

‘HAS ANYONE DONE THIS BEFORE?’

BRITISH IPO DIRECTORS, 1891-1911*

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Abstract

Company directors in Victorian Britain have a somewhat dubious reputation. There are claims that directors had little business experience with the directorships obtained mainly via social connections. However, a little experience goes a long way, and boards with experienced directors can place their securities in an initial public offering (IPO) at better prices and can obtain more dispersed ownership than inexperienced boards. We find evidence of network effects – directors attracted investors from firms they had previously floated. These beneficial effects of experience are appreciated by the market; experienced directors are more likely to obtain future positions on IPO boards.

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1. Introduction

Experienced company boards can competently manage the pricing and allocation roles in an IPO, even when investment banks are not available. In the U.K., just before World War One, directors priced, distributed, and—if underwriting occurred at all—located an underwriter because investment banks had not yet entered the market for new issues. Company promoters were sub-contracted to fulfil some of these duties, but Harrison (1981) notes instances where the companies handled the whole process themselves. Even if a company promoter was used, it was the role of the board to choose *which* promoter to entrust with the IPO. We find companies with at least one director with directorial experience in the previous year, an *Experienced Board*, had lower underpricing (around 10 percentage points), greater geographic dispersion of shareholders (10-15% more foreign investors) and were more likely to use underwriting than companies with an inexperienced board. Companies whose board included at least one director who had already taken a British firm public, an *IPO Experienced Board*, were more likely to allot shares to investors from those companies the experienced director(s) had already taken public. A board with an IPO experienced director had 13 more repeat investors, who contributed 5 to 7% more capital, compared to a board without an IPO experienced director.

Although 87% of the companies in our sample had an *Experienced Board*, there were notable exceptions. Lipton, the well-known tea merchants, had an inexperienced board when they offered shares to the public in 1898. Their board comprised the founder, Sir Thomas Lipton, and various chief managers from the firm, none of whom had directorial experience. English Sewing Cotton, which united many of the principal spinning and weaving businesses in the north of England in 1897 had several directors who had prior directorial experience, but none had taken a firm public by that stage. Only 32% of the boards contained a director who had experience of the British IPO process. Furness, Withy and company was a steamship line and shipbuilding concern taken public by the Member of Parliament Sir Christopher Furness and Henry Withy J.P. in 1902. By that stage Sir Christopher, the Durham shipping magnate, had extensive experience of the British IPO market, having acted as a director for the IPOs of Frederick Leyland Company (1892), Wilsons and Furness Leyland Line (1896), Weardale Seel Coal and Coke (1899), South Durham Steel and Iron (1900), and Richardsons Westgarth (1900).

Sir Christopher's nephew, Stephen Wilson Furness, also served on the Furness, Withy board and had prior IPO experience with Weardale Seel Coal and Coke and Richardsons Westgarth.

The company director in Victorian Britain has had a lot of accusations levelled at him (virtually all directors were male). Aldcroft (1964) blames businessmen for 'conservatism and antiquated methods'. Campbell & Turner (2011) argue that there was a perception, if not a reality, that directors were selected: 'for their social position rather than their business experience'. They find that such 'ornamental' directors were associated negatively with firm value.

On the other side of the argument are Foreman-Peck and Hannah (2012) who praise the 'growth of professional managerial hierarchies' and note the alignment of shareholders' and directors' interests via the directors' personal stakes (£19,986 on average in their sample) in firms' equity. Hannah (2007) says that: 'promoters and financial intermediaries who wanted to be in the business for the long run would strive to appoint reputable directors.' He argues that all but rogue company promoters attempted to find directors with acknowledged expertise to launch a firm that was going public. Rutterford (2011) argues that investors were interested in: 'the best class of directors'. Braggion and Moore (2013a) find little evidence of unscrupulous, albeit legal, insider trading by British directors in this period.

We also examine the market for directors, to better understand director incentives. A director is more likely to quickly leave after the public offer if they served as part of an experienced board, if the offer were undersubscribed, if they brought along fewer repeat investors, or if they attracted a less diverse investor base. Struggling firms, those with poor returns to shareholders, were more likely to see directors leave the board. Political directors (and to a lesser extent military directors) were also more likely to leave the board than non-political (non-military) directors.

Experienced directors, and those directors that served on an experienced board, and thereby gained 'hands-on' knowledge in how to conduct an IPO, received more future directorships of firms that were taken public than a director that served on a board without any experienced members. Political and military directors were also

more likely to gain future board work. Directors of an IPO in which a more diverse investor base was achieved (more non-English investors) were more likely to obtain future directorships.

Underwriting was far less prevalent in the Victorian era than today. It was unclear if underwriting was legal before the Companies Act of 1900, therefore most prospectuses were circumspect as to whether or not underwriting would take place. In addition, the U.K. underwriting market was highly dispersed (see Chambers and Dimson (2009)), and ‘arms-length’ underwriters were rare. An issue’s underwriters were often directors and individuals who each ‘conditionally applied’ for some of the shares to earn a commission.¹ We find that the use of an underwriter enabled underpricing to be reduced, and that this benefit was in addition to the benefit of an experienced board. Boards, when they oversaw the IPO process, used underwriting far less than today. This suggests that today’s blanket use of underwriting by firms may be at the behest of investment banks (who handle over 99% of all IPOs) rather than in the best interests of the firm.

A firm could complete their share issuance, and obtain an exchange listing, without full subscription.² We find four instances when an IPO was undersubscribed, an underwriter did not purchase the unsold shares, yet the firm proceeded to allocation and obtained a London stock exchange listing. We find an additional 35 instances when an issue was (publicly) undersubscribed and an underwriter, or the directors themselves, purchased the remaining shares. This is likely to be an understatement of the frequency of undersubscription since many firms offered shares to the public, but did *not* apply for an official quotation in London (see Burhop, Chambers and Cheffins (2014)). Our study covers all public offers of shares in the U.K. followed by either: (i) an application, successful or not, to the London Stock Exchange for an Official Quotation or (ii) a quotation on a provincial U.K. stock exchange.

¹ The first time the Companies Act mentions the practice of underwriting at all is in 1900 (Section 8), and there it simply allows a company to pay a commission for subscription ‘whether absolutely or conditionally.’ The Act required firms to disclose the agreed commission for subscription in the prospectus.

² Starting with the 1900 Companies Act, firms had to specify a minimum subscription level to complete the issue, but they had total freedom in setting that limit. Before 1900, firms could hypothetically complete an issue even if only one share was applied for.

Clearly the matching between firms and directors is endogenous. Our results show better outcomes for IPOs that had an experienced board, after controlling for publicly available information in the prospectus. However, we cannot rule out the possibility that firms that are better (on unobservables) match with experienced directors, therefore our results may not be causal.

2. Related literature and hypothesis development

The criticism of British managerial talent has a long pedigree. Payne (1967) criticizes the ‘puffs’ and ‘write-ups’ that were used to beguile investors and places much of the blame at the feet of their management for lacking entrepreneurial skills. He notes the ‘unwieldy boards of directors’ and the defective management of the Calico Printers Association and Associated Portland Cement Manufacturers. Coleman (1973) is less critical, although he notes that business leaders were connected via class and education rather than ability. Company promoters (who did not serve as directors) had an even worse reputation, with infamous promoters such as E.T. Hooley and Whitaker Wright active in this era (see Hannah (2007)).

Munro (1981), when discussing flotations of African rubber plantations, claims that company boards were replete with ‘marginal men’ who were bribed or convinced to place their names on the prospectus. O’Sullivan (2015) examines American brewery IPOs on London and reports that the *New York Times* described British directors of these firms as: ‘mere figureheads as far as management is concerned’. May (1939) alleges that: ‘sometimes a man with good name, knowing nothing about the business and even without residence in the country, is set up as chairman.’ *The Economist* drew its readers attention to the ‘remarkable prospectus’ of Amalgamated Pictorials in 1910, a boom year for floating companies. It highlighted the lack of a track record of profits, and the composition of the board being, besides the founder: ‘an amateur cricketer, an amateur sculler, and an amateur golfer’.³

In contrast, Hannah (2007) highlights the cosmopolitan nature of London in the pre-war era in which foreigners were welcomed in the boardroom. He states that: ‘the London of 1900 could credibly claim the world’s

³ *The Economist*, 19th March 1910, page 611.

richest commercial “gene pool” from which to start’. Hannah also downplays the importance of ‘guinea pig’ directors.

The practice of appointing directors who were members of parliament or aristocrats has been savaged by Hannah (2007), who states that such appointments were a clear negative signal to investors. Harrison (1981) was doubtful that any of the aristocratic directors of the cycle companies floated in the 1890s had: ‘sufficient business experience and acumen to be of much service to the enterprises under their direction.’ Braggion and Moore (2013b) paint a more favourable picture of these political directors and find that they were helpful for the emerging ‘new-tech’ industries of electricity, cycles, and chemicals. Taylor (2005) points out that directors from the upper classes could not be too cavalier as to which companies they agreed to serve as directors. A scandal in the firm could tarnish their reputation and see them excluded from polite society.

Rutterford (2011) claims that titled directors were a way of placing the shares, hence their utility to the firm that wished to go public. The perceived status of the board was: ‘an essential element in the marketing of shares’. She also argues that the Companies Act of 1900, which allowed some firms to sidestep issuing a prospectus, required investors to pay attention to board composition. The directors could allay investor fears as to: ‘whether the company was in experienced hands or not’. Turrell and van Helten (1986) claim that, although some members of the board were superfluous, managing directors were not. In their study of British mining companies in the late nineteenth century they argue that professional experience was vital due to the increasing use of scientific methods in the search for minerals. ‘Titled worthies’ did have a place on the board, but their role was to find subscribers not precious metals.

Rutterford (2006) reconciles these two viewpoints; directors may have been selected for their social positions, but there can be beneficial aspects to connections. For example, the merchant banker Everard Hambro: ‘provided access to the City network of lawyers and, in particular, stockbrokers and the Stock Exchange.’ He could guide a company that sought a listing on London to a successful outcome via meeting the exchange’s listing requirements. Hambro’s experience excelled at: ‘ensuring the best prices for the vendors’.

In today's IPO markets, investment banks are ubiquitous. Baron (1982) outlines the three functions of an investment bank in a security issue: underwriting, pricing (he calls it advising), and distribution. Booth and Smith (1986) and Bower (1989) develop models in which IPO underwriting provides reputational capital to the firm being taken public. Carter, Dark, and Singh (1998) and Chambers and Dimson (2009) find that the use of underwriting is related to lower short-run underpricing.

In the Victorian era experienced directors lent their reputation to an issuer to alleviate information asymmetry between the firm and investors, in a similar way that investment banks vouch for firms today. Investors will therefore not demand a large discount to the share price to purchase the shares of firms with reputable directors, since such firms have fewer problems of information asymmetry. In other words, we expect a negative relation between board experience and IPO underpricing.

Carter et al. (1998) find that underwriter reputation is positively related to long-run performance, that is performance during the years after the shares have been listed on a stock exchange. If experienced boards can manage IPO firms well, we should see that IPO firms with experienced directors will have higher long-run returns.

The distribution of shares is another critical part of the flotation process. Merton (1987) shows that *ceteris paribus* an increase the company's investor base will reduce the cost of capital and increase firm value. Expending firm resources (say paying a prominent individual to take a place on the board) to increase the investor base may be beneficial, depending on the costs and benefits such an individual brings. Amihud, Mendelson, and Uno (1999) empirically document that firms who increase the investor base are associated with higher liquidity and share values. Lau, Ng, and Zhang (2010) similarly show that having more foreign investors reduces the cost of capital. Brennan and Franks (1997) show that issuers and underwriters strategically allocate shares to reduce the formation of block-holders. Experienced boards are likely to be more aware of the need for a large investor base, and the prominent individuals who can help to market the company's shares. Therefore, we expect to find a positive relation between an experienced board and a more diverse investor base.

Directors may aid the company flotation either through conveying expertise via their previous experience as successful businessmen or directors, or through their social status (*Lord, Colonel, and M.P.*). If some directors specialize in taking a firm public, for example perhaps their expertise is simply in finding sufficient investors, but not necessarily in managing the firm during its normal business operations, such directors will tend to leave the firm soon after the IPO.

Chen and Ritter (2000) and Liu and Ritter (2011) show that firms select investment banks based on the services that they can provide. We expect that if a director was successful in one IPO he will be more likely to get future IPO directorships. We measure success as low underpricing, high long-run returns, a diverse investor base, and sufficient share subscriptions.

Our measure of experienced directors may reflect business experience and/or trust. Experience may be useful in knowing how to price IPO shares, and whom to talk to, in order to see those shares sold. Know-how may also be valuable in deciding which company promoter to engage (if any), how to structure the prospectus, and how to advertise the company. Trust may have been earned via serving diligently on previous boards and displaying their *bona fides* for honest dealing. Franks, Meyer and Rossi (2009), when discussing corporate governance and ownership in the early 20th century U.K. market, associate trust with: ‘reputation and commitment between players engaged in repeated games with each other’. A board that is experienced had played the ‘game’ at least once and was more likely to be considered trustworthy than a firm composed of directors who had never directed (*Experienced Board*) or never offered shares to the public (*IPO Experienced Board*) before. Our suite of results suggests that there were specialized individuals who acted capably in the Victorian era as substitutes to investment banks.

Studies of the modern era show that firm value and performance is closely related to the size of the board of directors (e.g. Yermack (1996), Eisenberg, Sundgren, and Wells (1998) and Coles, Daniel, and Naveen (2008)), with larger boards typically found to be correlated with worse performance. Therefore, in all our empirical tests we condition on board size.

3. Institutional setup

A firm that wished to go public at the turn of the twentieth century in the U.K. would engage a team comprising a company promoter, lawyers, auditors, stockbrokers, a commercial bank, and possibly an underwriter. The firm's owners (known as the 'vendors') would typically install several of their members as the initial directors. Nye (2014) p. 215 states that: 'before the Great War, firms were formed and floated by individual entrepreneurs and not by banks' (see also Paish (1951), Harrison (1981), Armstrong (1986), and Chambers and Dimson (2009)). The lawyers aided the firm to draft the prospectus, which comprised a section of financial information certified by the auditors. The prospectus was mailed out to potential investors and published in newspapers and financial periodicals inviting subscriptions from the public.⁴ Subscriptions were accepted by one or more participating commercial banks. Finally, the company's directors would determine the allotment (see Rutterford (2011) for a general description of the process at this time). A company promoter was sometimes used, although the promoter's identity was never stated in the prospectus. If underwriting was chosen, the underwriter syndicate usually consisted of the directors themselves, often combined with friends and family. Investment banking only grew into a big business in the U.K. after World War One.

The London Stock Exchange in the late nineteenth century was the biggest and most international in the world. British firms were rapidly going public (see Armstrong (1986, 1990), Franks, Meyer and Rossi (2009), and Hannah (1983)) with IPOs the chosen method of more than 90% of such firms (see Paish (1951)). There was also a growing investor base as the percentage of the population classed as investors rose from 0.8% in 1870 to 2.2% by 1914 (see Michie (2004) p. 72). All laws regarding IPOs were at the national level and consistent across the U.K. There were minimal legal requirements although the London Stock Exchange imposed further restrictions on firms seeking a listing there. Provincial stock exchanges mainly traded the securities of local banks and industrial firms, as well as the large railways (see Campbell, Rogers and Turner (2016)). One important between provincial exchanges and London is that firms going public in London were required by the exchange to issue at

⁴ Rutterford (2011) reports the involvement of mail-order firms in the marketing process, with one having a list of 511,000 investment clients in 1911.

least two-thirds rule of the shares to the public. There was no equivalent rule for provincial exchanges (see Cheffins, Koustas and Chambers (2013) and Hannah and Foreman-Peck (2014)).

De jure investor protection was much weaker than it is today. *Derry v Peek* (1889) resulted in the ruling that no requirement of ‘care or skill’ was required in a prospectus and even false statements were not evidence of fraud, if the directors honestly believed such statements. The Greene Commission (1925) reported that: ‘the careless speculator who is willing to accept at their face value statements which are obviously insufficient and unsatisfactory cannot justly expect special protection’.⁵ Financial newspapers did exist, Rutterford (2011) reports over 100 by the early twentieth century, but few lasted long, and coverage was suspected to have been ‘bought’ by company promoters (see Nye (2014) and Porter (1986)). However, Franks, Meyer and Rossi (2009) argue that informal relations of trust substituted for legal remedies for investors. In addition, Hannah (2007) claims that ‘the demonstrated competence of top business professionals’ and their standards of ethics and behaviour sufficiently high for owners to entrust the managers with control of the businesses in the absence of explicit legal protection.

Barnes and Firman (2001) p. 144 describe company prospectuses in this era as: ‘unregulated and frequently misleading and uninformative’. Rutterford (2011), in contrast, argues that the majority of prospectuses were (p. 867): ‘viewed as useful, informative documents’. The Directors Liability Act, 1890, clarified that directors could indemnify themselves against penalties for untrue statements in the prospectus, if those statements were backed by an expert, such as an auditor or a valuer.

4. Data and descriptive statistics

We define an IPO as an offer of ordinary shares to the public in *The Times*, a London newspaper, followed by a listing on the London stock exchange (known as an ‘Official Quotation’) or a provincial British exchange within the next two years. Obtaining an Official Quotation was a lengthy process that could not begin until after

⁵ Quoted in Franks, Mayer, Rossi (p. 8).

the allotment of shares. We do not examine the London ‘special settlement’ market, mainly because there were no prices reported for special settlement firms.

We collect company specific information from the 465 IPO prospectuses in the *Times Book of Prospectuses*. 368 firms successfully debuted on London, 33 succeeded in obtaining a listing on a provincial exchange, and 64 were denied an Official Quotation in London.⁶ For companies which obtained an Official Quotation on London we also examine the application for listing files, available at the Guildhall library. These files usually report the total number of IPO shares applied for, but not the breakdown by investor.

We obtain shareholder data from 171 IPO allocation lists and annual shareholder lists (known as Form Es) from the National Archives and Companies House. Form Es contain the names, addresses, occupations, and number of shares held, as well as details of shares sold (and occasionally shares bought) since the previous Form E. All firms were required to file annually, however many files were destroyed by the National Archives in the 1950s for reason of lack of space. We convert the data presented in a Form E to a *public* IPO allocation list by first ‘adding back’ any shares sold since the time of the IPO and subtracting shares bought post-IPO (if the form E reported such information), and secondly removing the holdings of the directors. On average, we match 90.8% of shares to the IPO allottee. We obtain post-listing prices for 340 issues from the *Stock Exchange Daily Official List* and price lists of some provincial exchanges. Table 1 presents the number of public offers, the percent underwritten, the number that applied for an Official Quotation, the number rejected, the percent of London applicants that were undersubscribed, and the percent of all firms with IPO allocation lists. There were two ‘hot’ periods, the cycle and breweries boom of the mid 1890s, and that in tea, coffee, and rubber plantation stocks during 1909 to 1911.

We present summary statistics for our public offers in Table 2A. We measure the performance of the IPO as the return on the company’s shares from the date of the prospectus until the first day’s trade less the return of the

⁶ These London-rejected firms were traded in London, but via special settlement.

London market over the same period, namely *Underpricing*.⁷ Underpricing in our sample is around 18% on average, and 4% at the median. This is of a similar magnitude to today. We see some evidence of long-run underperformance in our sample, as average one-year excess performance (the return on the shares minus the return on the market) is -5% (median is -7%) and the average three-year excess performance is -25% (median is -22%). 16% of our IPOs were undersubscribed. Shares were widely distributed, with the average firm allocating almost half of their shares outside England.⁸ More than half of the shares were allocated to foreign investors (see Kang and Stulz (1997)).⁹

We collect annual information on directors from the *Directory of Directors* which lists the full names, honorary titles, all directorships, and often the residential address of the director. We can therefore match directors across companies and across years.

Public offers in which a director had served on a prior IPO board brought along an additional 18.7 investors from their prior allocation list (12.5 more than would occur by comparison with a randomly matched similar firm). This equated to 5.9% of the capital raised, or an abnormal additional 4.8% of capital. The average board size was 5.8 directors with a median of five directors.

87% of boards had at least one member who had served on another board in the previous year, that is Experienced Board is equal to one (see Figure 1). Since there is little variation in Experienced Board in our sample (almost all boards are experienced) we also use an alternative definition, an IPO Experienced Board (one board member had previously served on an IPO board), in which only 32% of boards were IPO Experienced. We obtain qualitatively similar results regardless of which definition of experience we use.

⁷ We extend the London index of Braggion and Moore (2011) into our sample period. We use 46 railways, 8 banks, 16 breweries, 75 commercial and industrial, 23 coal and iron, 28 gas and electrical, 3 mines, and 18 telegraph firms' ordinary shares.

⁸ We drop investors who reported their residential address as EC (the financial district of London) from the analysis, as such addresses often included foreign investors who reported the address of their stock broker or bank.

⁹ A foreign investor is one which does not live in the same country in which the firm operates. For example, an English shareholder of a French firm is a 'foreign' shareholder, but not a 'non-English' shareholder. All firms in our sample list an office in a large U.K. city, often London, even if the actual operations were overseas. These foreign firms are the 'free-standing' companies described by Wilkins (1988).

Since we only collect data on IPOs from 1891 to 1911 it is possible that some boards contain directors who had IPO experience prior to 1891. To this extent our variable *IPO Experienced Board* contains measurement error, which will bias our results to finding no effect of IPO experience. We find that politicians and military officers frequently held board positions; the average board was comprised of 6.9% politicians and 3.1% military officers.

We control for firm characteristics as suggested by Chambers and Dimson (2009): *Market Value*, *Age*, *D/E*, *Underwritten*, *Propsold*, and *Track Record*. The average equity of the companies is £433,000, with a debt/equity ratio of 0.17 and the average firm reported 2.1 years of earnings. 34% of the IPOs were underwritten. The mean firm was 18 years old, although more than a quarter of all firms were new ones that were only forming as part of the IPO process. In contrast to today's market large amounts of capital were raised during the public offer. The mean firm issued 69% of their outstanding shares to the public.

Table 2B shows our unconditional results of director experience. An IPO Experienced Board is associated with more non-English and significantly more foreign investment. The mean IPO Experienced Board has 11.7 percentage points more foreign investors, with a median of 34.6 percentage points more foreign investors. IPO Experienced Boards underwrite more frequently, although the difference is not statistically significant. IPO Experience also helps to reduce underpricing, which means more money for the vendor. Underpricing is 7 percentage points lower at the mean, or 6 percentage points at the median for boards with IPO experience.

The benefits of experience are even more evident when we compare the small number of boards in which no one has served as a director (Experienced Board = 0) with boards in which at least one person has served as a director in the year before (Experienced Board = 1). Geographically-dispersed ownership is much larger in experienced boards. Experienced boards allocated many more shares to non-English (21.9% more allocated shares) and foreign investors (9.5%). Experienced boards are 13 percentage points more likely to underwrite. Experienced boards' public offers are more likely to be undersubscribed (much of this difference meant that the underwriters were called upon to purchase shares).

Experienced boards did not need to discount their shares as heavily, underpricing is 8 percentage points lower at the mean, 10 percentage points at the median. However, once a firm had been listed there was no statistical difference in post-listing returns between experienced and inexperienced boards, both performed poorly. We plot the distribution of underpricing in Figure 2, which indicates clear differences in the distribution of returns. Experienced boards' underpricing centers on zero, whereas inexperienced boards rarely achieve overpriced IPOs.

In Table 2C, we summarize director-based characteristics. The average director served on the board of slightly more than one public offer between 1891 and 1911. The average director held 1.4 prior directorships (not necessarily of IPO firms) in the year before the public offer. The mean is driven by a small number of directors who sat on the boards of 20 or more companies. The average director sat on a board of eight directors. Directors' terms ran for three years in the U.K. and about 23% of directors exited the board at or before the end of their first term. Politicians made up 6% of board members and military figures 2.4%.

Table 3 shows that most firms operated in England, comprising 485 of the 785 locations.¹⁰ The remaining locations were diverse: Scotland, France, India, Indonesia, USA, and Ireland, all accounted for more than 15 firms. Firms came from many industries: about half were industrials, but our sample includes tea, coffee, and rubber plantations; iron and steel works; breweries; financials; tramways; oil producers; electricity generators; shipping firms; and insurance businesses.

The investor base is also widely spread. Most shareholders appear to have reported their residential address, but it is likely that some business addresses were recorded. Table 3 shows that the clear majority of investors by value, 73.9%, were resident in England, with another 12.8% coming from Scotland, Wales, and Ireland. The remaining investors came from more than 60 countries (or territories), with France (2.9% by value), the U.S. (1.9%), South Africa (1.4%), and India (1.2%) being other important sources of investors.

5. Empirical results

¹⁰ Some firms operated in multiple countries, therefore there are more firm-countries than firms.

In Table 4 we regress underpricing on board experience and controls in a standard OLS regression. An experienced board is associated with underpricing that is 8.8 to 11.6 percentage points lower (columns 1-3) than an inexperienced board. An IPO experienced board has similar results, underpricing is reduced by 7.0 to 10.7 percentage points (columns 4-6). Thus, firms that employ experienced board members can issue shares at higher prices (i.e. reduced underpricing) than firms that do not have experienced board members. The relation between board experience and underpricing is non-linear, adding more and more experienced board members does not further reduce underpricing. One or two experienced (or IPO experienced) directors is sufficient to capture all of the benefits.¹¹

IPOs that were *Undersubscribed* issues have significantly lower underpricing as do *Underwritten* IPOs. A public offer that is stated in the prospectus to be underwritten tends to have underpricing 16 to 18 percentage points lower than non-underwritten IPOs, which suggests that underwriters reduced information asymmetry in a separate fashion to the reduction brought by experienced boards.¹² If the underwriter was called upon (the main reason why *Undersubscribed*=1) the price of the firm once it reached the stock exchange was even lower, since demand for the shares was *ex-post* revealed to be weak. Firms that were older tended to have higher underpricing, few other control variables are related to pricing. Firms that were twice as old would tend to have returns 1.7 percentage points higher. Older firms are generally thought to have fewer problems of information asymmetry, therefore the positive correlation between age and underpricing is unexpected.

In Table 5 we regress post-listing excess performance on board experience and controls. We define long-run excess performance as the price (bid-ask midpoint) three years after listing plus any dividends paid divided by the price (bid-ask midpoint) on the first day on which the shares were listed less the market return over the same period. For any firms that delist within three years we use their delisting return. We find few variables correlated with long-run excess performance. Firms which were underwritten had excess performance about 8 percentage

¹¹ Results available from the authors upon request.

¹² Alternatively, with underwriting insurance purchased, a firm's directors may have felt comfortable raising the offer price since they can be sure that all of the shares would be purchased.

points worse over 3 years. Firms in which an extra quarter of the equity (one standard deviation of Propsold) was sold to the public tended to have excess performance around 7 percentage points lower over the first year (columns 1 and 3). Firms which were twice as old as others would have one-year excess performance 1.4 to 1.9 percentage points higher (columns 1 and 3) and three year excess performance 1.3 to 1.5 percentage points higher (columns 2 and 4).

Figure 3 shows histograms of *Non-English Investment* by board experience. Companies with inexperienced boards allocate the clear majority of their shares domestically, whereas experienced boards are associated with more dispersed ownership.

In Table 6 we find that an experienced board is associated with 17.4 percentage points more *Non-English Investment* (column 1). This is economically significant given an average *Non-English Investment* of 45.4%.¹³ Column 2 shows that experienced boards are associated with 15.8 percentage points more *Foreign investment*. Columns 3 and 4 shows that *Non-English* and *Foreign Investment* are 1.6 and 9.0 percentage points higher if the firm has an *IPO Experienced Board*.

We investigate *Non-English Investment* and *Foreign Investment* separately due to the diverse range of companies that went public in the U.K. When Bradford Dyers went public in 1898 it operated solely in Yorkshire. If it were to obtain some American shareholders that would constitute a widening of the shareholder base, which is associated with higher firm value. American shareholders would be both *non-English* and *Foreign*. However, when the American film manufacturer Kodak went public, also in 1898, having many American shareholders (i.e. high *non-English Investment*) would not represent a wide investor base, whereas those American shareholders would not show up as *Foreign Investment*, since Kodak operated in the U.S. We investigate both measures to ensure our findings are robust.

¹³ All results exclude directors' holdings. If we were to include directors, the results would be little changed (unreported). We also find similar results when we drop all share allocations to trusts and investors who hold shares on another's behalf (unreported).

Benveniste and Spindt (1989) and Jenkinson and Jones (2009) show that today's investment banks repeatedly meet with the same investors over time to better price new issues and distribute shares. Within our sample there are 40 IPO Experienced Boards for which we have share allotment data. One reason for choosing a director with IPO experience is to bring along investors from the previous flotation. We compare the number of investors that are common to that IPO firm and the director's previous IPO firm. We then subtract the number of common investors in that IPO firm and a matched previous IPO firm, but where the matched firm does not share a common director to obtain abnormal repeat investors.

To calculate the number of abnormal repeat investors we do the following. First, we identify all directors who served on more than one IPO. For each director with multiple IPOs we have an IPO 1 and a future IPO 2 (and potentially IPO 3, IPO 4, ...). Each director has a unique string of IPOs. Second, we identify repeat investors as those who follow the director across IPOs over time. Repeat investors in IPO 2 are those who also purchased shares in IPO 1. Repeat investors in IPO 3 are those who also purchased shares in IPO 1 and/or IPO 2. Repeat investors could come from different IPO experienced directors on the same board (e.g. Sir Christopher Furness and Stephen Wilson Furness). Third, we measure the normal level of repeat investors as the investors which bought shares in IPO 1 and also bought shares in a similar share issue to IPO 2 (IPO 2'). IPO 2' is the closest match to IPO 2 based on issuer market value in the same calendar year.¹⁴ Fourth, we calculate the abnormal number of repeat investors as:

Abnormal repeat investors in IPO 2 = Repeat investors IPO 2 – Repeat investors IPO 2'.

Finally, we adjust the abnormal repeat investors by the number of directors with past IPOs. If there are for instance three experienced directors on IPO 2 who were also on the board of a previous IPO (and could therefore potentially bring along three sets of repeat investors), we divide abnormal repeat investors by three to find the average number of abnormal repeat investors.

¹⁴ We find the same results with alternative matching criteria such as the number of allocated investors or issued capital.

In Table 7 we regress the abnormal number, percent, and percent value of repeat investors on controls. If directors are associated with a positive abnormal number of repeat investors that fact is consistent with the IPO experienced directors bringing along investors from their previous firm by dint of personal connection and/or reputation. If that is the case, then the constant in the regression will be positive and statistically significant. We find that IPO experienced directors are associated with an extra 13 investors (the constant in column 1). This is equivalent to 2.2% by number (the constant in column 2) and 4.9% by value (the constant in column 3) of the investors in the firm. For the subsample in which we observe the first day return we find that the IPO-experienced directors are associated with 6.7% more by value (the constant in column 4). We cannot rule out the possibility of reverse-causality, but reverse-causality is somewhat unlikely. Companies that would (anyhow) have had many repeat investors would have been pressured by those investors to place a director from their previous firm on the board prior to the prospectus being issued.

We also examine which directors leave the IPO firm soon after the listing. We view all directors' directorships, in the *Directory of Directors*, four years after the IPO. If a director from the IPO is no longer listed as a director of the IPO firm, four years later, we classify that director as having left the firm. In Table 8 we run logit regressions of directors leaving on director experience and controls. Directors from experienced boards, and IPO experienced boards, are more likely to leave, all else equal. The probability a director from an experienced board will leave within four years is 0.10 higher than from an inexperienced board (0.18 rather than 0.08) when all other characteristics are at their mean level. A director from an IPO experienced board also has a 0.1 higher probability than a director from an IPO inexperienced board to leave within 4 years (0.24 rather than 0.14, with other characteristics at their mean level). Politicians (0.30 vs. 0.16) were also more likely to leave, which is consistent with the idea that lawmakers and experienced directors were placed on the IPO board specifically for their skills during the public offer process.

Serving on the board of an 'unsuccessful' IPO, one that was undersubscribed, is associated with a greater likelihood (0.30 rather than 0.16) of leaving the IPO firm than from a fully subscribed IPO during the first four

years. One standard deviation fewer non-English investors, indicating that the board did not place the shares very widely, increased the probability a director would leave (all other characteristics at mean levels) from 0.16 to 0.19. A firm that performed better, after listing, was more likely to retain its directors. 3-year excess performance that was one standard deviation higher reduced the probability of a director leaving from 0.16 to 0.13.

We expect that experienced directors and directors who have performed well (low underpricing, a diverse investor base, and high subscription levels) obtain more future board positions. In Table 9 we regress the number of *Future IPOs* on director experience and controls in a standard Poisson count model. Regardless of specification we show a positive relation between *Future IPOs* and *Board Experience*. Experienced directors, politicians and military officers are all more likely to receive more IPO work in the future. For ease of interpretation we calculate incident rate ratios by exponentiating the Poisson regression coefficients. Serving on an Experienced Board and being an Experienced Director will increase the number of future IPOs by a factor of 6.6 and 2.7, respectively (Column 1). Serving on an IPO Experienced Board and being an IPO Experienced Director will increase the number of future IPOs by a factor of 1.9 and 2.2, respectively (Column 4).

Directors who have done well on one IPO board tend to obtain more board positions in public offers. Obtaining a more diverse investor base (higher Non-English investment) is correlated with more future IPO directorships. Increasing Non English investment by one standard deviation will increase Future IPOs by 75%.

6. Conclusion

IPOs are periods when information asymmetry between informed investors, uninformed investors and firms is paramount. Rock (1986) shows that problems of information asymmetry can result in a substantially underpriced issue or a lack of subscriptions in an overpriced offering. In today's market an investment bank is used to intermediate between these two parties, and the bank usually commits to rectifying an overpriced offering by buying the unsold shares themselves, that is underwriting.

We find a substantial number of undersubscribed IPOs in the U.K. in the period 1891 to 1911 coupled with somewhat scarce underwriting. Experienced boards of directors appear better able to deal with this situation. They avoid substantially underpricing their shares, more widely place their shares, and use underwriters more frequently. In addition, an experienced board brings with it network connections - additional investor demand from people who invested with other firms directed by board members.

Boards with some experience can easily price and allocate shares to a vast number of investors from all over the world. The historical narrative that British company directors were mostly incompetent needs to be reconsidered.

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Figure 1
Total prior (IPO) board positions

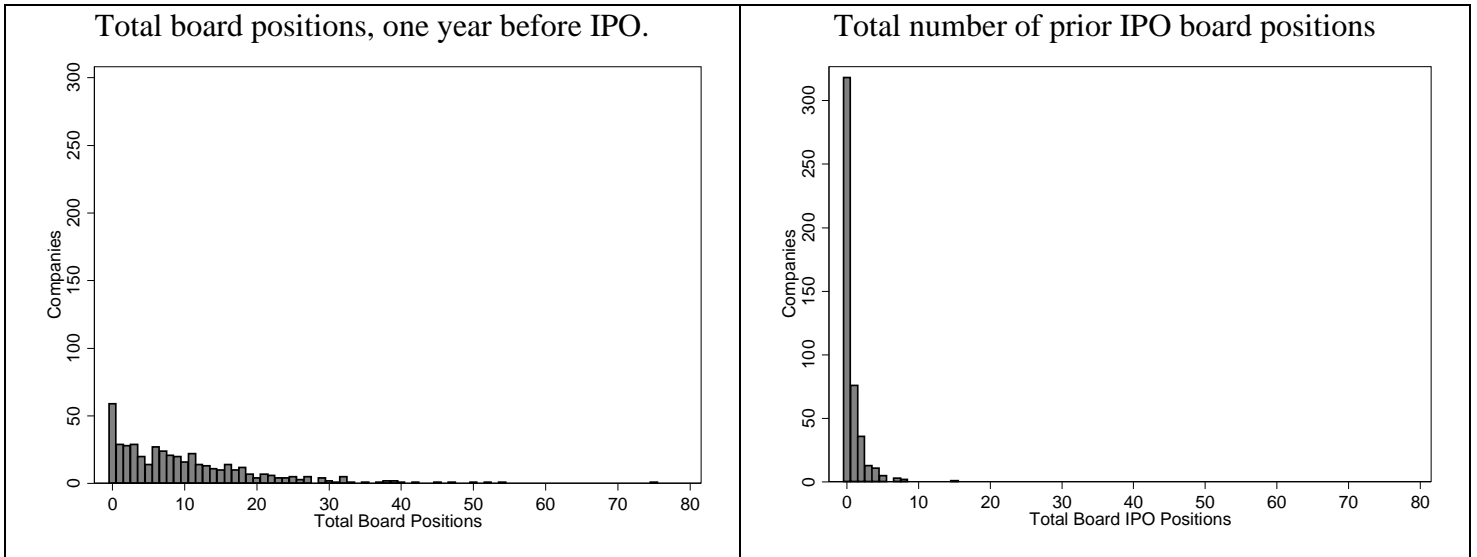


Figure 2: Underpricing by board experience.

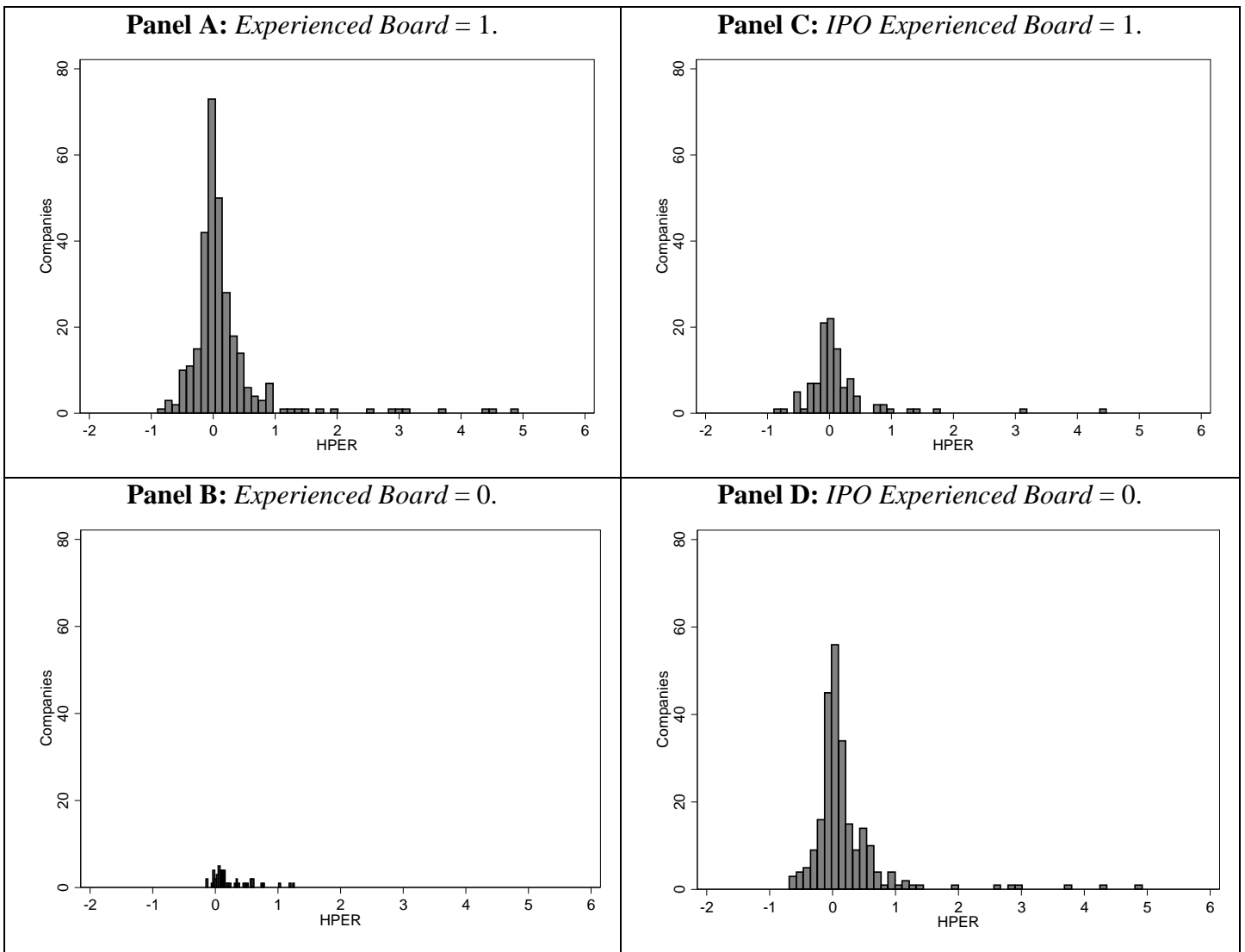


Figure 3: Non-English Investment by board experience.

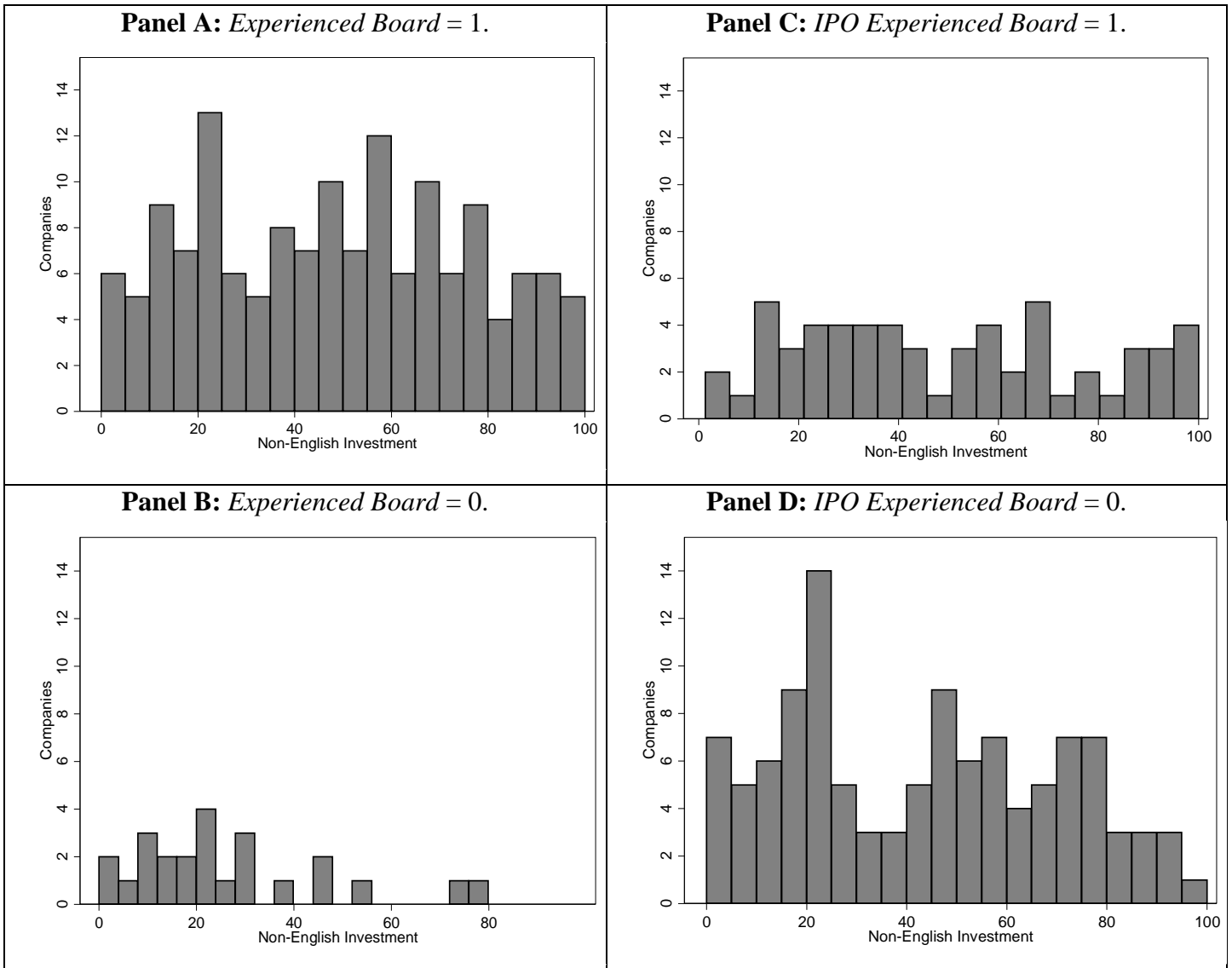


Table 1

Public offers by year

Public offers is the number of firms offering shares to the public that applied (successfully or not) to the London Stock Exchange for a listing within two years plus the number of provincially listed (within two years) firms. Explicitly underwritten is the % of public offers in which the prospectus mentions an underwriter. # LSE applications is the number of public offer firms which applied to the LSE for an Official Quotation, # rejected is the number rejected by the LSE. For LSE applying firms, for which we observe the aggregate subscription rate, we report the percentage which were under or exactly subscribed (that is, the underwriter must have bought the unsold shares). % public offers with lists is the number of public offers for which we have obtained an allocation list.

Year	Public offers	% explicitly underwritten	# LSE applications	# LSE rejections	Undersubscribed (%)	% Public offers with Lists
1891	11	9.1%	10	1	12.5%	54.5%
1892	10	30.0%	9	1	0.0%	30.0%
1893	7	14.3%	6	3	0.0%	28.6%
1894	12	16.7%	12	1	11.1%	16.7%
1895	28	21.4%	27	4	9.5%	25.0%
1896	44	9.1%	40	3	15.6%	43.2%
1897	49	16.3%	44	3	22.2%	46.9%
1898	50	28.0%	49	6	25.0%	34.0%
1899	39	43.6%	35	4	11.1%	38.5%
1900	35	48.6%	32	8	0.0%	28.6%
1901	17	47.1%	15	4	10.0%	47.1%
1902	10	60.0%	10	1	14.3%	30.0%
1903	12	50.0%	12	3	0.0%	33.3%
1904	0	n.a.	n.a.	n.a.	n.a.	n.a.
1905	14	64.3%	14	2	0.0%	28.6%
1906	17	58.8%	16	4	25.0%	29.4%
1907	17	35.3%	13	3	11.1%	52.9%
1908	12	33.3%	12	1	0.0%	25.0%
1909	22	68.2%	21	4	0.0%	27.3%
1910	39	33.3%	36	5	3.8%	48.7%
1911	20	35.0%	19	3	36.4%	35.0%
Firms	465	157	432	64	39	171

Table 2A

Public Offers - Summary Statistics

Underpricing is the return less the market index from the issue to the first day's price on the exchange. 1/3 year excess performance is the return less the market index from the first day's price to the price 1/3 years afterwards. Undersubscribed equals one if the number of share applications was equal or less than the number of shares offered. Non-English investment is % of shares allocated to investors who do not live in England (excluding the financial district of London). Foreign investment is the % of shares to investors who do not live in a country where the firm operates. Repeat investors are those who had received allocations in a previous public offer, from a firm with a common director. Abnormal repeat investors subtract the repeat investors in a matched public offer (but without a common director). Experienced Board equals one for firms in which at least one director served on a board with a prior ordinary IPO. IPO Experienced Board equals one for firms in which at least one director have completed an IPO in the past. Total Board Positions is the number of directorships held by the board, one year prior. Total IPO Board Positions is the number of IPOs done by the board of directors in the past. % Board Politician and % Board Military are the % of the board made up of MPs or Lords or military officers. Board size is the number of directors. Underwritten equals one if the offer is stated as underwritten in the prospectus. Market Value is the number of shares times the par value. D/E is the book value of debt, post offer, divided by the market value of equity. Track Record is the number of years of historical profits included in the prospectus. Propsold is (Market value of ordinary shares issued to public) / (Market value of ordinary equity).

Variable	N	Mean	Std.	P5	P25	P50	P75	P95
Underpricing	350	0.18	0.65	-0.39	-0.08	0.04	0.24	0.99
1-year excess performance	350	-0.05	0.52	-0.66	-0.31	-0.07	0.11	0.67
3-year excess performance	349	-0.25	0.51	-1.03	-0.56	-0.22	-0.01	0.55
Undersubscribed	332	0.16	0.36	0.00	0.00	0.00	0.00	1.00
Non-English investment (%)	171	45.39	27.40	4.68	22.05	44.26	68.16	92.95
Foreign investment (%)	171	54.00	36.88	3.70	19.80	45.08	97.99	100.00
Repeat investors	40	18.68	27.18	0.00	1.25	7.00	24.00	99.33
% Repeat value	40	5.88	9.00	0.00	0.20	2.32	7.26	23.13
Abnormal Repeat investors	40	12.54	30.00	-12.70	-1.38	4.50	22.00	96.38
Abnormal % Repeat value	40	4.76	9.08	-2.46	0.00	1.31	6.35	22.38
Experienced Board	465	0.87	0.33	0.00	1.00	1.00	1.00	1.00
IPO Experienced Board	465	0.32	0.47	0.00	0.00	0.00	1.00	1.00
Total Board Positions	465	10.11	10.11	0.00	2.50	8.00	15.00	29.70
Total IPO Board Positions	465	0.66	1.42	0.00	0.00	0.00	1.00	3.00
% Board Politician	465	6.87	12.16	0.00	0.00	0.00	14.29	33.33
% Board Military	465	3.09	8.85	0.00	0.00	0.00	0.00	25.00
Board Size	465	5.78	3.24	3	4	5	6	10
Underwritten	465	0.34	0.47	0.00	0.00	0.00	1.00	1.00
Market value (£ '000)	350	433	670	77	152	250	500	1,363
D/E ratio	350	0.17	0.29	0.00	0.00	0.00	0.33	0.79
Age (years)	465	18.04	30.83	0.00	0.00	4.00	22.00	91.40
Track Record (years)	465	2.14	2.98	0.00	0.00	1.00	3.00	7.70
Propsold	465	0.69	0.25	0.209	0.572	0.667	0.988	1.000

Table 2B

Board Experience - Summary Statistics

We report differences in outcomes between firms with experienced and inexperienced boards. Standard t-statistics and Wilcoxon-Mann-Whitney z-statistics are provided in parentheses. Time to listing is the number of days elapsed from the prospectus date until the date the shares first listed on London. All other variables are defined in Table 2A. ***, **, and *, represents statistical significance at the 1%, 5%, and 10% level, respectively

Variable	IPO Experienced Board = 1				IPO Experienced Board = 0				Difference			
	N	Mean	Median	s.d.	N	Mean	Median	s.d.	Mean	t-stat	Median	z-stat
Non-English investment (%)	59	49.4	44.3	28.2	112	43.3	44.5	26.9	6.1	(1.4)	-0.3	-(1.3)
Foreign investment (%)	59	61.7	79.1	38.8	112	50.0	44.5	35.4	11.7*	(1.9)	34.6**	(2.0)
Underwritten	147	0.37	0.00	0.5	318	0.32	0.00	0.5	0.05	(1.1)	0.0	-(1.1)
Undersubscribed	114	0.16	0.00	0.4	218	0.16	0.00	0.4	0.00	(0.0)	0.0	(0.0)
Underpricing	108	0.13	0.00	0.6	242	0.20	0.06	0.7	-0.07	-(0.9)	-0.1**	-(2.0)
3 year excess performance	108	-0.25	-0.24	0.6	241	-0.24	-0.21	0.5	-0.01	-(0.1)	0.0	-(1.2)

Variable	Experienced Board = 1				Experienced Board = 0				Difference			
	N	Mean	Median	s.d.	N	Mean	Median	s.d.	Mean	t-stat	Median	z-stat
Non-English investment (%)	147	48.5	49.0	27.2	24	26.5	21.7	20.4	21.9***	(4.6)	27.2***	(3.6)
Foreign investment (%)	83	31.3	23.8	23.4	23	21.9	20.4	15.0	9.5**	(2.3)	3.4	(1.5)
Underwritten	406	0.35	0.00	0.5	59	0.22	0.00	0.4	0.1**	(2.3)	0.0	(0.0)
Undersubscribed	292	0.17	0.00	0.4	40	0.08	0.00	0.3	0.1**	(2.0)	0.0	(1.6)
Underpricing	302	0.17	0.02	0.7	48	0.25	0.12	0.3	-0.08	-(1.3)	-0.1***	-(3.5)
3 year excess performance	301	-0.25	-0.23	0.5	48	-0.21	-0.20	0.3	-0.04	-(0.6)	0.0	-(0.4)

Table 2C

Directors - Summary statistics

We report summary statistics on a director-public offer basis. Total public offers is the total number of directorships, in public offers, the director participated in over the entire sample. Prior directorships is the number of board positions the director held the year before the offer. Director leaves within 4 years equals one if the director was no longer on the board 4 years after the public offer and zero otherwise. Board size is the number of directors listed in the prospectus. Politician and Military are dummy variables equal to one if the director was an MP or a Lord or held a military title respectively. All other variables are as defined in Table 2A.

Variable	N	Mean	Std. Dev.	P25	P50	P75
Total public offers (by end of 1911)	1,972	1.153	0.521	1.000	1.000	1.000
Prior directorships	1,972	1.427	2.337	0.000	0.000	2.000
Undersubscribed	1,456	0.160	0.354	0.000	0.000	0.000
Non-English investment (%)	738	42.677	26.729	21.183	40.005	61.746
Foreign investment (%)	738	49.321	35.206	19.242	40.347	89.460
Director leaves within 4 years	1,972	0.227	0.410	0.000	0.000	0.000
Board Size	1,972	7.976	7.668	5.000	6.000	7.000
Politician	1,972	0.061	0.239	0.000	0.000	0.000
Military	1,972	0.024	0.153	0.000	0.000	0.000

Table 3

Firm Locations

We report the number and % of firms that operate in a given country (a firm can operate in multiple countries, and thus N is larger than the number of public offers). For those firms for which we possess ordinary share allocation data, we also report the number of investors from those countries and the value of all IPO capital raised by those investors at the offer price.

Country	Firms		Investors	
	N	%	N	%
England	485	61.8%	91,958	73.9%
Scotland	44	5.6%	10,870	7.9%
France	20	2.5%	819	2.9%
India	20	2.5%	598	1.2%
Indonesia	20	2.5%	84	0.1%
USA	17	2.2%	182	1.9%
Ireland	17	2.2%	3,192	4.3%
Malaysia	15	1.9%	16	0.0%
Australia	15	1.9%	26	0.2%
Canada	13	1.7%	24	0.5%
Egypt	10	1.3%	1,250	0.4%
Sri Lanka	9	1.1%	498	0.3%
Germany	9	1.1%	291	0.4%
Russia	9	1.1%	26	0.4%
Wales	9	1.1%	2,142	0.6%
Argentina	7	0.9%	3	0.2%
South Africa	6	0.8%	1,284	1.4%
Other	53	6.8%	990	2.3%
Not Reported	7	0.9%	352	1.3%
Total	785	100.0%	114,605	100.0%

Table 4**Directors and Cost of Capital**

We regress Ln(Underpricing) on Experienced Board, IPO Experienced Board and controls. T-statistics appear in parentheses. ***, **, and *, represents statistical significance at the 1%, 5%, and 10% level, respectively. Standard errors are clustered by industry. Columns 2, 3, 5, and 6 include only IPOs for which we observe subscription rates. All variables are as defined in Table 2A.

	1	2	3	4	5	6
Experienced Board	-0.088*** -(4.8)	-0.116*** -(5.1)	-0.110*** -(4.6)			
IPO Experienced Board				-0.07** -(2.0)	-0.107*** -(2.8)	-0.107*** -(2.6)
Undersubscribed			-0.193*** -(4.5)			-0.197*** -(3.9)
% Board Politician	0.002 (0.9)	0.003 (1.1)	0.003 (1.2)	0.002 (1.0)	0.003 (1.2)	0.003 (1.3)
% Board Military	0.000 -(0.2)	0.000 (0.3)	0.000 (0.2)	0.000 -(0.2)	0.001 (0.8)	0.001 (0.7)
Underwritten	-0.163*** -(4.3)	-0.171*** -(2.9)	-0.155** -(2.4)	-0.166*** -(4.2)	-0.178*** -(2.8)	-0.161** -(2.4)
Ln (Market Value)	-0.029 -(0.7)	-0.018 -(0.3)	-0.015 -(0.3)	-0.033 -(0.8)	-0.021 -(0.4)	-0.018 -(0.4)
D/E ratio	0.041 (0.7)	0.050 (1.2)	0.066 (1.3)	0.032 (0.6)	0.036 (0.9)	0.053 (1.2)
Ln (1 + Age)	0.036*** (3.2)	0.013 (1.5)	0.014 (1.4)	0.034*** (2.9)	0.011 (1.2)	0.011 (1.1)
Track Record	0.006 (0.8)	0.007 (0.7)	0.008 (0.9)	0.008 (1.0)	0.008 (0.8)	0.009 (0.8)
Propsold	-0.088 -(0.9)	-0.065 -(0.5)	-0.102 -(0.7)	-0.077 -(0.8)	-0.035 -(0.3)	-0.073 -(0.5)
Board Size	-0.008 -(0.6)	-0.034 -(1.4)	-0.032 -(1.5)	-0.008 -(0.5)	-0.033 -(1.4)	-0.031 -(1.5)
Board Size ²	0.000 (0.1)	0.001** (2.2)	0.001** (2.2)	0.000 (0.0)	0.001** (2.1)	0.001** (2.2)
Constant	0.216 (0.5)	0.261 (0.4)	0.343 (0.7)	0.182 (0.4)	0.174 (0.3)	0.259 (0.5)
N	350	281	281	350	281	281
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R ²	7.4%	6.6%	8.6%	7.5%	7.3%	9.5%

Table 5**Directors and Excess Performance**

We regress Ln (1/3 year Excess Performance) on Experienced Board, IPO Experienced Board, and controls. T-statistics appear in parentheses. ***, **, and *, represents statistical significance at the 1%, 5%, and 10% level, respectively. Standard errors are clustered by industry. We use delisting returns for firms that disappear within 3 years.

	1	2	3	4
	1 year excess	3 year excess	1 year excess	3 year excess
Experienced Board	-0.003 (-0.1)	-0.016 (-0.8)		
IPO Experienced Board			-0.099 (-1.6)	0.043 (0.9)
% Board Politician	-0.002* (-1.7)	0.000 (0.4)	-0.002 (-1.1)	0.000 (0.1)
% Board Military	-0.008 (-1.5)	-0.001* (-1.9)	-0.007 (-1.5)	-0.001** (-2.0)
Underwritten	-0.005 (-0.2)	-0.080** (-2.1)	-0.006 (-0.2)	-0.081** (-2.2)
Ln (Market Value)	0.015 (0.4)	0.004 (0.3)	0.015 (0.4)	0.004 (0.3)
D/E ratio	-0.015 (-0.4)	0.078*** (2.8)	-0.018 (-0.4)	0.078*** (2.8)
Ln (1 + Age)	0.019*** (2.7)	0.012** (2.5)	0.014** (2.4)	0.015** (2.5)
Track Record	0.000 (0.1)	0.001 (0.5)	0.001 (0.2)	0.001 (0.5)
Propsold	-0.287** (-2.4)	-0.140 (-1.6)	-0.275** (-2.4)	-0.145 (-1.6)
Board Size	-0.052 (-1.0)	-0.007 (-1.0)	-0.049 (-1.0)	-0.009 (-1.2)
Board Size ²	0.001 (1.0)	0.000 (0.6)	0.001 (1.0)	0.000 (0.8)
Constant	0.193 (0.4)	0.112 (0.4)	0.160 (0.3)	0.120 (0.4)
N	350	349	350	349
Industry FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Adj. R ²	6.3%	8.9%	7.3%	9.4%

Table 6

Directors and Investors

We run Tobit regressions of Non-English investment and Foreign investment on Experienced Board, IPO Experienced Board and controls. T-statistics appear in parentheses. All variables are as defined in Table 2A. ***, **, and *, represents statistical significance at the 1%, 5%, and 10% level, respectively. Standard errors are clustered by industry. All regressions control for Ln (Market Value), D/E ratio, Ln (1 + Age), Track Record, Propsold, Board Size, and Board Size².

	1	2	3	4
	Non-English Investment (%)	Foreign Investment (%)	Non-English Investment (%)	Foreign Investment (%)
Experienced Board	17.396*** (7.7)	15.814*** (5.9)		
IPO Experienced Board			1.585 (0.7)	9.002*** (3.5)
% Board Politician	-0.296*** (-4.1)	0.030 (0.2)	-0.213*** (-2.7)	0.054 (0.5)
% Board Military	-0.336 (-1.5)	-0.454 (-1.4)	-0.221 (-1.0)	-0.388 (-1.3)
Underwritten	5.157 (1.3)	11.373*** (2.7)	6.553 (1.2)	12.228*** (2.8)
Constant	43.034 (0.9)	143.522*** (2.7)	51.980 (1.1)	156.177*** (2.8)
N	171	171	171	171
Industry FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Adj. R ²	8.7%	11.8%	8.0%	11.7%

Table 7

We regress Abnormal repeat investors, Abnormal repeat investors (%) and Abnormal repeat value on controls. Robust t-statistics appear in parentheses. ***, **, and *, represents statistical significance at the 1%, 5%, and 10% level, respectively. All regressions controls for Ln (Market Value), D/E ratio, Ln (1 + Age), Track, Propsold, Board Size, and Board Size². The constant is the estimate of the abnormal number/percentage of repeat investors.

	1	2	3	4
	Abnormal repeat investors (#)	Abnormal repeat investors (%)	Abnormal repeat value (%)	Abnormal repeat value (%)
% Board Politician	0.153 (0.6)	0.040*** (2.8)	0.072 (1.4)	0.072* (1.7)
% Board Military	0.233 (1.2)	0.171*** (6.6)	0.090 (0.8)	0.429*** (4.5)
Underwritten	1.197 (0.1)	-0.239 (-0.3)	0.315 (0.2)	2.278* (1.8)
Underpricing				2.709*** (2.8)
Constant	13.007* (1.8)	2.157*** (3.4)	4.909* (2.0)	6.712*** (2.9)
N	40	40	40	28
Adj. R ²	0.0%	36.3%	0.0%	0.3%

Table 8

Which directors leave after listing?

We run logit regressions of Director leaves within four years on Experienced Board, IPO

Experienced Board and controls. Experienced Director and IPO Experienced Director takes the

value of one (zero else) if Prior directorships and Prior IPOs ≥ 1 , respectively. Politician, and

Military are as defined in Table 2C. All regressions controls for Ln (Market Value), D/E ratio, Ln

(1 + Age), Track, Propsold, Board Size, Board Size², Time trend, and Time trend² (not shown). T-

statistics appear in parentheses. ***, **, and *, represents statistical significance at the 1%, 5%,

	1	2	3	4	5	6
Experienced Board	0.34*** (3.0)	0.25* (1.9)	0.90*** (3.3)			
Experienced Director	0.08 (0.8)	0.05 (0.4)	0.09 (0.4)			
IPO Experienced Board				0.34** (2.5)	0.32* (1.8)	0.64*** (2.6)
IPO Experienced Director				-0.10 (-0.7)	-0.01 (-0.1)	0.25 (0.5)
Undersubscribed		0.71*** (3.8)	0.75*** (2.7)		0.76*** (4.0)	0.84*** (3.3)
Politician		0.49*** (2.7)	0.84*** (3.8)		0.49*** (2.7)	0.84*** (3.6)
Military		0.57 (1.4)	0.67 (1.0)		0.54 (1.2)	0.75 (1.1)
Underpricing		-0.11 (-0.9)	-0.03 (-0.2)		-0.11 (-1.0)	0.00 (0.0)
Abnormal repeat investors			-0.02* (-1.9)			-0.02* (-1.7)
Non-English investment (%)			-0.01** (-2.2)			-0.01 (-1.3)
3 year excess performance			-0.44** (-2.0)			-0.51* (-1.7)
Underwritten		0.21 (1.2)	0.05 (0.2)		0.22 (1.3)	-0.01 (-0.1)
Constant	-0.88 (-1.1)	-3.53*** (-2.8)	0.00 (0.0)	-0.71 (-0.9)	-3.27*** (-2.7)	0.66 (0.2)
N	2,281	1,438	570	2,281	1,438	570
Log likelihood	-1203	-695	-255	-1202	-694	-255

Table 9**Which Directors Get More Future IPOs?**

We run Poisson count regressions of Future IPOs on Experienced Board, IPO Experienced Board and controls. Experienced Director and IPO Experienced Director takes the value of one (zero else) if Prior directorships and Prior IPOs ≥ 1 , respectively. Columns 2, 3, 5 and 6 also control for Ln (Market Value), D/E ratio, Ln (1 + Age), Track Record, Propsold, Board Size, Board Size², Time trend, and Time trend² (not shown). T-statistics appear in parentheses. ***, **, and *, represents statistical significance at the 1%, 5%, and 10% level, respectively. Standard errors are clustered by industry.

	1	2	3	4	5	6
Experienced Board	1.89*** (5.3)	2.31*** (6.0)	15.29*** (17.3)			
Experienced Director	1.01*** (6.1)	0.99*** (4.9)	1.60*** (5.6)			
IPO Experienced Board				0.63*** (3.7)	0.64*** (3.4)	0.95*** (3.4)
IPO Experienced Director				0.78*** (6.1)	0.76*** (4.8)	1.22*** (3.4)
Undersubscribed		-0.30 (-0.8)	0.20 (0.5)		-0.19 (-0.5)	0.29 (0.7)
Politician		0.81*** (3.0)	0.70 (1.5)		0.83*** (3.0)	0.75 (1.5)
Military		0.71 (1.6)	0.78 (1.3)		0.66 (1.4)	0.87 (1.4)
Underpricing		0.24** (2.1)	0.02 (0.1)		0.23** (2.0)	0.03 (0.2)
Abnormal Repeat investors			-0.01 (-1.2)			-0.01 (-1.1)
Non-English investment (%)			0.01* (1.8)			0.02** (2.4)
3 year excess performance			0.12 (0.6)			0.12 (0.7)
Underwritten		0.21 (0.6)	-0.49 (-1.2)		0.25 (0.8)	-0.70 (-1.5)
Constant	-4.13*** (-24.7)	-1.90 (-0.7)	-16.77*** (-4.6)	-2.53*** (-9.5)	0.21 (0.1)	-2.69 (-0.8)
N	2,281	1,438	570	2,281	1,438	570
Log likelihood	-921	-549	-189	-924	-554	-190