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## Are Busy Boards Effective Monitors?

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### Abstract

Firms with busy boards, those in which a majority of outside directors hold three or more directorships, are associated with weak corporate governance. These firms exhibit lower market-to-book ratios, weaker profitability, and lower sensitivity of CEO turnover to firm performance. Independent but busy boards display CEO turnover-performance sensitivities indistinguishable from those of inside-dominated boards. Departures of busy outside directors generate positive abnormal returns. When directors become busy as a result of acquiring an additional directorship, other companies in which they hold board seats experience negative abnormal returns. Busy outside directors are more likely to depart boards following poor performance.

**Keywords:** Directorships, Board of directors, Corporate governance, Firm performance**JEL Classification:** G30, G39, K22[Suggested Citation](#) >[Show Contact Information](#) >

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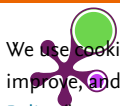
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