Is Your Surname Remunerative?
Surname Favorability and CEO Compensation

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Abstract

We find that CEOs with more favorable surnames receive significantly higher compensation. The estimated effect of surname favorability is unique and incremental to the documented effects of various firm, board, and CEO characteristics. CEOs with French or German surnames receive significantly lower compensation after the French and German governments' opposition to the Iraq war. Surname favorability is not associated with corporate investments, disclosure policies, or firm performances. The results are more pronounced for professional (i.e., non-founder) or short-tenured CEOs and for firms with lower institutional ownership. Surname favorability reduces the likelihood of forced CEO turnover following poor stock performance but is not associated with a CEO's self-serving behaviors. Our results suggest that the effect of surname favorability is attributable to inefficient contracting by the board of directors. Our findings have implications for corporate stakeholders who have committed to the efficient contracting of CEO compensations.

Keywords: CEO compensation, surname favorability, board of directors

JEL Codes: G30, J15, J71, M12.

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1. Introduction

A person's name can affect how they are perceived. Recent studies show that name-induced perceptions affect employers' screening of job applicants (Bertrand and Mullainathan 2004), workers' wages (Arai and Thoursie 2009; Rubinstein and Brenner 2014), mutual fund flows (Kumar, Neissen-Ruenzi, and Spalt 2015), and market reaction to analyst forecasts (Jung, Kumar, Lim, and Yoo 2019).

Then, would names matter in CEO compensation? CEOs have a significant impact on firm value compared to rank-and-file employees. Thus, one may argue that CEO compensation is unlikely to be affected by the mere name of the CEO, as CEO compensation is carefully set by the board of directors, who have financial stakes in the success of the firm. Indeed, most studies on CEO compensation assume that it is driven by rational motives, and relatively few address the behavioral factors influencing CEO compensation.[1]

Psychology research suggests that name-induced perceptions may bias the evaluation of a person. For example, Klauer and Stern (1992) show that people's evaluation of an individual is more positive when the individual has a favorable attribute, even if it is irrelevant to the evaluation, because of the tendency to seek consistency in attitudes and judgments. This tendency is also related to the halo effect, where an impression created in one area biases the evaluations of other qualities (e.g., Thorndike 1920; Nisbett and Wilson 1977). Taken together, studies in psychology suggest that people may assign more positive evaluations to CEOs with favorable surnames, which can result in a higher level of compensation for those CEOs.

Our study examines the effect of name-induced perception on CEO compensation. Specifically, we focus on a particular aspect of favorability formed through people's opinions

[1] See, for example, the reviews by Frydman and Jenter (2010) and Edmans and Gabaix (2016).

about an individual's country of origin as reflected in his or her surname, which we call surname favorability. A surname is typically passed down from a parent to a child. Therefore, those who encounter a person may be influenced by the perceptions and biases associated with the country of origin that they infer from the person's surname. We identify the potential countries of origin associated with a surname from the U.S. historical immigration records available on ancestry.com (Pan, Siegel, and Wang 2017; Jung et al. 2019). Americans' favorability toward CEOs' surnames is measured as the weighted average of the favorability ratings from Gallup poll data for countries associated with those names (Jung et al. 2019).

Using a sample of 6,359 firm-years over the 1999-2014 period, we find that the favorability of a CEO's surname is positively associated with his or her level of compensation. The results are robust to controlling for various CEO- and firm-level attributes, as well as firm, year, and CEO origin fixed effects. Our finding is not only statistically significant but also economically meaningful: a one-standard-deviation increase in surname favorability translates into a 4.39% increase in a CEO's total compensation, corresponding to an increase of $240,699 relative to the average annual compensation of $5,482,910.[2]

We conduct additional analyses to corroborate the robustness of our findings. First, we conduct falsification tests using placebo measures of surname favorability and fail to replicate our results. We also perform non-parametric bootstrap and permutation tests and show that our main findings are robust to random sampling approaches. These tests rule out the possibility that the estimated effects of surname favorability are spuriously driven by any model misspecification. Second, we reinforce the identification of surname favorability by utilizing a natural experiment of the French and German governments' opposition to the 2003 Iraq War, which resulted in a

[2] Refer to footnote 17 for the detailed calculation.

significant decline in Americans' favorable attitudes toward France and Germany (Chavis and Leslie 2009; Michaels and Zhi 2010). We find that CEOs with French or German surnames earn significantly less after the exogenous shock, compared to their counterparts during contemporaneous periods, suggesting a positive and causal relation between surname favorability and CEO compensation. Third, we re-estimate the baseline regression model after controlling for additional variables that capture various board and director characteristics. We continue to find significant effects of surname favorability on CEO compensation, which provide further validation that our results are not subject to omitted variable bias problems.[3]

Next, we examine whether our findings are attributable to a firm's rational pricing of CEO surname favorability. We find no meaningful relation between CEOs' surname favorability and their managerial decisions or respective firm performance. Specifically, we find that CEO surname favorability is not associated with corporate investment policies, the quality or behavior of managerial disclosure, outcomes in the product market, or the firm's accounting and/or stock performance. These results mitigate the possibility that surname favorability is rationally priced into CEO compensation packages due to its contribution to firm value or performance.

We further explore cross-sectional variations in the positive effect of surname favorability on CEO compensation. We find that professional (non-founder) or short-tenured CEOs are more susceptible to the surname favorability effects. The effects are also more pronounced for firms with lower institutional ownership. Overall, the evidence from our tests for the rational pricing of surname favorability and cross-sectional variations supports the argument that our findings are attributable to inefficient contracting by the board of directors, whose members make biased decisions due to their subjective perception of a CEO's surname. Our interpretation based on

[3] We also perform a diagnostic test to further alleviate the omitted variable bias concern in Section 3.1.4.

behavioral bias is in line with the finding of Jung et al. (2019) that stock market investors make a biased decision based on their favorability toward financial analysts' surnames. It can also be seen in a similar vein as Graham, Harvey, and Puri's (2017) finding that board directors make hiring and compensation decisions based, in part, on their first impression of a candidate's facial traits.

In additional tests, we analyze whether surname favorability affects other board decisions. We find that surname favorability significantly reduces the likelihood of CEOs being dismissed after their firms underperform, suggesting that our surname favorability effects extend to the board's decision on CEO turnover. Finally, we show preliminary evidence that surname favorability is not associated with CEO's self-serving behavior.

Our study contributes to the following streams of literature. First, our study provides new evidence on the effects of name-induced perception and bias. A person's name can influence other people's perception of that person because it is often associated with attributes such as race, gender, age, and ethnicity. Bertrand and Mullainathan (2004) find that resumes with white-sounding first names receive 50 percent more callbacks for interviews than those with African-American-sounding first names. Arai and Thoursie (2009) and Rubinstein and Brenner (2014) show that the perceived ethnicity signaled by surnames has a significant effect on workers' wages. Kumar et al. (2015) find that fund managers with foreign-sounding names have lower fund flows than others, and attribute their findings to in-group bias. Jung et al. (2019) show that forecast revisions by analysts with more favorable surnames elicit stronger market reactions. These studies show that names affect investment decisions, job screening, and workers' wages, but no prior study has examined the effect in a corporate executive setting. By examining the effect of surname favorability on CEO compensation and turnover, we show that name-induced perceptions affect important corporate decisions.

Our study also contributes to the recent stream of literature on the effects of CEO traits and investor perceptions of CEOs on corporate decisions and outcomes. Graham, Harvey, and Puri (2013) show that CEOs' behavioral traits such as optimism, risk-aversion, and time preference are related to corporate financial policies and CEO compensation. Graham et al. (2017) show evidence that the subjective look of competence is important for CEO selection and compensation. Blankespoor, Hendriks, and Miller (2017) develop a measure of investor perception using video clips of initial public offering (IPO) roadshow presentations and show that this measure is positively associated with IPO pricing. Green, Jame, and Lock (2019) find that extroverted CEOs earn higher salaries.

These studies on the effects of CEO traits provide limited insights into the direction of causation. For example, Graham et al. (2013) state that they cannot determine the direction of causality because CEOs with a certain trait may self-select into particular firms, and that it is worth investigating in future research with a design that can differentiate between matching and causation. We address the limitation discussed in Graham et al. (2013) by utilizing time variations in the perceptions associated with CEO names and providing evidence of a causal effect of surname favorability on CEO compensation.

Lastly, our study contributes to the literature on executive compensation by identifying a new behavioral factor of CEO compensation. Most of the literature on CEO compensation focuses on rational determinants of executive compensation, and relatively few studies have examined behavioral factors of CEO compensation. In particular, with the exception of Graham et al. (2017), there is a dearth of evidence on how perception affects CEO compensation. Our evidence suggests that perception is an important behavioral determinant of CEO compensation.

2. Data, Sample, and Measurements

2.1 Data and sample

We begin our sample construction by collecting information on CEO surnames and compensation from ExecuComp. We focus on CEOs working for S&P 1500 firms in the United States between 1999 and 2014. The sample period starts in 1999 and ends in 2014 due to the availability of our main datasets: Gallup has carried out a survey on Americans' favorability toward foreign countries every year since 1999,[4] and our hand-collected data on the U.S. historical immigration records associated with the CEO surnames, retrieved from www.ancestry.com, are only available up to 2014. We merge our sample of CEO surnames and compensations with data on firms' fundamentals, stock price and return, and institutional ownership from Compustat, Center for Research on Security Prices (CRSP), and Thomson Reuters' Institutional 13F Holdings file, respectively. Then, we retain observations with non-missing values for the main variables used in our empirical analyses. This procedure yields the final sample of 6,359 firm-years for 1,708 unique firms and 2,186 unique CEOs in the United States from 1999 to 2014.

2.2 Measuring a CEO's surname favorability

We construct a measure of a CEO's surname favorability by utilizing U.S. historical immigration records and Gallup survey data on Americans' favorability toward foreign countries. First, we retrieve data on CEO surnames from ExecuComp and identify each CEO's countries of origin by tracking down the nationalities of U.S. immigrants who had the same surname and entered the United States through the port of New York between 1820 and 1957 (Pan et al. 2017; Jung et al. 2019).[5] We use the distribution of the nationalities of U.S. immigrants sharing the same

[4] Gallup carried out a survey in 1997 and 1998 for only two countries (China and Russia). In 1999, Gallup expanded its survey coverage to 14 countries.

[5] We correct minor errors and typos in U.S. immigrants' nationalities and regroup them into 115 standardized countries (e.g., England, Scotland, and Wales into Great Britain). Jung et al. (2019) describe the procedure of data trimming.

surname as a proxy for a CEO's countries of origin.[6] Once we have identified the CEO's countries of origin, we merge them with Gallup's ratings of Americans' favorability toward the countries.[7] Specifically, we use responses to the following question in Gallup surveys: "I'd like your overall opinion of some foreign countries. Is your overall opinion of the following country very favorable, mostly favorable, mostly unfavorable, or very unfavorable?" Following Jung et al. (2019), we use the total percentage of survey respondents who answered "Very Favorable" or "Mostly Favorable" as a positive favorability rating for the country.

We compute the level of a CEO's surname favorability, *FavSurname*, by taking the weighted average of Americans' favorability ratings for all of the countries that are associated with his or her surname (Jung et al. 2019). We use the most recent favorability rating for a country as of the year of the calculation and only consider countries without a missing value for the rating. Each country is assigned a weight based on the fraction of the U.S. immigrants sharing the same surname as the CEO. The sum of the weights equals one. To avoid constructing a measure based on obsolete survey ratings, we use *FavSurname* only if the average horizon between the date of Gallup favorability ratings for the countries and the year-end date is shorter than 360 days.[8] During our sample period, approximately 90% of Gallup surveys were conducted in the first three months of a year. Therefore, our measure of surname favorability in a given year captures Americans' perception of a CEO's surname as of the beginning of the year.

2.3 Descriptive statistics

[6] There could be a measurement error due to the common practice of women adopting their husbands' surnames after marriage in the United States. In untabulated tests, we remove female CEOs from our sample and re-estimate the baseline regression model. We find that our results remain qualitatively the same.
[7] Gallup provides the survey results for country favorability ratings on its website (www.news.gallup.com).
[8] In untabulated tests, we extend the length of the average horizon between Gallup survey dates and a firm's fiscal year-end date from 360 days to 450 or 540 days. Our main results remain qualitatively the same.

Table 1 presents the sample distribution of CEOs' countries of origin by geographic region. Each CEO is assigned to one geographic region that includes his or her most likely country of origin; that is, the country from which the largest fraction of U.S. immigrants sharing the same surname came from.[9] Countries in the U.S. immigration records are grouped into 10 geographic regions, according to the United Nations M49 Standard Area Codes. For CEOs in each geographic region, we report up to two most common countries of origin and their relative presence in our sample. For example, the largest fraction (45.33%) of our sample CEOs has surnames originating from countries in Northern Europe, such as Great Britain and Ireland. In contrast, the smallest fraction (0.05%) of our sample CEOs has surnames associated with Northern Africa (Egypt). We note that 16.29% of CEOs are identified as having surnames from countries in Northern America, such as the United States and Canada. This is possible because the U.S. immigration records are based on the information of passengers who entered the United States between 1820 and 1957, a period that ends after the establishment years of the United States (1776) and Canada (1867).[10]

Table 2 presents descriptive statistics for the main variables used in our analyses. Panel A shows the summary statistics of the variables in our sample of 6,359 firm-year-CEOs from 1999 to 2014. We find that the mean and median of total CEO compensation, *Total compensation (raw, $)*, are approximately $5.5 million and $2.8 million, respectively, consistent with prior studies (e.g., Focke, Maug, and Niessen-Ruenzi 2017). To adjust the skewness of the distribution, we use *Total compensation*, the natural logarithm of raw dollar total compensation, in our empirical analyses. The mean and median of *Total compensation* are 7.929 and 7.928, respectively. Our

[9] For example, Japan, Great Britain, Germany, and France account for 99.5%, 0.3%, 0.1%, and 0.1% of the U.S. immigrants with surname Yamamoto. In Table 1, all CEOs with the surname Yamamoto are assigned to Japan, allowing us to classify our sample CEOs into mutually exclusive categories.

[10] In untabulated tests, we check the robustness of our findings to excluding CEOs with American surnames or those originating from countries where English is the official language (i.e., in our sample: Canada, Great Britain, India, Ireland, and the United States). We find qualitatively similar results.

primary variable of interest, *FavSurname*, has a mean and median of 0.785 and 0.822, indicating that approximately 80% of Americans who participated in Gallup surveys answered "Very Favorable" or "Mostly Favorable" for countries associated with the surnames of our sample CEOs. Notably, CEOs at S&P 1500 firms have surnames that are as favorably perceived by Americans as those of the U.S. equity analysts documented in Jung et al. (2019).[11] We find that the summary statistics for other firm and CEO characteristics are in line with those in prior studies (e.g., Core, Holthausen, and Larcker 1999).

Panel B presents comparisons of firm and CEO characteristics across CEOs with high versus low levels of surname favorability. We divide our sample into high and low surname favorability groups, according to the sample median of *FavSurname*. Consistent with our prediction, we find that CEOs with higher surname favorability receive significantly higher total compensation.

Panel C presents the means of CEO surname favorability and compensation by geographic region. For each region, mean values of *FavSurname* and *Total compensation* are calculated using CEOs whose most likely countries of origin are in the region. Ten geographic regions are shown in descending order of region-mean CEO surname favorability. We observe an interesting but weak pattern that CEO compensation varies along the "chain of favorability": For example, Northern Europe (e.g., Great Britain) has the highest mean of *FavSurname*, 0.853, and its mean of *Total compensation* is 7.919, whereas Northern Africa (e.g., Egypt) has the lowest mean of *FavSurname*, 0.478, and its respective mean of *Total compensation* is 5.998. In untabulated tests, we find a positive but insignificant Pearson correlation between the two regional means of *FavSurname* and *Total compensation* (correlation=0.374, *p*-value=0.29). However, once we

[11] The surname favorability of U.S. equity analysts has mean and median values of 0.784 and 0.808, respectively (Jung et al. 2019).

exclude Central America (e.g., Mexico), an outlier that consists of three CEOs with relatively low surname favorability but high compensation, the positive Pearson correlation becomes larger in magnitude (0.716) and statistically significant at the 5% level (p-value=0.03). Overall, the results in Table 2 emphasize the importance of controlling for firm and CEO characteristics, including their origins, in our regression models.[12]

3. Research Design and Results

3.1 Surname favorability and CEO compensation

3.1.1 Main tests

We examine whether CEOs with surnames that are favorably perceived by Americans earn higher total compensations, using the ordinary least squares baseline regression model of Equation (1):

$$\begin{aligned} \textit{Total compensation}_{i,j,t} = {} & \beta_0 + \beta_1 \textit{FavSurname}_{i,t} + \beta_2 \textit{Firm size}_{j,t-1} + \beta_3 \textit{Market to book}_{j,t-1} \\ & + \beta_4 \textit{Annual return}_{j,t-1} + \beta_5 \textit{Stock volatility}_{j,t-1} + \beta_6 \textit{Return on assets}_{j,t-1} \\ & + \beta_7 \textit{Loss}_{j,t-1} + \beta_8 \textit{R\&D spending}_{j,t-1} + \beta_9 \textit{Cash holdings}_{j,t-1} \\ & + \beta_{10} \textit{Free cash flows}_{j,t-1} + \beta_{11} \textit{Institutional ownership}_{j,t-1} + \beta_{12} \textit{CEO age}_{i,t} \\ & + \beta_{13} \textit{CEO tenure}_{i,j,t} + \beta_{14} \textit{CEO/Chair duality}_{i,j,t} + \beta_{15} \textit{CEO ownership}_{i,j,t-1} \\ & + \textit{CEO origin, Firm, and Year fixed effects} + \varepsilon_{i,j,t.} \end{aligned} \quad (1)$$

The dependent variable, $\textit{Total compensation}_{i,j,t}$, is the natural logarithm of total compensation paid to CEO i by firm j in year t.[13] Our explanatory variable of interest, $\textit{FavSurname}_{i,t}$, is the level of the surname favorability of CEO i in year t, as described in Section

[12] In additional tests, we further use control variables for board characteristics and employ several econometric approaches to mitigate a concern about the correlated omitted variable bias. We discuss the results and related issues in Section 3.1.4.

[13] As a robustness check, we construct an alternative measure of total compensation by adjusting the computation of option values and restricted stocks to account for the potential impact of a major change in ExecuComp variables (Focke et al. 2017). In untabulated tests, we find that our results remain the same.

2.2.[14] If CEOs are compensated for their favorable surnames, we should find a positive coefficient estimate (β_1) of *FavSurname*.

We include a number of determinants of CEO compensation as control variables (e.g., Lambert, Larcker, and Weigelt 1991; Core et al. 1999; Hartzell and Starks 2003; Balsam, Kwack, and Lee 2017; Focke et al. 2017; Dai, Rau, Stouraitis, and Tan 2020). Specifically, we control for firm characteristics, such as *Firm size*, *Market-to-book*, *Annual return*, *Stock volatility*, *Return on assets*, *Loss*, *R&D spending*, *Cash holdings*, *Free cash flows*, and *Institutional ownership*; and CEO characteristics, such as *CEO age*, *CEO tenure*, *CEO/Chair duality*, and *CEO ownership*. All control variables, except for *CEO age*, *CEO tenure*, and *CEO/Chair duality*, are measured in year *t*-1. We provide detailed variable definitions in Appendix A. To mitigate the effects of outliers, all continuous variables are winsorized at the 1% and 99% levels. By default, and whenever feasible, we include CEO origin, firm, and year fixed effects to exclude the effects of time-invariant, unobserved CEO and firm characteristics and time trends.[15] We cluster standard errors by firm (Petersen 2009).

Table 3 reports the results from estimating our baseline regression model of Equation (1). Consistent with our prediction, we find positive and significant coefficients on *FavSurname* across all four columns, suggesting that CEOs with more favorable surnames earn a significantly higher level of compensation. Notably, the estimated effect of surname favorability remains significant

[14] As discussed in Section 2.2, Gallup surveys are in general conducted in the first three months of a year. Thus, *FavSurname* in year *t* captures Americans' perception of a CEO's surname at the beginning of year *t*, which aligns with the timing of the measurements of control variables in year *t*-1.

[15] In particular, CEO origin fixed effects is important in our study because it controls for various confounding effects of CEO origin-inferred characteristics, such as CEO ethnicity, language, religion, and cultural distance to the U.S. In additional tests, instead of CEO origin fixed effects, we measure and control for CEO ethnicity (i.e., whether the CEO is of ethnic minority group), language (i.e., whether English is the official language in the CEO's country of origin), religion (i.e., whether Christianity is the most popular religion in the CEO's origin), and cultural distance (i.e., the natural logarithm of the mean absolute difference in Hofstede's cultural indices between the CEO's origin and the U.S.) in the regression model and find that our results remain robust. We provide related discussions in Section 3.1.4.

even after controlling for CEO origin fixed effects in Column (4).[16] This result implies that our finding of surname favorability effects is incremental to and goes beyond the relation between CEO ethnicity and compensation documented in prior studies (e.g., Ellahie, Tahoun, and Tuna 2017). The estimated effect of surname favorability is also economically meaningful: A one-standard-deviation increase in *FavSurname* translates into a 4.39% increase in total compensation.[17] The magnitude of its economic significance is comparable to those of other firm and CEO characteristics, such as *Annual return* (8.53%), *Return on assets* (5.16%), *Cash holdings* (5.02%), and *CEO/Chair duality* (3.77%), which are important determinants of CEO compensation (e.g., Core et al. 1999). In untabulated tests, we employ a change analysis in which we use a change in *Total compensation* as the dependent variable and regress it on changes in *FavSurname* and other control variables to exclude the confounding effects of time-invariant firm factors. We find a positive and significant coefficient on the change in *FavSurname* (coefficient = 0.309, *t*-statistic = 2.06), providing further support for our results in Table 3. Overall, the evidence in this section supports our hypothesis that the favorability of a CEO's surname positively affects the CEO's compensation.

3.1.2 Placebo and random sampling tests

We conduct three tests to mitigate the concern that our estimated effect of surname favorability is driven by potential model misspecification. In our first test, we calculate a placebo measure of surname favorability, *FavSurname (Placebo)*, by taking the weighted average of the

[16] We identify the most likely country of origin associated with each CEO's surname and include it as CEO origin fixed effects in the baseline regression model to mitigate any confounding effects of CEO ethnicity on compensation (Ellahie et al. 2017).

[17] Based on the estimation result in Column (4) of Table 3, a one-standard-deviation increase in *FavSurname* (0.119) results in a change of 0.043 (= 0.119 × 0.361) in the logged value of total compensation, *Total compensation*. Therefore, total compensation in dollars, on average, increases by 4.39% (= $e^{0.043}$ - 1). This translates into an increase of $240,699 relative to the average annual compensation of $5,482,910.

favorability ratings for placebo countries. We re-estimate the baseline regression model of Equation (1) using *FavSurname (Placebo)* and report the results in Table 4. In Panel A (Panel B), a placebo country is defined as the one that immediately follows (precedes) the actual country of origin of a CEO on the alphabetically sorted list of 42 countries in Gallup surveys. For example, if a CEO has a surname originating from Australia, we use a favorability rating for an immediately following (preceding) country, Brazil (Afghanistan), in Panel A (Panel B). We find that the coefficients on *FavSurname (Placebo)* across all four columns in both Panels A and B are statistically insignificant, failing to replicate our finding in Table 3.

As our second test, we perform a non-parametric permutation test. In a similar vein to the first placebo test in Table 4, we create a placebo measure, *FavSurname (Placebo)*, by randomly shuffling CEOs' countries of origin. Then, we re-estimate our baseline regression model of Equation (1) and obtain a coefficient on *FavSurname (Placebo)*. In untabulated tests, by repeating this placebo estimation 1,000 times, we obtain 1,000 placebo coefficients. We find that only 86 of the 1,000 placebo coefficients exceed the estimated coefficient, 0.361, of *FavSurname* in Column (4) of Table 3. It translates into a non-parametric *p*-value of 8.6%, suggesting that our results remain statistically significant in non-parametric tests.

Lastly, we also perform a non-parametric bootstrap test. Using 1,000 replications of random sampling (i.e., rebuilding an equal-sized sample of 6,359 observations by randomly drawing observations with replacements from the original sample), we compute bootstrap estimates for the standard errors of the coefficients in our main regression result reported in Column (4) of Table 3. We find that the positive coefficient, 0.361, on *FavSurname* remains statistically significant (*p*-value=5.7%), suggesting that our results are robust to the random sampling procedure. Overall, the results in this section lend further support to our notion that the

estimated effect of surname favorability is not a statistical artifact.

3.1.3 Natural experiment

We strengthen our identification of the surname favorability effect by utilizing the natural experiment of the French and German governments' opposition to the Iraq War. In February 2003, France and Germany expressed strong opposition to the U.S.'s plan to invade Iraq, prompting Americans to call for a mass consumer boycott of French and German products and worsening the two countries' trade relationship with the United States (Chavis and Leslie 2009; Michaels and Zhi 2010). In Figure 1, we report time-series changes in Americans' favorability of ten countries, including France and Germany, that are most frequently associated with our sample CEOs' surnames. It shows that the mean of Gallup's American favorability ratings for France and Germany took a dramatic plunge by 39.3% in 2003, from 80.7% in February 2002 to 41.4% in March 2003.[18] This provides more confidence in our use of this setting as an exogenous shock that adversely affects Americans' favorability toward France and Germany.

In our setting, we define treatment CEOs as those who have French or German surnames (French/German CEOs, hereafter). Following Jung et al. (2019), a surname is viewed as French or German if more than 40% of U.S. immigrants sharing the same surname reported themselves as French or German upon their arrival to the United States. Control CEOs are selected from non-French/German CEOs, i.e., those who do not have French or German surnames. Using a coarsened exact matching (CEM) algorithm, we select control CEOs by matching on the following covariates: *FavSurname*, *Total compensation*, *Firm size*, *Market-to-book*, *Past stock volatility*, *Return on*

[18] We observe a wide and heterogenous variation in favorability ratings across countries. Any coincidental drop in other countries' favorability ratings around 2003 would work against finding our results in Table 5.

assets, *CEO age*, and *CEO tenure*.[19] Matching is conducted at the end of 2002, immediately before the French and German governments' opposition to the Iraq War. We implement a one-to-many matching to retain a sufficient number of matched pairs. We factor in different numbers of control CEOs in our difference-in-differences estimation by imposing the corresponding CEM weights on our sample observations (e.g., Iacus et al. 2011). This approach yields a sample of 66 French and German CEOs successfully matched with 158 control CEOs.[20] In Panel A of Table 5, we find that all matching covariates, except for the initial level of surname favorability (*FavSurname*) measured before the shock, show no statistical difference across the two groups, suggesting that our matching is successful.[21]

We now verify our premise that treatment CEOs experience a significant decrease in Americans' favorability toward their surnames after the shock, relative to the change for their matched control CEOs. First, we construct a sample of CEO-years over the pre-shock (1999-2002) and post-shock (2004-2007) periods with equal four-year lengths, excluding CEO-years in 2003 to avoid any confounding effects of the transition year. Then, we update the level of a CEO's surname favorability using the most recent Gallup data available each year. Using the sample of CEO-years, we estimate a difference-in-differences regression model in which the dependent variable is a CEO's most recent surname favorability (*FavSurname*), and the independent variable of interest is the interaction term between an indicator variable for a treatment CEO (*French/German CEO*) and an indicator variable for the post-shock period (*Post-Iraq War*). We

[19] The CEM algorithm outperforms propensity score matching (PSM) because CEM does not rely on a scalar (propensity score) that ignores the dimensionality of matching covariates (Iacus, King, and Porro 2011; Shipman, Swanquist, and Whited 2017).

[20] Of the 87 French and German CEOs in 2002 in our sample, 21 (24.1%) are not matched and thus are excluded from our analysis.

[21] Any remaining difference in the initial level of surname favorability (*FavSurname*) during the pre-shock period will be captured by the coefficient on a stand-alone variable, *French/German CEO*, in our difference-in-differences estimation. As a robustness check, we coarsen *FavSurname* more strictly into six equal-sized intervals and re-estimate our difference-in-differences tests. In these untabulated tests, we find that our results remain qualitatively the same.

control for Fama–French 48 industry and year fixed effects.[22] We cluster standard errors by CEO. In Panel B of Table 5, the coefficient on *French/German CEO* × *Post-Iraq War* is negative and statistically significant, suggesting that the treatment CEOs' surname favorability does decrease after the shock, compared with their counterparts. This result confirms the validity of our natural experiment setting.

Finally, we examine whether treatment CEOs receive less compensation after the adverse shock to their surname favorability, compared with their counterparts. We retrieve all firm-years pertaining to our matched CEOs in the pre- and post-shock periods (1999-2002 vs. 2004-2007). We estimate a difference-in-differences regression model in which the dependent variable is *Total compensation* and the variable of interest is the interaction term between *French/German CEO* and *Post-Iraq War*. We use the same control variables and firm-clustered standard errors as in our baseline regression model of Equation (1). Like in Panel B, we include Fama–French 48 industry and year fixed effects. Panel C of Table 5 presents the results from this estimation. Consistent with our conjecture, we find that the coefficients on *French/German CEO* × *Post-Iraq War* are negative and statistically significant across all three columns, suggesting that CEOs with French and German surnames experience a significant decrease in their compensation after the French and German governments' opposition to the U.S.-led Iraq War. Overall, the evidence in Table 5 provides further support for our hypothesis that the perceived favorability of a CEO's surname positively affects his or her compensation.

3.1.4 Additional tests for the omitted variable bias concern

[22] We are unable to include firm fixed effects because firms hardly change CEOs around the shock in 2003 and thus, our variable of interest, *French/German CEO*, an indicator variable for treatment CEOs, is subsumed by firm fixed effects and omitted in the regression estimation due to collinearity.

We have demonstrated the surname favorability effects using fixed effects models, placebo tests, and a natural experiment. In this section, we perform additional tests to further mitigate the concern about the correlated omitted variable bias.

First, we expand our set of control variables to board and director characteristics. Using the ISS (formerly, IRRC) and BoardEx databases, we construct additional control variables for directors' busyness, gender, ethnic diversity, and professional background (i.e., percentages of directors having CPA or CFA certificates, related work experience, and MBA degrees) as well as the board's independence (i.e., the percentage of outside directors), size, and classification (i.e., whether it is a classified board). We divide our sample based on the sample median of surname favorability and show the average board and director characteristics of the two subsamples in Panel A of Table OA.2 in the Online Appendix. The results show significant differences in board and director characteristics between the two groups, suggesting that our results could spuriously be driven by the confounding effects of board and director characteristics. Thus, we re-estimate our baseline regression model of Equation (1) after augmenting it with the additional control variables in Panels B and C of Table OA.2 in the Online Appendix. We find that none, except one – the percentage of female directors, of the ten additional control variables for board and director characteristics have statistically significant effects on CEO compensation. Most importantly, we find qualitatively the same results for the surname favorability effect: Coefficients on *FavSurname* remain positive and statistically significant at the 5% level, regardless of the combinations of additional control variables used.

Second, we address the possibility that our findings are attributable to the effects of a CEO's ethnicity, cultural distance, or the effectiveness of shareholders' oversight. We construct additional variables capturing ethnic minority CEOs, differences between a CEO's country of

origin and the U.S. in their Hofstede's cultural indices (Hofstede, Hofstede, and Minkov 2010), religions, and government forms, and the distance (in miles) between the firm's headquarters and the nearest airport. Then, we re-estimate our baseline regression model of Equation (1) with these additional variables in Tables OA.3 and OA.4 in the Online Appendix. We find that *FavSurname* continues to show a positive and significant coefficient, suggesting that our surname favorability effect is not subsumed by the effects of the aforementioned factors.[23]

Lastly, we employ an econometrical approach, the Impact Threshold of a Confounding Variable (hereafter ITCV), that assesses the potential impact of correlated omitted variables on our main findings (Frank 2000; Larcker and Rusticus 2010). The ITCV is a technique that examines how large the omitted variable bias problem has to be to change a significant coefficient on the variable of interest into an insignificant one. A confounding omitted variable should be correlated with both the main independent variable and the dependent variable to overturn a significant coefficient on the main independent variable. Based on this notion, the ITCV calculates the minimum threshold level of correlation that could make the coefficient of interest statistically insignificant: A higher value of ITCV implies that the results are less susceptible to omitted variable concerns. Untabulated results show that the ITCV for our main variable (*FavSurname*) is 0.083, which is larger than any other benchmarks calculated from the control variables included in our baseline regression.[24] This suggests that an omitted variable should have a much stronger partial correlation than any control variables in our baseline regression to make the coefficient on *FavSurname* insignificant. Given that our baseline regression model already includes a reasonably

[23] We provide detailed variable definitions and discussions on the additional test results in the Online Appendix.
[24] It is difficult to identify the benchmark ITCV levels as the omitted variables are unobservable. Following prior research (e.g., Larcker and Rusticus 2010; Ittner and Michels 2017), we use the impact factors for control variables as the benchmark scores. The impact factors for control variables range from -0.042 to 0.059.

extensive set of control variables, the ITCV results provide additional assurance that our main findings are unlikely to be subject to omitted variable bias concern.

3.2 Corporate policies, disclosure, and performance in the product and stock markets

Thus far, we have documented strong evidence that, *ceteris paribus*, CEOs with more favorable surnames earn higher wages than their counterparts. From a neoclassical perspective, the favorability of a CEO's surname might be a widely neglected yet value-relevant indicator for the future success of his or her firm. If this is the case, our finding is attributable to a firm's rational pricing of surname favorability into the CEO's compensation packages. Alternatively, from a behavioral perspective, our finding could be attributable to inefficient contracting by the board of directors, who make a biased decision due to their subjective perception of the CEO based on his or her surname. In this section, we distinguish the two aforementioned explanations for our findings by delving into the relation between CEOs' surname favorability and their respective firms' corporate policies, disclosure quality, and performance.

First, we examine whether CEOs' surname favorability has any meaningful relation with their managerial decisions. We focus on managerial decisions concerning corporate investment and disclosure policies, which are known to significantly impact the wealth of a firm's shareholders (e.g., Biddle, Hilary, and Verdi 2009; Beyer, Cohen, Lys, and Walther 2010). In Panel A of Table 6, we report the results of estimating the regression models of investment policies. The dependent variables are the intensity of a firm's total investments, *Investment*, in Column (1) and the efficiency of a firm's investments, *Investment efficiency*, in Columns (2) and (3), measured following Biddle et al. (2009). We use the same set of control variables as that used in our baseline

regression model of Equation (1) and include CEO origin, firm or industry, and year fixed effects.[25] We find that the coefficient estimates of *FavSurname* are statistically insignificant across all columns for the two dependent variables, suggesting that CEOs' decisions concerning corporate investments do not vary with their surname favorability.[26]

In Panel B of Table 6, we report the results of tests of firms' disclosure decisions. Specifically, we employ three dependent variables to capture the properties of a firm's voluntary disclosure of management earnings forecast: The likelihood of issuing a management forecast (*MF issuance*), the precision of the forecast estimate (*Range width*), and the accuracy of the forecast estimate (*MF accuracy*). We control for firm characteristics that are known to affect firms' decisions on voluntary disclosure (e.g., Hribar and Yang 2016):[27] *Firm size*, *Return on assets*, *Loss*, *Earnings volatility*, *Market-to-book*, *Change in earnings*, *Institutional ownership*, *Material weakness*, *Litigation risk*, *Horizon*, and *News*.[28] Interestingly, we find a positive but marginally significant coefficient on *FavSurname* (coefficient = 0.509, *t*-statistic = 1.67) when we use the dependent variable of *MF issuance* in Column (1), suggesting that CEOs with more favorable surnames are more likely to make a voluntary disclosure. However, in Columns (2) and (3), where the dependent variables are *Range width* and *MF accuracy*, respectively, we find no evidence that surname favorability is associated with the quality of firms' management forecasts.

In Panel C of Table 6, we examine the relation between CEOs' surname favorability and

[25] For brevity, Table 6 does not report the coefficients on the control variables. The full regression results for Table 6 are available in the Online Appendix.

[26] The results in Columns (2) and (3) are obtained from the estimation of a multinomial logit regression whose dependent variable, *Investment efficiency*, is a categorical variable capturing the level of a firm's under- or overinvestment estimated following Biddle et al. (2009). Variable definitions are provided in Appendix A.

[27] Following Hribar and Yang (2016), we measure all control variables in year *t*. In untabulated tests, we find that our results are robust to measuring control variables in year *t*-1.

[28] *Horizon* and *News* can be measured only when the management earnings forecast is issued. Thus, these variables are dropped from the list of control variables when we test the likelihood of management forecast issuance (i.e., when the dependent variable is *MF issuance*).

firms' product market outcomes. CEOs are often considered to be symbolic representatives of their firms (e.g., Pfeffer and Salancik 1978). As surname favorability can shape the image of an individual (e.g., Jung et al. 2019) and a CEO's image can influence consumers' opinion about the firm's brand or product (Ranft, Zinko, Ferris, and Buckley 2006), our main finding could be attributable to rational decision-making by the board of directors, which prices surname favorability into a CEO's compensation as it is a key element of their firm's market success. To test this possibility, we construct a measure of a firm's product market outcomes, *Adjusted sales growth*, defined as a change in the percentage of a firm's sales in year *t* (*sales growth)*, adjusted for the industry average of *sales growth* in the same year *t*. We control for various firm characteristics that are known to affect a firm's product market outcomes (e.g., Fresard 2010): *Firm size*$_{t-1}$, *Cash holdings*$_{t-1}$, *Leverage*$_{t-1}$, *Leverage*$_{t-2}$, *Adjusted sales growth*$_{t-1}$, *Adjusted sales growth*$_{t-2}$, *Market-to-book*$_{t-1}$, *Market-to-book*$_{t-2}$, *Acquisitions*$_{t-1}$, and *Acquisitions*$_{t-2}$. We also include CEO origin, firm or industry, and year fixed effects. The results find no evidence that a CEO's surname favorability is associated with his or her firm's performance in the product market, regardless of whether we restrict our analysis to the full sample or manufacturing firms only.[29]

Next, we examine whether firms with CEOs with more favorable surnames differ in terms of stock market performance. Considering that we measure surname favorability using the results of Gallup surveys that usually take place in the first quarter of a year, we capture a firm's performance in the stock market, *Stock performance*, over the *n*-month window (n = 6, 9, or 12) starting from the second quarter of the year.[30] We measure *Stock performance* as a firm's Fama–French 48 industry-adjusted and size-adjusted buy-and-hold abnormal return. We use the same set

[29] Manufacturing firms are defined as those with SIC codes between 2000 and 3999 (Fresard 2010).
[30] As a robustness check, to allow sufficient time for investors to respond to a change in the CEO's surname favorability, we measure a firm's abnormal return over the *n*-month window starting from the third quarter of the year. In these untabulated tests, we find qualitatively the same results.

of control variables, excluding *Annual return*, used in the baseline regression model of Equation (1) and include CEO origin, firm, and year fixed effects. In Panel D of Table 6, we report the results of estimating the ordinary least squares regression models of *Stock performance*. The coefficients on *FavSurname* are statistically insignificant across all three columns, regardless of the length of the window over which the return is measured.

Lastly, in Panel E of Table 6, we also examine whether CEOs' surname favorability is correlated with accounting-based performance metrics. Specifically, we employ two proxies for firm performance: A firm's industry- and size-adjusted return on assets (*Adjusted return on assets*) and Tobin's Q (*Tobin's Q*). The regression includes the same set of control variables and fixed effects used in the stock market performance analyses (i.e., Panel D of Table 6). The results further confirm that surname favorability does not have a significant impact on firm performance.

Overall, the evidence in this section is not consistent with the neoclassical explanation, suggesting that our main finding can be better explained by inefficient contracting by the board of directors, which makes biased decisions due to board members' subjective perception of a CEO's surname. Our result is also in line with the finding of Jung et al. (2019) that financial analysts with more favorable surnames elicit a stronger market reaction, despite no difference in the quality of their forecasts.

3.3 Cross-sectional variations

We now explore cross-sectional variations in the effect of surname favorability on CEO compensation. First, as founder CEOs, compared with non-founder (professional) CEOs, exert greater power and influence over the board of directors (Adams, Almeida, and Ferreira 2005; He 2008), we conjecture that directors' subjective perception of a CEO's surname is less likely to be factored into founder CEOs' compensation. To test our conjecture, we divide the sample into two

groups based on whether a CEO is the founder of a firm (founder CEOs vs. non-founder CEOs). We re-estimate our baseline regression model of Equation (1) separately for each subsample and report the results in Panel A of Table 7. Consistent with our prediction, we do not find significant results using the subsample of founder CEOs, while the coefficients on *FavSurname* remain positive and statistically significant for non-founder CEOs.

Next, we investigate whether the extent to which surname favorability affects CEO compensation varies with the stage of a CEO's career within a firm. We use a CEO's length of tenure (i.e., the number of years the CEO has held the position) as a proxy for the stage of his or her career within a firm. We conjecture that the board of directors will be more susceptible to making a biased judgment based on the favorability of a CEO's surname during the early years of the CEO's tenure, because they are likely to have much less information with which to assess the CEO's competence. We divide the sample into two groups based on the sample median of CEOs' length of tenure at a firm in a year (i.e., short- vs. long-tenured CEOs). In Panel B of Table 7, we find that surname favorability has a positive and significant effect on CEO compensation in the subsample of short-tenured CEOs. However, we do not find significant results in the subsample of long-tenured CEOs. The results are consistent with our prediction that having a favorable surname plays a greater role in the early years of a CEO's tenure when the board of directors has little information on the CEO. This evidence is also partly consistent with the finding of Jung et al. (2019) that surname favorability has a greater impact on non-all-star analysts, who are less recognized in the profession, than on all-star analysts.

Lastly, we examine whether our finding weakens when institutional investors hold more shares of a firm's stock. Studies have demonstrated that compared with individual investors, institutional investors are more sophisticated and less susceptible to cognitive biases such as

surname favorability (e.g., Jung et al. 2019). Additionally, institutional investors are known to enhance corporate governance by monitoring the decision-making processes of a firm, constraining opportunistic or irrational self-serving behaviors by top executives (e.g., Hartzell and Starks 2003; Cornett, Marcus, and Tehranian 2008). We measure institutional ownership as the percentage of a firm's shares held by institutional investors in a year and divide the sample into two groups based on the sample median of institutional investors (i.e., high vs. low institutional ownership). We re-estimate our baseline regression model of Equation (1) for each subsample separately and report the results in Panel C of Table 7. Consistent with the notion that institutional investors are sophisticated and play a monitoring role in constraining irrational corporate behaviors (e.g., Hartzell and Starks 2003), we find a significant surname favorability effect only in the subsample of firms with low institutional ownership. Overall, the results in Table 7 show that the surname favorability effect is more pronounced when CEOs are professional (non-founder) CEOs, are in the earlier stage of their tenure at a firm, or work for firms with lower institutional ownership.

3.4 CEO turnover-performance sensitivity

If the favorability of a CEO's surname can induce the board of directors to form a biased judgment on his or her competence and thereby affects the CEO's compensation, it is also possible that surname favorability plays a role in the board's CEO replacement decision.

We utilize the well-documented relation between the likelihood of forced CEO turnover and firm performance, i.e., turnover-performance sensitivity (e.g., Huson, Parrino, and Starks 2001; Jenter and Kanaan 2015), and examine whether the sensitivity of turnover to firm performance varies systematically with the favorability of a CEO's surname. Following Jenter and Kanaan (2015), we first measure the dependent variable *Forced turnover*, which is equal to one if a CEO is fired, forced out, retires, or resigns due to pressure, or leaves the company before age 60 without

reporting any reason in the following year, and zero otherwise. Then, we construct an inverse measure of firm performance, *Poor performance*, which is negative one times a firm's Fama–French 48 industry-adjusted and size-adjusted buy-and-hold abnormal return over a fiscal year.[31] Detailed variable definitions are provided in Appendix A.

We estimate a pooled logit regression model in which the dependent variable is *Forced Turnover*, and the independent variable of interest is the interaction term between *Poor performance* and *FavSurname*. We use the same set of control variables, excluding *Annual return*, as that used in our baseline regression model of Equation (1).[32] We include CEO origin, Fama–French 48 industry, and year fixed effects and cluster standard errors by firm. We report the results in Table 8. Consistent with prior studies (e.g., Jenter and Kanaan 2015), we find positive and significant coefficients on *Poor performance*, suggesting that a CEO is more likely to be dismissed by the board of directors in the following year if the firm performance is poor. Interestingly, we find that the coefficients on *Poor performance* × *FavSurname* are negative and statistically significant across all columns, indicating that the favorability of a surname weakens the relation between the probability of forced CEO turnover and poor performance. This implies that the board of directors either fails to correctly assess performance or becomes more tolerant of poor performance when board members have a more favorable perception of the CEO's surname.[33]

Overall, the evidence in Table 8 suggests that the favorability of a CEO's surname mitigates the effect of poor firm performance on forced CEO turnover.

[31] As a robustness check, we also measure firm performance using its Fama–French 48 industry-adjusted and size-adjusted annual sales growth rate in a fiscal year (Gao, Harford, and Li 2017). The results in Table OA.6 in the Online Appendix indicate that the inferences remain unchanged.
[32] We drop *Annual return* as it conceptually overlaps with *Poor performance*, which we include as an independent variable in the tests of CEO turnover-performance sensitivity.
[33] We also examine whether market reaction to the announcement of a CEO's forced turnover varies with the CEO's surname favorability and find no significant result (untabulated). We report the results in the Online Appendix.

3.5 CEO self-serving behaviors

We have shown that CEO surname favorability leads to a higher compensation and a lower likelihood of turnover due to poor performance. Then a natural question that arises is whether the surname favorability premium would allow CEOs to shirk or engage in practices constituting poor corporate governance.[34] To answer this question, we first examine whether higher CEO surname favorability is associated with a lower value of the firm's cash holdings (e.g., Pinkowitz, Stulz, and Williamson 2006). If CEOs are aware of such surname favorability premium and choose to use corporate cash to further their personal benefits, we expect surname favorability to be associated with a lower value of cash holdings. The results in Panel A of Table OA.8 in the Online Appendix do not show any supportive evidence: We do not find a significant relation between a CEO's surname favorability and the value of his or her firm's cash holdings.

Second, we examine whether surname favorability is positively associated with managerial entrenchment. If the surname favorability premium allows CEOs to engage in practices that constitute poor governance, we would observe a positive association between a CEO's surname favorability and his or her entrenchment level, captured by the E-index of Bebchuk, Cohen, and Ferrell (2009). We find no evidence that surname favorability is associated with a CEO's entrenchment, as reported in Panel B of Table OA.8 in the Online Appendix.

Overall, our preliminary results suggest that surname favorability does not induce CEOs' engaging in self-serving behaviors. One possible explanation is that the time-variant nature of surname favorability may prevent CEOs from engaging in self-serving behaviors. That is, knowing that the board's favorable perception of a CEO's surname may not persist in the future, the CEO who wants to retain the position may not engage in self-serving actions that could jeopardize his

[34] We appreciate our anonymous reviewer for raising this interesting point and suggesting the tests.

or her job security afterwards.[35]

4. Conclusion

We examine whether the favorability of a CEO's surname affects his or her compensation. We find that CEOs with more favorable surnames receive higher compensation. The estimated effect of surname favorability is not subsumed by CEO origin fixed effects, suggesting that our finding does not capture the effect of other time-invariant name traits, such as ethnicity and race. We strengthen the identification of the surname favorability effect using the natural experiment of the French and German governments' opposition to the Iraq War, which serves as an exogenous shock that adversely affects Americans' perception of France and Germany.

Our study contributes to the literature in two primary dimensions. First, we corroborate prior evidence that people tend to make biased decisions regarding an individual based on their subjective opinion of the individual's surname (Jung et al. 2019). We advance the understanding of the effect of surname favorability by showing that CEOs with more favorable surnames earn higher wages and are less likely to be dismissed when their firms underperform. Second, our findings have important implications for firm governance and various stakeholders. We demonstrate that the surname favorability premium in CEO compensation packages is not associated with corporate policies and performance. This implies that boards of directors may make inefficient contracting decisions due to their subjective perceptions of CEOs based on the countries of origin inferred from the CEOs' surnames.

[35] CEOs' self-serving behaviors may be more pronounced when the CEOs' wealth is not well aligned with that of shareholders. In untabulated tests, we repeat the tests of the cash-to-Q sensitivity and managerial entrenchment using a subsample that belongs to the bottom tercile of *Equity intensity* (i.e., CEOs whose compensation packages include a relatively small fraction of the variable component, such as option and stock grants). We find that surname favorability is not significantly associated with CEO self-serving behaviors, even for the group of CEOs who are likely to have stronger incentives to do so. However, we interpret the results in this section with caution because our tests may not fully capture a whole spectrum of CEOs' self-serving behaviors.

Prior studies show that greater board monitoring and oversight through regulation changes and competition from inside directors have significant effects on CEO compensation and turnovers (e.g., Chhaochharia and Grinstein 2009; Mobbs 2013). In addition, we find a weaker effect of surname favorability on CEO compensation among firms with higher institutional ownership. These findings suggest that more scrutiny and monitoring by the board of directors and institutional investors may mitigate the inefficient contracting associated with CEO surname favorability.

Given our findings that name-induced perceptions influence the CEO contracting process, future studies may extend the literature by investigating whether surname favorability affects other aspects of corporate governance, such as shareholder voting, as well as CEO selection process. In particular, it is possible that surname favorability influences CEO self-selection into firms or the board's screening process for CEOs. If CEOs with more favorable surnames tend to work for firms with stronger surname favorability bias due to CEO self-selection and the board's bias toward CEOs with more favorable surnames, this could result in a loss of economic efficiency because surname favorability is not significantly related to firm policy or performance. It may also be interesting to explore whether and how investors' reaction to the appointment or dismissal of a CEO varies with surname favorability.

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Appendix A
Variable definitions

Variable name	Definition
[Main compensation analysis]	
Total compensation	Natural logarithm of a CEO's total compensation that comprises salary, bonus, stock options, restricted stock grants, long-term incentive payouts, and other annual compensation. (Source: ExecuComp)
FavSurname	Surname favorability of a CEO, measured as the weighted average of Americans' favorability ratings for countries that are associated with a CEO's surname through the nationalities of U.S. historical immigrants (Jung et al. 2019). The favorability rating for a country is the percentage of survey respondents who answered "*Very Favorable*" or "*Mostly Favorable*" to the Gallup's survey questionnaire, "*I'd like your overall opinion of some foreign countries. Is your overall opinion of the following country very favorable, mostly favorable, mostly unfavorable, or very unfavorable?*" For each country, the most recent favorability rating available as of a firm fiscal-year end date is considered. Countries with non-missing favorability ratings are assigned a weight based on the frequency of the nationalities that U.S. immigrants sharing the same surname reported. The average horizon of countries between their corresponding Gallup survey dates and a firm's fiscal year-end date is required to be shorter than 360 days. (Sources: ExecuComp, Gallup, US immigration records)
Firm size	Natural logarithm of a firm's total assets. (Source: Compustat)
Market-to-book	Market value of equity scaled by book value of equity. Market value of equity is a firm's fiscal-year-closing stock price multiplied by the number of its common shares outstanding. (Sources: CRSP, Compustat)
Annual return	Stock return over the 12-month period ending in the first quarter of a firm's following fiscal year. (Source: CRSP)
Stock volatility	Standard deviation of a firm's monthly stock returns over the past three years. (Source: CRSP)
Return on assets	A firm's income before extraordinary items scaled by its total assets. (Source: Compustat)
Loss	An indicator variable set equal to one if the firm reports a negative income before extraordinary items and zero otherwise. (Source: Compustat)
R&D spending	An indicator variable set equal to one if a firm reports non-zero R&D spending and zero otherwise. (Source: Compustat)
Cash holdings	A firm's cash and short-term investments scaled by its total assets. (Source: Compustat)
Free cash flows	A firm's free cash flows scaled by its market value of equity. (Source: Compustat)
Institutional ownership	The percentage of a firm's shares held by institutional investors. (Source: Thomson Reuters 13F)
CEO age	CEO's age. (Source: ExecuComp)
CEO tenure	The number of years the CEO has held the position. (Source: ExecuComp)
CEO/Chair duality	An indicator variable set equal to one if a CEO is also the chairperson of the firm's board of directors. (Source: ExecuComp)
CEO ownership	The percentage of a firm's shares held by the CEO. (Source: ExecuComp)
Number of previous firms	The number of previous firms for which a CEO has worked as an executive. (Source: ExecuComp)

[Natural experiment analysis]

French/German CEO	An indicator variable set equal to one if a CEO has a French or German surname. We define a surname as French or German if more than 40% of the U.S. immigrants sharing the same surname reported themselves as French or German upon their arrival at the port of New York between 1820 and 1957. (Source: ExecuComp, US immigration records)
Post-Iraq War	An indicator variable set equal to one for observations after February 14, 2003 in which the French and German governments made a strong opposition to the U.S.-led Iraq War (Source: ExecuComp)

[Corporate policies and firm performance analysis]

Investment	The sum of a firm's R&D expense, capital expenditure, and acquisition expenditure less cash receipts from the sale of PPE, scaled by its lagged total assets. The resulting value is multiplied by 100. (Source: Compustat)
Investment efficiency	The level of a firm's investment efficiency. Following Biddle et al. (2009), we estimate the following OLS regression model of Equation (A1) separately for each four-digit SIC industry and year cohort having at least 20 firms: $Investment_{i,t} = \beta_0 + \beta_1 Sales\ growth_{i,t-1} + \varepsilon_{i,t}$ (A1), where $Sales\ Growth_{i,t-1}$ is a change in the percentage of firm i's sales from year t-1 to t. $Investment_{i,t}$ is defined the same as previously. We sort firms' residual values estimated from the model of Equation (A1) into quartiles. The top and bottom quartiles indicate a firm's over- and under-investing in a year. Two middle quartiles are classified as a firm's normal-investing and used as the benchmark group in a multinomial logit model. (Source: Compustat)
MF issuance	An indicator variable set equal to one if a firm issues at least one management earnings forecast during a fiscal year and zero otherwise. (Source: IBES)
Range width	The range (i.e., max – min) of a firm's management earnings forecast scaled by its natural log of total assets per share. The range is set to zero if a point forecast is made. (Source: IBES)
MF accuracy	The absolute difference between a firm's management earnings forecast and actual earnings scaled by its natural log of total assets per share. (Source: IBES)
Adjusted sales growth	A firm's industry-adjusted sales growth, measured as the percentage change of the firm's sales from year t-1 to t minus the four-digit SIC industry mean of the percentage change of sales from year t-1 to t. (Source: Compustat)
Stock performance (n)	A firm's abnormal future stock return, measured as the firm's buy-and-hold return over the n-month period beginning from the second quarter of the current fiscal year minus its benchmark return of firms in the same Fama-French 48 industry and size portfolio. The size group is formed in quintile ranks based on firms' total assets. (Source: CRSP, Compustat)
Adjusted return on assets	A firm's industry- and size-adjusted return on assets, measured as the firm's income before extraordinary items scaled by total assets minus its benchmark value of peer firms in the same Fama-French 48 industry and size portfolio. The size portfolio is formed in quintile ranks based on firms' total assets. (Source: Compustat)
Tobin's Q	A firm's market value of equity and liabilities scaled by its book value of total assets. (Source: Compustat)

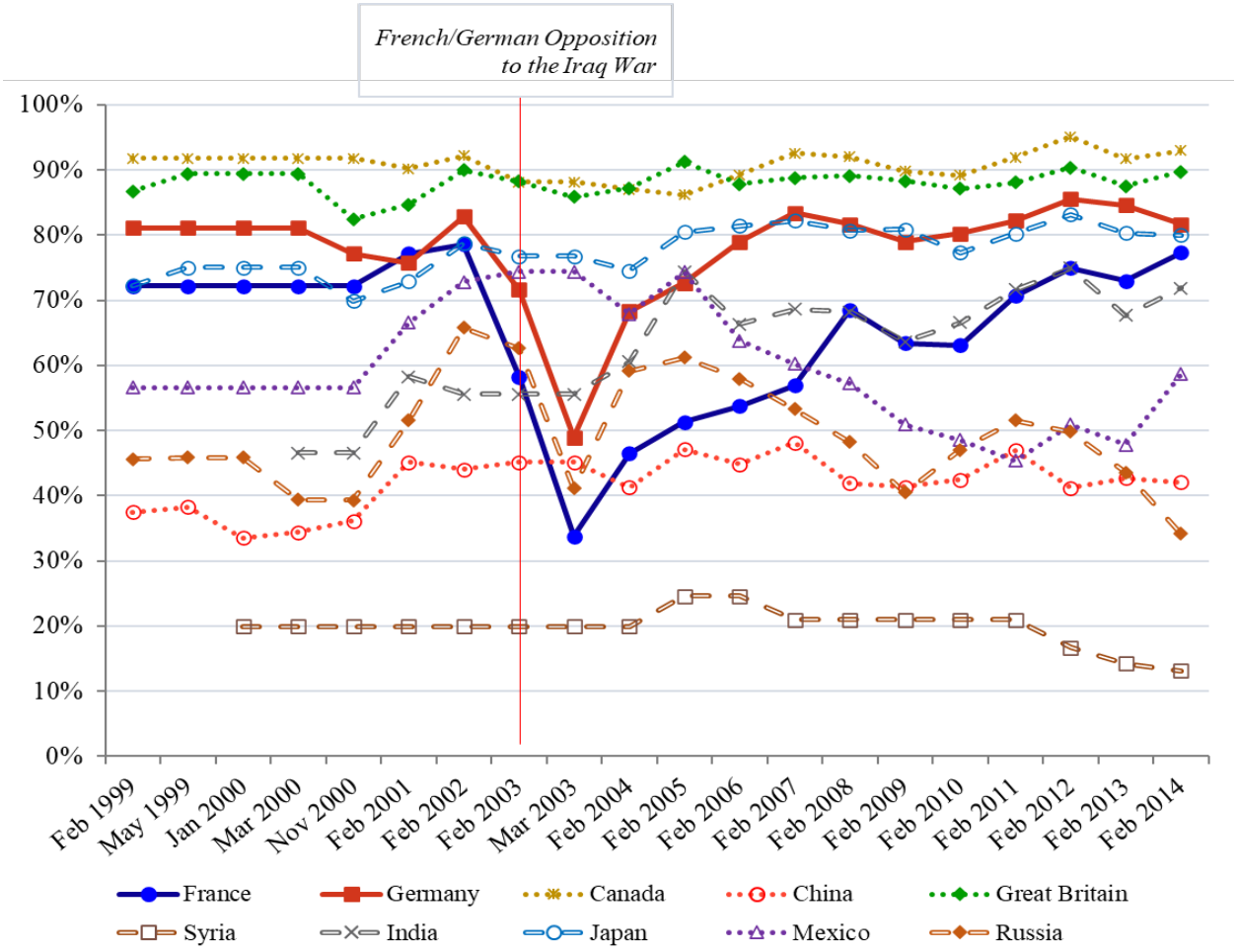
[Turnover-performance sensitivity analysis]

Forced turnover	An indicator variable that equals one if a CEO is fired, forced out, or retires or resigns due to pressure or retires young without warning in the following year and zero otherwise (Jenter and Kanaan 2015). (Source: Execucomp, Factiva)

Poor performance	Negative one times a firm's abnormal stock return, measured as the firm's buy-and-hold return over a fiscal year minus its benchmark return of firms in the same Fama-French 48 industry and size quintile portfolio. (Source: CRSP, Compustat)

This table shows variable definitions and data sources.

Figure 1
Times-series changes in Americans' favorability of foreign countries



This figure plots time-series changes in Americans' favorability of ten countries that are most frequently associated with our sample CEOs between 1999 and 2014. If multiple countries of origin are associated with a CEO's surname, we choose the most likely country of origin that accounts for the largest fraction of the nationalities of U.S. immigrants sharing the same surname (e.g., Japan for a CEO with surname Yamamoto). We include countries that appear in Gallup polls at least three times during our sample period. A vertical red line indicates February 2003 in which the French and German governments made a strong opposition against the U.S.-led Iraq War. Missing values are replaced by the country's most recent favorability rating available at the time of each survey.

Table 1
Distribution of CEOs' countries of origin by geographic region

By geographic region		Two most common countries of origin	Sample composition: Individual CEOs No.	Individual CEOs %	Firm-year-CEOs No.	Firm-year-CEOs %
Africa	Northern Africa	Egypt	1	0.05%	1	0.02%
Americas	Central America	Mexico	3	0.14%	14	0.22%
	Northern America	USA, Canada	356	16.29%	1,208	19.00%
Asia	Eastern Asia	China, Japan	29	1.33%	101	1.59%
	Southern Asia	India	7	0.32%	46	0.72%
	Western Asia	Armenia, Iraq	98	4.48%	285	4.48%
Europe	Eastern Europe	Russia, Poland	56	2.56%	191	3.00%
	Northern Europe	Great Britain, Ireland	991	45.33%	2,462	38.72%
	Southern Europe	Italy, Greece	153	7.00%	263	4.14%
	Western Europe	Germany, France	492	22.51%	1,788	28.12%
Total:			2,185	100%	6,358	100%

This table shows the distribution of countries of origin of CEOs for S&P 1500 firms during the sample period from 1999 to 2014. Each CEO is assigned to one country of origin that accounts for the largest fraction of the nationalities of U.S. immigrants sharing the same surname as the CEO. Countries are grouped into 10 geographic regions, according to the United Nations M49 Standard Area Codes. For each geographic region, we report up to two most common countries of origin and sample distributions at the CEO level and at the firm-year-CEO level. Variable definitions are provided in Appendix A.

Table 2
Descriptive statistics

Panel A: Summary statistics

Variable	Mean	Std. Dev.	25th percentile	Median	75th percentile
Total compensation (raw, $)	5,482,910	13,134,340	1,278,300	2,773,340	5,822,910
Total compensation	7.929	1.093	7.153	7.928	8.670
FavSurname	0.785	0.119	0.756	0.822	0.862
Firm size	7.340	1.674	6.125	7.150	8.389
Market-to-book	3.679	28.965	1.420	2.185	3.770
Annual return	0.162	0.655	-0.220	0.050	0.360
Stock volatility	0.134	0.067	0.087	0.118	0.165
Return on assets	0.040	0.101	0.014	0.045	0.086
Loss	0.166	0.372	0	0	0
R&D spending	0.470	0.499	0	0	1
Cash holdings	0.147	0.180	0.020	0.065	0.216
Free cash flows	0.033	0.142	0.002	0.039	0.077
Institutional ownership	0.522	0.343	0.208	0.612	0.799
CEO age	55.480	7.500	50	56	60
CEO tenure	7.582	7.142	3	5	10
CEO/Chair duality	0.585	0.493	0	1	1
CEO ownership	0.007	0.025	0.000	0.000	0.002
Forced turnover	0.026	0.158	0	0	0
Number of previous firms	0.195	0.473	0	0	0

Panel B: Firm and CEO characteristics conditional on the favorability of CEO surnames

	High *FavSurname* (Mean = 0.863, *N* = 3,194)		Low *FavSurname* (Mean = 0.705, *N* = 3,165)		Test of differences	
Variable	Mean	Median	Mean	Median	*t*-statistic	*z*-statistic
Total compensation	7.965	7.968	7.892	7.877	(2.69)***	(2.64)***
Firm size	7.422	7.195	7.257	7.093	(3.94)***	(2.93)***
Market-to-book	3.781	2.212	3.576	2.163	(0.28)	(1.67)*
Annual return	0.156	0.067	0.168	0.038	(-0.78)	(1.66)*
Stock volatility	0.132	0.116	0.137	0.120	(-2.93)***	(-3.57)***
Return on assets	0.042	0.046	0.038	0.045	(1.80)*	(0.99)
Loss	0.168	0	0.165	0	(0.28)	(0.27)
R&D spending	0.460	0	0.480	0	(-1.57)	(-1.57)
Cash holdings	0.140	0.060	0.155	0.072	(-3.32)***	(-3.56)***
Free cash flows	0.031	0.037	0.035	0.040	(-1.13)	(-2.42)**
Institutional ownership	0.522	0.615	0.523	0.611	(-0.11)	(0.21)
CEO age	55.482	56	55.478	56	(0.02)	(0.54)
CEO tenure	7.475	5	7.690	5	(-1.20)	(0.32)
CEO/Chair duality	0.575	1	0.595	1	(-1.65)*	(-1.65)*
CEO ownership	0.006	0.000	0.008	0.000	(-3.21)***	(7.15)***
Forced turnover	0.028	0	0.023	0	(1.17)	(1.17)
Number of previous firms	0.193	0	0.197	0	(-0.39)	(-0.53)

Table 2 (*Continued*)

Panel C: CEO surname favorability and compensation by geographic region		
By geographic region	Mean of *FavSurname*	Mean of *Total compensation*
Northern Europe	(Highest) 0.853	7.919
Northern America	0.804	8.038
Southern Europe	0.748	7.812
Western Europe	0.746	7.923
Southern Asia	0.679	8.161
Western Asia	0.627	7.840
Eastern Europe	0.605	7.863
Eastern Asia	0.536	7.393
Central America	0.530	8.880
Northern Africa	(Lowest) 0.478	5.998

This table presents descriptive statistics for variables used in our main analyses. In Panel A, we report summary statistics for the main variables in our sample of 6,359 firm-year-CEO observations from 1999 to 2014. In Panel B, we divide our sample into high and low surname favorability (*FavSurname*) groups, according to the sample median of CEO surname favorability, and provide comparisons of firm and CEO characteristics between the two groups. In Panel C, we report the means of CEOs' surname favorability and compensation by geographic region. Each CEO is assigned to one country of origin that accounts for the largest fraction of the nationalities of U.S. immigrants sharing the same surname as the CEO. Countries are grouped into 10 geographic regions according to the United Nations M49 Standard Area Codes. Geographic regions are shown in descending order of region-mean *FavSurname*. Variable definitions are provided in Appendix A. *t*-statistics for mean difference tests and *z*-statistics for Wilcoxon median rank-sum tests are reported. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 3
Surname favorability and CEO compensation

Dependent variable: *Total compensation*				
	(1)	(2)	(3)	(4)
FavSurname	0.481**	0.469**	0.486***	0.361**
	(2.33)	(2.52)	(2.60)	(1.97)
Firm size		0.263***	0.261***	0.234***
		(6.17)	(6.21)	(5.95)
Market-to-book		0.001	0.001	0.001
		(1.43)	(1.37)	(1.25)
Annual return		0.130***	0.127***	0.125***
		(6.42)	(6.29)	(6.22)
Stock volatility		-0.272	-0.251	-0.344
		(-0.64)	(-0.60)	(-0.84)
Return on assets		0.509***	0.495**	0.498**
		(2.60)	(2.52)	(2.55)
Loss		-0.066	-0.063	-0.069*
		(-1.57)	(-1.50)	(-1.65)
R&D spending		0.077	0.064	0.021
		(0.98)	(0.81)	(0.28)
Cash holdings		0.338**	0.311**	0.272*
		(2.16)	(1.99)	(1.73)
Free cash flows		0.173	0.166	0.174
		(1.58)	(1.50)	(1.62)
Institutional ownership		0.087	0.085	0.066
		(1.12)	(1.10)	(0.89)
CEO age			-0.012***	-0.011***
			(-2.90)	(-2.78)
CEO tenure			0.007	0.005
			(1.36)	(0.98)
CEO/Chair duality			0.088**	0.075**
			(2.29)	(2.04)
CEO ownership			0.087	0.071
			(0.11)	(0.09)
Intercept	7.551***	5.498***	6.078***	6.390***
	(46.54)	(16.67)	(15.68)	(16.14)
CEO origin fixed effects	No	No	No	Yes
Firm fixed effects	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes
Number of observations	6,359	6,359	6,359	6,359
Adjusted R^2	0.679	0.694	0.695	0.701

This table presents OLS regression results for the tests of CEO compensation. The dependent variable is the natural logarithm of a CEO's total compensation, *Total Compensation*. The variable of interest is Americans' favorability of a CEO's surname, *FavSurname*. CEO origin, firm, and year fixed effects are included. Variable definitions are provided in Appendix A. In parentheses below coefficient estimates are *t*-statistics based on standard errors clustered by firm. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 4
Placebo tests: Mis-identifying CEOs' countries of origin

Panel A: Using an immediately following country, e.g., Australia (actual) → Brazil (placebo)				
Dependent variable: *Total compensation*				
	(1)	(2)	(3)	(4)
FavSurname (Placebo)	-0.069	-0.084	-0.068	-0.013
	(-0.42)	(-0.55)	(-0.44)	(-0.06)
Controls and fixed effects	Identical to the corresponding columns in Table 3			
Number of observations	4,359	4,359	4,359	4,359
Adjusted R^2	0.707	0.718	0.718	0.719

Panel B: Using an immediately preceding country, e.g., Australia (actual) → Afghanistan (placebo)				
Dependent variable: *Total compensation*				
	(1)	(2)	(3)	(4)
FavSurname (Placebo)	0.410	0.322	0.334	0.162
	(1.23)	(1.19)	(1.26)	(0.65)
Controls and fixed effects	Identical to the corresponding columns in Table 3			
Number of observations	3,430	3,430	3,430	3,430
Adjusted R^2	0.723	0.745	0.746	0.751

This table presents OLS regression results for placebo tests. The dependent variable is the natural logarithm of a CEO's total compensation, *Total Compensation*. Our variable of interest is a placebo measure of a CEO's surname favorability, *FavSurname (Placebo)*, measured as the weighted average of favorability ratings for placebo countries of origin. A placebo country of origin is the country that immediately follows (precedes) the actual country of origin on an alphabetically sorted list of 42 countries in Gallup survey data in Panel A (Panel B). Control variables and fixed effects are identical to those in the corresponding columns in Table 3. Variable definitions are provided in Appendix A. In parentheses below coefficient estimates are *t*-statistics based on standard errors clustered by firm. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 5
Natural experiment: The French and German governments' opposition to the U.S.-led Iraq War

Panel A: Matching covariates for the sample of the French and German opposition to the Iraq War			
	French and German CEOs (N = 66)	Non-French/Non-German CEOs (N = 158)	Test of differences
Matching covariates	Mean	Mean	*t*-statistic
FavSurname	0.822	0.874	(-12.78)***
Total compensation	7.641	7.625	(0.12)
Firm size	7.007	6.934	(0.41)
Market-to-book	3.167	2.705	(0.87)
Past stock volatility	0.152	0.147	(0.63)
Return on assets	0.047	0.043	(0.46)
CEO age	53.591	54.389	(-0.86)
CEO tenure	6.060	6.904	(-0.89)

Panel B: Americans' favorability toward CEOs' surnames around the year of the natural experiment	
Dependent variable: FavSurname	
French/German CEO	-0.057***
	(-11.68)
French/German CEO × Post-Iraq War	-0.061***
	(-7.55)
Post-Iraq War	0.010***
	(3.53)
Intercept	0.859***
	(276.03)
Industry fixed effects	Yes
Year fixed effects	Yes
Number of observations	1,792
Adjusted R^2	0.551

Table 5 (*Continued*)

Panel C: Difference-in-differences tests using the natural experiment			
Dependent variable: *Total compensation*			
	(1)	(2)	(3)
French/German CEO	0.060	-0.035	-0.033
	(0.49)	(-0.37)	(-0.36)
French/German CEO × Post-Iraq War	-0.354**	-0.240**	-0.215**
	(-2.31)	(-2.15)	(-2.08)
Post-Iraq War	0.617***	0.199	0.457***
	(3.69)	(1.55)	(2.95)
Firm size		0.568***	0.521***
		(12.87)	(12.94)
Market-to-book		0.001***	0.001***
		(2.82)	(3.00)
Annual return		0.258***	0.235***
		(5.10)	(4.68)
Stock volatility		2.056**	2.385***
		(2.18)	(2.66)
Return on assets		1.552**	1.293**
		(2.41)	(2.06)
Loss		-0.244**	-0.308***
		(-2.19)	(-2.77)
R&D spending		0.137	0.022
		(0.99)	(0.16)
Cash holdings		0.151	0.208
		(0.46)	(0.74)
Free cash flows		-0.179	-0.257
		(-0.78)	(-1.15)
Institutional ownership		-0.019	-0.040
		(-0.15)	(-0.34)
CEO age			0.010
			(1.54)
CEO tenure			-0.023**
			(-2.55)
CEO/Chair duality			0.131*
			(1.77)
CEO ownership			-4.548*
			(-1.67)
Intercept	7.429***	3.376***	3.263***
	(87.49)	(8.94)	(6.93)
Industry fixed effects	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes
Number of observations	952	952	952
Adjusted R^2	0.192	0.540	0.559

Table 5 (*Continued*)

This table shows summary statistics for matching covariates and OLS regression results for difference-in-differences tests using the matched sample of our natural experiment, the French and German governments' opposition to the U.S.-led Iraq War in 2003. Treatment CEOs are those who have a French or German surname. A surname is defined as French or German when more than 40% of the U.S. immigrants sharing the same surname report themselves as French or German. In Panel A, we report summary statistics for matching covariates for our matched sample. The sample is constructed by matching treatment CEOs and control CEOs on the following matching covariates using a coarsened exact matching (CEM) algorithm: *FavSurname, Total compensation, Firm size, Market-to-book, Past stock volatility, Return on assets, CEO age,* and *CEO tenure*. We conduct the matching in year 2002. In Panels B and C, we restrict the matched sample period to the window between 1999 and 2007, excluding the transition year of 2003. In Panel B, we perform a difference-in-differences estimation using observations at the CEO-year level. The dependent variable is Americans' favorability of a CEO's surname, *FavSurname*. Our variable of interest is the interaction term between *French/German CEO* and *Post-Iraq War*. *French/German CEO* is an indicator variable equal to one for French and German CEOs and zero otherwise. *Post-Iraq War* is an indicator variable equal to one for observations after February 14, 2003 and zero otherwise. At the end of every December, we update *FavSurname* for all CEOs in the matched sample using the most recent Gallup survey data. In Panel C, we estimate a pooled OLS difference-in-differences regression in which the dependent variable is the natural logarithm of a CEO's total compensation, *Total compensation*. Our variable of interest is the interaction term between *French/German CEO* and *Post-Iraq War*. Control variables are identical to those in Table 3. Fama-French 48 industry and year fixed effects are included. Variable definitions are provided in Appendix A. In parentheses below coefficient estimates are *t*-statistics based on standard errors clustered by CEO in Panel B and firm in Panel C. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 6
Relations between CEO surname favorability and corporate policies and firm performance

Panel A. Investment policies			
Dependent variable:	*Investment*	*Investment efficiency*	
		Underinvestment	Overinvestment
	(1)	(2)	(3)
FavSurname	-3.532	-0.428	0.508
	(-0.77)	(-0.62)	(0.85)
Regression model	OLS	Multinomial logit	
Controls	Yes	Yes	Yes
CEO origin fixed effects	Yes	Yes	Yes
Firm fixed effects	Yes	No	No
Industry fixed effects	No	Yes	Yes
Year fixed effects	Yes	Yes	Yes
Number of observations	2,459	2,459	
Adjusted (Pseudo) R^2	0.487	0.186	

Panel B. Management forecasts			
Dependent variable:	*MF issuance*	*Range width*	*MF accuracy*
	(1)	(2)	(3)
FavSurname	0.509*	0.004	0.147
	(1.67)	(0.61)	(1.46)
Regression model	Probit	OLS	OLS
Controls	Yes	Yes	Yes
CEO origin fixed effects	Yes	Yes	Yes
Firm fixed effects	No	Yes	Yes
Industry fixed effects	Yes	No	No
Year fixed effects	Yes	Yes	Yes
Number of observations	7,255	2,759	2,759
Adjusted (Pseudo) R^2	0.268	0.506	0.794

Panel C. Product market outcomes			
Dependent variable: *Adjusted sales growth*			
Sample Composition:	Full sample	Full sample	Manufacturing firms
	(1)	(2)	(3)
FavSurname	0.443	1.303	-2.381
	(0.46)	(0.66)	(-0.87)
Regression model	OLS	OLS	OLS
Controls	Yes	Yes	Yes
CEO origin fixed effects	Yes	Yes	Yes
Firm fixed effects	No	Yes	Yes
Industry fixed effects	Yes	No	No
Year fixed effects	Yes	Yes	Yes
Number of observations	5,499	5,499	2,349
Adjusted R^2	0.077	0.100	0.188

Table 6 (*Continued*)

Panel D. Stock market performance			
Dependent variable:	*Stock performance*	*Stock performance*	*Stock performance*
Return window (*n*):	(*6 months*)	(*9 months*)	(*12 Months*)
	(1)	(2)	(3)
FavSurname	-0.069	-0.116	-0.249
	(-0.78)	(-0.86)	(-1.51)
Regression model	OLS	OLS	OLS
Controls	Yes	Yes	Yes
CEO origin fixed effects	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes
Industry fixed effects	No	No	No
Year fixed effects	Yes	Yes	Yes
Number of observations	6,296	6,296	6,018
Adjusted R^2	0.130	0.159	0.144

Panel E. Firm performance measured by accounting-based metrics		
Dependent variable:	*Adjusted return on assets*	*Tobin's Q*
	(1)	(2)
FavSurname	-0.018	0.179
	(-0.66)	(0.60)
Regression model	OLS	OLS
Controls	Yes	Yes
CEO origin fixed effects	Yes	Yes
Firm fixed effects	Yes	Yes
Industry fixed effects	No	No
Year fixed effects	Yes	Yes
Number of observations	6,354	6,366
Adjusted R^2	0.499	0.705

Table 6 (*Continued*)

This table presents regression results for the tests of the relations between CEO surname favorability and corporate policies and firm performance. In Panel A, we estimate an OLS regression in Column (1) and a multinomial logit regression in Columns (2) and (3). The dependent variables are two proxies for a firm's investment policy: *Investment* is the sum of a firm's R&D expenses, capital expenditure, and acquisition expenditure less cash receipts from the sale of PP&E, scaled by its lagged total assets. The resulting value is multiplied by 100. *Investment efficiency* is a firm-level measure of under- or overinvestment estimated following Biddle et al. (2009). In Panel B, we estimate a probit regression in Column (1) and OLS regressions in Columns (2) and (3). The dependent variables are three proxies for a managerial earning forecast behavior. *MF issuance* is an indicator variable that equals one if a firm issues at least one management earnings forecast during a fiscal year and zero otherwise. *Range width* is measured as the range (max-min) of a firm's management earnings forecast scaled by the natural logarithm of its total assets per share. *MF accuracy* is measured as the absolute difference between a firm's management earnings forecast and actual earnings scaled by the natural logarithm of its total assets per share. In Panel C, we estimate an OLS regression of product market outcomes. The dependent variable is *Adjusted sales growth*, measured as a change in the percentage of a firm's sales from year *t*-1 to year *t* (*Sales growth*) minus the four-digit SIC industry mean of *Sales growth*. We estimate the regression using firms in manufacturing industries only in Column (3) (Fresard 2010). In Panel D, we estimate an OLS regression of stock market performance. The dependent variable is *Stock performance* (n = 6, 9, and 12), measured as a firm's buy-and-hold return over the n-month period beginning from the second quarter of a fiscal year, minus its benchmark return of firms in the same Fama-French 48 industry and size portfolio. In Panel E, we estimate an OLS regression of firm performance measured by accounting-based metrics. The dependent variables are two proxies for firm performance. *Adjusted return on assets* is a firm's industry- and size-adjusted return on assets, measured as the firm's income before extraordinary items scaled by total assets minus its benchmark value of firms in the same Fama-French 48 industry and size portfolio. We form the size portfolio based on quintile ranks of firms' total assets. *Tobin's Q* is measured as a firm's market value of equity and liabilities scaled by its book value of total assets. The variable of interest is Americans' favorability of a CEO's surname, *FavSurname*. We use a different set of control variables in each panel: (Panel A) *Firm size, Market-to-book, Annual return, Stock volatility, Return on assets, Loss, R&D spending, Cash holdings, Free cash flows, Institutional ownership, CEO age, CEO tenure, CEO/Chair duality,* and *CEO ownership*; (Panel B) *Firm size, Return on assets, Loss, Earnings volatility, Market-to-book, Changes in earnings, Institutional ownership, Material weakness, Litigation risk, Horizon,* and *News*; (Panel C) *Firm size*$_{t-1}$*, Cash holdings*$_{t-1}$*, Leverage*$_{t-1}$*, Leverage*$_{t-2}$*, Adjusted sales growth*$_{t-1}$*, Adjusted sales growth*$_{t-2}$*, Market-to-book*$_{t-1}$*, Market-to-book*$_{t-2}$*, Acquisitions*$_{t-1}$*,* and *Acquisitions*$_{t-2}$; (Panels D and E) *Firm size, Market-to-book, Stock volatility, Return on assets, Loss, R&D spending, Cash holdings, Free cash flows, Institutional ownership, CEO age, CEO tenure, CEO/Chair duality,* and *CEO ownership*. Variable definitions are provided in Appendix A. In parentheses below coefficient estimates are *t*-statistics or *z*-statistics based on standard errors clustered by firm. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 7
Cross-sectional variations in the CEO surname favorability effect

Panel A: Founder CEO				
Dependent variable: *Total compensation*				
	(1)	(2)	(3)	(4)
Founder CEOs:				
FavSurname	0.565	0.614	0.574	0.604
	(1.19)	(1.42)	(1.34)	(1.38)
Controls and fixed effects	Identical to the corresponding columns in Table 3			
Number of observations	1,370	1,370	1,370	1,370
Adjusted R^2	0.704	0.717	0.716	0.707
Non-founder CEOs:				
FavSurname	0.553***	0.511***	0.517***	0.458**
	(2.88)	(2.89)	(2.93)	(2.28)
Controls and fixed effects	Identical to the corresponding columns in Table 3			
Number of observations	4,875	4,875	4,875	4,875
Adjusted R^2	0.687	0.700	0.701	0.706
Panel B: CEO tenure				
Dependent variable: *Total compensation*				
	(1)	(2)	(3)	(4)
Short-tenured CEOs:				
FavSurname	0.862***	0.824***	0.798***	0.822**
	(2.68)	(2.70)	(2.68)	(2.31)
Controls and fixed effects	Identical to the corresponding columns in Table 3			
Number of observations	2,707	2,707	2,707	2,707
Adjusted R^2	0.644	0.657	0.661	0.668
Long-tenured CEOs:				
FavSurname	0.049	0.106	0.082	0.040
	(0.19)	(0.46)	(0.36)	(0.15)
Controls and fixed effects	Identical to the corresponding columns in Table 3			
Number of observations	3,652	3,652	3,652	3,652
Adjusted R^2	0.743	0.758	0.758	0.759
Panel C: Institutional ownership				
Dependent variable: *Total compensation*				
	(1)	(2)	(3)	(4)
High institutional ownership:				
FavSurname	0.112	0.225	0.217	0.182
	(0.33)	(0.77)	(0.74)	(0.69)
Controls and fixed effects	Identical to the corresponding columns in Table 3			
Number of observations	3,180	3,180	3,180	3,180
Adjusted R^2	0.669	0.687	0.689	0.698
Low institutional ownership:				
FavSurname	0.792***	0.687**	0.674**	0.574*
	(2.75)	(2.51)	(2.47)	(1.94)
Controls and fixed effects	Identical to the corresponding columns in Table 3			
Number of observations	3,179	3,179	3,179	3,179
Adjusted R^2	0.687	0.699	0.700	0.705

Table 7 (*Continued*)

This table presents OLS regression results for the tests for cross-sectional variations in the effect of CEO surname favorability. We re-estimate the baseline OLS regression model used in Table 3, using the subsamples split on whether a CEO is the founder of a firm in Panel A, whether the number of years for which a CEO has held the position at a firm (i.e., *CEO tenure*) is shorter than its sample median in Panel B, and whether the percentage of a firm's shares held by 13F institutions (i.e., *Institutional investors*) is lower than its sample median in Panel C. The dependent variable is the natural logarithm of a CEO's total compensation, *Total Compensation*. The variable of interest is Americans' favorability of a CEO's surname, *FavSurname*. Control variables and fixed effects are identical to those in the corresponding columns in Table 3. Variable definitions are provided in Appendix A. In parentheses below coefficient estimates are *t*-statistics based on standard errors clustered by firm. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 8
Surname favorability and CEO turnover-performance sensitivity

Dependent variable: *Forced turnover*		
	(1)	(2)
Poor performance	5.474***	5.428***
	(2.96)	(3.01)
Poor performance × FavSurname	-5.218**	-5.252**
	(-2.24)	(-2.34)
FavSurname	1.135	1.137
	(0.82)	(0.84)
Firm size		0.112**
		(2.06)
Market-to-book		-0.000
		(-0.01)
Stock volatility		0.825
		(0.55)
Return on assets		-2.566***
		(-2.83)
Loss		0.156
		(0.58)
R&D spending		-0.287
		(-1.15)
Cash holdings		0.056
		(0.10)
Free cash flows		0.372
		(0.66)
Institutional ownership		-0.515**
		(-2.06)
CEO age		-0.026**
		(-2.24)
CEO tenure		-0.005
		(-0.37)
CEO/Chair duality		-0.168
		(-0.93)
CEO ownership		5.682*
		(1.92)
Intercept	-3.391***	-2.480*
	(-2.73)	(-1.69)
CEO origin fixed effects	Yes	Yes
Industry fixed effects	Yes	Yes
Year fixed effects	Yes	Yes
Number of observations	5,814	5,814
Pseudo R^2	0.079	0.102

Table 8 (*Continued*)

This table presents logit regression results for the test of the surname favorability effect on CEO turnover-performance sensitivity. The dependent variable, *Forced turnover*, is an indicator variable that equals one if a CEO is fired, forced out, or retires or resigns due to pressure or retires young without warning in the following year and zero otherwise. Our variable of interest is the interaction term between *Poor performance* and *FavSurname*. *Poor performance* is negative one times a firm's abnormal stock return, which is measured as the firm's buy-and-hold return over a fiscal year minus its benchmark return of firms in the same Fama-French 48 industry and size quintile portfolio. *FavSurname* is American's favorability of a CEO's surname. CEO origin, industry, and year fixed effects are included. Variable definitions are provided in Appendix A. In parentheses below the coefficient estimates are *z*-statistics based on standard errors clustered by firm. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Online Appendix to

"Is Your Surname Remunerative? Surname Favorability and CEO Compensation"

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OA.1 Variable definitions

Table OA.1 provides detailed descriptions of variables used in additional tests.

OA.2 Robustness to controlling for board and director characteristics

We perform a robustness test for our estimated effect of surname favorability on CEO compensation. We expand the existing set of control variables to board and director characteristics. Using the ISS (formerly, IRRC) and BoardEx databases, we construct additional control variables for directors' busyness, gender, ethnicity, and professional background (e.g., percentages of directors having a CPA or CFA certificate, related work experience, and an MBA degree) as well as the board's independence (i.e., a percentage of outside directors), size, and classification (i.e., whether it is a classified board) (e.g., Fich and Shivdasani 2007; Adams and Ferreira 2008; Faleye, Hoitash, and Hoitash 2011; Chen, Leung, and Goergen 2017).

In Panel A of Table OA.2, we divide our sample based on the sample median of surname favorability and compare board and director characteristics between the two groups. We find that CEOs with higher surname favorability (*FavSurname*) tend to work for firms with directors who are more likely to be busy (*Busy directors*) and male (*Female directors*) and have MBA degrees (*MBA degrees*) and related work experience (*Related work experience*) but are less likely to have CPA or CFA certificates (*CPA/CFA certificates*). CEOs with higher surname favorability are also associated with firms whose boards are larger (*Board size*), less ethnically diverse (*Board ethnic diversity*), less likely to be classified (*Classified board*), but have more outside directors (*Board independence*). This suggests that our results could be spuriously driven by the confounding effects of board and director characteristics. Thus, we re-estimate our baseline regression model of Equation (1) after augmenting it with the additional control variables. Since about 30% of observations in our sample have missing values for board and director characteristics, following

prior studies (e.g., Biddle, Hilary, and Verdi 2009), we set missing values to zero and instead, we include a missing value indicator (e.g., *Missing ISS* or *Missing BoardEx*) as an additional explanatory variable in our regression model. We report the results that are obtained after additionally controlling for board and director characteristics retrieved from ISS (BoardEx) in Panel B (Panel C) of Table OA.2.[36] We find that none – except one, the percentage of female directors – of the ten additional control variables for board and director characteristics have statistically significant coefficients. More importantly, we find qualitatively the same results for the surname favorability effect: All coefficients on *FavSurname* remain positive and statistically significant at the 5% level, regardless of the combinations of additional control variables used. Overall, the results in Table OA.2 help us further mitigate the concern about the correlated omitted variable bias.

OA.3 Robustness to directly controlling for CEO discrimination or cultural distance

In our empirical analyses, we include CEO origin fixed effects to control for the effects of unobserved and time-invariant CEO characteristics, such as a CEO's ethnicity, race, religion, and cultural distance to the U.S. However, to ensure that our findings are not driven by such CEO characteristics and to shed a better light on whether and how such CEO characteristics affect our surname favorability effects, we directly measure and control for these variables in our regression models. First, we construct *Ethnic minority CEO*, i.e., whether a CEO is from ethnic minority groups, such as Asian, Hispanic, and Black, and additionally include it in our baseline regression model. CEO origin fixed effects are dropped to avoid collinearity. We report the result in Panel A of Table OA.3. We find that *Ethnic minority CEO* has an insignificant coefficient, whereas

[36] A set of observations with missing values for board and director characteristics varies depending on which database (ISS vs. BoardEx) is used. Thus, we report regression results separately.

FavSurname has a positive and significant coefficient. Second, we measure a CEO's cultural distance to the U.S., *Culture distance*, by calculating the natural logarithm of the mean absolute difference in Hofstede's cultural indices (Hofstede, Hofstede, and Minkov 2010) between the CEO's most likely country of origin and the U.S. We also employ two alternative measures, *Religion* and *Government form*, to capture similarities between the two countries. Variable definitions are provided in Table OA.1. To avoid a significant sample loss, following prior studies (e.g., Biddle et al. 2009), we set missing values for these variables to zero and instead, we include a respective missing value indicator (e.g., *Missing cultural distance*) as an additional explanatory variable in our regression model. We report the results in Panel B of Table OA.3. We find positive and significant coefficients on *FavSurname* across all three columns, irrespective of what variable for cultural distance is used. Overall, the results in Table OA.3 mitigate the concern that our results are spuriously driven by the effects of CEO discriminating factors or cultural distance to the U.S.

OA.4 Robustness to controlling for a firm's geographic proximity to the nearest airport

We construct a new variable, *Airport distance*, that captures a firm's geographic proximity to the nearest airport and include it in our baseline regression model of Equation (1). Variable definitions are provided in Table OA.1. We report the results in Table OA.4. We find that *FavSurname* continues to show positive and significant coefficients in both columns, suggesting that our surname favorability effects are not subsumed by the effect of shareholder oversight, proxied by a firm's geographic proximity to the nearest airport (e.g., John, Knyazeva, and Knyazeva 2011).

OA.5 Full regression results for Table 6

Table OA.5 presents full regression results for the tests in Table 6, without suppressing coefficients on control variables. Panel A tabulates the full regression results for the tests of

corporate investment policies, reported in Panel A of Table 6. Variable definitions are provided in Appendix A. In Columns (2) and (3) of Panel A, where we estimate a multinomial logit regression model, the use of firm fixed effects may lead to the exclusion of all firm observations that experience no variation in *Investment efficiency* from our regression estimation. Thus, we employ Fama-French 48 industry fixed effects.[37] We find insignificant coefficients on *FavSurname*, suggesting that firms' investment policies and efficiencies are not associated with the favorability of CEOs' surname.

Panel B tabulates the full regression results for the tests of management forecast quality and behaviors, reported in Panel B of Table 6. We note that the following variables are newly introduced in this analysis: *Earnings volatility* is a standard deviation of a firm's income before extraordinary items scaled by total assets over the past five-year period; *Change in earnings* is a change in a firm's income before extraordinary items scaled by year-end stock price; *Material weakness* is an indicator variable set equal to one if a firm reports a material weakness during a fiscal year and zero otherwise; *Litigation risk* is an indicator variable set equal to one if a firm is in litigious industry and zero otherwise. The litigious industry corresponds to SIC codes 2833-2836, 3570-3577, 3600-3674, 5200-5961, 7370-7374, and 8731-8734 (Skinner 1994, 1997); *Horizon* is the number of days between a management forecast issuance date and a fiscal year-end date; *News* is measured as a management earnings forecast minus the analyst consensus earnings forecast scaled by the natural log of total assets per share. We find a positive and marginally significant coefficient on *FavSurname* in Column (1), where the dependent variable is *MF issuance*. We do not find significant results for the other two dependent variables, *Range width* and *MF accuracy*, in Columns (2) and (3).

[37] For the same reason, we use industry fixed effects in Column (1) of Panel B of Table OA.5, where we test the likelihood of management earnings forecast issuance.

Panel C tabulates the full regression results for the tests of product market outcomes, reported in Panel C of Table 6. The following variables are newly introduced in this analysis: *Leverage* is measured as a firm's total debt scaled by total assets; and *Acquisitions* is measured as a firm's spending on acquisition activities scaled by total assets. Following prior studies (Fresard 2010), all control variables are measured in year *t*-1 or *t*-2. We find no evidence that a CEO's surname favorability is associated with his or her firm's performance in the product market, regardless of whether we restrict our analysis to the full sample in Columns (1) and (2) or manufacturing firms only in Column (3).

Panel D tabulates the full regression results for the tests of stock market performance, reported in Panel D of Table 6. We find no results for the impact of surname favorability on stock market performance.

Lastly, Panel E tabulates the full regression results for the tests of firm performance. In Column (1), the dependent variable is a firm's industry- and size-adjusted return on assets *(Adjusted return on assets*), measured as the firm's income before extraordinary items scaled by total assets minus its benchmark return on assets of firms in the same Fama-French 48 industry and size portfolio. We form a size portfolio based on quintile ranks of firms' total assets. In Column (2), the dependent variable is *Tobin's Q*, measured as a firm's market value of equity and liabilities scaled by its corresponding book value. We find no evidence that a CEO's surname favorability is associated with his or her firm's accounting performance.

OA.6 CEO turnover-performance sensitivity: Alternative measure of firm performance

To corroborate the robustness of our findings in Table 8, we re-estimate the model using an alternative measure of a firm's operational performance. Specifically, we gauge the firm performance using its annual sales growth rate in a fiscal year, denoted as *Alt. poor performance*,

which is the firm's Fama–French 48 industry-adjusted and size-adjusted annual sales growth rate in a fiscal year, multiplied by negative one (Gao, Harford, and Li 2017). In the regression model, we include the same set of control variables and fixed effects as those used in Table 8. The regression results are reported in Table OA.6. We continue to find that the coefficients on *Alt. poor performance* × *FavSurname* are negative and marginally significant across all columns, indicating that the favorability of a surname mitigates the relation between the likelihood of forced CEO turnover and poor performance. This confirms that our findings in Table 8 are not sensitive to the measure of firm performance.

OA.7 Market reaction to the announcements of forced CEO turnovers

We examine whether the market reaction to the announcement of a CEO's forced turnover varies with the CEO's surname favorability. Utilizing Peters and Wagner's (2014) data on the announcement dates of forced turnovers, we calculate the dependent variable for market reaction to the announcement of a forced turnover as a three-day Fama-French 48 industry-adjusted and size-adjusted cumulative abnormal return surrounding the announcement date of a forced CEO turnover, *CAR (-1,+1)*. Our variable of interest is *FavSurname*. Control variables are identical to those used in Table 8. We report the results in Table OA.7. For a small sample of 98 forced turnovers with non-missing variables, we do not find any significant result for the impact of surname favorability on market reaction to the announcements of forced CEO turnovers. The results remain insignificant, irrespective of using a buy-and-hold abnormal return (*BHAR*) or capturing market reaction over a five-day return window (-2, +2).

OA.8 CEO self-serving behaviors

We first examine the association between a CEO's surname favorability and the value of a firm's cash holdings (e.g., Pinkowitz, Stulz, and Williamson 2006). The dependent variable is a

firm's market value, *Tobin's Q*. Our independent variable of interest is the interaction term between a firm's cash holdings, *Cash*, and its CEO's surname favorability, *FavSurname*. If the surname favorability premium allows a CEO to extract private benefits from his or her firm's cash holdings, the coefficient on the interaction term, *Cash* × *FavSurname*, will be negative and significant. In Panel A of Table OA.8, Column (1) shows the regression result. The coefficient on *Cash* × *FavSurname* is negative but statistically insignificant. As an additional test, we try an alternative specification in Pinkowitz et al. (2006), where they replace *Cash* with Δ*Cash* and additionally include a subsequent change in cash, $\Delta Cash_{t+1}$, to control for expectations. Column (2) shows the result. The coefficient on Δ*Cash* × *FavSurname* is statistically insignificant. The results in Panel A suggest that the surname favorability premium is not associated with a CEO's extraction of private benefits from his or her firm's cash holdings.

Next, we examine whether surname favorability is associated with a CEO's entrenchment. The dependent variable is a firm's level of managerial entrenchment, *E-index* (Bebchuk, Cohen, and Ferrell 2009). Our independent variable of interest is a CEO's surname favorability, *FavSurname*. If the surname favorability premium allows a CEO to engage actively in practices that constitute poor governance, *FavSurname* will be positively associated with *E-index*. We report the results in Panel B of Table OA.8. We find that all coefficients on *FavSurname* are statistically insignificant, suggesting that surname favorability is not associated with a CEO's entrenchment.

Overall, the results in Table OA.8 suggest that surname favorability does not lead to CEOs' self-serving behaviors or engaging in practices that constitute poor corporate governance.

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Table OA.1
Variable definitions

Variable name	Definition
[Director busyness]	
Busy directors	The percentage of directors who assume more than three outside public firm directorships. (Source: ISS)
Poor board attendance	The percentage of directors who attend less than 75 percent of board meetings. (Source: ISS)
[Director gender]	
Female directors	The percentage of female directors on the board. (Source: ISS)
[Director ethnicity]	
Board ethnic diversity	The ethnic diversity of directors is measured using the Herfindahl concentration index-based approach. i.e., *Board ethnic diversity* = $1 - \Sigma(\%origin_{c,j,t})^2$, where $\%origin_{c,j,t}$ is a fraction of directors of origin *c* among all directors of firm *j* in year *t*. A director's country of origin is defined as his or her most likely country of origin that accounts for the largest fraction of the nationalities of U.S. immigrants sharing the same surname as the director. (Source: ISS)
[Board monitoring/effectiveness]	
Board independence	The percentage of independent directors sitting on the board. (Source: ISS)
Board size	Natural logarithm of the total number of directors sitting on the board. (Source: ISS)
Classified board	An indicator variable set equal to one if the firm has a classified board and zero otherwise. (Source: ISS)
[Director professional background]	
CPA/CFA certificates	The percentage of directors with a CPA or CFA designation. (Source: BoardEx)
Related work experience	The percentage of directors with related prior work experience. A director is considered as having related prior work experience if the director has previously worked at a different company that belongs to the same industry sector as the focal company in which he or she currently serves as a director. (Source: BoardEx)
MBA degrees	The percentage of directors with an MBA degree. (Source: BoardEx)
[CEO discriminating factor]	
Ethnic minority CEO	An indicator variable set equal to one if a CEO's most likely country of origin belongs to one of the following non-White and non-Caucasian geographic regions - Caribbean, Central America, Eastern Africa, Eastern Asia, Northern Africa, South America, South-Eastern Asia, Southern Asia, and Western Asia - and zero otherwise. A CEO's most likely country of origin is the one that accounts for the largest fraction of the nationalities of U.S. immigrants sharing the same surname as the CEO. (Source: ExecuComp, US immigration records, M49 standard area codes)
[CEO cultural distance]	
Cultural distance	Natural logarithm of the mean of the absolute differences in Hofstede's six cultural indices (Hofstede et al. 2010) between a CEO's most likely country of origin and the United States. Hofstede's six indices are power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, and indulgence. (Source: ExecuComp, US immigration records, Hofstede's index)
Religion	An indicator variable set equal to one if a CEO's most likely country of origin has Christianity as its most popular religion and zero otherwise. (Source: ExecuComp, US immigration records, World Population Review)
Government form	An indicator variable set equal to one if a CEO's most likely country of origin has the same form of government as the United States in all three dimensions - Constitutional form, the head of state, and the basis of executive legitimacy – and zero otherwise. (Source: ExecuComp, US immigration records, "List of countries by system of government" (Wikipedia 2020))
[Firm proximity to the nearest airport]	

Airport distance	Natural logarithm of the geodetic distance in miles between a firm's headquarters and the nearest airport. We consider 123 international airports in the U.S. (Source: Compustat, CRSP, "List of international airports by country" (Wikipedia 2022))
[Missing indicator variables]	
Missing ISS	An indicator variable set equal to one if an observation has missing values for additional control variables constructed based on ISS and zero otherwise. (Source: ISS)
Missing BoardEx	An indicator variable set equal to one if an observation has missing values for additional control variables constructed based on BoardEx and zero otherwise. (Source: BoardEx)
Missing culture distance	An indicator variable set equal to one if an observation has a missing value for the variable, *Culture distance*, and zero otherwise.
Missing religion	An indicator variable set equal to one if an observation has a missing value for the variable, *Religion*, and zero otherwise.
Missing government form	An indicator variable set equal to one if an observation has a missing value for the variable, *Government form*, and zero otherwise.
Missing airport distance	An indicator variable set equal to one if an observation has a missing value for the variable, *Airport distance*, and zero otherwise.
[Alternative measure of firm performance]	
Alt. poor performance	Firm's annual sales growth, which is measured as the firm's annual sales growth rate in a fiscal year minus its benchmark growth rate of firms in the same Fama-French 48 industry and size quintile portfolio, multiplied by negative one. (Source: Compustat)
[Market reaction to forced CEO turnovers]	
CAR (-1,+1)	Three-day Fama-French 48 industry-adjusted and size-adjusted cumulative abnormal return surrounding the announcement date of a forced CEO turnover.
[CEO self-serving behaviors]	
Cash	A firm's cash holdings scaled by total assets. (Source: Compustat)
Earnings	A firm's income before extraordinary items. (Source: Compustat)
Net assets	A firm's total assets minus cash. (Source: Compustat)
R&D	A firm's research and development expenditure. (Source: Compustat)
Interest expense	A firm's interest expense. (Source: Compustat)
Dividend	A firm's common dividends. (Source: Compustat)
Tobin's Q	Tobin's Q, measured as a firm's market value of equity and liabilities scaled by its book value of total assets. (Source: Compustat)
E-index	Entrenchment index, measured as the sum of indicator variables for six provisions (Bebchuk et al. 2009): staggered boards, limits to shareholder bylaw amendments, poison pills, golden parachutes, supermajority requirements for mergers, and charter amendments. An indicator variable for each provision is set equal to one if a firm has the provision and zero otherwise. (Source: ISS)

This table shows variable definitions and data sources for variables in additional tests.

Table OA.2
Robustness to controlling for board and director characteristics

Panel A: Board and director characteristics conditional on the favorability of CEO surnames

	High *FavSurname*		Low *FavSurname*		Test of differences	
Variable	Mean	Median	Mean	Median	*t*-statistic	*z*-statistic
[Using the ISS database]						
	(Mean = 0.863, *N* = 2,321)		(Mean = 0.707, *N* = 2,370)			
Busy directors	0.043	0.000	0.037	0.000	(2.86)***	(2.40)**
Poor board attendance	0.015	0.000	0.015	0.000	(0.03)	(0.35)
Female directors	0.095	0.100	0.101	0.100	(2.54)**	(1.74)*
Board ethnic diversity	0.669	0.694	0.714	0.727	(13.13)***	(12.35)***
Board independence	0.708	0.750	0.688	0.714	(4.03)***	(4.04)***
Board size	2.198	2.197	2.168	2.197	(4.00)***	(4.07)***
Classified board	0.507	1.000	0.538	1.000	(2.12)**	(2.12)**
[Using the BoardEx database]						
	(Mean = 0.861, *N* = 2,210)		(Mean = 0.700, *N* = 2,310)			
CPA/CFA certificates	0.001	0.000	0.002	0.000	(2.27)**	(2.23)**
Related work experience	0.203	0.143	0.178	0.125	(4.18)***	(3.29)***
MBA degrees	0.220	0.214	0.207	0.200	(3.07)***	(3.06)***

Panel B: Controlling for board and director characteristics sourced from ISS

Dependent variable: *Total compensation*

	(1)	(2)	(3)	(4)	(5)
FavSurname	0.365**	0.370**	0.360**	0.367**	0.366**
	(1.99)	(2.02)	(1.96)	(2.01)	(2.00)
Busy directors	0.392				0.418
	(1.55)				(1.64)
Poor board attendance	0.051				0.069
	(0.17)				(0.23)
Female directors		0.463**			0.444**
		(2.12)			(2.00)
Board ethnic diversity			0.239		0.254
			(1.29)		(1.36)
Board independence				0.150	0.103
				(1.13)	(0.77)
Board size				-0.014	-0.060
				(-0.15)	(-0.62)
Classified board				-0.018	-0.016
				(-0.37)	(-0.33)
Missing ISS	0.032	0.054	0.185	0.084	0.176
	(0.77)	(1.21)	(1.41)	(0.37)	(0.72)
Intercept	6.356***	6.291***	6.201***	6.278***	6.169***
	(15.87)	(15.63)	(14.89)	(14.42)	(13.87)
Controls and fixed effects	Identical to those in Column (4) of Table 3				
Number of observations	6,359	6,359	6,359	6,359	6,359
Adjusted R^2	0.701	0.701	0.701	0.701	0.702

Table OA.2 (*Continued*)

Panel C: Controlling for board and director characteristics sourced from BoardEx				
Dependent variable: *Total compensation*				
	(1)	(2)	(3)	(4)
FavSurname	0.371**	0.362**	0.361**	0.373**
	(2.01)	(1.98)	(1.97)	(2.03)
CPA/CFA certificates	1.200			1.193
	(0.98)			(0.97)
Related work experience		-0.053		-0.048
		(-0.42)		(-0.38)
MBA degrees			-0.067	-0.066
			(-0.45)	(-0.44)
Missing BoardEx	0.016	0.005	-0.000	-0.004
	(0.37)	(0.12)	(-0.00)	(-0.08)
Intercept	6.379***	6.389***	6.401***	6.393***
	(16.07)	(16.13)	(16.00)	(15.97)
Controls and fixed effects	Identical to those in Column (4) of Table 3			
Number of observations	6,359	6,359	6,359	6,359
Adjusted R^2	0.701	0.701	0.701	0.701

This table presents descriptive statistics of variables for board and director characteristics and OLS regression results for the main tests of CEO compensation. In Panel A, we divide our sample into high and low surname favorability (*FavSurname*) groups, according to the sample median of CEO surname favorability, and provide comparisons of board and director characteristics between the two groups. In Panels B and C, we report results from re-estimating our baseline OLS regression model of Equation (1) that is augmented with additional control variables for board and director characteristics. Panel B (Panel C) includes additional control variables for board and director characteristics that are constructed using the ISS (BoardEx) database. Missing values of the additional control variables are set to zero (Biddle et al. 2009). We include a missing indicator variable, *Missing ISS* (*Missing BoardEx*), in regression models in Panel A (Panel B). The dependent variable is the natural logarithm of a CEO's total compensation, *Total Compensation*. The variable of interest is Americans' favorability of a CEO's surname, *FavSurname*. Control variables and fixed effects are identical to those in Column (4) of Table 3. Variable definitions are provided in Appendix A and Table OA.1 (Online Appendix). In parentheses below coefficient estimates are *t*-statistics based on standard errors clustered by firm. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.3
Robustness to directly controlling for CEO discrimination or cultural distance

Panel A: Controlling for ethnic minority CEOs	
Dependent variable: *Total compensation*	
	(1)
FavSurname	0.511***
	(3.07)
Ethnic minority CEO	0.060
	(0.31)
Control variables	Identical to those in Column (4) of Table 3
CEO origin fixed effects	No
Firm fixed effects	Yes
Year fixed effects	Yes
Number of observations	6,359
Adjusted R^2	0.695

Panel B: Controlling for CEO cultural distance			
Dependent variable: *Total compensation*			
	(1)	(2)	(3)
FavSurname	0.390**	0.501***	0.405**
	(2.11)	(3.01)	(2.19)
Culture distance	-0.002		
	(-0.09)		
Religion		-0.703**	
		(-2.21)	
Government form			-0.010
			(-0.16)
Missing culture distance	-0.312**		
	(-2.09)		
Missing religion		-0.955***	
		(-2.73)	
Missing government form			-0.284*
			(-1.92)
Intercept	6.222***	6.824***	6.206***
	(15.92)	(14.58)	(16.17)
Control variables	Identical to those in Column (4) of Table 3		
CEO origin fixed effects	No	No	No
Firm fixed effects	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes
Number of observations	6,359	6,359	6,359
Adjusted R^2	0.696	0.697	0.696

This table presents OLS regression results for the test of CEO compensation. The dependent variable is the natural logarithm of a CEO's total compensation, *Total Compensation*. The variable of interest is Americans' favorability of a CEO's surname, *FavSurname*. Additional control variables are *Ethnic minority CEO* in Panel A and *Culture distance*, *Religion*, or *Government form* in Panel B. We include a respective missing variable indicator (e.g., *Missing culture distance*) in Panel B. Control variables are identical to those in Column (4) of Table 3. CEO origin fixed effects are excluded to avoid collinearity. Variable definitions are provided in Appendix A and Table OA.1 (Online Appendix). In parentheses below coefficient estimates are *t*-statistics based on standard errors clustered by firm. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.4
Robustness to controlling for a firm's geographic proximity to the nearest airport

Dependent variable: *Total compensation*		
	(1)	(2)
FavSurname	0.404**	0.352*
	(2.20)	(1.92)
Airport distance	-0.152**	-0.148*
	(-1.99)	(-1.94)
Missing airport distance		-0.215
		(-0.64)
Intercept	6.683***	6.782***
	(15.32)	(15.62)
Control variables and fixed effects	Identical to those in Column (4) of Table 3	
Number of observations	6,257	6,359
Adjusted R^2	0.701	0.701

This table presents OLS regression results for the test of CEO compensation. The dependent variable is the natural logarithm of a CEO's total compensation, *Total Compensation*. The variable of interest is Americans' favorability of a CEO's surname, *FavSurname*. We additionally control for *Airport distance*. A missing variable indicator, *Missing airport distance,* is included in Column (2). Control variables and fixed effects are identical to those in Column (4) of Table 3. Variable definitions are provided in Appendix A and Table OA.1 (Online Appendix). In parentheses below coefficient estimates are *t*-statistics based on standard errors clustered by firm. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.5
Full regression results for Table 6, without suppressing control variables

Panel A: Investment policies - Full regression results for Panel A of Table 6			
Dependent variable:	*Investment*	*Investment efficiency*	
		Underinvestment	Overinvestment
	(1)	(2)	(3)
FavSurname	-3.532	-0.428	0.508
	(-0.77)	(-0.62)	(0.85)
Firm size	-10.536***	0.165***	-0.201***
	(-9.99)	(3.25)	(-3.75)
Market-to-book	0.015	0.005	0.004
	(0.73)	(1.23)	(0.71)
Annual return	0.326	0.113	0.270***
	(0.80)	(1.29)	(3.35)
Stock volatility	-18.625**	1.060	0.907
	(-2.08)	(0.77)	(0.74)
Return on assets	12.075**	0.939	1.158
	(2.33)	(1.25)	(1.58)
Loss	-0.882	0.176	-0.044
	(-0.93)	(0.79)	(-0.21)
R&D spending	-8.090**	0.421	-0.117
	(-2.37)	(0.95)	(-0.22)
Cash holdings	17.084***	-1.524***	-0.134
	(4.36)	(-3.19)	(-0.31)
Free cash flows	-5.924*	-0.268	-1.024**
	(-1.82)	(-0.38)	(-2.10)
Institutional ownership	5.253**	-0.513**	0.279
	(2.30)	(-2.36)	(1.44)
CEO age	0.060	0.009	-0.009
	(0.54)	(0.87)	(-0.81)
CEO tenure	0.078	0.013	0.012
	(0.70)	(1.17)	(1.23)
CEO/Chair duality	1.315	-0.053	0.090
	(1.17)	(-0.38)	(0.66)
CEO ownership	-8.339	-8.214**	-5.291**
	(-0.45)	(-2.00)	(-2.03)
Intercept	88.712***	-3.803***	1.033
	(8.09)	(-3.36)	(0.89)
Regression model	OLS	Multinomial logit	
CEO origin fixed effects	Yes	Yes	Yes
Firm fixed effects	Yes	No	No
Industry fixed effects	No	Yes	Yes
Year fixed effects	Yes	Yes	Yes
Number of observations	2,459	2,459	
Adjusted R^2	0.487	0.186	

Table OA.5 (*Continued*)

Panel B. Management forecasts - Full regression results for Panel B of Table 6			
Dependent variable:	*MF issuance*	*Range width*	*MF accuracy*
	(1)	(2)	(3)
FavSurname	0.509*	0.004	0.147
	(1.67)	(0.61)	(1.46)
Firm size	0.178***	0.000	-0.007
	(9.32)	(0.34)	(-0.35)
Return on assets	0.526*	-0.010	-0.203*
	(1.94)	(-0.88)	(-1.85)
Loss	-0.317***	0.003	0.025
	(-5.06)	(1.19)	(1.24)
Earnings volatility	-1.013***	0.017	0.099
	(-3.05)	(0.85)	(1.00)
Market-to-book	0.011**	0.000	-0.001
	(2.19)	(0.59)	(-0.57)
Change in earnings	-0.002***	0.000	-0.000
	(-3.73)	(0.85)	(-1.15)
Institutional ownership	0.339***	-0.001	0.074**
	(4.41)	(-0.27)	(2.24)
Material weakness	0.044	-0.000	0.024
	(0.32)	(-0.11)	(0.93)
Litigation risk	-0.214		
	(-1.60)		
Horizon		0.000***	0.000
		(3.85)	(1.01)
News		0.002	0.260
		(0.08)	(1.29)
Intercept	-0.630*	0.005	0.056
	(-1.78)	(0.38)	(0.30)
Regression model	Probit	OLS	OLS
CEO origin fixed effects	Yes	Yes	Yes
Firm fixed effects	No	Yes	Yes
Industry fixed effects	Yes	No	No
Year fixed effects	Yes	Yes	Yes
Number of observations	7,255	2,759	2,759
Adjusted (Pseudo) R^2	0.268	0.506	0.794

Table OA.5 (*Continued*)

Panel C. Product market outcomes - Full regression results for Panel C of Table 6			
Dependent variable: *Adjusted sales growth*			
Sample Composition:	Full sample	Full sample	Manufacturing industries
	(1)	(2)	(3)
FavSurname	0.443	1.303	-2.381
	(0.46)	(0.66)	(-0.87)
Firm size$_{t-1}$	0.048	-0.394**	-0.327
	(1.09)	(-2.01)	(-1.14)
Cash holdings$_{t-1}$	-0.133	0.457	-1.058
	(-0.34)	(0.44)	(-0.78)
Leverage$_{t-1}$	-1.294	-0.408	-2.116
	(-1.33)	(-0.38)	(-1.18)
Leverage$_{t-2}$	0.937	0.912	0.655
	(1.04)	(0.89)	(0.43)
Adjusted sale growth$_{t-1}$	0.007	-0.184***	-0.032
	(0.44)	(-5.68)	(-0.56)
Adjusted sale growth$_{t-2}$	0.004	-0.123***	-0.155***
	(0.29)	(-5.60)	(-3.25)
Market-to-book$_{t-1}$	-0.037	-0.060	-0.010
	(-0.88)	(-1.05)	(-0.19)
Market-to-book$_{t-2}$	-0.028	-0.029	-0.054
	(-0.74)	(-0.59)	(-1.22)
Acquisitions$_{t-1}$	0.709	0.791	0.548
	(0.62)	(0.52)	(0.25)
Acquisitions$_{t-2}$	0.505	1.904*	2.017
	(0.49)	(1.88)	(1.28)
Regression model	OLS	OLS	OLS
CEO origin fixed effects	Yes	Yes	Yes
Firm fixed effects	No	Yes	Yes
Industry fixed effects	Yes	No	No
Year fixed effects	Yes	Yes	Yes
Number of observations	5,499	5,499	2,349
Adjusted R^2	0.077	0.100	0.188

Table OA.5 (*Continued*)

Panel D. Stock market performance - Full regression results for Panel D of Table 6			
Dependent variable:	*Stock performance*	*Stock performance*	*Stock performance*
Return window (*n*):	*(6 months)*	*(9 months)*	*(12 months)*
	(1)	(2)	(3)
FavSurname	-0.069	-0.116	-0.249
	(-0.78)	(-0.86)	(-1.51)
Firm size	-0.211***	-0.328***	-0.389***
	(-12.01)	(-11.84)	(-11.44)
Market-to-book	-0.013***	-0.026***	-0.029***
	(-6.04)	(-8.27)	(-7.47)
Stock volatility	-0.459**	-0.664***	-0.627**
	(-2.52)	(-2.77)	(-2.01)
Return on assets	-0.400***	-0.577***	-0.738***
	(-3.45)	(-3.32)	(-3.59)
Loss	0.021	0.025	0.076*
	(0.94)	(0.77)	(1.93)
R&D spending	0.091**	0.142**	0.203**
	(2.00)	(2.20)	(2.39)
Cash holdings	-0.242***	-0.360***	-0.400***
	(-3.30)	(-3.33)	(-2.78)
Free cash flows	0.125*	0.152*	0.115
	(1.96)	(1.67)	(1.00)
Institutional ownership	-0.144***	-0.300***	-0.410***
	(-3.77)	(-5.43)	(-5.73)
CEO age	-0.004***	-0.005**	-0.006**
	(-2.65)	(-2.37)	(-2.31)
CEO tenure	0.003	0.004	0.004
	(1.62)	(1.57)	(1.26)
CEO/Chair duality	0.023	0.055**	0.055*
	(1.31)	(2.27)	(1.90)
CEO ownership	-0.243	-0.657	-0.433
	(-1.01)	(-1.63)	(-0.97)
Intercept	2.033***	3.139***	3.802***
	(12.12)	(12.28)	(12.14)
Regression model	OLS	OLS	OLS
CEO origin fixed effects	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes
Number of observations	6,296	6,296	6,018
Adjusted R^2	0.130	0.159	0.144

Table OA.5 (*Continued*)

Panel E. Firm performance measured by accounting-based metrics - Full regression results for Panel E of Table 6		
Dependent variable:	*Adjusted return on assets*	*Tobin's Q*
	(1)	(2)
FavSurname	-0.018	0.179
	(-0.66)	(0.60)
Firm size	-0.041***	-0.891***
	(-7.13)	(-10.74)
Market-to-book	0.001	0.052***
	(1.47)	(4.19)
Stock volatility	-0.051	-0.497
	(-0.95)	(-0.76)
Return on assets	0.174***	0.886*
	(4.37)	(1.85)
Loss	-0.002	-0.003
	(-0.27)	(-0.05)
R&D spending	-0.002	0.114
	(-0.13)	(0.89)
Cash holdings	0.035	0.745**
	(1.38)	(2.45)
Free cash flows	0.025	-0.315***
	(1.40)	(-2.74)
Institutional ownership	0.000	0.260*
	(0.00)	(1.75)
CEO age	-0.001**	-0.003
	(-2.24)	(-0.48)
CEO tenure	0.001**	0.003
	(2.38)	(0.41)
CEO/Chair duality	0.004	0.149**
	(0.83)	(2.38)
CEO ownership	-0.045	-2.370*
	(-0.47)	(-1.93)
Intercept	0.384***	8.117***
	(6.87)	(11.22)
Regression model	OLS	OLS
CEO origin fixed effects	Yes	Yes
Firm fixed effects	Yes	Yes
Year fixed effects	Yes	Yes
Number of observations	6,354	6,366
Adjusted R^2	0.499	0.705

Table OA.5 (*Continued*)

This table presents full regression results for the tests of the relations between CEO surname favorability and corporate policies and firm performance, reported in Table 6. In Panel A, we estimate an OLS regression in Column (1) and a multinomial logit regression in Columns (2) and (3). The dependent variables are two proxies for a firm's investment policy: *Investment* is the sum of a firm's R&D expenses, capital expenditure, and acquisition expenditure less cash receipts from the sale of PP&E, scaled by its lagged total assets. The resulting value is multiplied by 100. *Investment efficiency* is a firm-level measure of under- or overinvestment estimated following Biddle et al. (2009). In Panel B, we estimate a probit regression in Column (1) and OLS regressions in Columns (2) and (3). The dependent variables are three proxies for a managerial earning forecast behavior. *MF issuance* is an indicator variable that equals one if a firm issues at least one management earnings forecast during a fiscal year and zero otherwise. *Range width* is measured as the range (max-min) of a firm's management earnings forecast scaled by the natural logarithm of its total assets per share. *MF accuracy* is measured as the absolute difference between a firm's management earnings forecast and actual earnings scaled by the natural logarithm of its total assets per share. In Panel C, we estimate an OLS regression of product market outcomes. The dependent variable is *Adjusted sales growth*, measured as a change in the percentage of a firm's sales from year *t*-1 to year *t* (*Sales growth*) minus the four-digit SIC industry mean of *Sales growth*. We estimate the regression using firms in manufacturing industries only in Column (3) (Fresard 2010). In Panel D, we estimate an OLS regression of stock market performance. The dependent variable is *Stock performance* (n = 6, 9, and 12), measured as a firm's buy-and-hold return over the n-month period beginning from the second quarter of a fiscal year, minus its benchmark return of firms in the same Fama-French 48 industry and size portfolio. In Panel E, we estimate an OLS regression of firm performance measured by accounting-based metrics. The dependent variables are two proxies for firm performance. *Adjusted return on assets* is a firm's industry- and size-adjusted return on assets, measured as a firm's income before extraordinary items scaled by total assets minus its benchmark value of firms in the same Fama-French 48 industry and size portfolio. We form the size portfolio based on quintile ranks of firms' total assets. *Tobin's Q* is measured as a firm's market value of equity and liabilities scaled by its book value of total assets. Our variable of interest is Americans' favorability of a CEO's surname, *FavSurname*. We use CEO origin, firm, industry, and year fixed effects. Variable definitions are provided in Appendix A and Table OA.1 (Online Appendix). In parentheses below coefficient estimates are *t*-statistics or *z*-statistics based on standard errors clustered by firm. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.6
CEO turnover-performance sensitivity: Alternative measure of firm performance

Dependent variable: *Forced turnover*		
	(1)	(2)
Alt. poor performance	3.119**	3.301**
	(1.99)	(2.08)
*Alt. poor performance * FavSurname*	-3.427*	-3.595*
	(-1.70)	(-1.76)
FavSurname	0.891	1.018
	(0.75)	(0.84)
Firm size		0.160***
		(2.95)
Market-to-book		0.000
		(0.45)
Stock volatility		1.475
		(1.01)
Return on assets		-2.454***
		(-2.84)
Loss		0.113
		(0.42)
R&D spending		-0.281
		(-1.13)
Cash holdings		-0.079
		(-0.14)
Free cash flows		0.124
		(0.25)
Institutional ownership		-0.503*
		(-1.94)
CEO age		-0.027**
		(-2.46)
CEO tenure		-0.003
		(-0.26)
CEO/Chair duality		-0.175
		(-0.98)
CEO ownership		6.006**
		(2.03)
Intercept	-3.386***	-2.895**
	(-3.17)	(-2.17)
CEO origin fixed effects	Yes	Yes
Industry fixed effects	Yes	Yes
Year fixed effects	Yes	Yes
Number of observations	5,800	5,800
Pseudo R^2	0.052	0.078

Table OA.6 (*Continued*)

This table presents logit regression results for the test of the surname favorability effect on CEO turnover-performance sensitivity. The dependent variable, *Forced turnover*, is an indicator variable that equals one if a CEO is fired, forced out, or retires or resigns due to pressure or retires young without warning in the following year and zero otherwise. Our variable of interest is the interaction term between *Alt. poor performance* and *FavSurname*. *Alt. poor performance* is a firm's annual sales growth, which is measured as the firm's annual sales growth rate in a fiscal year minus its benchmark growth rate of firms in the same Fama-French 48 industry and size quintile portfolio, multiplied by negative one. *FavSurname* is American's favorability of a CEO's surname. CEO origin, industry, and year fixed effects are included. To avoid the outlier effect, we winsorize *Alt. poor performance* at the top 5% and bottom 1% levels. Variable definitions are provided in Appendix A and Table OA.1 (Online Appendix). In parentheses below the coefficient estimates are *z*-statistics based on standard errors clustered by firm. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.7
Market reaction to the announcements of forced CEO turnovers

Dependent variable: *CAR (-1, +1)*		
	(1)	(2)
FavSurname	-61.513	-72.196
	(-1.569)	(-1.487)
Firm size		-2.127
		(-1.315)
Market-to-book		0.419***
		(2.718)
Stock volatility		-2.581
		(-0.063)
Return on assets		-43.066
		(-1.406)
Loss		-7.380
		(-0.872)
R&D spending		-22.240*
		(-1.908)
Cash holdings		7.219
		(0.435)
Free cash flows		11.284
		(1.002)
Institutional ownership		-0.437
		(-0.064)
CEO age		0.464
		(0.855)
CEO tenure		0.114
		(0.227)
CEO/Chair duality		-2.425
		(-0.405)
CEO ownership		-150.841
		(-0.784)
CEO origin fixed effects	Yes	Yes
Industry fixed effects	Yes	Yes
Year fixed effects	Yes	Yes
Number of observations	98	98
Adjusted R^2	0.179	0.304

This table presents OLS regression results for the test of the surname favorability effect on market reaction to the announcement dates of forced CEO turnovers. The dependent variable, *CAR (-1, +1)*, is a three-day Fama-French 48 industry-adjusted and size-adjusted cumulative abnormal return surrounding the announcement date of a forced CEO turnover. Our variable of interest is American's favorability of a CEO's surname, *FavSurname*. CEO origin, industry, and year fixed effects are included. Variable definitions are provided in Appendix A. In parentheses below the coefficient estimates are *t*-statistics based on standard errors clustered by firm. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.8
Surname favorability and CEO self-serving behaviors

Panel A: Value of a firm's cash holdings		
Dependent variable: *Tobin's Q*		
	(1)	(2)
$Cash_{i,t}$	-0.000	
	(-0.37)	
$Cash_{i,t} \times FavSurname_{i,t}$	-0.007	
	(-0.67)	
$\Delta Cash_{i,t}$		0.000
		(1.22)
$\Delta Cash_{i,t} \times FavSurname_{i,t}$		-0.033
		(-0.94)
$FavSurname_{i,t}$	-0.157	-0.195
	(-0.61)	(-0.74)
$\Delta Cash_{i,t+1}$		0.000***
		(4.94)
$Earnings_{i,t}$	0.000**	0.000
	(2.05)	(1.50)
$\Delta Earnings_{i,t}$	0.000**	0.000**
	(2.09)	(2.18)
$\Delta Earnings_{i,t+1}$	0.000***	0.000**
	(3.10)	(2.37)
$\Delta Net\ assets_{i,t}$	0.000***	0.000***
	(5.74)	(5.72)
$\Delta Net\ assets_{i,t+1}$	-0.000	0.000
	(-0.15)	(0.01)
$R\&D_{i,t}$	-0.002***	-0.002***
	(-5.59)	(-5.72)
$\Delta R\&D_{i,t}$	0.003***	0.003***
	(3.81)	(3.92)
$\Delta R\&D_{i,t+1}$	0.001**	0.001*
	(2.19)	(1.96)
$Interest\ expense_{i,t}$	-0.000	-0.001
	(-0.89)	(-1.24)
$\Delta Interest\ expense_{i,t}$	-0.001*	-0.001
	(-1.66)	(-1.61)
$\Delta Interest\ expense_{i,t+1}$	-0.001**	-0.001***
	(-2.57)	(-2.71)
$Dividend_{i,t}$	-0.000	-0.000
	(-0.50)	(-0.73)
$\Delta Dividend_{i,t}$	0.000	0.000
	(0.19)	(0.12)
$\Delta Dividend_{i,t+1}$	-0.000	-0.000
	(-0.80)	(-0.89)
$\Delta Tobin's\ Q_{i,t+1}$	-0.000***	-0.000***
	(-6.18)	(-6.54)
Intercept	2.093***	2.103***
	(10.33)	(10.36)
Firm fixed effects	Yes	Yes
Year fixed effects	Yes	Yes
Number of observations	5,897	5,897
Adjusted R^2	0.706	0.707

Table OA.8 (*Continued*)

Panel B: Managerial entrenchment			
Dependent variable: *E-index*			
	(1)	(2)	(3)
FavSurname	0.267	0.272	0.294
	(1.26)	(1.29)	(1.39)
Firm size		0.110*	0.112*
		(1.83)	(1.84)
Market-to-book		-0.001*	-0.001*
		(-1.84)	(-1.81)
Annual return		0.021	0.020
		(1.44)	(1.43)
Stock volatility		0.340	0.351
		(0.66)	(0.67)
Return on assets		0.012	0.011
		(0.06)	(0.05)
Loss		-0.000	-0.001
		(-0.00)	(-0.02)
R&D spending		0.315*	0.321*
		(1.83)	(1.83)
Cash holdings		-0.250	-0.258
		(-1.29)	(-1.34)
Free cash flows		-0.061	-0.062
		(-0.66)	(-0.66)
Institutional ownership		0.193	0.195
		(1.52)	(1.55)
CEO age			-0.003
			(-0.65)
CEO tenure			-0.000
			(-0.06)
CEO/Chair duality			-0.018
			(-0.32)
CEO ownership			-0.369
			(-0.28)
Intercept	2.070***	0.947*	1.091**
	(12.48)	(1.84)	(2.01)
Firm fixed effects	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes
Number of observations	4,373	4,373	4,373
Adjusted R^2	0.883	0.884	0.884

This table presents OLS regression results for the tests of CEO self-serving behaviors. In Panel A, the dependent variable is a firm's market value, *Tobin's Q*. The independent variable of interest is *Cash* × *FavSurname* in Column (1) and Δ*Cash* × *FavSurname* in Column (2). The coefficient estimates of *Cash* × *FavSurname* and Δ*Cash* × *FavSurname* are multiplied by 100. In Panel B, the dependent variable is a managerial entrenchment level, *E-index*. The independent variable of interest is Americans' favorability of a CEO's surname, *FavSurname*. Variable definitions are provided in Appendix A and Table OA.1 (Online Appendix). In parentheses below the coefficient estimates are *t*-statistics based on standard errors clustered by firm. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.