

## Board Turnover After Social Movement Boycotts

Research soon to be published in the *Academy of Management Journal* shows that reputational challenges to the firm (e.g., boycotts) directly influence the likelihood of directors voluntarily leaving the board. Further, the type of boycott influences which directors are more likely to leave.

### Key Takeaways:

- Firms that experience a boycott of their services or products experience a 30% increase in board turnover compared to the base rate of board turnover for that firm.
- Board member turnover following a boycott will be more likely for board members who are ideologically aligned with the boycotters.
- More conservative board members are less prone to leaving following a boycott than those who are more liberal.

Based on 120 firm-boycott observations that occurred between 2000 and 2014 for companies listed in the S&P 1500, researchers found that board of director voluntary turnover increased by about 7% (or 30% more than board turnover rates occurring before the boycott). The research team also found that when a director's political ideology matched the ideology of the boycotters that it makes the director much more likely to voluntarily leave the organization.

For instance, a director who has contributed substantially more financially to Republican candidates is five times more likely to voluntarily leave the board than directors who have donated more to Democratic candidates if the boycott is more conservative in nature. In contrast, directors who financially contribute substantially more to Democratic candidates than Republican candidates are significantly more likely to voluntarily leave the board following a liberal boycott.

Their analysis statistically controlled for aspects of the board (like board size, proportion of independent directors), board member characteristics (like whether a specific director is part of an under-represented minority group, is female, how many outside public boards the person sits, and ownership stake), the firm (like ROA, media coverage, and the number of employees), and characteristics of the boycott (like media attention, and specific common protest types: race, environment, labor, gender, product safety, and religious or moral issues). The authors suggest that future research is needed to learn more about the specific rationale for director departures, and more specific measures are needed regarding political ideology and how they relate to departures.

Source: McDonnell, MH & Cobb, J.A. (2019). Take a stand or keep your seat: Board turnover after social movement boycotts *Academy of Management Journal* In-press.