

**Internet Appendix**  
**for**  
**“CEO Marketability, Employment Opportunities, and Compensation: Evidence from  
Compensation Peer Citations”**

In this Appendix, we provide an extended analysis of the relation between the intensity with which a CEO is cited as a compensation peer and her labor market outcomes.

*IA.1 Accounting for other Measures of Labor Market Conditions*

We consider whether outside peer citations have an incremental impact on CEO marketability beyond other measures of labor market conditions, since an otherwise marketable CEO may also gather more peer citations. We also consider whether our measure of marketability is more strongly related to CEO outcomes when these other measures signal either a more competitive labor market or that a CEO is otherwise more marketable. Several authors have provided empirical measures of labor market competitiveness or executive marketability, including:

- a. Industry concentration, measured with the Herfindahl-Hirschman Index (HHI), which captures labor market concentration (Hoberg, Phillips and Prabhala (2014));
- b. The extent to which stock returns for firms in the same industry co-move, which can indicate similarity in firms and thus transferability of executive talent (Parrino (1997));
- c. The fluidity of the firms’ product market, where greater fluidity can indicate a more competitive industry and thus executive labor market (Hoberg, Phillips, and Prabhala (2014));
- d. The industry-level prevalence of externally-hired CEOs, which can indicate how transferable executive skills are and thus how competitive the labor market is (Cremers and Grinstein (2014)); and
- e. The extent of individual CEOs’ generalist skills (as opposed to firm-specific skills), which can make them more marketable to other firms (Custodio, Ferreira and Matos (2013)).

In Table IA.2, we include these variables in regressions explaining either CEO departure or compensation along with the number of peer citations from larger firms (PEER\_CITATIONS\_BY\_LG

MCAP). We find that the relation between outside peer citations and departure and compensation continue to hold when controlling for these other measures (Models 1 and 7). We then present regressions where we include these variables one at a time and add the interaction of PEER CITATIONS\_BY\_LG\_MCAP with the measure of labor market competitiveness. We find some evidence that the relation between peer citations and compensation is stronger for CEOs of firms in more fluid product markets and CEOs with more generalist skills.

#### *IA.2 Peer citations by firms that start disclosing after 2006*

Since compensation peer disclosure was part of broader changes in disclosure for executive compensation in 2006, one may question whether we have isolated the impact of this new requirement on the executive labor market. To address this concern, in Table IA.3 we consider the impact of peer citations from firms that did not start reporting compensation peers until after 2006. In other words, we consider sample firms to receive a peer compensation shock when they are cited by a larger firm that begins reporting peer citations sometime after 2006. Although the sample is much smaller, we continue to find that all of our main results hold: when larger firms disclose compensation peers for the first time, in the following years the cited firm's CEOs are more likely to depart and to receive higher CEO pay.

#### *IA.3 Non-founder versus founder CEOs*

To see if the 2006 disclosure rule served as a shock to CEO labor market transparency, we conduct difference-in-differences (DiD) tests around this regulatory change contrasting departure rates and compensation changes at firms with a non-founder CEO (treatment firms) and firms with a founder CEO (control firms).<sup>1,2</sup> Since an increased awareness of external labor market opportunities is far more

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<sup>1</sup> Specifically, in year 2006, we match each firm with a non-founder CEO to one with a founder CEO in the same industry (3-digit SIC defined) that is closest in total assets (within +/- 20%) and CEO compensation (within +/- 15%). We also require that each treatment and control firm have at least one compensation peer citation in fiscal years 2006 through 2008. Finally, we exclude firms with a CEO who is 65 or older as they are likely to depart for retirement. We find similar results when using the full sample, rather than the matched sample.

<sup>2</sup> For the reported results we excluded fiscal year 2006 from the analysis, however, in unreported results we find similar results when we include 2006. We also find similar results when we limit our sample to those firms with December fiscal year-end.

relevant for non-founder CEOs than it is for founder CEOs, if the rule change affected the CEO labor market we expect to see evidence of a greater impact among non-founder CEOs.

As discussed in Section II.A, if the rule increased labor market transparency it could have reduced frictions in the labor market, leading to greater CEO mobility. The DiD results are reported in Table IA.4. In Model 1, we examine the likelihood of a CEO departure in the three years before and after 2006. In Model 2, we examine the likelihood of the CEO departing for a larger firm during the pre- and post-2006 periods. In both cases, we find evidence that CEOs more sensitive to changes in the labor market (the non-founders) exhibit a significantly greater increase in their mobility after the rule change.

In Model 3, we examine CEO total compensation in the three years surrounding the rule implementation. We find that the coefficient estimate for the DiD interaction term is positive and significant at the 1% level, indicating that the compensation of CEOs who are most active in the labor market had greater increases in compensation around 2006. Figure IA.1 plots the annual interaction terms from a similar regression. Prior to 2006, the trend in CEO compensation is similar across founder and non-founder CEOs, but after 2006 non-founder CEO compensation is relatively higher. In 2007, the difference in total compensation across the two groups is significant at the 1% level and in 2008 the difference remains statistically significant at the 10% level, consistent with the DiD analysis. While there are many elements of the 2006 compensation regulations that may have contributed to this increase, these results suggest that the increased transparency from peer disclosures played an important role.

We further assess the reasonableness of our proposed interpretation by testing whether post-2006 compensation changes at non-founder CEO firms relate to peer citations in a different way than those at founder CEO firms. The results are reported in Table IA.5. The coefficients on the interaction terms between the compensation peer citation variables and an indicator for non-founder CEO firms show that the peer citation-departure and peer citation-total compensation relations are concentrated

in non-founder CEO firms. We find similar results using our peer citations by larger firms measure for both outcomes. Our industry adjusted measure also exhibits a stronger relation with total compensation in non-founder CEO firms. This set of results suggest that the overall changes in compensation practices following the rule change indeed relate to the information available through peer citations.

These findings, together with our earlier analyses, suggest that the 2006 rule changes may have had the unintended consequence of putting upward pressure on CEO compensation levels. First, as discussed in Section VI.D, we find an asymmetric relation between peer citation levels and CEO compensation, with highly cited CEOs being paid more while less cited CEOs are unaffected. In addition, greater clarity of outside options overall could increase CEOs' bargaining power vis-à-vis their boards. Holmström (2005) argues that even appropriately matched CEOs and firms bargain over a range of efficient compensation levels. Assuming risk-averse CEOs, if the new disclosure regime brought greater clarity of outside opportunities, as our results on non-founder vs. founder CEOs suggest, executives will bargain for a greater share of this surplus.<sup>3</sup> Since most CEOs are non-founders, and because compensation increases tend to propagate across the executive labor market (Bereskin and Cicero (2015)), this analysis suggests that the 2006 compensation peer disclosure rule may have caused CEO compensation levels to be higher than they otherwise would have been. This is a noteworthy result given that the rule was implemented due to concern over the use of biased undisclosed peer benchmarking to justify higher compensation levels.

#### *IA.4 Entrenched CEOs*

Entrenched CEOs may be better able to leverage signals of marketability to increase their compensation. Alternatively, if the relation between CEO compensation and peer citations primarily reflects increased labor market transparency then we expect weaker results for entrenched CEOs, as they are likely less willing to move and relinquish their entrenched position. Using an indicator for

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<sup>3</sup> Even if firms and executives held accurate point estimates of executives' outside opportunities before the new rule on average, the enhanced information environment may still have contributed to generally higher levels of compensation due to the reduced uncertainty about those estimates.

strong governance following Stefanescu, Wang, Xie and Yang (2018), in Table IA.6 we repeat our main analyses conditioning on the level of CEO entrenchment. We add an indicator that equals one if the firm has a governance index greater than 4 and is zero otherwise, and we interact this indicator with our main peer citations measure. Across the three models, we continue to find positive relations between peer citations and our labor market outcomes. The interaction terms, however, reveal no evidence of a different effect for entrenched CEOs. These findings indicate that our main results are more consistent with greater labor market informational transparency than with opportunistic behavior by entrenched CEOs.

#### *IA.5 Endogenous Peer Selection: Reverse causality and highly paid CEOs*

It is possible that firms that self-report more compensation peers also attract more citations from other firms. We find that our results continue to hold when the differences between peer citations and self-selected peers are larger. Table IA.7 Panel A shows that CEO departure probability, CEO total compensation and the fraction that is equity-based all increase with the difference between the number of citing firms and those cited as peers. In Panel B we exclude interlocking citations as these can be less informative to the cited firm. We continue to find our main results hold. In unreported results, we also find similar results when we use the ratio of peer citations over compensation peers chosen.<sup>4</sup>

#### *IA.6 Local Citations*

If compensation peer citations reflect outside opportunities, we would expect them to affect a CEO's labor market power more if they represent opportunities that are more attractive. The stronger effect associated with citations by larger firms suggests this is the case. Likewise, one might expect opportunities at local firms to be more attractive to CEOs, and thus expect the citations of local firms to be a stronger indicator of their labor market power. In Table IA.8, we separate the peer citations

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<sup>4</sup> For these tests, we add two to both the number of peer citations and the number of peers chosen before taking the natural logarithm of each to avoid having zero in the denominator.

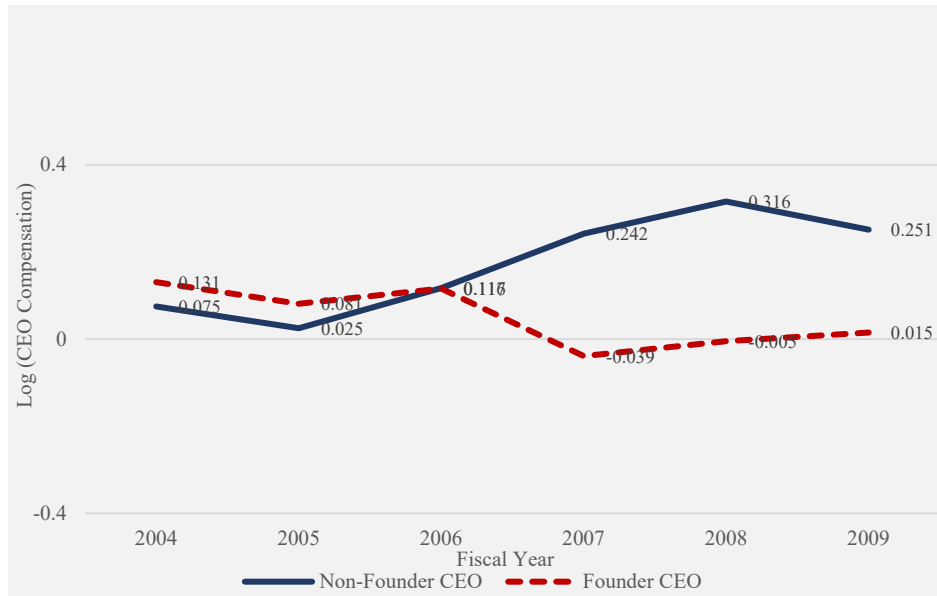
measure by whether or not the citing firms are within 60 miles of the cited firm's headquarters. F-tests reveal that peer citations by local firms have a significantly stronger relation than those of non-local firms to CEO departure rates and total compensation. These results are consistent with the disclosure rule increasing CEO labor market transparency.

FIGURE IA.1

**Compensation-Regression Year Fixed-Effects: Non-Founder CEOs vs Founder CEOs (2003 - 2009)**

This figure presents the value of year effects from the matched sample compensation regression across firms with non-founder (founder) CEOs, 2003-2009.

$$\text{Log}(CEO\_TOTAL\_COMP)_{i,t} = \beta_0 + \beta_1 NON\_FOUNDER\_CEO\_FIRM_{i,t} + \beta_2 YEAR\_DUMMIES_t + \beta_3 NON\_FOUNDER\_CEO\_FIRM_{i,t} \times YEAR\_DUMMIES_t + CONTROLS_{i,t-1;t} + \varepsilon_{i,t}$$



**Table IA.1. Compensation Consultant Use**

This table presents results from the main regression analysis of Tables IV and VII, examining CEO total compensation and CEO % Equity Compensation. The data are for fiscal years 2006 to 2011 and excludes financial and utility firms. The dependent variable in models 1 through 4 is the natural logarithm of the total compensation, which consists of salary, bonus, the Black-Scholes value of option grants, restricted stock grants, long-term incentive payments and other annual compensation (*tdc1* in ExecuComp). The dependent variable in models 5 through 6 is the percentage of total CEO compensation that is equity compensation, stock options and restricted stock grants, received by the CEO in the fiscal year. *LN(PEER\_CITATIONS)* is the natural logarithm of one plus the number of times a firm is cited as a compensation peer by another S&P 1500 firm. *CONSULTANT\_USED* is an indicator variable that equals one if the firm used a compensation consultant. *CONSULTANT\_PROVIDED\_OTHER\_SERVICES* is an indicator variable that equals one if the firm used a compensation consultant and the consultant also provided other services to the firm. *CONSULTANT\_RETAINED\_BY\_BOARD* is an indicator variable that equals one if the firm used a compensation consultant and the consultant was retained by the board rather than management. All control variables are the same as in Tables IV but are not reported for brevity. In all models, year and two-digit SIC industry fixed effects are included. Standard errors are robust and clustered by firm and t-statistics are in parentheses beneath the coefficients. Statistical significance at the 1%, 5%, and 10% level is indicated by \*\*\*, \*\*, and \*, respectively.

<i>Explanatory Variables</i>	<i>Dependent Variable</i>							
	(1)	<i>LN(CEO_TOTAL_COMP)</i>		(4)	(5)	<i>%EQUITY_COMP</i>		(8)
<i>LN(PEER_CITATIONS)</i> <sub>t-1</sub>	0.087*** (3.61)	0.088*** (3.72)	0.086*** (3.52)	0.083*** (3.60)	0.028*** (3.20)	0.028*** (2.90)	0.029*** (2.88)	0.027*** (2.61)
<i>CONSULTANT_USED</i>	0.192*** (3.45)			0.206*** (2.89)	0.024* (1.89)			0.030*** (2.71)
<i>CONSULTANT_PROVIDED_OTHER_SERVICES</i>		0.118*** (3.00)		0.072 (1.44)		0.032* (1.66)		-0.023 (-0.36)
<i>CONSULTANT_RETAINED_BY_BOARD</i>			0.171*** (2.84)	0.011 (0.28)			0.050*** (2.98)	-0.010 (-0.82)
<i>Other Controls</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
<i>Industry fixed effect</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
<i>Year fixed effect</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	.1 <i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
<i>Observations</i>	5,192	5,192	5,192	5,192	5,188	5,188	5,188	5,188
<i>R-squared / Pseudo</i>	0.492	0.489	0.491	0.489	0.326	0.336	0.341	0.339



**Table IA.2 Accounting for other Measures of Labor Market Conditions**

This table presents estimated coefficients of regression analysis from various dependent variables on compensation peer citations. The data are for fiscal years 2006 to 2011 and exclude financial and utility firms. The dependent variable in Models 1 to 6 is one if a CEO departure occurred during the fiscal year and zero otherwise. The dependent variable in Models 7 to 12 is the natural logarithm of CEO total compensation, which consists of salary, bonus, the Black-Scholes value of option grants, restricted stock grants, long-term incentive payments and other annual compensation (*tdc1* in ExecuComp). *PEER\_CITATIONS\_BY\_LG\_FIRMS* is the natural logarithm of one plus the number of times a firm is cited as a compensation peer of another firm that has relatively larger market capitalization: # of [(Market cap. of citing firm – Market cap. of cited firm)] > 0. *OUTSIDE\_CEOS* is the proportion of outside new CEOs across the Fama and French 48 industry groups (Table III of Cremers and Grinstein (2014)). *CO-MOVEMENT* measures the correlation between common stock returns between 2006 and 2011 within two-digit SIC industries (Parrino, 1997). *HHI* measures (two-digit SIC) industry concentration (Hoberg and Phillips, 2014). *FLUIDITY* measures the product market threat (Hoberg et al., 2014). *GENERALIST\_INDEX* measures a CEO's general managerial skills (Custodio et al., 2013). Models 1 to 6 report results from Logit regression analysis of CEO departure. Models 7 to 12 report results from OLS regression analysis of CEO total compensation. All control variables used in Table II are included in Logit analysis but are not reported for brevity. All control variables used in Table IV are included in OLS analysis but are not reported for brevity. Definitions of control variables are reported in the Appendix. Models 1 to 7 include year and two-digit SIC industry fixed effects are included. Models 8 to 12 include year and firm fixed effects. Standard errors are robust and clustered by firm and t-statistics are in parentheses beneath the coefficients. Statistical significance at the 1%, 5%, and 10% level is indicated by \*\*\*, \*\*, and \*, respectively.

Explanatory Variables	CEO_DEPARTURE						LN(CEO_TOTAL_COMP)					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<i>LN(PEER_CITATIONS_BY_LG_FIRMS)<sub>t-1</sub></i>	0.242*	0.414*	0.593**	0.107	0.150*	0.101	0.105**	0.024	0.075*	0.019	0.040	0.058**
	(1.93)	(1.86)	(2.11)	(0.67)	(1.76)	(0.67)	(2.30)	(0.37)	(1.72)	(0.58)	(0.90)	(1.96)
<i>LN(PEER_CITATIONS_BY_LG_FIRMS)<sub>t-1</sub></i> <i>X OUTSIDE_CEOS<sub>t-1</sub></i>		0.286						0.117				
		(0.36)						(0.57)				
<i>OUTSIDE_CEOS<sub>t-1</sub></i>	0.194	0.830					0.049					
	(0.19)	(0.90)					(0.11)					
<i>LN(PEER_CITATIONS_BY_LG_FIRMS)<sub>t-1</sub></i> <i>X CO-MOVEMENT<sub>t-1</sub></i>			-0.784						0.283			
			(-0.81)						(1.23)			
<i>CO-MOVEMENT<sub>t-1</sub></i>	-2.109		0.337				0.485		0.298			
	(-1.59)		(0.29)				(1.19)		(0.43)			
<i>LN(PEER_CITATIONS_BY_LG_FIRMS)<sub>t-1</sub></i> <i>X HHI<sub>t-1</sub></i>				0.825						-0.119		
				(0.82)						(-0.74)		
<i>HHI<sub>t-1</sub></i>	0.226			-1.682			-0.179			-0.542		
	(0.22)			(-1.13)			(-0.50)			(-1.44)		
<i>LN(PEER_CITATIONS_BY_LG_FIRMS)<sub>t-1</sub></i> <i>X FLUIDITY<sub>t-1</sub></i>					0.020						0.007*	
					(0.64)						(1.67)	
<i>FLUIDITY<sub>t-1</sub></i>	-0.065*				-0.027		0.006				-0.019*	
	(-1.91)				(-0.68)		(0.56)				(-1.65)	
<i>LN(PEER_CITATIONS_BY_LG_FIRMS)<sub>t-1</sub></i> <i>X GENERALIST_INDEX<sub>t-1</sub></i>						0.034						0.010*
						(0.23)						(1.90)
<i>GENERALIST_INDEX<sub>t-1</sub></i>	0.243***					0.296*	0.072**					0.017
	(2.67)					(1.73)	(2.51)					(0.23)
<i>Other Controls</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Industry fixed effect</i>	Yes	No	No	Yes	Yes	Yes	Yes	No	No	No	No	No
<i>Year fixed effect</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Firm fixed effect</i>	No	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
<i>Observations</i>	1,842	4,306	4,527	4,523	4,369	1,905	1,898	4,393	4,638	4,591	4,435	1,951
<i>R-squared / Pseudo</i>	0.047	0.035	0.038	0.042	0.043	0.073	0.402	0.390	0.392	0.397	0.402	0.300

**Table IA.3. Peer Citations by Larger post-2006 New Compensation Peer Benchmarking Firms**

This table presents the difference-in-differences regression estimates. Treatment firms are those with a non-founder CEO. Control firms are those with a founder CEO. The data are for fiscal years 2006 to 2011 and excludes financial and utility firms. The dependent variable in the first and second models is one if a CEO departure occurred during the fiscal year and zero otherwise. The dependent variable in the third and fourth models is the natural logarithm of CEO total compensation, which consists of salary, bonus, the Black-Scholes value of option grants, restricted stock grants, long-term incentive payments and other annual compensation (*tdc1* in ExecuComp). *CITATIONS\_BY\_LG\_POST-2006\_BENCHMARKING\_FIRMS* is the indicator variable that equals one in the year *t* a sample firm (bottom and middle market capitalization terciles) is cited by one of the large firms (top market capitalization tercile) that do not disclose compensation peers until after 2006, and zero in the year *t-1*. Control variables are the same as in Tables II and IV but are not reported for brevity. In all models, year and firm fixed effects are included. Standard errors are robust and clustered by firm and t-statistics are in parentheses beneath the coefficients. Statistical significance at the 1%, 5%, and 10% level is indicated by \*\*\*, \*\*, and \*, respectively.

<i>Explanatory Variables</i>	<i>Dependent Variable</i>	
	<i>CEO_DEPARTURE</i> (1)	<i>LN(CEO_TOTAL_COMP)</i> (2)
<i>CITATIONS_BY_LG_POST-2006_</i> <i>BENCHMARKING_FIRMS</i>	0.058** (2.42)	0.240*** (3.13)
<i>Other Controls</i>	<i>Yes</i>	<i>Yes</i>
<i>Year fixed effect</i>	<i>Yes</i>	<i>Yes</i>
<i>Firm fixed effect</i>	<i>Yes</i>	<i>Yes</i>
<i>Observations</i>	313	324
<i>R-squared / Pseudo</i>	0.398	0.206

**Table IA.4. Difference-in-Differences Analysis around Exogenous Compensation Peer Disclosure Rule**

This table presents the difference-in-differences regression estimates. Treatment firms are those with a non-founder CEO. Control firms are those with a founder CEO. We match each non-founder CEO firm to a founder CEO firm in fiscal year 2006 that is in the same industry (three-digit SIC code), closest in total assets (+/- 20%), and total CEO compensation (+/- 15%). We restrict our sample to include only firms with at least one compensation peer citation in fiscal year 2006 through 2008. First model presents results from the linear probability model (LPM) of CEO departure. We exclude firms with a CEO who is 65 years-old or older. The dependent variable is one if a CEO departure occurred during the fiscal year and zero otherwise. In the second model the dependent variable is one if the CEO departs for a larger firm. Third model presents results from OLS regression analysis of CEO total compensation. The dependent variable is the natural logarithm of CEO total compensation (*tdcl* in ExecuComp). Following the 2006 executive compensation reporting requirements (FAS 123R), the definition of total compensation (*tdcl* in ExecuComp) is slightly revised. To increase comparability of data across the pre-2006 and post-2006 periods, we adjust the measure of total compensation for the pre-2006 period following prior studies (Walker, 2011; Focke, Maug, Niessen-Ruenzi, 2017). CEO total compensation for the pre-2006 period is recomputed as  $(tdcl - ltp) + (the\ firm's\ end\text{-}year\ stock\ price\ (t-1) \times shrtarg\ (t-1))$ . For the post-2006 period, *tdcl* is used as CEO total compensation. In all models, year and firm effects are included. *POST\_DISCLOSURE (3-YEARS)* is the indicator variable that equals one in the three years following the 2006 SEC new-disclosure rule and zero in the three years prior to the disclosure rule. Control variables are the same as in Tables II and IV but are not reported for brevity. In all specifications, fiscal year 2006 is excluded. Standard errors are robust and clustered by firm and t-statistics are in parentheses beneath the coefficients. Statistical significance at the 1%, 5%, and 10% level is indicated by \*\*\*, \*\*, and \*, respectively.

<i>Explanatory Variables</i>	<i>Dependent Variable</i>		
	<i>CEO _DEPARTURE (1)</i>	<i>DEPARTURE_FOR_ LG_FIRM (2)</i>	<i>LN(CEO _TOTAL_COMP) (3)</i>
<i>POST_DISCLOSURE (3-YEARS)</i>	-0.020* (-1.66)	-0.010 (-1.27)	0.026 (0.51)
<i>NON_FOUNDER CEO FIRM X POST_DISCLOSURE (3-YEARS)</i>	0.063** (2.46)	0.016** (1.99)	0.232*** (2.88)
<i>Other Controls</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
<i>Year fixed effect</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
<i>Firm fixed effect</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
<i>Observations</i>	809	809	1,221
<i>R-Squared</i>	0.067	0.028	0.321

**Table IA.5. Peer Citations: Founder CEO Firm VS Non-Founder CEO Firm**

This table presents results from regression analysis of various dependent variables on compensation peer citations. We match each non-founder CEO firm to a founder CEO firm in fiscal year 2006 that is in the same industry (3-digit SIC code), closest in total assets (+/- 20%), and total CEO compensation (+/- 15%). The data are for fiscal years 2006 to 2011 and exclude financial and utility firms. The dependent variable in Models 1, 3, and 5 is one if a CEO departure occurred during the fiscal year and zero otherwise. The dependent variable in Models 2, 4 and 6 is the natural logarithm of CEO total compensation, which consists of salary, bonus, the Black-Scholes value of option grants, restricted stock grants, long-term incentive payments and other annual compensation (*tdc1* in ExecuComp).  $LN(PEER\_CITATIONS)$  is the natural logarithm of one plus the number of times a firm is cited as a compensation peer by another S&P 1500 firm.  $LN(PEER\_CITATIONS\_BY\_LG(SM)\_FIRMS)$  is the natural logarithm of one plus the number of times a firm is cited as a compensation peer of another firm that has relatively large (small) market capitalization: # of [(Market cap. of citing firm – Market cap. of cited firm)] > (<) 0.  $LN(PEER\_CITATIONS)_{t-1} - LN(IND\_MEDIAN)$  is the natural logarithm of one plus the number of compensation peer citations minus the natural logarithm of one plus median peer citations within the same two-digit SIC industry. Models 1, 3, and 5 report results from Logit regression analysis of CEO departure. Models 2, 4, and 6 report results from OLS regression analysis of CEO total compensation. All control variables used in Table II are included in Logit analysis. All control variables used in Table IV are included in OLS analysis. Definitions of control variables are reported in the Appendix. In Logit models, year and two-digit SIC industry fixed effects are included. In OLS model, year and firm fixed effects are included. Standard errors are robust and clustered by firm and t-statistics are in parentheses beneath the coefficients. Statistical significance at the 1%, 5%, and 10% level is indicated by \*\*\*, \*\*, and \*, respectively.

<i>Explanatory Variables</i>	<i>Dependent Variable</i>					
	<i>CEO _DEPARTURE</i> (1)	<i>LN(CEO _TOTAL_COMP)</i> (2)	<i>CEO _DEPARTURE</i> (3)	<i>LN(CEO _TOTAL_COMP)</i> (4)	<i>CEO _DEPARTURE</i> (5)	<i>LN(CEO _TOTAL_COMP)</i> (6)
$LN(PEER\_CITATIONS)_{t-1}$	0.869*	-0.068				
	(1.69)	(-0.92)				
$LN(PEER\_CITATIONS)_{t-1}$ <i>XNON_FOUNDER_CEO_FIRM</i>	0.691*	0.192**				
	(1.81)	(2.25)				
$LN(PEER\_CITATIONS\_BY\_LG\_FIRMS)_{t-1}$			0.548	-0.095		
			(0.89)	(-1.37)		
$LN(PEER\_CITATIONS\_BY\_SM\_FIRMS)_{t-1}$			0.453	0.011		
			(1.20)	(0.30)		
$LN(PEER\_CITATIONS\_BY\_LG\_FIRMS)_{t-1}$ <i>XNON_FOUNDER_CEO_FIRM</i>			0.258*	0.178**		
			(1.68)	(2.01)		
$LN(PEER\_CITATIONS\_BY\_SM\_FIRMS)_{t-1}$ <i>XNON_FOUNDER_CEO_FIRM</i>			0.237	-0.104		
			(0.36)	(-1.03)		
$LN(PEER\_CITATIONS)_{t-1} - LN(IND\_MEDIAN)_{t-1}$					0.809	-0.059
					(1.43)	(-0.75)
$LN(PEER\_CITATIONS)_{t-1} - LN(IND\_MEDIAN)_{t-1}$ <i>XNON_FOUNDER_CEO_FIRM</i>					0.661	0.185**
					(1.65)	(2.33)
<i>NON_FOUNDER_CEO_FIRM</i>	2.98**	0.554	2.835***	1.055**	1.896***	0.622*
	(2.48)	(1.00)	(2.68)	(2.14)	(2.73)	(1.65)
<i>Other Controls</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
<i>Industry fixed effect</i>	<i>Yes</i>	<i>No</i>	<i>Yes</i>	<i>No</i>	<i>Yes</i>	<i>No</i>
<i>Year fixed effect</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
<i>Firm fixed effect</i>	<i>No</i>	<i>Yes</i>	<i>No</i>	<i>Yes</i>	<i>No</i>	<i>Yes</i>
<i>Observations</i>	1,210	1,288	1,088	1,154	1,208	1,284
<i>R-squared / Pseudo</i>	0.088	0.220	0.091	0.209	0.091	0.220

**Table IA.6. Corporate Governance**

This table presents results from regression analysis of various dependent variables on compensation peer citations interacted with a proxy for governance strength. The data are for fiscal years 2006 to 2011 and exclude financial and utility firms. The dependent variable in the first model is one if a CEO departure occurred during the fiscal year and zero otherwise. The dependent variable in the second model is the natural logarithm of CEO total compensation, which consists of salary, bonus, the Black-Scholes value of option grants, restricted stock grants, long-term incentive payments and other annual compensation (*tdc1* in ExecuComp). The dependent variable in the third model is the percentage of total CEO compensation that is equity compensation, stock options and restricted stock grants, received by the CEO in the fiscal year. *LN(PEER\_CITATIONS)* is the natural logarithm of one plus the number of times a firm is cited as compensation peers of other S&P 1500 firms. *STRONG\_GOVERNANCE* is the indicator variable that equals one if the governance index used in Stefanescu et al. (2018) is greater than four. If any of the seven indicators of governance measures (Board size, CEO duality, % Busy directors, % Co-opted directors, % Outside directors, Outside directors' ownership, and Institutional ownership) are missing, we exclude them in the sample. The first model reports results from Logit regression analysis. The second model reports results from OLS regression analysis. The third model reports results from Tobit regression analysis. In the first and third models, year and two-digit SIC industry fixed effects are included. In the second model, year and firm fixed effects are included. All control variables used in Table II are included in Logit regression analysis. All control variables used in Table IV are included in the OLS and Tobit analysis. Standard errors are robust and clustered by firm and t-statistics are in parentheses beneath the coefficients. Statistical significance at the 1%, 5%, and 10% level is indicated by \*\*\*, \*\*, and \*, respectively.

<i>Explanatory Variables</i>	<i>Dependent Variable</i>		
	<i>CEO_DARTURE</i> (1)	<i>LN(CEO_TOTAL_COMP)</i> (2)	<i>%EQUITY_COMP</i> (3)
<i>LN(PEER_CITATIONS)<sub>t-1</sub></i>	0.324** (2.44)	0.026** (1.98)	0.045*** (3.25)
<i>STRONG_GOVERNANCE</i>	-0.307 (-0.23)	-0.002 (-0.01)	0.020 (0.79)
<i>LN(PEER_CITATIONS)<sub>t-1</sub> X STRONG_GOVERNANCE</i>	-0.108 (-0.71)	0.018 (1.64)	0.007 (0.99)
<i>Other Controls</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
<i>Industry fixed effect</i>	<i>Yes</i>	<i>No</i>	<i>Yes</i>
<i>Year fixed effect</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
<i>Firm fixed effect</i>	<i>No</i>	<i>Yes</i>	<i>No</i>
<i>Observations</i>	4,210	4,355	4,349
<i>R-squared / Pseudo</i>	0.054	0.354	0.388

**Table IA.7. Alternative Citation Measures: Number of Peer Citations less Number of Peers Chosen and Interlocking Citations**

This table presents results from regression analysis of various dependent variables on alternative measures of compensation peer citations. In Panel A, the alternative peer citation measure is  $LN(PEER\_CITATIONS) - LN(PEER\_CHOSEN)$  which is the natural logarithm of one plus the number of compensation peer citations minus the natural logarithm of one plus the number of compensation peers chosen by the firm. In Panel B, the alternative peer citation measure is  $LN(PEER\_CITATIONS\_INTERLOCKING\_CITATIONS)$  which is the natural logarithm of one plus the number of compensation peer citations minus the number of interlocking citations between the cited firm and citing firms. The data are for fiscal years 2006 to 2011 and excludes financial and utility firms. The dependent variable in the first model is one if a CEO departure occurred during the fiscal year and zero otherwise. The dependent variable in the second model is the natural logarithm of CEO total compensation, which consists of salary, bonus, the Black-Scholes value of option grants, restricted stock grants, long-term incentive payments and other annual compensation (*tdc1* in ExecuComp). The dependent variable in the third model is the percentage of total CEO compensation that is equity compensation, stock options and restricted stock grants, received by the CEO in the fiscal year. The first model reports results from Logit regression analysis of CEO departure. The second model reports results from OLS regression analysis of CEO total compensation. The third model reports results from Tobit regression analysis of CEO equity compensation. All control variables used in Table II are included in the Logit regression analysis. All control variables used in Table IV are included in the OLS and Tobit analysis. In Logit and Tobit models, year and two-digit SIC industry fixed effects are included. In OLS models, year and firm fixed effects are included. Standard errors are robust and clustered by firm and t-statistics are in parentheses beneath the coefficients. Statistical significance at the 1%, 5%, and 10% level is indicated by \*\*\*, \*\*, and \*, respectively.

Panel A	Dependent Variable		
	CEO_ DARTURE (1)	LN(CEO_TOTAL_ COMP) (2)	%EQUITY_ COMP (3)
<i>Explanatory Variables</i>			
$LN(PEER\_CITATIONS)_{t-1} - LN(NUM\_PEER\_CHOSEN)_{t-1}$	0.182** (1.96)	0.100** (2.24)	0.031*** (2.79)
<i>Other Controls</i>	Yes	Yes	Yes
<i>Industry fixed effect</i>	Yes	No	Yes
<i>Year fixed effect</i>	Yes	Yes	Yes
<i>Firm fixed effect</i>	No	Yes	No
<i>Observations</i>	5,024	5,192	5,188
<i>R-squared / Pseudo</i>	0.035	0.401	0.368

Panel B	Dependent Variable		
	CEO_ DARTURE (1)	LN(CEO_TOTAL_ COMP) (2)	%EQUITY_ COMP (3)
<i>Explanatory Variables</i>			
$LN(PEER\_CITATIONS\_INTERLOCKING\_CITATIONS)_{t-1}$	0.199*** (2.67)	0.074** (2.30)	0.020** (1.99)
<i>Other Controls</i>	Yes	Yes	Yes
<i>Industry fixed effect</i>	Yes	No	Yes
<i>Year fixed effect</i>	Yes	Yes	Yes
<i>Firm fixed effect</i>	No	Yes	No
<i>Observations</i>	5,024	5,192	5,188
<i>R-squared / Pseudo</i>	0.035	0.402	0.367

**Table IA.8. Local Citations**

This table presents results from regression analysis of various dependent variables on an alternative measure of compensation peer citations.  $LN(PEER\_CITATIONS\_BY\_NON\_LOCAL\_FIRMS)$  is the natural logarithm of one plus the number of times a firm is cited as a compensation peer by another S&P 1500 firm that is located within 60 miles of the cited firms' headquarters.  $LN(PEER\_CITATIONS\_BY\_LOCAL\_FIRMS)$  is the natural logarithm of one plus the number of times a firm is cited as a compensation peer by another S&P 1500 firm that is located outside 60 miles of the cited firms' headquarters. The data are for fiscal years 2006 to 2011 and excludes financial and utility firms. The dependent variable in the first model is one if a CEO departure occurred during the fiscal year and zero otherwise. The dependent variable in the second model is the natural logarithm of the CEO total compensation, which consists of salary, bonus, the Black-Scholes value of option grants, restricted stock grants, long-term incentive payments and other annual compensation (*tdc1* in ExecuComp). The dependent variable in the third model is the percentage of total CEO compensation that is equity compensation, stock options and restricted stock grants, received by the CEO in the fiscal year. The first model reports results from Logit regression analysis. The second model reports results from OLS regression analysis. The third model reports results from Tobit regression analysis. In the first and third models, year and two-digit SIC industry fixed effects are included. In the second model, year and firm fixed effects are included. All control variables used in Table II are included in Logit regression analysis. All control variables used in Table IV are included in the OLS and Tobit analysis. Standard errors are robust and clustered by firm and t-statistics are in parentheses beneath the coefficients. Statistical significance at the 1%, 5%, and 10% level is indicated by \*\*\*, \*\*, and \*, respectively.

Explanatory Variables	Dependent Variable		
	CEO_ DARTURE (1)	LN(CEO_TOTAL_ COMP) (2)	%EQUITY_ COMP (3)
$LN(PEER\_CITATIONS\_BY\_LOCAL\_FIRMS)_{t-1}$	0.302*** (3.28)	0.095** (2.06)	0.022** (2.30)
$LN(PEER\_CITATIONS\_BY\_NON\_LOCAL\_FIRMS)_{t-1}$	0.068 (0.68)	-0.006 (-0.23)	0.021** (2.45)
Other Controls	Yes	Yes	Yes
Industry fixed effect	Yes	No	Yes
Year fixed effect	Yes	Yes	Yes
Firm fixed effect	No	Yes	No
Observations	4,530	4,705	4,716
R-squared / Pseudo	0.064	0.498	0.392

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**Tests of coefficients on the peer citations by local and non-local firms**

Chi-Square / F test	3.07	2.70	0.24
p-value	0.0798	0.1004	0.6233

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