

Come Aboard! Directorships as Certifications in the Executive Labor Market

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ABSTRACT

In this study, we examine the question: What do executives gain from serving on boards? We propose that board service acts as a certification mechanism in the executive labor market that can positively influence executive careers for non-CEO executives serving on their first boards. We argue that non-CEO executives who gain directorships will be more likely to be promoted to CEO, will achieve these promotions more quickly, and will receive higher pay from their home firms. To test our ideas, we employ propensity score matching to construct a longitudinal sample of 2,110 top executives of large, publicly traded companies in the United States over the period 1996 to 2012. Results provide consistent support for our theory.