., & Nigh, D. 1995. Buffer or bridge? Environmental and organizational determinants of public affairs activities in American firms. *The Academy of Management Journal*, 38(4): 975-996.

Mills, C., 1956. Wright: The power elite. *New York*.

Moulton, W. N., & Thomas, H. 1993. Bankruptcy as a deliberate strategy: Theoretical considerations and empirical evidence. *Strategic Management Journal*, **14**(2): 125.

Neuberg, S. L., Smith, D. M., & Asher, T. 2000. Why people stigmatize: Toward a biocultural framework. *The social psychology of stigma*, 31-61.

O'Brien, K.S., Latner, J.D., Puhl, R.M., Vartanian, L.R., Giles, C., Griva, K., & Carter, A. 2016. The relationship between weight stigma and eating behavior is explained by weight bias internalization and psychological distress. *Appetite*, 102: 0-76.

Paetzold, R. L., Dipboye, R. L., & Elsbach, K. D. 2008. A new look at stigmatization in and of organizations. *Academy of Management Review*, 33(1): 186-193.

Palmer, D., & Barber, B. M. 2001. Challengers, elites, and owning families: A social class theory or corporate acquisitions in the 1960's. *Administrative Science Quarterly*, 46(1): 87-120.

Palmrose, Z.V., & Scholz, S. 2004. The Circumstances and Legal Consequences of Non-GAAP Reporting: Evidence from Restatements. *Contemporary Accounting Research*, 21(1): 139-180.

Phillips, D., & Zuckerman, E. 2001. Middle status conformity: Theoretical restatement and empirical demonstration in two markets. *American Journal of Sociology*, 107(2): 379-429.

Pinkley, R. L., Neale, M. A., & Bennett, R. J. 1994. The impact of alternatives to settlement in dyadic negotiation. *Organizational Behavior and Human Decision Processes*, 57: 97–116.

Pfarrer, M. D., Decelles, K. A., Smith, K.G., & Taylor, M.S. 2008. After the fall: Reintegrating the corrupt organization. *Academy of Management Review*, 33(3): 730.

Pfeffer, J. 1972. Size and composition of corporate boards of directors: The organization and its environment. *Administrative Science Quarterly*, 17: 218-228.

Pfeffer, J., & Salancik, G. 1978. The external control of organizations: A resource-dependence perspective. New York: Harper & Row.

Platt, H., & Platt, M. 2012. Corporate board attributes and bankruptcy. *Journal of Business Research*, 65(8): 1139-1143.

Pryor, J. B., Reeder, G. D., & Monroe, A. E. 2012. The infection of bad company: Stigma by association. *Journal of Personality and Social Psychology*, 102(2): 224-241.

Quinn, D.M., Williams, M.K., Quintana, F., Gaskins, J.L., Overstreet, N.M., Pishori, A., Earnshaw, V.A., Perez, G., & Chaudoir, S.R.. 2014. Examining effects of anticipated stigma, centrality, salience, internalization, and outness on psychological distress for people with concealable stigmatized identities. *PloS one*, *9*(5): e96977.

Raheja, C. 2005. Determinants of board size and composition: A theory of corporate boards. *Journal of Financial and Quantitative Analysis,* 40: 283–306.

Rauterkus, A., Rauterkus, S., & Munchus, G. 2013. Effect of board composition on firm bankruptcy: An empirical study of United States firms. *International Journal of Management*, 30(2): 767.

Roberts, P., & Dowling, G. 2002. Corporate reputation and sustained superior financial performance. *Strategic Management Journal,* 23(12): 1077-1093.

Robinson, R., & Bell, W. 1978. Equality, success, and social justice in England and the United States. *American Sociological Review,* 43(2): 125-143.

Robinson, D., Robinson, M., & Sisneros, C. 2012. Bankruptcy outcomes: Does the board matter? *Advances in Accounting,* 28(2): 270-278.

Rosenfield, D., Stephan, W.G., & Lucker, G.W., 1981. Attraction to competent and incompetent members of cooperative and competitive groups. *Journal of Applied Social Psychology*, 11(5):416-433.

Rosenthal, R., & Rosnow, R.L., 1991. *Essentials of behavioral research: Methods and data analysis*. McGraw-Hill Humanities Social.

Rubin, M., & Hewstone, M. 1998. Social identity theory's self-esteem hypothesis: A review and some suggestions for clarification. *Personality and Social Psychology Review*, 2(1): 40-62.

Sandberg, J. 2000. Understanding human competence at work: An interpretative approach. *The Academy of Management Journal,* *43*(1): 9-25.

Selznick P. 1957. Leadership in administration. New York: Harper & Row.

Semadeni, M., Cannella, A. A. Jr., Fraser, D. R., & Lee, D. S. 2008. Fight or flight: Managing stigma in executive careers. *Strategic Management Journal,* 29: 557-567.

Shepherd, D. 2003. Learning from business failure: Propositions of grief recovery for the self-employed. *Academy of Management Review*, 28: 318-328.

Sirower, M. 1991. Bankruptcy as a strategic planning tool. Best Papers Proceeding: *Academy of Management*, Miami Beach, FL, 46-50.

Snyder, M., & Miene, P. 1994. On the functions of stereotypes and prejudice. In *The psychology of prejudice: The Ontario symposium,* 7: 33-54. Lawrence Erlbaum Associates Hillsdale, NJ.

Spence, M. 1973. Job market signaling. *The quarterly journal of Economics*, 355-374.

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

Stangor, C., & Crandall, C. 2013. *Stereotyping and prejudice*.

Staw, B.M., & Sutton, R.I. 1993. Macro organizational psychology. *Social psychology in organizations: Advances in theory and research*, 350-84.

Stiglitz, J.E., & Weiss, A. 1983. Incentive effects of terminations: Applications to the credit and labor markets. *The American Economic Review*, 73(5): 912-927.

Stuart, T. E., Hoang, H., & Hybels, R. C. 1999. Interorganizational endorsements and the performance of entrepreneurial ventures. *Administrative Science Quarterly,* 44: 315–349.

Suchman, M.C. 1995. Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review,* 20: 571-610.

Sutton, R. I., & Callahan, A. L. 1987. The stigma of bankruptcy: Spoiled organizational image and its management. *Academy of Management Journal*, 30(3): 405-436

Thornhill, S., & Amit, R. 2003. Learning about failure: bankruptcy, firm age, and the resource-based view. *Organization Science*, *14*(5): 497-509.

Trau, R.N. 2015. The impact of discriminatory climate perceptions on the composition of intraorganizational developmental networks, psychosocial support, and job and career attitudes of employees with an invisible stigma. *Human Resource Management*, *54*(2): 345-366.

Tversky, A., & Kahneman, D. 1974. Judgment under uncertainty: Heuristics and biases. *Science,* 185(4157): 1124-1131.

Tyre, M. J., & Von Hippel, E. 1997. The situated nature of adaptive learning in organizations. *Organization Science*, 1: 71-83.

Useem, M., 1984. The inner circle: Large corporations and the rise of business political activity in the US and UK Oxford University Press. *New York*.

Useem, M., & Karabel, J. 1986. Pathways to top corporate management. *American Sociological Review*, 51(2): 184-200.

Veres, J. G. III, Locklear, T. S., & Sims, R. R. 1990. Job analysis in practice: A brief review of the role of job analysis in human resources management. In G. R. Ferris, K. M. Rowland, & R. M. Buckley (Eds.). *Human Resource Management: Perspectives and Issues*, 79-103. Boston: Allyn & Bacon.

Vergne, J.P. 2012. Stigmatized categories and public disapproval of organizations: A mixed-methods study of the global arms industry, 1996–2007. *Academy of Management Journal*, 55(5): 1027-1052.

Wade, J.B., Porac, J.F., Pollock, T.G., & Graffin, S.D., 2006. The burden of celebrity: The impact of CEO certification contests on CEO pay and performance. *Academy of Management Journal*, 49(4): 643-660.

Walther, E., & Devine, P. 2002. Guilty by mere association: Evaluative conditioning and the spreading attitude effect. *Journal of Personality and Social Psychology*, 82(6): 919-934.

Warren, E., & Westbrook, J. L. 1999. *Financial characteristics of businesses in bankruptcy. Am. Bankr. LJ*, 73: 499.

Weigelt, K., & Camerer, C. 1988. Reputation and corporate strategy: A review of recent theory and applications. *Strategic Management Journal*, 9(5): 443-454.

Wiesenfeld, B. M., Wurthmann, K. A., & Hambrick, D. C. 2008. The stigmatization and devaluation of elites associated with corporate failures: A process model. *Academy of Management Review*, 33: 231–251.

Williams, C.M. 1984. When the mighty stumble. *Harvard Business Review*, 62(4): 126-139.

Withers, M. C., Hillman, A. J., & Cannella, A. A. 2012. A multidisciplinary review of the director selection literature. *Journal of Management*, 38(1): 243-277.

Wruck, K. H. 1990. Financial distress, reorganization, and organizational efficiency. *Journal of Financial Economics*, 27(2): 419-444.

Wurthmann, K. A. 2014. Service on a Stigmatized Board, Social Capital, and Change in Number of Directorships. *Journal of Management Studies*, 51(5): 814-841.

Yermack, D. 2004. Remuneration, retention, and reputation incentives for outside directors. *The Journal of Finance*, 59(5): 2281-2308.

Zebrowitz, L. A. 1996. Physical appearance as a basis of stereotyping. *Stereotypes and Stereotyping*, 79-120.

Zebrowitz, L.A., & Montepare, J.M., 2008. Social psychological face perception: Why appearance matters. *Social and Personality Psychology Compass*, 2(3): 1497-1517.

TABLE 3
Descriptive statistics and correlations

Variable	Mean	s.d.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
1 Director's gender	0.10	0.29																					
2 Director's age	64.79	10.49	-0.13**																				
3 Director's race	0.06	0.24	-0.03	0.08*																			
4 Director's education	0.21	0.41	-0.01	-0.05	-0.06																		
5 Director's insider/outsider status	0.11	0.31	-0.05	-0.06	-0.01	-0.10**																	
6 Focal company's industry	45.26	18.01	0.05	0.06	0.00	0.02	0.01																
7 Focal company's size (lg assets)	3.14	0.72	0.07	0.18**	0.05	0.05	-0.01	0.24**															
8 Director's involvement with bankruptcy origination	0.35	0.48	-0.01	0.24**	0.06	0.04	-0.02	0.13**	0.11**														
9 Director's involvement with bankruptcy filing	0.25	0.43	0.01	-0.03	-0.03	0.09*	-0.03	-0.08*	0.01	0.21**													
10 Director's involvement with reorganization	0.22	0.42	-0.01	-0.19**	-0.02	-0.22**	0.14**	-0.10**	-0.06	-0.15**	0.02												
11 Director's non-involvement with bankruptcy (matched)	0.38	0.49	0.06	0.03	-0.04	0.10**	-0.09*	-0.02	-0.02	-0.57**	-0.46**	-0.42**											
12 Director's involvement with bankruptcy origination and filing	0.13	0.34	0.05	0.11**	-0.01	0.07*	-0.03	-0.06	0.06	0.53**	0.67**	0.03	-0.30**										
13 Director's involvement with bankruptcy origination, filing, and reorganization	0.03	0.18	0.01	0.05	-0.05	-0.03	0.00	0.03	-0.02	0.26**	0.32**	0.35**	-0.15**	0.48**									
14 Director's involvement with bankruptcy filing and reorganization	0.06	0.23	0.01	0.01	-0.04	-0.06	0.02	-0.02	-0.01	0.12**	0.43**	0.46**	-0.20**	0.33**	0.75**								
15 Progress of recovery	0.84	0.78	-0.01	0.07*	0.03	0.13**	-0.06	0.03	0.07	0.08*	-0.06	-0.52**	0.22**	-0.05	-0.24**	-0.33**							
16 Time of recovery	2.24	0.20	-0.02	0.04	0.01	-0.01	0.05	0.20**	0.10**	0.01	0.06	-0.01	0.00	0.01	0.01	0.10**	0.00						
17 Total board appointments	0.76	1.02	0.08*	-0.11**	-0.07	0.20**	-0.06	-0.11**	-0.02	-0.22**	-0.04	-0.04	0.23**	-0.05	-0.05	-0.04	-0.01	-0.03					
18 New board appointments	0.19	0.57	0.03	-0.09	-0.05	0.07	-0.03	0.01	0.07	-0.08	0.07	0.01		0.00	0.00	0.03	-0.02	0.04	0.71**				
19 Old board appointmets	0.35	0.64	0.18**	-0.04	-0.05	0.05	-0.04	-0.12*	0.13	-0.13*	0.20**	0.03		0.10	-0.02	0.02	-0.08	-0.03	0.78**	0.12*			
20 Director's compensation (lg)	5.25	0.35	0.11	-0.07	0.05	-0.01	0.05	-0.05	0.00	0.06	0.07	0.00	-0.09	0.06	0.03	0.03	0.05	0.09	0.08	-0.07	0.11		
21 Size of board appointments (lg revenue)	1.13	1.09	0.12	-0.14*	0.01	0.20**	-0.01	0.17*	0.15*	0.28**	0.06	-0.16*	-0.07	0.13*	0.07	0.04	0.10	0.10	0.24**	0.36**	0.01	0.14*	
22 Appointments with reputable firms	0.10	0.35	0.10*	-0.03	0.01	0.05	-0.01	-0.03	0.20**	-0.02	0.05	0.00	0.03	0.04	0.01	0.05	0.00	0.03	0.37**	0.25**	0.43**	0.20**	0.30**

N =808

*$p < .05$ **$p < .01$

Note: The table omits the correlations between director's non-involvement in bankruptcy (matched sample) and two other variables – old board appointments and new board appointments due to the contingencies set by the hypotheses (hypotheses 4 and 5). These variables were collected only for the directors who were involved in the origination and filing stages of bankruptcy.

TABLE 4

Results of regression analysis for total board appointments of the directors involved in bancruptcy origination

Variable	Control Variables Model 1				Main Effect Model 2			
	β	b		p	β	b		p
Control								
Director's gender	0.07	0.26	(0.16)	0.11	0.06	0.21	(0.16)	0.19
Director's age	-0.13	-0.01	(0.00)	0.00	-0.09	-0.01	(0.00)	0.05
Director's race	-0.08	-0.36	(0.20)	0.07	-0.06	-0.26	(0.19)	0.18
Director's education	0.15	0.37	(0.11)	0.00	0.14	0.35	(0.11)	0.00
Director's insider/outsider status	-0.09	-0.35	(0.17)	0.04	-0.07	-0.28	(0.16)	0.09
Focal company's industry	-0.11	-0.01	(0.00)	0.02	-0.06	0.00	(0.00)	0.20
Focal company's size (lg assets)	0.03	0.04	(0.07)	0.56	0.02	0.04	(0.07)	0.60
Independent								
Director's involvement in bankruptcy origination					-0.27	-0.60	(0.10)	0.00
Constant		1.87	(0.36)			1.65	(0.35)	
R^2		0.09				0.15		
Adjusted R^2		0.07				0.14		
ΔR^2		0.09				0.07		
F		6.33		0.00		10.50		0.00
F of ΔR^2		6.33		0.00		36.34		0.00

[°]$N = 307$, [1]$N = 164$

"β" refers to standardized regression estimates. "b" refers to unstandardized regression estimates. Standard errors are in parentheses. Two-tailed tests.

TABLE 5
Results of regression analysis for total board appointments of the directors involved in bancruptcy filing

Variable	Control Variables				Main Effect			
	Model 1				Model 2			
	β	b		p	β	b		p
Control								
Director's gender	0.03	0.11	(0.18)	0.56	0.01	0.05	(0.18)	0.78
Director's age	-0.02	0.00	(0.00)	0.76	-0.04	0.00	(0.00)	0.43
Director's race	-0.03	-0.16	(0.26)	0.54	-0.03	-0.17	(0.26)	0.52
Director's education	0.12	0.29	(0.12)	0.02	0.12	0.29	(0.12)	0.02
Director's insider/outsider status	-0.10	-0.40	(0.20)	0.05	-0.10	-0.39	(0.20)	0.05
Focal company's industry	-0.14	-0.01	(0.00)	0.01	-0.14	-0.01	(0.00)	0.01
Focal company's size (lg assets)	0.00	0.00	(0.07)	0.98	0.00	0.00	(0.07)	0.97
Independent								
Director's involvement in bankruptcy filing					-0.13	-0.35	(0.13)	0.01
Constant		1.44	(0.40)			1.68	(0.41)	
R^2		0.05				0.07		
Adjusted R^2		0.03				0.05		
ΔR^2		0.05				0.02		
F		2.80		0.01		3.31		0.00
F of ΔR^2		2.80		0.01		6.74		0.01

[0]$N = 307$, [1]$N = 79$

"β" refers to standardized regression estimates. "b" refers to unstandardized regression estimates. Standard errors are in parentheses.
Two-tailed tests.

TABLE 6

Results of regression analysis for total board appointments of the directors involved in bancruptcy origination vs. total board appointments of the directors involved in bancruptcy filing

Variable	Control Variables				Main Effect			
	Model 1				Model 2			
	β	b		p	β	b		p
Control								
Director's gender	0.09	0.31	(0.22)	0.15	0.10	0.33	(0.21)	0.12
Director's age	-0.09	-0.01	(0.01)	0.17	-0.03	0.00	(0.01)	0.63
Director's race	-0.14	-0.43	(0.20)	0.03	-0.13	-0.40	(0.20)	0.05
Director's education	0.11	0.20	(0.12)	0.10	0.09	0.17	(0.12)	0.16
Director's insider/outsider status	-0.11	-0.30	(0.17)	0.08	-0.10	-0.27	(0.17)	0.11
Focal company's industry	-0.19	-0.01	(0.00)	0.00	-0.17	-0.01	(0.00)	0.01
Focal company's size (lg assets)	0.06	0.12	(0.12)	0.34	0.08	0.15	(0.12)	0.23
Independent								
Director's involvement in bankruptcy origination					-0.16	-0.27	(0.12)	0.03
Constant		0.99	(0.48)			0.73	(0.49)	
R^2		0.10				0.12		
Adjusted R^2		0.07				0.09		
ΔR^2		0.10				0.02		
F		3.68		0.00		3.90		0.03
F of ΔR^2		3.68		0.00		5.06		0.00

[0]$N = 79$, [1]$N = 164$

"β" refers to standardized regression estimates. "b" refers to unstandardized regression estimates. Standard errors are in parentheses. Two-tailed tests.

TABLE 7

TABLE 7

Results of regression analysis for new vs. old board appointments of the directors involved in bancruptcy origination

Variable	Control Variables Model 1				Main Effect Model 2			
	β	b		p	β	b		p
Control								
Director's gender	0.15	0.32	(0.12)	0.01	0.15	0.32	(0.12)	0.01
Director's age	-0.10	-0.01	(0.00)	0.08	-0.10	-0.01	(0.00)	0.08
Director's race	-0.11	-0.21	(0.10)	0.04	-0.11	-0.21	(0.10)	0.04
Director's education	0.06	0.08	(0.07)	0.28	0.06	0.08	(0.07)	0.28
Director's insider/outsider status	-0.06	-0.10	(0.09)	0.26	-0.06	-0.10	(0.09)	0.26
Focal company's industry	-0.03	0.00	(0.00)	0.65	-0.03	0.00	(0.00)	0.65
Focal company's size (lg assets)	0.12	0.14	(0.07)	0.03	0.12	0.14	(0.07)	0.03
Independent								
Director's old board appointments					0.05	0.05	(0.05)	0.31
Constant		0.10	(0.28)			0.07	(0.29)	
R^2		0.08				0.08		
Adjusted R^2		0.06				0.06		
ΔR^2		0.08				0.00		
F		3.98		0.00		3.61		0.00
F of ΔR^2		3.98		0.00		1.03		0.31

$N=164$

"β" refers to standardized regression estimates. "b" refers to unstandardized regression estimates. Standard errors are in parentheses.
Two-tailed tests.

TABLE 8

Results of regression analysis for new vs old board appointments of the directors involved in bancruptcy filing

Variable	Control Variables				Main Effect			
	Model 1				Model 2			
	β	b		p	β	b		p
Control								
Director's gender	-0.10	-0.28	(0.22)	0.20	-0.10	-0.28	(0.22)	0.19
Director's age	0.12	0.01	(0.01)	0.15	0.12	0.01	(0.00)	0.14
Director's race	-0.05	-0.17	(0.25)	0.51	-0.05	-0.17	(0.25)	0.50
Director's education	0.09	0.11	(0.11)	0.31	0.09	0.11	(0.11)	0.30
Director's insider/outsider status	-0.16	-0.33	(0.17)	0.06	-0.16	-0.33	(0.17)	0.06
Focal company's industry	-0.26	-0.01	(0.00)	0.00	-0.26	-0.01	(0.00)	0.00
Focal company's size (lg assets)	-0.12	-0.20	(0.14)	0.15	-0.12	-0.20	(0.13)	0.15
Independent								
Director's old board appointments					0.17	0.21	(0.09)	0.03
Constant		0.88	(0.53)			0.78	(0.52)	
R^2		0.13				0.16		
Adjusted R^2		0.09				11.00		
ΔR^2		0.13				0.03		
F		3.09		0.00		3.39		0.03
F *of* ΔR^2		3.09		0.00		3.39		0.00

$N = 79$

"β" refers to standardized regression estimates. "b" refers to unstandardized regression estimates. Standard errors are in parentheses. Two-tailed tests.

TABLE 9

Results of regression analysis for board appointments compensation of the directors involved in bancruptcy origination

Variable	Control Variables				Main Effect			
	Model 1				Model 2			
	β	b		p	β	b		p
Control								
Director's gender	0.07	0.05	(0.04)	0.14	0.07	0.06	(0.04)	0.12
Director's age	0.01	0.00	(0.00)	0.77	0.01	0.00	(0.00)	0.91
Director's race	0.04	0.04	(0.04)	0.34	0.04	0.04	(0.04)	0.40
Director's education	0.01	0.01	(0.03)	0.83	0.01	0.01	(0.03)	0.81
Director's insider/outsider status	0.03	0.03	(0.04)	0.49	0.03	0.02	(0.04)	0.55
Focal company's industry	-0.07	0.00	(0.00)	0.16	-0.08	0.00	(0.00)	0.11
Focal company's size (lg assets)	-0.01	0.00	(0.02)	0.82	-0.01	0.00	(0.02)	0.84
Independent								
Director's involvement in bankruptcy origination					0.06	0.03	(0.02)	0.22
Constant		5.25	(0.08)			5.26	(0.08)	
R^2		0.01				0.02		
Adjusted R^2		0.00				0.00		
ΔR^2		0.01				0.00		
F		0.80		0.58		0.89		0.53
F of ΔR^2		0.80		0.58		1.49		0.53

[o]$N = 307$, [1]$N = 164$

"β" refers to standardized regression estimates. "b" refers to unstandardized regression estimates. Standard errors are in parentheses. Two-tailed tests.

TABLE 10

Results of regression analysis for board appointments compensation of the directors involved in bancruptcy filing

Variable	Control Variables Model 1				Main Effect Model 2			
	β	b		p	β	b		p
Control								
Director's gender	0.05	0.04	(0.04)	0.34	0.06	0.05	(0.04)	0.29
Director's age	-0.01	0.00	(0.00)	0.85	0.00	0.00	(0.00)	0.99
Director's race	0.05	0.06	(0.06)	0.31	0.05	0.06	(0.06)	0.30
Director's education	0.00	0.00	(0.03)	0.95	0.00	0.00	(0.03)	0.95
Director's insider/outsider status	0.03	0.03	(0.05)	0.57	0.03	0.03	(0.05)	0.58
Focal company's industry	-0.10	0.00	(0.00)	0.07	-0.10	0.00	(0.00)	0.07
Focal company's size (lg assets)	-0.02	-0.01	(0.02)	0.78	-0.02	-0.01	(0.02)	0.78
Independent								
Director's involvement in bankruptcy filing					0.05	0.03	(0.03)	0.37
Constant		5.31	(0.10)			5.29	(0.10)	
R^2		0.02				0.02		
Adjusted R^2		0.00				0.00		
ΔR^2		0.02				0.00		
F		0.90		0.51		0.88		0.53
F of ΔR^2		0.90		0.51		0.81		0.37

[o]$N=307$, [1]$N=79$

"β" refers to standardized regression estimates. "b" refers to unstandardized regression estimates. Standard errors are in parentheses.
Two-tailed tests.

TABLE 11

Results of regression analysis for board appointments with large firms of the directors involved in bancruptcy origination

Variable	Control Variables Model 1				Main Effect Model 2			
	β	b		p	β	b		p
Control								
Director's gender	0.01	0.02	(0.09)	0.81	0.02	0.04	(0.09)	0.66
Director's age	-0.12	-0.01	(0.00)	0.01	-0.15	-0.01	(0.00)	0.00
Director's race	-0.01	-0.02	(0.11)	0.85	-0.02	-0.06	(0.11)	0.61
Director's education	0.07	0.10	(0.06)	0.12	0.08	0.11	(0.06)	0.09
Director's insider/outsider status	-0.02	-0.04	(0.09)	0.71	-0.03	-0.06	(0.09)	0.53
Focal company's industry	0.11	0.00	(0.00)	0.02	0.08	0.00	(0.00)	0.10
Focal company's size (lg assets)	0.06	0.05	(0.04)	0.22	0.06	0.05	(0.04)	0.19
Independent								
Director's involvement in bankruptcy origination					0.17	0.21	0.06	0.00
Constant		1.35	(0.21)			1.43	(0.21)	
R^2		0.04				0.06		
Adjusted R^2		0.02				0.05		
ΔR^2		0.04				0.03		
F		2.55		0.01		3.95		0.00
F of ΔR^2		2.55		0.01		13.29		0.00

[o]$N= 307$, [1]$N= 164$

"β" refers to standardized regression estimates. "b" refers to unstandardized regression estimates. Standard errors are in parentheses.

Two-tailed tests.

TABLE 12

Results of regression analysis for board appointments with large firms of the directors involved in bancruptcy filing

Variable	Control Variables Model 1				Main Effect Model 2			
	β	b		p	β	b		p
Control								
Director's gender	-0.06	-0.12	(0.10)	0.22	-0.07	-0.13	(0.10)	0.19
Director's age	-0.13	-0.01	(0.00)	0.01	-0.14	-0.01	(0.00)	0.01
Director's race	0.02	0.07	(0.14)	0.63	0.02	0.07	(0.14)	0.64
Director's education	0.02	0.02	(0.07)	0.73	0.02	0.02	(0.07)	0.73
Director's insider/outsider status	-0.02	-0.04	(0.11)	0.72	-0.02	-0.04	(0.11)	0.73
Focal company's industry	-0.04	0.00	(0.00)	0.41	-0.04	0.00	(0.00)	0.41
Focal company's size (lg assets)	0.08	0.06	(0.04)	0.13	0.08	0.06	(0.04)	0.13
Independent								
Director's involvement in bankruptcy filing					-0.04	-0.05	(0.07)	0.46
Constant		1.37	(0.22)			1.41	(0.22)	
R^2		0.02				0.02		
Adjusted R^2		0.01				0.01		
ΔR^2		0.02				0.00		
F		1.32		0.24		1.22		0.28
F of ΔR^2		1.32		0.24		0.54		0.46

[0]$N= 307$, [1]$N= 79$

"β" refers to standardized regression estimates. "b" refers to unstandardized regression estimates. Standard errors are in parentheses.

Two-tailed tests.

TABLE 13

Results of regression analysis for board appointments with highly reputable firms of the directors involved in bancruptcy origination

Variable	Control Variables				Main Effect			
	Model 1				Model 2			
	β	b		p	β	b		p
Control								
Director's gender	0.08	0.08	(0.05)	0.10	0.07	0.08	(0.05)	0.11
Director's age	-0.03	0.00	(0.00)	0.54	-0.02	0.00	(0.00)	0.62
Director's race	-0.02	-0.02	(0.06)	0.69	-0.01	-0.02	(0.06)	0.74
Director's education	0.07	0.05	(0.03)	0.11	0.07	0.05	(0.03)	0.12
Director's insider/outsider status	-0.04	-0.04	(0.05)	0.40	-0.04	-0.04	(0.05)	0.43
Focal company's industry	-0.08	0.00	(0.00)	0.08	-0.08	0.00	(0.00)	0.11
Focal company's size (lg assets)	0.20	0.09	(0.02)	0.00	0.20	0.09	(0.02)	0.00
Independent								
Director's involvement in bankruptcy origination					-0.03	-0.02	(0.03)	0.46
Constant		-0.07	(0.11)			-0.08	(0.11)	
R^2		0.06				0.06		
Adjusted R^2		0.04				0.04		
ΔR^2		0.06				0.00		
F		3.98		0.00		3.55		0.00
F of ΔR^2		3.98		0.00		0.54		0.47

[o]$N= 307$, [1]$N= 164$

"β" refers to standardized regression estimates. "b" refers to unstandardized regression estimates. Standard errors are in parentheses.

Two-tailed tests.

TABLE 14

Results of regression analysis for highly reputable board appointments of the directors involved in bancruptcy filing

Variable	Control Variables Model 1				Main Effect Model 2			
	β	b		p	β	b		p
Control								
Director's gender	0.02	0.02	(0.05)	0.71	0.02	0.02	(0.05)	0.75
Director's age	0.04	0.00	(0.00)	0.47	0.03	0.00	(0.00)	0.53
Director's race	0.02	0.04	(0.08)	0.65	0.02	0.03	(0.08)	0.66
Director's education	0.07	0.05	(0.04)	0.16	0.07	0.05	(0.04)	0.16
Director's insider/outsider status	-0.02	-0.02	(0.06)	0.70	-0.02	-0.02	(0.06)	0.70
Focal company's industry	-0.07	0.00	(0.00)	0.21	-0.07	0.00	(0.00)	0.21
Focal company's size (lg assets)	0.15	0.06	(0.02)	0.01	0.15	0.06	(0.02)	0.01
Independent								
Director's involvement in bankruptcy filing					-0.02	-0.02	(0.04)	0.67
Constant		-0.12	(0.12)			-0.10	(0.12)	
R^2		0.03				0.03		
Adjusted R^2		0.01				0.01		
ΔR^2		0.03				0.00		
F		1.64		0.12		1.46		0.17
F of ΔR^2		1.64		0.12		0.18		0.67

$^oN= 307$, $^1N= 79$

"β" refers to standardized regression estimates. "b" refers to unstandardized regression estimates. Standard errors are in parentheses.
Two-tailed tests.

TABLE 15

Results of regression analysis for total board of the directors involved in reorganization vs. the directors involved in bancruptcy origination and filing (moderated by the progress of recovery)

Variable	Control Variables				Main Effect				Moderating Effect			
	Model 1				Model 2				Model 3			
	β	b		p	β	b		p	β	b		p
Control												
Director's gender	0.09	0.31	(0.25)	0.23	0.08	0.26	(0.25)	0.24	0.07	0.25	(0.25)	0.41
Director's age	-0.09	-0.01	(0.01)	0.20	-0.10	-0.01	(0.01)	0.23	-0.08	-0.01	(0.01)	0.21
Director's race	-0.02	-0.08	(0.33)	0.81	-0.02	-0.10	(0.33)	0.75	-0.03	-0.12	(0.33)	0.70
Director's education	-0.05	-0.15	(0.23)	0.51	-0.07	-0.21	(0.24)	0.41	-0.07	-0.22	(0.25)	0.38
Director's insider/outsider status	0.01	0.02	(0.21)	0.93	0.02	0.05	(0.21)	0.91	0.00	0.00	(0.21)	0.87
Focal company's industry	0.00	0.00	(0.00)	1.00	0.01	0.00	(0.00)	0.88	0.04	0.00	(0.00)	0.62
Focal company's size (lg assets)	0.02	0.06	(0.19)	0.76	0.03	0.08	(0.19)	0.71	0.06	0.16	(0.19)	0.55
Independent												
Director's involvement in reorganization					-0.04	-0.08	(0.19)	0.68	-0.54	-1.14	(0.61)	0.05
Moderator												
Progress of recovery					0.15	0.60	(0.29)	0.12	-1.76	-7.13	(4.27)	0.01
Interaction												
Director's involvement in bankruptcy reorganization x Progress of recovery									1.98	7.76	(4.28)	0.02
Constant		1.10	(0.72)			0.98	(0.82)			1.70	(0.90)	
R2		0.02				0.04				0.06		
Adjusted R2		-0.01				-0.01				0.01		
ΔR2		0.02				0.01				0.03		
F		0.61		0.75		0.77		0.64		1.22		0.28
F of ΔR2		0.61		0.75		1.35		0.26		5.11		0.03

[o]$N= 78$, [1]$N= 144$

"β" refers to standardized regression estimates. "b" refers to unstandardized regression estimates. Standard errors are in parentheses.

Two-tailed tests.

TABLE 16

Results of regression analysis for total board appointments of the directors involved in reorganization vs. the directors involved in bancruptcy origination and filing (moderated by the time of recovery)

Variable	Control Variables Model 1				Main Effect Model 2				Moderating Effect Model 3			
	β	b		p	β	b		p	β	b		p
Control												
Director's gender	0.09	0.31	(0.25)	0.23	0.08	0.27	(0.25)	0.28	0.08	0.28	(0.25)	0.28
Director's age	-0.09	-0.01	(0.01)	0.20	-0.10	-0.01	(0.01)	0.20	-0.11	-0.01	(0.01)	0.17
Director's race	-0.02	-0.08	(0.33)	0.81	-0.02	-0.07	(0.33)	0.83	-0.01	-0.06	(0.33)	0.87
Director's education	-0.05	-0.15	(0.23)	0.51	-0.07	-0.22	(0.25)	0.39	-0.07	-0.21	(0.25)	0.40
Director's insider/outsider status	0.01	0.02	(0.21)	0.93	0.02	0.05	(0.21)	0.82	0.02	0.04	(0.21)	0.84
Focal company's industry	0.00	0.00	(0.00)	1.00	0.01	0.00	(0.00)	0.88	0.00	0.00	(0.00)	0.96
Focal company's size (lg assets)	0.02	0.06	(0.19)	0.76	0.06	0.16	(0.23)	0.49	0.06	0.15	(0.23)	0.52
Independent												
Director's involvement in reorganization					-0.04	-0.08	(0.19)	0.69	0.21	0.45	(0.80)	0.58
Moderator												
Time of recovery					-0.08	0.00	(0.00)	0.36	0.24	0.00	(0.00)	0.62
Interaction												
Director's involvement bankruptcy reorganization x Time of recovery									-0.40	0.00	(0.00)	0.50
Constant		1.10	(0.72)			1.01	(0.86)			0.55	(1.11)	
R2		0.02				0.03				0.03		
Adjusted R2		-0.01				-0.02				-0.02		
ΔR2		0.02				0.01				0.00		
F		0.61		0.75		0.59		0.80		0.57		0.83
F of ΔR2		0.61		0.75		0.54		0.58		0.45		0.50

ºN= 78, ¹N= 144

"β" refers to standardized regression estimates. "b" refers to unstandardized regression estimates. Standard errors are in parentheses.

Two-tailed tests.

TABLE 17

Results of regression analysis for average compensation from board appointments of the directors involved in reorganization vs. the directors involved with bancruptcy origination and filing (moderated by the progress of recovery)

Variable	Control Variables Model 1				Main Effect Model 2				Moderating Effect Model 3			
	β	b		p	β	b		p	β	b		p
Control												
Director's gender	0.07	0.03	(0.03)	0.35	0.05	0.02	(0.03)	0.48	0.05	0.02	(0.03)	0.48
Director's age	-0.10	0.00	(0.00)	0.18	-0.12	0.00	(0.00)	0.14	-0.12	0.00	(0.00)	0.13
Director's race	0.04	0.02	(0.04)	0.62	0.03	0.02	(0.04)	0.65	0.03	0.02	(0.04)	0.64
Director's education	0.01	0.00	(0.02)	0.94	-0.03	-0.01	(0.02)	0.67	-0.03	-0.01	(0.03)	0.68
Director's insider/outsider status	-0.01	0.00	(0.02)	0.93	0.01	0.00	(0.02)	0.89	0.01	0.00	(0.02)	0.86
Focal company's industry	0.06	0.00	(0.00)	0.43	0.07	0.00	(0.00)	0.36	0.06	0.00	(0.00)	0.45
Focal company's size (lg assets)	0.14	0.04	(0.02)	0.06	0.14	0.04	(0.02)	0.06	0.13	0.04	(0.02)	0.09
Independent												
Director's involvement in reorganization					-0.09	-0.02	(0.02)	0.30	0.03	0.01	(0.07)	0.91
Moderator												
Progress of recovery					0.13	0.06	(0.03)	0.07	0.61	0.28	(0.05)	0.57
Interaction												
Director's involvement in bankruptcy reorganization x Progress of recovery									-0.49	-0.22	(0.05)	0.65
Constant		5.20	(0.08)			5.22	(0.09)			5.20	(0.10)	
R^2		0.04				0.06				0.06		
Adjusted R^2		0.00				0.01				0.01		
ΔR^2		0.04				0.02				0.00		
F		1.06		0.39		1.34		0.22		1.22		0.28
F of ΔR^2		1.06		0.39		2.28		0.10		0.20		0.62

[o]$N= 78$, [1]$N= 144$

"β" refers to standardized regression estimates. "b" refers to unstandardized regression estimates. Standard errors are in parentheses.

Two-tailed tests.

TABLE 18

Results of regression analysis for board appointments compensation of the of the directors involved in reorganization vs. the directors involved in bancruptcy origination and filing (moderated by the time of recovery)

Variable	Control Variables Model 1				Main Effect Model 2				Moderating Effect Model 3			
	β	b		p	β	b		p	β	b		p
Control												
Director's gender	0.07	0.03	(0.03)	0.35	0.07	0.03	(0.03)	0.36	0.07	0.03	(0.03)	0.36
Director's age	-0.10	0.00	(0.00)	0.18	-0.13	0.00	(0.00)	0.09	-0.12	0.00	(0.00)	0.12
Director's race	0.04	0.02	(0.04)	0.62	0.03	0.02	(0.04)	0.64	0.03	0.01	(0.04)	0.69
Director's education	0.01	0.00	(0.02)	0.94	-0.03	-0.01	(0.03)	0.73	-0.03	-0.01	(0.03)	0.72
Director's insider/outsider status	-0.01	0.00	(0.02)	0.93	0.00	0.00	(0.02)	0.98	0.00	0.00	(0.02)	0.96
Focal company's industry	0.06	0.00	(0.00)	0.43	0.05	0.00	(0.00)	0.53	0.06	0.00	(0.00)	0.43
Focal company's size (lg assets)	0.14	0.04	(0.02)	0.06	0.07	0.02	(0.02)	0.41	0.08	0.02	(0.02)	0.37
Independent												
Director's involvement in reorganization					-0.11	-0.03	(0.02)	0.23	-0.53	-0.13	(0.09)	0.16
Moderator												
Time of recovery					0.10	0.00	(0.00)	0.26	-0.45	0.00	(0.00)	0.34
Interaction												
Director's involvement in bankruptcy reorganization x Time of recovery									0.69	0.00	(0.00)	0.24
Constant		5.20	(0.08)			5.29	(0.10)			5.38	(0.12)	
R2		0.04				0.05				0.06		
Adjusted R2		0.00				0.00				0.01		
ΔR2		0.04				0.01				0.01		
F		1.06		0.39		1.10		0.37		1.12		0.34
F of ΔR2		1.06		0.39		1.22		0.30		1.37		0.24

[o]$N= 78$, [1]$N= 144$

"β" refers to standardized regression estimates. "b" refers to unstandardized regression estimates. Standard errors are in parentheses.

Two-tailed tests.

TABLE 19

Results of regression analysis for total board appointments of the directors involved in bancruptcy origination or bancruptcy filing vs. directors involved in both, origination and filing

Variable	Control Variables Model 1 β	b		p	Main Effect Model 2 β	b		p
Control								
Director's gender	0.15	0.51	(0.19)	0.01	0.15	0.49	(0.19)	0.01
Director's age	-0.09	-0.01	(0.00)	0.12	-0.04	0.00	(0.00)	0.46
Director's race	-0.08	-0.28	(0.20)	0.16	-0.07	-0.25	(0.20)	0.20
Director's education	0.04	0.08	(0.12)	0.50	0.02	0.04	(0.12)	0.74
Directors's insider/outsider status	-0.08	-0.23	(0.17)	0.17	-0.07	-0.21	(0.17)	0.22
Focal company's industry	-0.07	0.00	(0.00)	0.24	-0.03	0.00	(0.00)	0.66
Focal company's size (lg assets)	0.08	0.17	(0.12)	0.18	0.09	0.19	(0.12)	0.13
Independent								
Director's involvement in bankruptcy filing					0.04	0.08	(0.15)	0.61
Director's involvement in bankruptcy origination					-0.15	-0.26	(0.13)	0.04
Constant		0.65	(0.49)			0.35	(0.53)	
R^2		0.06				0.08		
Adjusted R^2		0.04				0.06		
ΔR^2		0.06				0.02		
F		2.76		0.01		3.09		0.00
F of ΔR^2		2.76		0.01		4.04		0.02

[o]N= 78, [1]N= 79, [2]N= 164

"β" refers to standardized regression estimates. "b" refers to unstandardized regression estimates. Standard errors are in parentheses. Two-tailed tests.

TABLE 20

Results of regression analysis for total board appointments of the directors involved in bancruptcy origination, filing, and reorganization vs. the directors involved in bancruptcy origination and filing (moderated by the progress of recovery)

Variable	Control Variables Model 1				Main Effect Model 2				Moderating Effect Model 3			
	β	b		p	β	b		p	β	b		p
Control												
Director's gender	0.19	0.60	(0.32)	0.06	0.18	0.58	(0.32)	0.07	0.19	0.59	(0.32)	0.07
Director's age	-0.01	0.00	(0.01)	0.94	0.00	0.00	(0.01)	0.97	0.00	0.00	(0.01)	0.98
Director's race	0.05	0.23	(0.49)	0.63	0.04	0.18	(0.50)	0.72	0.04	0.19	(0.50)	0.71
Director's education	-0.03	-0.06	(0.23)	0.80	-0.03	-0.08	(0.23)	0.73	-0.03	-0.07	(0.24)	0.76
Director's insider/outsider status	0.02	0.09	(0.38)	0.82	0.02	0.08	(0.38)	0.84	0.02	0.07	(0.38)	0.86
Focal company's industry	0.16	0.01	(0.00)	0.12	0.18	0.01	(0.00)	0.08	0.19	0.01	(0.00)	0.07
Focal company's size (lg assets)	0.18	0.48	(0.27)	0.08	0.17	0.46	(0.27)	0.10	0.16	0.42	(0.28)	0.14
Independent												
Director's involvement in bankruptcy origination, filing, and reorganization					-0.08	-0.19	(0.25)	0.45	-0.23	-0.56	(0.88)	0.53
Moderator												
Progress of recovery					0.06	0.46	(0.71)	0.52	-0.23	-1.64	(4.81)	0.73
Interaction												
Director's involvement in bankruptcy origination, filing, and reorganization x Progress of recovery									0.33	2.10	4.774537	0.66
Constant		1.10	(0.72)			1.26	(0.81)			1.84	(0.84)	
R2		0.11				0.12				0.13		
Adjusted R2		0.05				0.04				0.03		
ΔR2		0.11				0.01				0		
F		1.81		0.09		1.50		0.16		1.36		0.21
F of ΔR2		1.81		0.09		1.35		0.61		0.19		0.66

°N= 78, ¹N= 27

"β" refers to standardized regression estimates. "b" refers to unstandardized regression estimates. Standard errors are in parentheses.

Two-tailed tests.

TABLE 21

Results of regression analysis for total board appointments of the directors involved in bancruptcy origination, filing, and reorganization vs.the directors involved in bancruptcy origination and filing (moderated by the time of recovery)

Variable	Control Variables Model 1				Main Effect Model 2				Moderating Effect Model 3			
	β	b		p	β	b		p	β	b		p
Control												
Director's gender	0.19	0.60	(0.32)	0.06	0.19	0.60	(0.32)	0.06	0.18	0.57	(0.32)	0.08
Director's age	-0.01	0.00	(0.01)	0.94	0.00	0.00	(0.01)	0.96	-0.01	0.00	(0.01)	0.91
Director's race	0.05	0.23	(0.49)	0.63	0.04	0.19	(0.50)	0.71	0.04	0.18	(0.50)	0.72
Director's education	-0.03	-0.06	(0.23)	0.80	-0.04	-0.09	(0.24)	0.71	-0.04	-0.10	(0.24)	0.67
Director's insider/outsider status	0.02	0.09	(0.38)	0.82	0.03	0.10	(0.38)	0.79	0.02	0.07	(0.38)	0.85
Focal company's industry	0.16	0.01	(0.00)	0.12	0.17	0.01	(0.00)	0.10	0.18	0.01	(0.00)	0.09
Focal company's size (lg assets)	0.18	0.48	(0.27)	0.08	0.16	0.44	(0.29)	0.14	0.17	0.45	(0.29)	0.12
Independent												
Director's involvement in bankruptcy origination, filing, and reorganization					-0.08	-0.19	(0.25)	0.45	-0.41	-0.99	(1.02)	0.33
Moderator												
Time of recovery					0.01	0.00	(0.00)	0.93	-0.27	0.00	(0.00)	0.45
Interaction												
Director's involvement in bankruptcy origination, filing, and reorganization x Time of recovery									0.44	0.00	(0.00)	0.42
Constant		-1.27	(1.19)			-1.16	(1.22)			-0.32	(1.59)	
R2		0.11				0.12				0.13		
Adjusted R2		0.05				0.04				0.03		
ΔR2		0.11				0.01				0.01		
F		1.81		0.09		1.45		0.18		1.37		0.21
F of ΔR2		1.81		0.09		0.29		0.75		0.66		0.42

[o]$N= 78$, [1]$N= 27$

"β" refers to standardized regression estimates. "b" refers to unstandardized regression estimates. Standard errors are in parentheses.

Two-tailed tests.