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François Belot, Timothee Waxin

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François Belot[1] | **Timothée Waxin**[2]

[1]Université Paris-Dauphine, Université PSL, CNRS, DRM, 75016 Paris, France

[2]Léonard de Vinci Pôle Universitaire, Research Center, Paris, France

Correspondence
François Belot, DRM, Université Paris-Dauphine, Place du Maréchal de Lattre de Tassigny, 75775 Paris Cedex 16, France.
Email: francois.belot@dauphine.psl.eu

Abstract

This paper investigates the value and corporate governance consequences of government awards for a sample of French CEOs appointed to the national Order of the Legion of Honor (*Légion d'honneur*). Short-term market reactions surrounding award announcements are significantly positive, whereas the valuation of firms with awarded CEOs is greater than that of (matched) firms with nonawarded CEOs. We explore the channels through which government awards create value and find evidence that they provide awarded CEOs and their firms with increased political access. We also observe that government awards are associated with better corporate governance in that awarded CEOs are more likely to be fired for poor performance. The negative effects that have been documented for media awards and are associated with CEOs' superstar status do not seem to apply to state awards.

KEYWORDS
CEO compensation, CEO outside directorships, CEO turnover, corporate governance, corporate performance, government awards, political connections

JEL CLASSIFICATION
G32, G34

1 | INTRODUCTION

In this paper, we explore the value and corporate governance consequences of a shift in CEO reputation associated with the conferral of a government award. Although government awards are widespread around the globe (Raff & Siming, 2019) and frequently bestowed on corporate managers, knowledge regarding how they affect CEOs' behavior and their firms' corporate decision making and performance is limited. However, strong anecdotal evidence shows that top executives highly value the public recognition, social advantages and gains in the social status that awards convey. For example, when commenting on the French Legion of Honor, Maurice Lévy (chairperson and former CEO of Publicis Groupe) said, *It is an object of pride, at least for me*, whereas Thierry de La Tour d'Artaise (chairperson and former CEO of SEB) mentioned, *I accepted it as a great honor that also rewards my 6000 employees*.[1]

Beyond anecdotal evidence, earlier literature documents the *ex-ante* incentive effects induced by the potential receipt of a government award. Siming (2016a) and Raff and Siming (2019) concluded that the existence of a government award per se modifies CEOs' behaviors: CEOs tend to favor employment at the expense of shareholder value since creating jobs is likely to be perceived positively by the politicians who bestow the awards. In this paper, we adopt a different view and attempt to fill a void in the literature, which has not provided much investigation of the *ex-post* consequences of government awards to CEOs (i.e., once the CEO has been awarded). We test whether awarded CEOs affect firm performance and whether firm governance evolves if the CEO undergoes a shift in his or her status and reputation.

A related and voluminous body of literature has examined the "superstar status" that stems from the conferral of prominent *media* awards (e.g., Graffin et al., 2008; Kubick & Lockhart, 2017; Malmendier & Tate, 2009; Quan et al., 2024; Wade et al., 2006). This literature has generally documented *negative* effects, which is consistent with the view of Gallus and Frey (2016) that awards negatively impact the motivation and reinforce recipients' overconfidence bias. Malmendier and Tate (2009) showed that CEO awards are detrimental to future firm performance due to "extraction" (superstar CEOs receive greater compensation) and "distraction" effects (superstar CEOs engage more in nonvalue-maximizing activities). Media awards have also been shown to affect the perceptions of superstar CEOs. A leader with a stronger reputation is regarded with a higher degree of trust and held to lower accountability standards (Ammeter et al., 2002). David et al. (2023) showed that superstar status makes shareholder proposals (which corporate executives generally oppose) more likely to fail, suggesting that awards act as entrenchment devices.

Nevertheless, the negative performance effects associated with media awards may not apply to *government* awards because of two differentiating characteristics of the latter. First, the purpose of government awards is to recognize an individual's outstanding merit and contribution to the state. Their conferral might induce the best behavior and a sense of responsibility that could act as a self-disciplining mechanism (Frey & Gallus, 2017). Notably, government awards are revocable, which creates a major discrepancy between media and government awards. As emphasized by Siming (2016a, p. 9), *[T]he revocability of government awards spurs the CEO to perform well—or at least not to underperform—also after the award has been bestowed*. CEOs do not want to bring the award into disrepute. Government awards could thus be interpreted as institutional and economic instruments of governance (Siming, 2016a).

Second, government awards are also highly specific in that they are conferred on ministers' recommendations (relying on parliamentarians, mayors, employers, etc.). To the extent that awards establish a special relationship between the donor and the recipient (Frey, 2007), they are likely to change the relationship between the firm and the government and can thus be viewed as antecedents of corporate political connections, defined as relationships developed between firms and political actors (Faccio, 2006). A large body of research has investigated the outcomes of such connections (see the recent and extensive survey by Wei et al. (2023)) and has mostly shown that they positively affect

[1] See "Légion d'honneur: tous les patrons ne l'ont pas méritée!" (*Capital*, May 23, 2017).

firm performance and valuation. Political connections are indeed often perceived as a means of rent transfer (Amore & Bennedsen, 2013) and of reducing uncertainty (Hadani et al., 2017).[2]

To assess the impact of government awards, we hand-collect a list of CEOs appointed to the French National Order of the Legion of Honor (*Ordre National de la Légion d'honneur*). We use a dataset of French-listed firms drawn from the *Société des Bourses Françaises* (SBF) 120 index (the largest companies by market capitalization and by trading volumes on Euronext Paris) during the period from 1998 to 2019. Our sample includes 240 unique firms covering 3409 firm-year observations with available data.

The reasons for focusing on the French Legion of Honor are twofold. First, it is the most prestigious award conferred by the French state. The quality of an award depends on its rarity and is "*better maintained, the lower the probability that the award is publicly refused*" (Frey, 2007, p. 11). The number of French citizens who are awarded is relatively small, and refusals seem rare (although information on refusals is not made public).[3] Second, there are five ranks in the national Order of the Legion of Honor (from *Chevalier* [Knight] to *Grand Croix* [Grand Cross]). This allows us to examine shifts in CEO status for first-awarded and title-accumulating CEOs. To our knowledge, such a systematic examination of *multiple* shifts has not been conducted in prior literature.

Relying first on simple correlation analyses, we document a positive and significant association between government awards and firm valuation proxied by Tobin's *Q*. We also observe positive, short-term market reactions around award announcement dates. The effects are stronger for first-awarded CEOs. As emphasized by Shemesh (2017), the attribution of awards to CEOs is not random and might confound various firm and CEO characteristics. To mitigate this concern, we rely on the approach in Malmendier and Tate (2009) and obtain a (control) set of non-awarded CEOs. We first estimate a probit regression to identify observable firm (particularly past performance) and CEO characteristics that predict awards bestowals. Then, we match each award winner to the closest nonwinning CEO, defined as the CEO who had the closest predicted probability of being awarded (through a propensity score matching—PSM—procedure). Our main result is robust to the use of PSM as well as to entropy balancing (an alternative matching technique developed by Hainmueller (2012) to create balanced samples). As a caveat, we acknowledge that our research design does not allow us to draw perfect causal inferences; rather, we take care to interpret the observed relationships as associations.[4]

Building on our main result, an important question left unaddressed relates to the channels through which government awards to CEOs create value. The first avenue we hypothesize is that government awards are associated with increased access to politicians. A distinctive feature of this paper is that we compute 5 original measures that capture the firm's proximity to political power: (1) the allocation of government procurement contracts, (2) the participation of CEOs in a formal visit by the French President to a foreign country, (3) CEOs' meetings with the French Minister of Economy and Finance, (4) CEOs being heard at one of the houses of representatives committees (offering an opportunity to influence public decision making) and (5) visits to the firm by state representatives. We observe a significantly positive correlation between these variables and government awards, which lends support to the hypothesis that these latter offer significant value to corporations by increasing the probability of gaining access to state officials.

[2] Among the benefits of political connections are a preferential allocation of lucrative government contracts (Goldman et al., 2013), a lower cost of equity capital (Boubakri et al., 2012), better access to bank finance (Claessens et al., 2008), a price discount when the firm acquires key production factors (Chen & Kung, 2019) or easier entry into foreign markets (Sojli & Tham, 2017). A notable exception to such a positive impact of corporate political connections is Bertrand et al. (2018). They use a French sample to document a decrease in firm profitability when a connected CEO comes to power and show that connected firms neither receive more subsidies nor benefit from larger tax exemptions.

[3] Sébastien Bazin (CEO of Accor), Emmanuel Faber (former CEO of Danone), Thomas Piketty and Marie Curie are believed to have refused the Legion of Honor. See "Ces personnalités qui ont refusé la Légion d'honneur" (*Le Figaro*, January 1, 2015) and "Légion d'honneur: tous les patrons ne l'ont pas méritée !" (*Capital*, May 23, 2017).

[4] To make causal statements on the relationship between government awards and firm performance, Siming (2016a,b) and Raff and Siming (2019) relied on quasi-natural experiments that consist of legal reforms that introduce/abolish Orders of Merit in various countries. This approach is not feasible in the French context to the extent that the Legion of Honor was established in 1802.

The second possible avenue is that government awards are associated with better corporate governance. We first show that award-winning CEOs are more likely to be dismissed for poor performance, suggesting that the board of directors becomes more monitoring-oriented when the CEO experiences a shift in her or his status. We thus rule out the possibility that government awards protect inefficient CEOs (entrenchment story). In the spirit of Malmendier and Tate (2009), we also investigate whether government awards are associated with an increase in external board seats and/or compensation and do not observe any significant variations surrounding award conferrals. Overall, these results support the view that government awards are effective instruments of governance that do not harm shareholder value.

Our paper extends the scarce empirical research on government awards (Raff & Siming, 2019; Siming, 2016a,b) by documenting their positive correlation with firm valuation. Our study is unique in that we identify a plausible explanatory channel—namely, better access to politicians—through which government awards could add value. We interpret state awards as alternative means of building corporate political connections that could complement more traditional mechanisms documented in prior literature (e.g., the appointment of former politicians to leadership roles or state ownership in the firm (Wei et al., 2023)). We put our results in perspective and note that our findings might appear inconsistent with the evidence in Siming (2016a) that government awards do not trigger any *ex-post* change in firm profitability. It might stem from the fact that Siming (2016a) focuses on more "regional" awards (i.e., those conferred by various German states), which might be less valuable to recipients (and, in turn, have fewer externalities for the firms they manage).[5] More generally, we also answer the call by Siming (2016a) to investigate the differences in the *ex-post* consequences of media and government awards. While prestigious business awards have been shown to induce recipient CEOs to engage in opportunistic behavior, we suggest that government awards are associated with positive externalities.

We believe that our findings might be relevant for policymakers. One of the first decisions made by newly elected Emmanuel Macron was to limit the yearly number of people who could be awarded the Legion of Honor to 600. On the one hand, our results do not suggest that there was an urgent need to reduce the number of honored CEOs (at least from a shareholder perspective). It might even prove counterproductive to the extent that a potential lower likelihood of being awarded might induce CEOs' opportunistic behavior (e.g., the extraction of higher pay to compensate for the lost opportunity of being symbolically awarded (Siming, 2016b)). On the other hand, our results should not be interpreted as evidence that awards are necessarily beneficial and should thus be massively attributed to CEOs. As emphasized by Frey and Gallus (2017), awards can suffer a loss in value if too many are in circulation in a given community (here, that of the most visible French CEOs). A further investigation of the "optimal" distribution rate of government awards to CEOs could thus be a relevant venue for further research.

Our paper is organized as follows: Section 2 describes the French institutional background of the Legion of Honor. Section 3 presents the sample used in this study and the research design. Section 4 examines the effects of government awards on performance. Section 5 investigates the channels through which government awards create value, whereas Section 6 describes the relationships between government awards and corporate governance. In Section 7, we examine the benefits of government awards from CEOs' viewpoint and extend our analysis to other orders of merit. The conclusions follow.

2 | INSTITUTIONAL BACKGROUND

The Legion of Honor is the reward for outstanding merit acquired in the service of the nation in a civilian or military capacity (code of the Legion of Honor). It was established in 1802 by Napoléon Bonaparte and was retained by all the divergent governments and regimes that later held power in France up to the present. The order is divided into five degrees of

[5] We address this issue in Section 7 when assessing the impact of the French Order of Merit (the second—and less prestigious—national order that honors French citizens). We show that this "lesser" award has no significant association with firm performance.

increasing distinction: *Chevalier* (Knight), *Officier* (Officer), *Commandeur* (Commander), *Grand Officier* (Grand Officer) and *Grand Croix* (Grand Cross). Promotion to a higher rank can be granted if the Legion of Honor holder has demonstrated new merit and after a minimum number of years: 8 years from the rank of Knight to that of Officer, 5 years from the rank of Officer to that of Commander and 3 years from the rank of Commander to that of Grand Officer and from the rank of Grand Officer to that of Grand Cross.

Future holders of the Legion of Honor must satisfy two eligibility conditions: nationality (admissions into the order are reserved for French citizens; foreigners can be distinguished in the Order of the Legion of Honor, but they are not members of the order[6]) and reputation (recipients must not have any criminal records). An inquiry ensures the admissibility of candidates on these two points. Award criteria include the eminence of services, the common benefit (i.e., having served the good of the nation rather than solely one's own interest, such as creating jobs, developing education, technological or medical innovation), public awareness of merits (i.e., participating in France's renown abroad, whether through military intervention, athletic feats or economic influence) and the length of service (a minimum of 20 years of activity is required to enter the Order of the Legion of Honor).

The identification of potential honorees is under the responsibility of French ministers, who can rely on parliamentarians, mayors, employers, trade unions, nonprofit organizations, professionals, sports federations, and so on.[7] The Council of the Order deliberates on their admissibility and then submits eligible nominations to the President of the Republic, who confirms the final list of honorees (as Grand Master of the Order, the President of the Republic may remove names from the list but cannot add any). For the ranks of Commander, Grand Officer and Grand Cross, approval must be given by the Council of Ministers. The President of the Republic signs decrees for nominations and promotions, which are then published in the official journal (*Journal Officiel de la République Française [JORF]*).

No material or financial benefits are attached to the Legion of Honor. However, it constitutes an invaluable source of prestige and social recognition. The Legion of Honor is frequently awarded by a public figure through a festive ceremony of induction in the presence of the recipient's friends and relatives.[8] Awarded people have the ability to decorate nominees in the Order (Siming, 2016a). For example, Vincent Bolloré (former CEO of Bolloré) decorated Vivendi's CEO Arnaud de Puyfontaine (Gubert, 2022). In addition to social and psychological benefits, access to the two Legion of Honor education houses is reserved for the daughters, granddaughters and great granddaughters of Legion of Honor recipients. The Legion of Honor, whose ribbon color is red, is worn before any other French or foreign insignia on the left-hand side (see Supporting Information Figure 1). Notably, France has very serious penalties against falsely wearing the Legion of Honor.

There are two annual civilian cohorts in the Legion of Honor: January 1st and July 14th. At the end of 2017, President Emmanuel Macron decided to abolish the Easter civilian cohort and limit the yearly number of people who could be awarded to 600. Notably, the honor can be revoked in the event of criminal conviction or any action that is dishonorable or that may harm the interests of France.[9]

[6] Several foreign CEOs have been awarded the Legion of Honor, such as Tom Enders (former CEO of Airbus) and Lindsay Owen-Jones (former CEO of L'Oréal).

[7] Notably, a new form of identification—a procedure called *Initiative citoyenne*—was implemented in 2008. Any citizen may recommend a person who seems worthy for a first nomination in the national Order of the Legion of Honor. He or she must collect biographical elements and 50 signatures of major citizens within the department of residence of the concerned person. We are unaware of any CEOs appointed under this procedure.

[8] For example, Catherine MacGregor, CEO of Engie, received the Legion of Honor from Bruno Le Maire, the French Minister of Economy and Finance (see Catherine MacGregor's official Twitter account, September 8, 2021).

[9] Any dishonorable action committed by an honoree is likely to result in disciplinary sanction. There are three sanctions in order of increasing severity: reprimand, suspension (of a duration depending on the severity of the fault) and exclusion (which is automatic in case of criminal conviction or a firm prison sentence of more than a year). The last two sanctions are imposed by the President of the Republic and published in the official journal. For foreigners, the only sanction is a withdrawal of the decoration taken by decree. Harvey Weinstein, Bashar al-Assad and Lance Armstrong are among the foreigners whose awards have been revoked (see "A French Honor Not Always for the Honorable; Assad Returns His," *The New York Times*, April 20, 2018).

3 | SAMPLE SELECTION, VARIABLES AND EMPIRICAL STRATEGY

3.1 | Sample construction

We use a dataset of French-listed firms drawn from the SBF 120 index (the largest companies by market capitalization and by trading volumes on Euronext Paris) over the period from 1998 to 2019.

Our dataset combines information from several sources. The data on the Legion of Honor (i.e., rank and promotion date) were obtained from Legifrance, the French government entity responsible for publishing legal texts online. It provides access to all decrees appointing members in the national Order of the Legion of Honor published in the French Official journal. CEOs' biographical and turnover data are hand-collected from annual reports (which are available on the website of the *Autorité des marchés financiers*—the French stock exchange regulator—or on the websites of the individual companies), news reports and the *Who's Who*. Ownership and board characteristics are also manually collected from annual reports. Firm characteristics, financial data and accounting information are from Refinitiv, Datastream and Worldscope. Our final sample includes 240 unique firms covering 3409 firm-year observations with available data.

3.2 | Variables and descriptive statistics

3.2.1 | Measures for awarded CEOs

Our objective is to test whether winning a government award has a temporary (i.e., just for the year of the award) and/or permanent (i.e., on a longer time horizon after award conferral) impact on performance and corporate decision making. For the *temporary* model, *Award Winner(t)* is our primary measure for honored CEOs. This dummy variable is set equal to one if the CEO has been promoted to the rank of Knight or a higher rank during the fiscal year and zero otherwise. This binary variable aims to assess how market participants and firm performance respond to a shift in CEO reputation in a given year. We split this variable into two dummies: *First Award Winner(t)*, which takes the value of one if the CEO has been promoted to the rank of Knight during the fiscal year and zero otherwise, and *Multiple Award Winner(t)*, which takes the value of one if the CEO has been promoted to a higher rank (e.g., from the rank of Knight to that of Officer) during the fiscal year. For the *permanent* model, *Awarded CEO* is a binary variable that indicates whether the CEO is a member of the Legion of Honor and zero otherwise. In estimating the value and corporate governance consequences of government awards, such a binary variable allows us to identify whether awarded CEOs exhibit better or worse performance than their nonawarded counterparts.

To illustrate the computation of our key explanatory variables, let us take a simple example. Benoit Potier, who has been the CEO of Air Liquide since 2001, was awarded the Legion of Honor in July 2002 and became an Officer in March 2013. For 2002 and the years after, our binary variable *Awarded CEO* takes the value of one. *Award Winner(t)* is set equal to one only for the years 2002 and 2013. *First Award Winner(t)* takes the value of one for 2002 (and 0 otherwise), whereas *Multiple Award Winner(t)* takes the value of one for 2013 (and 0 otherwise).

We first compute the prevalence of Legion of Honor recipients in our sample of French CEOs. The average value of *Awarded CEO* is equal to 46.3%, which confirms earlier evidence that government awards are frequently bestowed on corporate managers. Over the sample period, we observe 182 (5.3%) promotions in the national Order of the Legion of Honor: 96 (2.8%) CEOs were promoted to the rank of Knight, and 86 (2.5%) were promoted from a given rank to a higher one. Supporting Information Appendix 1 lists the promoted CEOs and the bestowal year. Figure 1 presents the raw distribution (histograms) of the measures of promoted CEOs over the period from 1998 to 2019. The fraction of promoted CEOs varies from 1.4% in 2018 to 10.9% in 2007. It should be mentioned that no CEO was removed from the national Order of the Legion of Honor due to a criminal conviction or dishonorable action over our sample period.

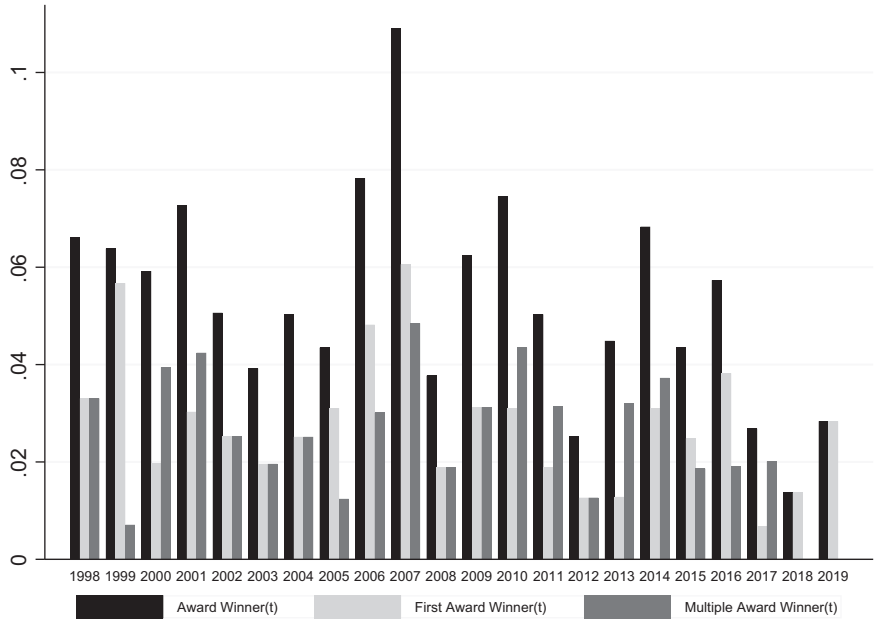

FIGURE 1 Promotion in the National Order of the Legion of Honor by year. This figure depicts the histograms for promotions of French-listed firms' CEOs in the national Order of the Legion of Honor from 1998 to 2019. *Award Winner(t)* takes the value of one if the CEO has been promoted to the rank of Knight or a higher rank (i.e., from the rank of Knight to that of Officer, from the rank of Officer to that of Commander, from the rank of Commander to that of Grand Officer or from the rank of Grand Officer to that of Grand Cross) during the fiscal year and zero otherwise. *First Award Winner(t)* takes the value of one if the CEO has been promoted to the rank of Knight during the fiscal year and zero otherwise. *Multiple Award Winner(t)* takes the value of one if the CEO has been promoted from the rank of Knight to that of Officer, from the rank of Officer to that of Commander, from the rank of Commander to that of Grand Officer or from the rank of Grand Officer to that of Grand Cross during the fiscal year and zero otherwise.

3.2.2 | Firm, governance and CEO characteristics

To assess the consequences of government awards for firm performance, we use the log value of Tobin's *Q* (*Ln(Tobin's Q)*) as the main dependent variable.

We compute three sets of control variables: firm, governance and CEO characteristics. All variable definitions are provided in Appendix 1. Firm accounting and financial variables include the natural logarithm of total assets (*Firm Size*), the ratio of financial debt to total assets (*Leverage*), the nominal sales growth rate over the past year (*Sales Growth*), tangible assets as a fraction of total assets (*Tangibility*), profitability (*Return on Assets*, defined as the ratio of operating income to total assets), 12-month stock price performance (*Stock Perf 1y*) and volatility (*Volatility*) and R&D expenditures as a fraction of net sales (*R&D/Sales*). To reduce the influence of outliers, we winsorize all financial and accounting variables at the 1st and 99th percentiles. Table 1 reports descriptive statistics at the firm-year (Panel A) and firm (Panel B) levels.

Governance controls include the percentage of outstanding shares held by the largest shareholder (*Largest Shareholder*) and indicator variables for family and state control (*Family10 (State10)* is a binary variable that equals one when the largest shareholder of the firm owns at least 10% of the voting rights and is directly or ultimately controlled by a family (the state)). Ultimate blockholders are identified using the methodology in La Porta et al. (1999). We notice that 49.3% of the sample firms are family owned. This figure is lower than that reported by Sraer and Thesmar (2007) (70%), but we focus on a restricted sample of larger firms from the SBF 120 index, which have less concentrated ownership. A total of 12.5% of the sample firms are controlled by the state. Given that French corporate law allows firms

TABLE 1 Descriptive statistics.

Panel A: Firm-year level						
Variable	**Obs.**	**Mean**	**Median**	**St. Dev.**	**Min.**	**Max.**
Award Winner(t)	3409	0.05	0.00	0.22	0.00	1.00
First Award Winner(t)	3409	0.03	0.00	0.17	0.00	1.00
Multiple Award Winner(t)	3409	0.03	0.00	0.16	0.00	1.00
Awarded CEO	3409	0.46	0.00	0.50	0.00	1.00
Tobin's Q(t)	3409	1.64	1.26	1.20	0.78	8.45
Ln(Tobin's Q)(t)	3409	0.36	0.23	0.46	−0.25	2.13
Ln(Tobin's Q)(t−1)	3324	0.36	0.24	0.46	−0.25	2.10
Firm Size(t)	3409	3.63	3.63	0.89	1.18	6.05
Firm Size(t−1)	3407	3.59	3.60	0.91	1.15	6.01
Return on Assets(t)	3409	0.05	0.05	0.08	−0.43	0.27
Stock Perf 1y(t)	3409	0.11	0.07	0.45	−0.76	2.13
Stock Perf 1y(t−1)	3325	0.12	0.08	0.46	−0.75	2.13
Stock Perf 1y(t−2)	3233	0.15	0.09	0.47	−0.75	2.20
Volatility(t)	3409	0.02	0.02	0.01	0.01	0.06
Firm Leverage(t)	3409	0.26	0.24	0.17	0.00	0.83
Sales Growth(t)	3409	0.11	0.06	0.31	−0.54	2.20
Tangibility(t)	3409	0.23	0.16	0.22	0.00	0.94
R&D/Sales(t)	3409	0.04	0.00	0.19	0.00	1.54
Var. Employees(t−1/t−3)	3274	0.24	0.07	0.70	−0.58	5.25
Largest Shareholder(t)	3409	0.33	0.30	0.24	0.00	0.99
No Majority Owner(t)	3409	0.69	1.00	0.46	0.00	1.00
Family10(t)	3409	0.49	0.00	0.50	0.00	1.00
State10(t)	3409	0.12	0.00	0.33	0.00	1.00
Unitary Board(t)	3409	0.76	1.00	0.43	0.00	1.00
Weak Monitoring Index(t)	2861	1.59	2.00	0.97	0.00	3.00
CEO Turnover(t+1)	3308	0.12	0.00	0.33	0.00	1.00
Powerful CEO(t)	3409	0.67	1.00	0.68	0.00	2.00
Ln(CEO Age)(t)	3409	4.01	4.03	0.14	3.26	4.43
Ln(CEO Tenure)(t)	3409	1.75	1.79	0.99	0.00	3.87
CEO Woman(t)	3409	0.02	0.00	0.14	0.00	1.00
Panel B: Firm level						
Variable	**Obs.**	**Mean**	**Median**	**St. Dev.**	**Min.**	**Max.**
Award Winner(t)	240	0.05	0.00	0.07	0.00	0.33
First Award Winner(t)	240	0.03	0.00	0.05	0.00	0.33
Multiple Award Winner(t)	240	0.02	0.00	0.05	0.00	0.33
Awarded CEO	240	0.41	0.33	0.40	0.00	1.00
Tobin's Q(t)	240	1.69	1.35	1.00	0.87	8.19
Ln(Tobin's Q)(t)	240	0.38	0.27	0.38	−0.14	2.10

(Continues)

TABLE 1 (Continued)

Panel B: Firm level						
Variable	**Obs.**	**Mean**	**Median**	**St. Dev.**	**Min.**	**Max.**
Ln(Tobin's Q)(t−1)	234	0.39	0.29	0.40	−0.10	2.08
Firm Size(t)	240	3.55	3.53	0.85	1.21	6.01
Firm Size(t−1)	240	3.51	3.50	0.86	1.19	5.97
Return on Assets(t)	240	0.04	0.05	0.09	−0.43	0.27
Stock Perf 1y(t)	240	0.11	0.11	0.13	−0.76	0.50
Stock Perf 1y(t−1)	234	0.13	0.11	0.14	−0.38	0.82
Stock Perf 1y(t−2)	231	0.17	0.14	0.23	−0.45	2.20
Volatility(t)	240	0.02	0.02	0.01	0.01	0.06
Firm Leverage(t)	240	0.26	0.25	0.16	0.00	0.81
Sales Growth(t)	240	0.13	0.09	0.21	−0.33	2.20
Tangibility(t)	240	0.23	0.17	0.22	0.00	0.94
R&D/Sales(t)	240	0.05	0.00	0.21	0.00	1.54
Var. Employees(t−1/t−3)	235	0.31	0.14	0.59	−0.13	5.25
Largest Shareholder(t)	240	0.35	0.34	0.22	0.00	0.93
No Majority Owner(t)	240	0.30	0.00	0.46	0.00	1.00
Family10(t)	240	0.45	0.33	0.45	0.00	1.00
State10(t)	240	0.13	0.00	0.30	0.00	1.00
Unitary Board(t)	240	0.76	1.00	0.38	0.00	1.00
Weak Monitoring Index(t)	222	1.51	1.00	1.03	0.00	3.00
CEO Turnover(t+1)	234	0.13	0.10	0.14	0.00	1.00
Powerful CEO(t)	240	0.66	0.73	0.54	0.00	2.00
Ln(CEO Age)(t)	240	3.99	4.01	0.12	3.58	4.28
Ln(CEO Tenure)(t)	240	1.66	1.56	0.67	0.00	3.63
CEO Woman(t)	240	0.02	0.00	0.09	0.00	0.80

Note: This table reports summary statistics for various firm-level time-varying characteristics at the firm-year level (Panel A) and the firm level (Panel B). The sample consists of all SBF 120 index firms with available data for the period from 1998 to 2019. All the financial variables are winsorized at 0.01 and 0.99. All variable definitions are provided in Appendix 1.

the freedom to choose between unitary and dual boards of directors, we compute an indicator variable (*Unitary Board*) that is set equal to one when the firm has a one-tier board of directors and zero when it has a two-tier board structure. In all, 75.5% of the sample firms have a unitary board structure; this figure is similar to that documented by Belot et al. (2014).

CEO characteristics include standard demographic measures (CEO age and gender) and CEO tenure (i.e., the number of years the CEO has been serving as the firm's CEO). We also try to capture CEO influence through an aggregate power index (*Powerful CEO*), which is computed in the spirit of Adams et al. (2005) by adding one when the CEO also chairs the board of directors and when the CEO is the firm's founder. The median value of *Powerful CEO* is 1.00, suggesting that one-half of the CEOs either founded their company or chaired the board or directors.

Our analysis of the corporate governance consequences of government awards partly focuses on CEO turnover. We thus create the *CEO Turnover* binary variable, which equals one if the firm experiences CEO turnover in the subsequent

year and zero otherwise. The prevalence of CEO turnover is 12.1%, a figure that is similar to Kaplan and Minton's (2012) finding for a sample of large U.S. companies.

3.3 | Empirical specification

We examine how government awards correlate with various financial and corporate governance variables through a series of multivariate regressions that include year fixed effects alongside industry (a vector of 12 binary industry variables computed using Campbell (1996) classification) or firm-fixed effects. All standard errors are clustered at the firm level. We exploit our panel data setting to address omitted variable issues. Under the assumption that omitted variables do not vary over time, the inclusion of firm-fixed effects allows us to control for unobservable firm-specific characteristics.

To mitigate any endogenous CEO-firm matching that could bias our results, we follow Malmendier and Tate (2009) and construct a nearest-neighbor matching estimator. For each awarded CEO (treated), we try to find the nonawarded CEO (control) with the most similar characteristics. We use the following three-step procedure. First, we estimate a probit regression to identify observable firm and CEO characteristics that predict government award bestowals. To the extent that the attribution criteria are not perfectly known, we follow Malmendier and Tate (2009) and include CEO demographics (age and gender), tenure, our indicator variable for powerful CEOs and financial characteristics (firm size, Tobin's *Q* and stock returns for the 2 years before the award year). Governments might particularly care about the protection of employment (Bertrand et al., 2018). We thus expect CEOs of firms that increase employment to be more likely to receive an award. We add the variation in the number of employees for the 2 years before the award conferral as a control variable. We also control for firms' ownership structures. Given that family firms are less likely to downsize than are other firms (Stavrou et al., 2007) and to offer greater protection to their employees (Bassanini et al., 2013), one could expect family firms' CEOs to be natural candidates for award bestowals. In addition, one could argue that CEOs of state-owned firms are more likely to receive a government award given their proximity to state representatives, who often sit on their board of directors.

Second, in each award year, we match with no replacement each award winner to the nonwinning CEO who, at the time of the award, had the closest predicted probability (propensity score) of winning. Third, we verify that award winners and the control sample are indistinguishable along firm, governance and CEO observable dimensions.

In addition to PSM, we use entropy balancing, which ensures proper covariate balance between treated and control samples by weighing observations such that the postweighted means, variances and skewness for treated and control firms are equal for each matching dimension (see, e.g., Chahine et al. (2020) and McMullin and Schonberger (2020), Chapman et al. (2019)). One of the advantages of the entropy balancing technique is that it preserves our full sample of firms: although PSM assigns a weight of either one (matched) or zero (excluded) to each control observation, entropy balancing identifies continuous weights for all control sample observations (Hainmueller, 2012). We balance the same set of covariates as in PSM and exploit the full set of firms for entropy balancing to maintain homogeneity with our original sample and in accordance with other studies (see, e.g., McMullin and Schonberger (2020)).

3.4 | Determinants of government award bestowals

Panel A of Table 2 investigates the correlations between firm/CEO characteristics and award bestowals. We first try to identify the specificities of (firms with) awarded CEOs. Model (1) is estimated for the entire sample (3148 firm-year observations with nonmissing data). The dependent variable is *Award Winner(t)*. Model (2) aims to identify the determinants of the first government award bestowal. It is thus estimated over a restricted sample of candidate CEOs who are not members of the Legion of Honor (i.e., the sample of firms with *Awarded CEO* equal to zero). Model (3) aims to identify the determinants of promotions to a higher rank (e.g., from the rank of Knight to that of Officer). For this

TABLE 2 Determinants of government awards.

	(1)	(2)	(3)
	Award Winner(t)	*First Award Winner(t)*	*Multiple Award Winner(t)*
Ln(CEO Age)(t)	0.489*	0.418	−0.761
	(1.83)	(1.12)	(−0.89)
Ln(CEO Tenure)(t)	−0.081**	−0.143**	0.059
	(−2.15)	(−2.30)	(0.69)
Powerful CEO(t)	0.126**	0.153	0.135
	(2.27)	(1.64)	(1.06)
CEO Woman(t)	0.830***	1.361***	0.959***
	(4.05)	(4.00)	(2.79)
Firm Size(t−1)	0.329***	0.558***	0.315***
	(7.83)	(6.49)	(2.90)
Stock Perf 1y(t−1)	−0.120	−0.189	−0.134
	(−1.19)	(−1.48)	(−0.57)
Stock Perf 1y(t−2)	−0.020	0.060	−0.142
	(−0.19)	(0.45)	(−0.59)
Var. Employees(t−1/t−3)	−0.032	−0.017	−0.010
	(−0.52)	(−0.18)	(−0.06)
Ln(Tobin's Q)(t−1)	0.230***	0.372***	0.050
	(2.73)	(2.87)	(0.24)
Family10(t)	0.134	0.177	0.098
	(1.62)	(1.43)	(0.57)
State10(t)	0.024	0.192	−0.315
	(0.21)	(0.94)	(−1.43)
Constant	−5.505***	−5.966***	0.233
	(−5.04)	(−3.83)	(0.07)
Year fixed effects	Yes	Yes	Yes
Industry fixed effects	Yes	Yes	Yes
Observations	3148	1726	466
Pseudo *R*-squared	0.069	0.136	0.119

Note: This table reports probit regression estimates of models where the dependent variables are a dummy variable that takes the value of one if the CEO has been promoted to the rank of Knight or a higher rank at year *t* and zero otherwise (*Award Winner(t)*); a dummy variable that takes the value of one if the CEO has been promoted to the rank of Knight at year *t* and zero otherwise (*First Award Winner(t)*); and a dummy variable that takes the value of one if the CEO has been promoted to a higher rank (e.g., from the rank of Knight to that of Officer) and zero otherwise (*Multiple Award Winner(t)*). Model (1) is estimated for the sample of all SBF 120 index firms with available data for the period from 1998 to 2019. Models (2) and (3) are estimated for a restricted sample of potential candidates. In model (2), a CEO leaves the sample once he or she has been promoted to the rank of Knight. In model (3), a CEO leaves the sample when he or she has been awarded but reintegrates into the sample after the minimum number of years that enables him or her to be promoted to a higher rank (i.e., 8 years after being awarded the rank of Knight, 5 years after being awarded the rank of Officer and 3 years after being awarded the rank of Commander or Grand Officer). All the models include year and industry fixed effects. All standard errors are clustered at the firm level. The corresponding *z*-statistics are reported in parentheses. All financial variables are winsorized at 0.01 and 0.99. All variable definitions are provided in Appendix 1.

*Significance level at 10%.

**Significance level at 5%.

***Significance level at 1%.

model, we restrict the sample to legitimate candidates (i.e., awarded CEOs who are already members of the Legion of Honor and fulfill the length conditions for being promoted to a higher rank). A CEO leaves the sample when she or he has been awarded but reintegrates into the sample after the minimum number of years that enables her or him to be promoted to a higher rank.

As hypothesized, the reported evidence shows that government awards are not randomly distributed along firm and CEO dimensions. Specifically, as documented for media awards by Malmendier and Tate (2009), the results indicate that CEOs of large and highly visible corporations are more likely to be awarded. Although a government award could be bestowed for a high commitment to job creation, surprisingly, we do not observe any significant correlation between our dependent variable and variation in the firm's number of employees. Turning to CEO characteristics, we find mild evidence that the likelihood of receiving the Legion of Honor increases with CEO age, power and female gender but decreases with tenure. The lagged value of Tobin's *Q* has a positive and significant coefficient in columns 1 and 2. Thus, we cannot rule out selection issues (it is possible that well-performing companies are better able to attract talented CEOs). However, we note that past stock performance does not appear to significantly determine award conferment. As emphasized above (see Section 2), the Legion of Honor mainly intends to reward serving engagement; we provide mixed evidence that it could also reward shareholder value creation.

The probability of being awarded (propensity score) is derived from models (2) and (3). We match each awarded CEO with the nonawarded CEO who has the closest propensity score. We end up with 91 pairs of firms with first-awarded and nonawarded CEOs and 75 pairs of firms with CEOs who are promoted to a higher rank and CEOs who are not. In Supporting Information Appendix 2 (see Panels A and B), we perform tests of differences in means and medians for firm, governance and CEO characteristics between the samples of firms with first-awarded CEOs (CEOs promoted to a higher rank) and predicted winners to test the quality of the match. We find no statistically significant differences between the two samples of firms. Panels C and D (Supporting Information Appendix 2) report the differences in means and variances of covariates after reweighting the observations (entropy balancing). We find minimal and statistically insignificant differences between the 94 (84) firms with CEOs who are first awarded (promoted to a higher rank) and firms with nonawarded CEOs, which suggests that proper entropy matching was achieved.

4 | GOVERNMENT AWARDS AND CORPORATE PERFORMANCE

4.1 | Government awards and firm valuation

We now investigate the value and consequences of government awards. Panel A of Table 3 presents the results of regressing firm valuation on indicator variables for honored CEOs and various firm and CEO characteristics for our entire sample of SBF 120 firms.

Using the permanent model with industry and year fixed effects (column 1), we find that, on average, awarded CEOs in the national Order of the Legion of Honor perform better. The results indicate that government awards are positively and significantly correlated with firm value at the 1% level. We note that the variable for government awards is associated with an 8.3% larger Tobin's *Q* (we can directly interpret the value of the coefficient as a variation to the extent that we use a logarithmic transformation of our dependent variable). Regarding the set of control variables, the regression results confirm those from previous studies (e.g., Adams et al. (2018)): We observe that smaller, more profitable, high-volatility, fast-growing and R&D-intensive firms exhibit higher valuations. Regarding CEO characteristics, we note that younger and long-tenured CEOs are associated with higher firm value. When we introduce firm-fixed effects in column 2, we notice that the coefficient on our *Awarded CEO* binary variable is not significantly different from zero at conventional thresholds, suggesting that the results from standard OLS regressions might thus be biased due to omitted variable problems.

In column 3 (4), we report the results for awarded CEOs in the temporary model using industry (alternatively firm) and year fixed effects. The coefficient of government awards is positive and significant at the 1% (5%) level. In column

TABLE 3 Legion of Honor and corporate performance.

Panel A: OLS regressions						
	(1)	(2)	(3)	(4)	(5)	(6)
	Ln(Tobin's Q)(t)	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*
Model	Permanent model	Permanent model	Temporary model	Temporary model	Temporary model	Temporary model
Sample	All	All	All	All	All	All
Awarded CEO	0.083***	−0.006				
	(2.89)	(−0.24)				
Award Winner(t)			0.061***	0.034**		
			(3.27)	(2.11)		
First Award Winner(t)					0.072**	0.056**
					(2.34)	(2.13)
Multiple Award Winner(t)					0.047*	0.008
					(1.94)	(0.54)
Powerful CEO(t)	−0.005	−0.017	−0.000	−0.017	−0.000	−0.017
	(−0.21)	(−0.80)	(−0.02)	(−0.81)	(−0.01)	(−0.81)
Ln(CEO Age)(t)	−0.391***	−0.088	−0.321***	−0.093	−0.319***	−0.089
	(−4.43)	(−1.15)	(−3.83)	(−1.25)	(−3.78)	(−1.19)
Ln(CEO Tenure)(t)	0.033***	0.040***	0.035***	0.039***	0.035***	0.040***
	(2.80)	(3.28)	(2.97)	(3.30)	(2.99)	(3.34)
CEO Woman(t)	−0.099*	−0.030	−0.075	−0.035	−0.075	−0.036
	(−1.90)	(−0.56)	(−1.52)	(−0.64)	(−1.52)	(−0.66)
Firm Size(t)	−0.126***	−0.194***	−0.108***	−0.195***	−0.108***	−0.194***
	(−4.76)	(−3.51)	(−4.22)	(−3.54)	(−4.21)	(−3.54)
Return on Assets(t)	2.818***	2.313***	2.822***	2.313***	2.822***	2.314***
	(7.77)	(7.68)	(7.69)	(7.68)	(7.69)	(7.69)
Volatility(t)	7.366***	5.568***	7.144***	5.575***	7.142***	5.565***
	(4.41)	(4.28)	(4.24)	(4.29)	(4.23)	(4.28)

(Continues)

TABLE 3 (Continued)

Panel A: OLS regressions						
	(1)	(2)	(3)	(4)	(5)	(6)
	Ln(Tobin's Q)(t)	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*
Model	Permanent model	Permanent model	Temporary model	Temporary model	Temporary model	Temporary model
Sample	All	All	All	All	All	All
Firm Leverage(t)	−0.107	0.086	−0.120	0.086	−0.121	0.086
	(−0.92)	(1.03)	(−1.03)	(1.03)	(−1.03)	(1.03)
Sales Growth(t)	0.076*	0.101***	0.074*	0.101***	0.074*	0.101***
	(1.89)	(2.84)	(1.83)	(2.85)	(1.83)	(2.84)
Tangibility(t)	−0.048	0.030	−0.072	0.034	−0.072	0.032
	(−0.66)	(0.23)	(−0.99)	(0.25)	(−0.99)	(0.24)
R&D/Sales(t)	1.029***	−0.158*	1.033***	−0.157*	1.033***	−0.157*
	(4.50)	(−1.74)	(4.48)	(−1.73)	(4.48)	(−1.73)
Largest Shareholder(t)	0.024	0.174**	0.017	0.171**	0.017	0.171**
	(0.43)	(2.02)	(0.29)	(2.00)	(0.30)	(1.99)
Family10(t)	0.048	0.029	0.052	0.028	0.052	0.028
	(1.56)	(0.80)	(1.63)	(0.78)	(1.62)	(0.76)
State10(t)	0.069*	−0.019	0.072**	−0.019	0.072**	−0.019
	(1.92)	(−0.45)	(1.99)	(−0.47)	(1.99)	(−0.48)
Constant	1.871***	3.493***	1.552***	3.515***	1.545***	3.501***
	(4.83)	(9.74)	(4.32)	(10.10)	(4.26)	(10.04)
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry fixed effects	Yes	No	Yes	No	Yes	No
Firm fixed effects	No	Yes	No	Yes	No	Yes
Observations	3409	3409	3409	3409	3409	3409
R-squared	0.485	0.770	0.480	0.770	0.480	0.771
Adjusted *R*-squared	0.477	0.750	0.473	0.750	0.473	0.750

(Continues)

TABLE 3 (Continued)

Panel B: PSM and entropy balancing				
	(1)	(2)	(3)	(4)
	Ln(Tobin's Q)(t)	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*
Model	Temporary model	Temporary model	Temporary model	Temporary model
Sample	PSM	Entropy balancing	PSM	Entropy balancing
First Award Winner(t)	0.129**	0.057**		
	(2.39)	(2.16)		
Multiple Award Winner(t)			0.000	0.018
			(0.01)	(1.20)
Powerful CEO(t)	−0.024	−0.035	−0.037	−0.038*
	(−0.50)	(−1.06)	(−0.89)	(−1.65)
Ln(CEO Age)(t)	−0.089	0.157	0.127	−0.172
	(−0.42)	(1.05)	(0.54)	(−0.91)
Ln(CEO Tenure)(t)	0.032	0.062***	0.025	0.029*
	(1.06)	(3.38)	(0.93)	(1.83)
CEO Woman(t)	−0.045	−0.152***	−0.173	−0.104
	(−0.28)	(−2.68)	(−1.42)	(−1.51)
Firm Size(t)	−0.078	−0.058*	−0.028	−0.021
	(−1.19)	(−1.81)	(−0.86)	(−0.93)
Return on Assets(t)	3.752***	3.881***	4.486***	4.787***
	(3.98)	(7.12)	(8.29)	(11.57)
Volatility(t)	3.322	6.657**	2.261	3.798**
	(0.76)	(2.20)	(0.70)	(2.01)
Firm Leverage(t)	0.147	−0.029	−0.302**	−0.251**
	(0.74)	(−0.23)	(−2.42)	(−2.53)
Sales Growth(t)	0.163	0.106*	−0.031	−0.029
	(1.27)	(1.70)	(−0.30)	(−0.44)

(Continues)

TABLE 3 (Continued)

Panel B: PSM and entropy balancing				
	(1)	(2)	(3)	(4)
	Ln(Tobin's Q)(t)	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*
Model	Temporary model	Temporary model	Temporary model	Temporary model
Sample	PSM	Entropy balancing	PSM	Entropy balancing
Tangibility(t)	0.104	0.149*	0.039	–0.006
	(0.64)	(1.70)	(0.35)	(–0.07)
R&D/Sales(t)	0.266	1.462***	2.539***	2.222***
	(0.77)	(5.79)	(4.44)	(8.65)
Largest Shareholder(t)	0.175	0.111	0.122	0.152**
	(0.92)	(1.08)	(1.18)	(2.22)
Family10(t)	0.034	0.020	–0.004	0.007
	(0.50)	(0.46)	(–0.07)	(0.21)
State10(t)	0.229***	0.088*	–0.028	–0.003
	(3.05)	(1.72)	(–0.48)	(–0.07)
Constant	–0.054	–0.837	–0.351	0.579
	(–0.05)	(–1.21)	(–0.37)	(0.76)
Year fixed effects	Yes	Yes	Yes	Yes
Industry fixed effects	Yes	Yes	Yes	Yes
Observations	182	3148	150	3148
R-squared	0.573	0.583	0.838	0.726
Adjusted *R*-squared	0.427	0.577	0.768	0.722

Note: This table reports OLS regression estimates of models where the dependent variable is the natural logarithm of Tobin's *Q*. In Panel A, models are estimated for the sample of all SBF 120 index firms with available data for the period from 1998 to 2019. In Panel B, models (1) and (3) are estimated using propensity score matching (the pairs of firms with awarded and nonawarded CEOs are derived from a propensity score matching procedure), and models (2) and (4) are estimated using entropy balancing. All models include year and industry or firm fixed effects. All financial variables are winsorized at 0.01 and 0.99. All variable definitions are provided in Appendix 1. All standard errors are clustered at the firm level. The corresponding *t*-statistics are reported in parentheses.
Abbreviation: PSM, propensity score matching.
*Significance level at 10%.
**Significance level at 5%.
***Significance level at 1%.

3, on average, firms with an awarded CEO trade with a 6.1% premium relative to other firms at the end of the year during which the award was conferred. This finding suggests that market participants respond positively to a shock in CEO status. Our *Award Winner* dummy variable is then split into *First Award Winner* and *Multiple Award Winner* in columns 5 and 6, respectively. We find that the effects of government awards on performance are mainly attributable to first-nominated CEOs in the national Order of the Legion of Honor.

Regressions (1) and (3) of Panel B are estimated from our restricted sample of treated and control firms that is derived from our PSM procedure[10], whereas regressions (2) and (4) are estimated using the entropy balancing approach. The reported findings confirm our prior results: The coefficient on government awards for first-nominated CEOs is positive and significant at the 5% level, whereas that on *Multiple Award Winner(t)* is not significantly different from zero at conventional thresholds. We believe that the nonsignificant effect of promotions to a higher rank is not surprising. Notably, such promotions are, to a large extent, mechanical events that occur after incompressible periods (e.g., 8 years from the rank of Knight to that of Officer). Thus, these promotions could be viewed as routine events that are largely anticipated by market participants. Our event-study analysis (see below) corroborates this interpretation.

Finally, to better capture some "dynamic" effects, we measure changes in Tobin's *Q* around CEO awards (we require the CEO to be the same throughout the entire interval). Such an approach is encountered in Malmendier and Tate (2009). Supporting Information Appendix 3 indicates that the difference in Tobin's *Q* over the [−1;0] interval is +0.06 for first award winners and is −0.16 for predicted award winners. The difference is significant at the 10% level and suggests that the attribution of an award is associated with significant increases in firms' Tobin's *Q*. In sum, our empirical evidence suggests that government awards are of significant value to both firms and outside investors.

4.2 | Market reactions to government award announcements

We measure stock market reactions to CEO government awards. We rely on the standard event study methodology and extract the award announcement date that appears in the *JORF*. Notably, the French press also very frequently evokes nominations and promotions in the Order of the Legion of Honor, with publication dates that coincide with those in the JORF.[11] The market model parameters are estimated over the 200-day period from event day −210 to event day −11. We use the daily SBF 120 return as a proxy for expected returns. We calculate cumulative abnormal returns (CARs) over various intervals around the announcement date. *CAR[−1;+1] (CAR[−2;+2]) (CAR[−3;+3])* is computed over a 3 (5) (7)-day period centered around the award announcement. These variables are winsorized at the 1st and 99th percentiles to reduce the influence of outliers. Figure 2 plots the CARs for the portfolios of firms whose CEOs are first awarded the Legion of Honor (gray line) and whose CEOs are promoted to a higher rank (black line). While there are hardly any value effects on days −3 and −2, we note that stock markets tend to react positively to first nomination announcements, with positive effects between −1 and +1.

Panel A of Table 4 reports a mean 0.33% abnormal return around the 3-day period surrounding government award announcements. The short-term market reaction is greater for first promotions (mean = 0.61%) than for promotions (mean = 0.00%), suggesting that the former receive more attention from market participants, whereas the latter do not seem to convey much information. Given the average market capitalization observed 10 days before the announcement date (i.e., 10,804 million euros), first nominations are associated with a nontrivial 66 million euro increase in market value. We notice that median CARs computed over 5- and 7-day periods are significantly different from zero at conventional thresholds for the subsample of first nominations, whereas promotions to a higher rank are not.

[10] We use the matched samples that are derived from models (2) and (3) of Table 2.

[11] See for example "Légion d'honneur: la promotion du Nouvel An" (*Le Figaro*, January 1, 2013), "Légion d'honneur: les promus du 14 juillet" (*Europe 1*, July 14, 2011) and "Légion d'honneur: la promotion de Pâques" (*Les Echos*, April 5, 2015). These articles present the most famous people appearing in the nomination/promotion cohorts and emphasize the presence of CEOs. Jean-Charles Naouri (CEO of Casino), Bernard Arnault (CEO of LVMH) and Frédéric Oudéa (CEO of Société Générale) receive special treatment from these press articles.

TABLE 4 Short-term market reactions to award announcements.

Panel A: Total sample

	Whole sample			First promotion			Promotion to a higher rank			Test for differences in:	
	Obs.	Mean (%)	*Median* (%)	Obs.	Mean (%)	*Median* (%)	Obs.	Mean (%)	*Median* (%)	Means (%)	*Medians* (%)
CAR[−1;+1]	166	0.33	0.27	91	0.61**	0.41*	75	0.00	0.12	0.62	0.29
CAR[−2;+2]	166	0.44*	0.33**	91	0.56	1.07**	75	0.28	−0.10	−0.10	1.18
CAR[−3;+3]	166	0.49	0.11	91	0.69*	1.04**	75	0.24	−0.37	1.07	1.41

Panel B: Exclusion of firms with a contaminating news event

	Whole sample			First promotion			Promotion to a higher rank			Test for differences in:	
	Obs.	Mean (%)	*Median* (%)	Obs.	Mean (%)	*Median* (%)	Obs.	Mean (%)	*Median* (%)	Means (%)	*Medians* (%)
CAR[−1;+1]	153	0.22	0.16	85	0.51*	0.38	68	−0.14	−0.06	0.64	0.44
CAR[−2;+2]	153	0.43	0.20*	85	0.62*	1.07**	68	0.19	−0.10	−0.10	1.18
CAR[−3;+3]	153	0.47	0.11	85	0.77*	1.04**	68	0.11	−0.32	1.07	1.37*

Panel C: Short-term market reactions to award announcements

	(1)	(2)	(3)
	CAR[−1;+1]	*CAR[−2;+2]*	*CAR[−3;+3]*
Firm Size	−0.011**	−0.011*	−0.010
	(−2.50)	(−1.98)	(−1.51)
Easter Cohort	0.010	0.009	0.007
	(1.15)	(0.88)	(0.58)
July Cohort	0.009	−0.009	−0.007
	(1.20)	(−0.86)	(−0.61)
Constant	0.010	0.011	0.002
	(0.54)	(0.47)	(0.07)
Year fixed effects	Yes	Yes	Yes
Industry fixed effects	Yes	Yes	Yes
Observations	91	91	91
R-squared	0.520	0.444	0.432
Adjusted *R*-squared	0.228	0.106	0.087

Note: The sample consists of French-listed companies from the SBF 120 index whose CEO was promoted to the rank of Knight or a higher rank for the period from 1998 to 2019. The cumulative abnormal returns, winsorized at 0.01 and 0.99, are measured around the award announcement date that appears in the *Journal Officiel de la République Française* (JORF). Panel A shows the CARs for the entire sample. Panel B reports the CARs obtained after excluding award announcements contaminated by other major corporate announcements (i.e., mergers and acquisitions, business restructuring and/or earnings announcements). The panels also report difference tests based on a *t*-test for equality of means and a Wilcoxon test for equality of medians. Panel C reports OLS regression estimates of models for which the dependent variables are the CARs. The sample consists of French listed companies from the SBF 120 index whose CEO was promoted to the rank of Knight. We control for firm size, industry and year fixed effects. We create two binary variables (Easter Cohort, July Cohort) that indicate whether the bestowal announcement was part of the Easter or July cohort. Consequently, the reference group (intercept) is the January cohort. All standard errors are clustered at the firm level. The corresponding *t*-statistics are reported in parentheses.

*Significance level at 10%.

**Significance level at 5%.

***Significance level at 1%.

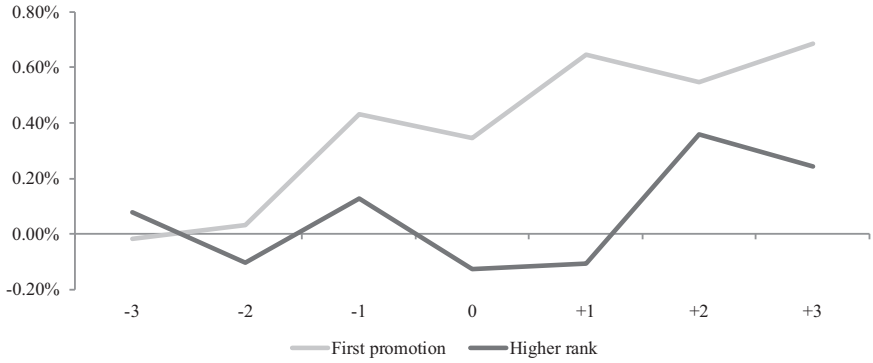

FIGURE 2 Cumulative abnormal returns (CARs) around government award announcements. This graph plots the CARs over a 7-day period (3 days before and 3 days following the event). It distinguishes two types of events: first nominations in the Order of the Legion of Honor (*First promotion*) and promotions to a higher rank (e.g., from the rank of Knight to the rank of Officer) (*Higher rank*).

In a recent note dedicated to event studies in financial and management research, De Jong and Naumovska (2016) stressed the importance of controlling for confounding events. From the Factiva database, we manually check whether major corporate events (i.e., mergers and acquisitions, business restructuring and/or earnings announcements) are contemporaneous with award announcements. We identify 13 contaminated events and test whether their exclusion modifies our results. We obtain qualitatively similar results (see Panel B of Table 4). This finding is consistent with the cross-sectional analyses of corporate valuations provided above.

As emphasized in Section 2, there are currently two annual civilian cohorts for the Legion of Honor: January (with a publication in the JORF on January 1 or 2) and July (the event appears in the JORF on July 13 or 14—the French national day). The Easter cohort was abolished in 2017, with event dates lying on a broader time interval (from March 23 to April 20). This clustering on 4 different months raises the issue of seasonal anomalies, especially that of the January effect (see Thaler (1987) for a discussion).[12] We first notice that our events are evenly distributed across the three bestowal periods, with 58/54/54 events for the January/Easter/July cohorts. These figures are equal to 33/29/29 if we restrict our analysis to first nominations in the Order of the Legion of Honor.

To rule out the possibility that our results are solely driven by any well-documented January effect, we first exclude nominations/promotions from the January cohort. Panel A of Supporting Information Appendix 4 shows that the mean 3-day CARs are equal to 0.85% (a figure significantly different from 0 at the 5% threshold). Moreover, the January effect *is primarily a small firm phenomenon* (Thaler, 1987, p. 199). Conversely, our earlier findings suggest that government awards are a large firm phenomenon (there is a positive correlation between firm size and CEO government awards). Hence, our event sample mostly contains large firms and is thus less susceptible to any January effect.

We repeat such an analysis with the July cohort and obtain 62 observations. The stock market might indeed exhibit positive patterns around French national day. Thus, disentangling between a government award effect and a general trend in the stock market would be difficult. Panel B of Supporting Information Appendix 4 reports that the mean (median) 5-day CARs are equal to 0.80% (1.32%) (both figures are significantly different from 0 at the 5% threshold).

We also run standard univariate tests to compare the CARs observed for each announcement cohort (Panel C of Supporting Information Appendix 4). This leads us to reject the hypothesis that market participants react differently across the three bestowal periods (the differences in means and medians are not significant at conventional thresholds). A multivariate analysis (Panel C of Table 4) that controls for size, year, industry and cohort fixed effects confirms these findings. In summary, no evidence exists that short-term market reactions are driven by seasonal anomalies in stock returns.

[12] We thank an anonymous referee for raising this issue.

4.3 | Robustness checks

4.3.1 | Sample restrictions

Supporting Information Appendix 5 reports various robustness checks. We first exclude banks and insurance companies due to their specific accounting and regulatory requirements and still observe a positive and significant correlation between government awards and firm value (Panel A).

In our sample, we note that 11.5% of awarded CEOs received the Legion of Honor during their appointment year, increasing the ambiguity of who to hold accountable for prior performance. We rerun our performance regressions after excluding newly appointed CEOs (i.e., we restrict the sample to CEOs with a tenure longer than 1 year). The results are qualitatively unchanged (Panel B).

4.3.2 | Awarded predecessor CEOs

Examining the Swedish Order of Vasa, which was intended (until 1974) for services and virtues in mining, agriculture, commerce and industry, Siming (2016b) noted that 82% of his sample's CEOs had an immediate predecessor who was also a recipient of the Order. He also observes that large firms' CEOs are more likely to be awarded, whereas the firm's performance is not a determinant of an award bestowal. We obtain similar evidence for firm size but not for past performance (see Table 2). Siming (2016b) concluded that state awards are more or less automatically bestowed to executives who attain a certain "hierarchical level" in *certain* firms.[13]

The automatic recognition pattern might apply to France. Anecdotally, TotalEnergies (the firm with the largest mean market value over the 1998–2019 period) had seven different CEOs since 1945, all of whom were members of the Order of the Legion of Honor. Beyond size (which we account for), is the Legion of Honor attached to certain other firm characteristics? If so, and if these latter correlate with firm valuation, it would raise the issue of omitted variable bias. For example, a firm's *visibility* might be a potential omitted variable. We try to control for this with an indicator that is set equal to one when the immediate predecessor of the CEO was also a recipient of the Legion of Honor. It is then added as a supplementary control variable in our valuation regressions. The results we obtain, which are tabulated in Supporting Information Appendix 6, closely parallel our earlier findings.

5 | GOVERNMENT AWARDS AND POLITICAL ACCESS

Previous results suggest that government award bestowals positively correlate with firm valuation. We now try to identify the channels through which government awards could add value. We first investigate whether having an awarded CEO provides the firm with better access to politicians and proximity to the state (Section 5.1). Earlier literature suggests that politically connected firms are more likely to be supported by the state in times of economic distress (see, e.g., Faccio et al. (2006)). We thus expect government awards to prove valuable during economic downturns. To test this hypothesis, we investigate whether firms with an awarded CEO respond differently to the great 2008–2009 financial crisis (Section 5.2).

[13] Interestingly, we note that such "automatic" recognitions would tend to undermine some endogeneity concerns (e.g., the reverse causality issue with well- (poorly) performing firms able to (not able to) attract candidates to state awards (Siming, 2016a)).

5.1 | Government awards and proximity to the state

Our empirical approach consists of assessing whether firms with awarded CEOs have greater access to the state and its representatives. We focus on five particular proxies for political connections: (1) the allocation of government procurement contracts, (2) the participation of CEOs in state or official visits, (3) CEOs' meetings with the French Minister of Economy and Finance, (4) CEOs' public hearings at one of the houses of representatives committees and (5) official visits to the firm or one of its subsidiaries by the President of the Republic, the Prime Minister, the Minister of Economy and Finance or one of the secretaries of state attached to the Minister of Economy and Finance. A key issue is the sense of the relationship between these proxies and government awards. It could well be that CEOs with better political access *ex-ante* are more likely to be awarded *ex-post*. To address such bias, our five variables are computed in $t+1$ and associated with government awards in year t.

We rationalize our proxies of political access as follows. First, Goldman et al. (2013) found that political connections significantly impact government procurement contract allocation. This issue is particularly relevant because, with a share of public expenditures of 55.4% (52.9%) of the GDP in 2019 (1998), France has one of the highest levels of government expenditure among OECD countries. We use a dataset on French procurement contracts from the Ministry of Economy and Finance with data available only for the sample period between 2013 and 2016.[14] We compute a binary variable (*Procurement Contract(t+1)*), which indicates whether the firm or one of its subsidiaries obtains a procurement contract of more than 1 million euros from the government, and the natural logarithm of the total euro value of procurement contracts (*Value of Procurement Contracts(t+1)*). Our procedure results in a total sample of 125 firm-years (20.0%) that received government procurement contracts with a mean total value of €13.4 million.

Second, a "state visit" is a formal visit by the French President to a foreign country at the invitation of the head of state of that foreign country. Less formal visits than state visits to another country with less emphasis on ceremonial events are classified as "official." The French President is usually accompanied by CEOs, offering a unique opportunity to network and develop economic links with industry leaders in the country being visited.[15] We collect data on CEO participation in state and official visits from the President Jacques Chirac archive website. The data are thus provided only for the 2003–2006 period. Our *Visit(t+1)* binary variable takes the value of one if the CEO is part of a state or an official visit in the subsequent year. Over our sample period, 19 state and official visits were made involving CEOs from 69 firm-years (11.4% of sample firms).

Third, in the spirit of Brown and Huang (2020), who provide evidence that corporate executives' meetings with key policymakers at the White House are of significant value to corporations, we extract data on CEOs' meetings with the French Minister of Economy and Finance from the website of the Ministry for the 2012–2016 period and the year 2020 (data are not available for the other periods). The variable of interest (*Meeting(t+1)*) takes the value of one if the CEO meets the French Minister of Economy and Finance at least once in the subsequent year. We list 127 CEOs' meetings (16.2% of sample firms).

Fourth, we collect data on CEOs' public hearings at one of the houses of representative committees from the websites of the *Assemblée nationale* and *Sénat*. The data are available only after 2006. CEOs heard at one of the houses of representatives are expected to have more opportunities to influence public decision making. We create an indicator variable (*Hearing(t+1)*) that takes the value of one if a CEO is heard at one of the houses of representative committees in the subsequent year. Our data collection yields a sample of 140 CEOs' public hearings (7.5% of sample firms).

[14] The French Ministry of Economy and Finance provides relevant data since 2014. Because we match firm characteristics in year t with procurement contracts in year $t+1$, we rely on our 2013–2016 sample period and examine the allocation of procurement contracts between 2014 and 2017.

[15] For example, Vinci developed its airport operations following a state visit with Jacques Chirac in 1995 in Phnom Penh (see "Vinci rêve de se poser sur toutes les pistes," *Le Point*, April 18, 2019). A press article mentions that *a State visit is one of the only ways for most CEOs to discuss with the President of the Republic* (see "Jean-Paul, Guillaume et les autres poursuivent Emmanuel," *Challenges*, November 7, 2019). Almost 50 French CEOs accompanied President Macron during his official visit to China in April 2023. Such a visit provides an opportunity for large French firms to gain substantial access to the Chinese market (e.g., Airbus expects to sign new contract with local airlines companies). See "Macron en Chine: ces grands patrons qui accompagnent le chef de l'Etat" (*L'Express*, April 5, 2023).

Finally, we collect data about visits to the firm by officials from the agendas of the President of the Republic, the Prime Minister, the Minister of Economy and Finance and the secretaries of state attached to the Minister of Economy and Finance by searching keywords in Europresse (e.g., a combination of the corporate name and "official visit"). The data are available only for 2011 and subsequent years until 2019. We compute a binary variable, *Site Visit(t+1)*, which takes the value of one if a firm or one of its subsidiaries receives an official visit in the subsequent year. Our sample includes 37 records of official visits (4.4% of sample firms).

Panel A of Table 5 reports tests of differences in means and medians between firms with and without awarded CEOs. Our results show that the values attached to our five proxies for state proximity are significantly larger for the subsample of firms with honored CEOs. Panel B presents the results of probit or OLS regression analyses, depending on the nature of the dependent variable. We report the results of our permanent and temporary estimations.[16] The results generally indicate that government awards are associated with increased political connections. In summary, our empirical evidence suggests that an honored CEO is a valuable asset since she or he provides firms with greater access to political power.

5.2 | Government awards and the financial crisis

Earlier literature suggests that state support might be used as an insurance mechanism against economic downturns. Faccio et al. (2006) demonstrated that banks are willing to lend more to politically connected borrowers because they can reasonably anticipate a future bailout of troubled loans. Blau et al. (2013) showed that politically engaged banks were more likely to receive TARP (Troubled Asset Relief Program) funds during the 2008/09 financial crisis.

In the spirit of Goergen et al. (2015) and Anantavrasilp et al. (2020), Lins et al. (2013), we treat the 2008/09 financial crisis as an exogenous shock that alters investors' perceptions. The crisis is likely to significantly modify the value attached to a firm's proximity with politicians, given the protection against bankruptcy consequences that this latter induces. We thus expect the valuation impact to differ according to the firms' degree of connection to the state in the immediate years following the crisis, with politically connected firms benefitting from a valuation premium.

To test this conjecture, we interact the *Awarded CEO* dummy variable (which captures proximity with politicians) and *Crisis Period*, an indicator variable that takes the value of one for the crisis years 2008 and 2009. We follow Lins et al. (2013) and examine panel regressions for the 2006–2009 period with industry and year fixed effects (column 2 of Table 6) and firm and year fixed effects (column 3 of Table 6) as well as control variables. The limited sample of promotions in the national Order of the Legion of Honor during the crisis prevents us from replicating the temporary model we used previously.

Unsurprisingly, we notice a significant drop in firm valuations during the 2008–2009 period (firms traded with a 28.1% discount compared to the 2006–2007 period according to model (1)). We find that the coefficient of the interaction term is positive and significant at conventional thresholds. The offsetting effect of a state award is not trivial: The values reported in column 3 suggest that the discount is 31% lower (= 0.091/0.293) for firms whose CEO is a recipient of the Legion of Honor. Overall, this empirical analysis tends to show that government awards increase firm value when firms confront economic distress. Having the Legion of Honor, and thus a closer link with the government, is valued by investors when state support is crucial.

[16] The limited sample size and the rarity of certain events (e.g., state representatives' official visits to firms) prevent us from replicating our matching analysis.

TABLE 5 Legion of Honor and political connections.

Panel A: Univariate tests										
			Awarded CEO = 0			*Awarded CEO = 1*				
	Sample	Model	*Obs.*	*Mean*	*Median*	*Obs.*	*Mean*	*Median*	Diff. in means	Diff. in medians
Procurement Contract(t+1)	2013–2016	Permanent model	314	0.12	0.00	312	0.28	0.00	−0.15***	0.00***
									(0.00)	(0.00)
Value of Procurement Contracts(t+1)	2013–2016	Permanent model	314	2.10	0.00	312	4.62	0.00	−2.52***	0.00***
									(0.00)	(0.00)
Visit(t+1)	2002–2005	Permanent model	344	0.03	0.00	264	0.22	0.00	−0.19***	0.00***
									(0.00)	(0.00)
Meeting(t+1)	2011–2015 & 2019	Permanent model	463	0.07	0.00	449	0.24	0.00	−0.18***	0.00***
									(0.00)	(0.00)
Hearing(t+1)	2005–2019	Permanent model	1218	0.03	0.00	1125	0.12	0.00	−0.09***	0.00***
									(0.00)	(0.00)
Site Visit(t+1)	2011–2019	Permanent model	709	0.03	0.00	668	0.05	0.00	−0.03**	0.00**
									(0.01)	(0.01)

Panel B: Multivariate tests						
	(1)	(2)	(3)	(4)	(5)	(6)
	Procurement Contract(t+1)	*Value of Procurement Contracts(t+1)*	*Visit(t+1)*	*Meeting(t+1)*	*Hearing(t+1)*	*Site Visit(t+1)*
Model	Permanent model	Permanent model	Permanent model	Permanent model	Permanent model	Permanent model
Sample	2013–2016	2013–2016	2002–2005	2011–2015 & 2019	2005–2019	2011–2019
Awarded CEO	−0.021	−0.142	0.622**	0.348**	0.176	0.409**
	(−0.08)	(−0.15)	(2.24)	(2.24)	(1.02)	(2.34)
Constant	−9.509**	−23.315	−1.782	−10.901***	−3.867	−10.464***
	(−2.39)	(−1.61)	(−0.61)	(−3.02)	(−1.39)	(−2.59)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	602	626	605	784	1871	846

(Continues)

TABLE 5 (Continued)

Panel B: Multivariate tests						
	(1)	(2)	(3)	(4)	(5)	(6)
	Procurement Contract(t+1)	*Value of Procurement Contracts(t+1)*	*Visit(t+1)*	*Meeting(t+1)*	*Hearing(t+1)*	*Site Visit(t+1)*
Model	Permanent model	Permanent model	Permanent model	Permanent model	Permanent model	Permanent model
Pseudo *R*-squared	0.308		0.449	0.292	0.392	0.246
R-squared		0.282				
Adjusted *R*-squared		0.246				
	(1)	(2)	(3)	(4)	(5)	(6)
	Procurement Contract(t+1)	*Value of Procurement Contracts(t+1)*	*Visit(t+1)*	*Meeting(t+1)*	*Hearing(t+1)*	*Site Visit(t+1)*
Model	Temporary model	Temporary model	Temporary model	Temporary model	Temporary model	Temporary model
Sample	2013–2016	2013–2016	2002–2005	2011–2015 & 2019	2005–2019	2011–2019
Award Winner(t)	0.644**	2.196**	−0.433	−0.194	0.333*	0.421
	(2.54)	(1.99)	(−1.22)	(−0.82)	(1.86)	(1.25)
Constant	−9.533***	−22.334*	−4.804*	−13.039***	−4.691*	−12.585***
	(−2.74)	(−1.69)	(−1.70)	(−3.84)	(−1.82)	(−3.46)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	602	626	605	784	1871	846
Pseudo *R*-squared	0.315		0.442	0.287	0.394	0.242
R-squared		0.287				
Adjusted *R*-squared		0.251				

Note: Panel A reports standard *t*-tests (Wilcoxon tests) for differences in means and medians between firms with an honored CEO and firms whose CEO has not been awarded the Legion of Honor. Panel B reports probit or OLS regression estimates. The dependent variables are (1) a binary variable that takes the value of one if the firm or one of its subsidiaries receives government procurement contracts in the subsequent year and zero otherwise; (2) the natural logarithm of the total euro value of procurement contracts received by the firm and its subsidiaries in the subsequent year; (3) a binary variable that takes the value of one if the CEO participates in a state or an official visit in the subsequent year and zero otherwise; (4) a binary variable that takes the value of one if the CEO meets the French Minister of Economy and Finance in the subsequent year at least once and zero otherwise; (5) a binary variable that takes the value of one if the CEO is heard at least once at one of the houses of representatives committees in the subsequent year and zero otherwise; and (6) a binary variable that takes the value of one if a firm or one of its subsidiaries receives an official visit by either the President of the Republic, the Prime Minister, the Minister of Economy and Finance or one of the secretaries of state attached to the Minister of Economy and Finance and zero otherwise. The sample consists of all SBF 120 index firms with available data. All variable definitions are provided in Appendix 1. In Panel A, the corresponding *p*-values are reported in parentheses. In Panel B, the corresponding *t* and *z*-statistics are reported in parentheses. All standard errors are clustered at the firm level.

*Significance level at 10%.

**Significance level at 5%.

***Significance level at 1%.

TABLE 6 Legion of Honor and the financial crisis.

	(1)	(2)	(3)
	Ln(Tobin's Q)(t)	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*
Model	**Permanent model**	**Permanent model**	**Permanent model**
Sample	**2006–2009**	**2006–2009**	**2006–2009**
Awarded CEO	0.051	0.014	−0.061
	(1.18)	(0.31)	(−1.34)
Crisis Period(t)	−0.281***	−0.315***	−0.293***
	(−7.01)	(−6.90)	(−7.20)
Awarded CEO × Crisis Period(t)		0.075**	0.091***
		(2.16)	(2.74)
Constant	1.611**	1.645**	0.894
	(2.19)	(2.24)	(1.58)
Control variables	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes
Industry fixed effects	Yes	Yes	No
Firm fixed effects	No	No	Yes
Observations	650	650	650
R-squared	0.417	0.420	0.917
Adjusted *R*-squared	0.390	0.391	0.883

Note: This table reports OLS regression estimates of models where the dependent variable is the natural logarithm of Tobin's Q. The models are estimated for the sample of all SBF 120 index firms with available data. *Crisis Period* is a binary variable that takes the value of one for the years 2008 and 2009 and zero otherwise. We follow Lins et al. (2013) and restrict the sample period to the years 2006–2009. The regressions include the same control variables as in model (1) of Table 3. All models include year and industry or firm fixed effects. All financial variables are winsorized at 0.01 and 0.99. All variable definitions are provided in Appendix 1. All standard errors are clustered at the firm level. The corresponding *t*-statistics are reported in parentheses.

*Significance level at 10%.

**Significance level at 5%.

***Significance level at 1%.

6 | GOVERNMENT AWARDS AND CORPORATE GOVERNANCE

Section 4 documents an increase in firm valuation following a state award bestowal. We now consider the possibility that this positive impact is due to investors anticipating improvements in the firm's corporate governance. We first test whether investors' reactions are contingent on the CEO's monitoring environment (Section 6.1). We then use CEO turnover performance as a proxy for corporate governance quality and test whether it is related to CEO status (Section 6.2). In line with Malmendier and Tate (2009), we ultimately investigate whether awarded CEOs extract some rents and whether CEOs' distractions increase following award conferrals (Section 6.3).

6.1 | Government awards, large blockholders and board monitoring

Following Siming (2016a), we now consider state awards as economic instruments of governance that could act as self-disciplining mechanisms for corporate executives. The threat of revocation that is specific to government awards and

the associated loss in reputation are likely to induce a greater sense of responsibility (Frey & Gallus, 2017) and could thus prevent CEOs from extracting private benefits at the expense of outside investors. Following this reasoning, one should expect government awards to be more valuable when the potential for opportunistic CEO behavior is high, that is, when the CEO evolves in a poor monitoring environment.

To test this hypothesis, we examine various measures that aim to capture the quality and intensity of CEO monitoring. First, unitary boards (as opposed to dual boards) have been shown to be less monitoring intensive (Belot et al., 2014). Second, large blockholders have incentives to actively monitor the CEO (Shleifer and Vishny, 1986). We use the largest blockholder's equity stake and create an indicator variable—*No Majority Owner*—which is set equal to one when there is no owner holding more than 50% of the voting rights (this threshold is similar to that of Goergen et al. (2015)). We consider that the absence of a strong majority shareholder is associated with less intensive monitoring. Third, we compute a composite index (*Weak Monitoring Index(t)*), which reflects the structure and composition of the board. The variable ranges from 0 to 3 (the larger the score is, the less stringent the CEO monitoring intensity) and is formed by adding one when (1) the firm has a unitary board structure, (2) the CEO and chairperson functions are not separated (a leadership structure where the CEO also holds the chairperson position is often viewed as characterizing poor corporate governance (Adams, 2017)) and (3) the fraction of independent directors is low.[17] This index allows for the integration of various dimensions of corporate governance practices (Beiner et al., 2006).

Table 7 reports the results of the valuation regressions. Our empirical specifications are similar to those used in Table 3, but the regression coefficients on our control variables are not reported for the sake of brevity (they are available upon request). We focus on the coefficient of the interaction terms between the government award dummy variable and our proxies for poor monitoring. These interaction terms are introduced to capture any moderating effect of existing corporate governance.

The results show that having an honored CEO is more valued when existing CEO monitoring is low. For example, using the coefficients reported in column 3, it appears that firms with an awarded CEO who is not monitored by a dominant owner trade with a significant (at the 1% threshold) 12.30% premium (i.e., 0.023 + 0.100). Our findings contribute to the ample literature on whether various corporate governance mechanisms may substitute or complement each other (see, e.g., Rediker & Seth (1995)) by suggesting that government awards substitute for poor board and shareholder monitoring. Overall, the regression results tend to show that government awards are effective disciplinary devices for CEOs evolving in low-monitoring environments.

6.2 | Government awards and CEO turnover

In this subsection, we investigate whether winning a government award affects CEO turnover. This possibility is addressed in Table 8. Following Faleye et al. (2011), we estimate probit regressions in which *CEO Turnover* is the dependent variable and 12-month stock market performance (*Stock Perf 1y(t)*) and its interaction with our measures for awarded CEOs are the main explanatory variables.

In line with earlier studies, the empirical results from column 1 show that CEO changes are negatively and significantly correlated with prior performance. This finding suggests that boards effectively perform their monitoring duties. In addition to prior performance and consistent with the literature, we find that CEO turnover increases with CEO age and decreases with CEO power and family ownership.

In column 2, we find that the coefficient of the interaction term *Stock Perf 1y(t)* × *Award Winner(t)* is negative and significant (at the 5% level), which suggests that boards are particularly prone to take action against an inefficient CEO when the CEO has recently received a government award. It might be that awarded CEOs attract more attention

[17] We follow the Afep-Medef corporate governance code (which provides governance recommendations for French publicly traded companies) to assess board independence. For firms without (with) a controlling shareholder, we consider the fraction of independent directors to be low when the percentage of board seats that is allocated to independent directors is lower than 50% (33.33%).

TABLE 7 Legion of Honor, monitoring and corporate performance.

	(1)	(2)	(3)	(4)	(5)	(6)
	Ln(Tobin's Q)(t)	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*
Model	Permanent model	Permanent model	Permanent model	Permanent model	Permanent model	Permanent model
Sample	All	All	All	All	All	All
Awarded CEO	0.034	−0.035	0.023	−0.056	0.029	−0.059**
	(0.83)	(−0.77)	(0.49)	(−1.38)	(0.75)	(−2.03)
Unitary Board(t)	0.004	−0.087**				
	(0.08)	(−1.99)				
No Majority Owner(t)			−0.053	−0.081**		
			(−1.43)	(−2.32)		
Weak Monitoring Index(t)					−0.004	−0.020
					(−0.19)	(−1.12)
Awarded CEO × Unitary Board(t)	0.081*	0.042				
	(1.77)	(0.94)				
Awarded CEO × No Majority Owner(t)			0.100**	0.074*		
			(2.08)	(1.78)		
Awarded CEO × Weak Monitoring Index(t)					0.039**	0.038**
					(2.02)	(2.21)
Constant	1.797***	3.485***	1.746***	3.552***	2.169***	3.589***
	(4.76)	(9.84)	(4.66)	(10.20)	(5.33)	(10.74)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Industry fixed effects	Yes	No	Yes	No	Yes	No

(Continues)

TABLE 7 (Continued)

	(1)	(2)	(3)	(4)	(5)	(6)
	Ln(Tobin's Q)(t)	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*	*Ln(Tobin's Q)(t)*
Model	**Permanent model**	**Permanent model**	**Permanent model**	**Permanent model**	**Permanent model**	**Permanent model**
Sample	**All**	**All**	**All**	**All**	**All**	**All**
Firm fixed effects	No	Yes	No	Yes	No	Yes
Observations	3409	3409	3409	3409	2861	2861
R-squared	0.490	0.772	0.491	0.771	0.488	0.806
Adjusted *R*-squared	0.483	0.752	0.483	0.751	0.479	0.787

Note: This table reports OLS regression estimates of models where the dependent variable is the natural logarithm of Tobin's *Q*. We use the sample of all SBF 120 index firms with available data for the period from 1998 to 2019. The regressions include the control variables shown in Table 3. All models include year and industry or firm fixed effects. All financial variables are winsorized at 0.01 and 0.99. All variable definitions are provided in Appendix 1. All standard errors are clustered at the firm level. The corresponding *t*-statistics are reported in parentheses.
*Significance level at 10%.
**Significance level at 5%.
***Significance level at 1%.

TABLE 8 Legion of Honor and CEO turnover.

	(1)	(2)	(3)	(4)
	CEO Turnover(t+1)	*CEO Turnover(t+1)*	*CEO Turnover(t+1)*	*CEO Turnover(t+1)*
Model		**Temporary model**	**Temporary model**	**Permanent model**
Sample	**All**	**All**	**All**	**All**
Stock Perf 1y(t)	−0.283***	−0.252***	−0.252***	−0.190*
	(−2.96)	(−2.63)	(−2.63)	(−1.78)
Award Winner(t)		0.054		
		(0.41)		
First Award Winner(t)			−0.069	
			(−0.33)	
Multiple Award Winner(t)			0.140	
			(0.77)	
Awarded CEO				−0.043
				(−0.59)
Stock Perf 1y(t) × Award Winner(t)		−0.857**		
		(−1.97)		
Stock Perf 1y(t) × First Award Winner(t)			−1.192*	
			(−1.78)	
Stock Perf 1y(t) × Multiple Award Winner(t)			−0.644	
			(−1.14)	
Stock Perf 1y(t) × Awarded CEO				−0.272*
				(−1.86)
Powerful CEO(t)	−0.242***	−0.244***	−0.244***	−0.238***
	(−4.11)	(−4.17)	(−4.17)	(−4.09)
Ln(CEO Age)(t)	1.807***	1.814***	1.802***	1.859***
	(6.94)	(6.96)	(6.97)	(7.11)
Ln(CEO Tenure)(t)	−0.004	−0.003	−0.005	−0.002
	(−0.10)	(−0.09)	(−0.14)	(−0.05)
CEO Woman(t)	0.100	0.087	0.087	0.124
	(0.81)	(0.66)	(0.65)	(0.97)
Firm Size(t)	−0.065	−0.068	−0.068	−0.051
	(−1.50)	(−1.56)	(−1.57)	(−1.06)
Volatility(t)	8.659**	8.355**	8.324**	8.316**
	(2.32)	(2.23)	(2.23)	(2.23)
Largest Shareholder(t)	0.375***	0.370**	0.369**	0.373***
	(2.58)	(2.53)	(2.53)	(2.58)
Family10(t)	−0.207***	−0.210***	−0.209***	−0.207***
	(−2.72)	(−2.75)	(−2.74)	(−2.73)
State10(t)	−0.064	−0.068	−0.069	−0.067
	(−0.72)	(−0.76)	(−0.77)	(−0.75)

(Continues)

TABLE 8 (Continued)

	(1)	(2)	(3)	(4)
	CEO Turnover(t+1)	*CEO Turnover(t+1)*	*CEO Turnover(t+1)*	*CEO Turnover(t+1)*
Model		**Temporary model**	**Temporary model**	**Permanent model**
Sample	**All**	**All**	**All**	**All**
Constant	−8.317***	−8.319***	−8.261***	−8.569***
	(−7.99)	(−7.98)	(−7.96)	(−8.01)
Year fixed effects	Yes	Yes	Yes	Yes
Industry fixed effects	Yes	Yes	Yes	Yes
Observations	3308	3308	3308	3308
Pseudo *R*-squared	0.061	0.063	0.063	0.062

Note: This table reports probit regression estimates of models where the dependent variable is CEO turnover. Models are estimated for the sample of all SBF 120 index firms with available data for the period from 1998 to 2019. All models include year and industry fixed effects. All financial variables are winsorized at 0.01 and 0.99. All variable definitions are provided in Appendix 1. All standard errors are clustered at the firm level. The corresponding *z*-statistics are reported in parentheses.
*Significance level at 10%.
**Significance level at 5%.
***Significance level at 1%.

and that their actions are more scrutinized than those of their nonawarded counterparts; consequently, their board of directors is more demanding. In column 3, we split the *Award Winner* variable into *First Award Winner* and *Multiple Award Winner* and find that the effects are attributable to first-nominated CEOs in the national Order of the Legion of Honor.

The results reported in column 4 suggest that the governance effect is permanent (i.e., not limited to the conferral year): Recipients of the Legion of Honor (firm-year observations with *Awarded CEO* = 1) are more likely to be fired for poor performance. Overall, our results suggest that government awards are not an entrenchment mechanism for CEOs.

6.3 | CEO outside directorships and CEO compensation around government awards

In this subsection, we first ask whether government awards increase CEOs' outside activities, focusing on outside board seats that may distract attention from maximizing firm value (Malmendier & Tate, 2009). We explore this possibility in Table 9. We compare the variation in the number of CEO board seats between first (multiple) award-winning CEOs and propensity score-matched predicted winners. For the three event windows considered (years [−1;+1] with year 0 as the event year, [0;+1] and [0;+2]), the results do not show a significant increase in CEOs' outside directorships around government awards, suggesting no rent extraction by a CEO following the conferment of a government award that may come at the expense of shareholders.

We then follow Malmendier and Tate (2009) and assess whether award winners are able to use their increased status to extract more compensation from the company. We obtain information on CEO compensation from S&P Capital IQ. In Table 10, we compare the mean increase in cash (i.e., salary plus bonus) (Panel A) and total compensation (i.e., salary plus bonus plus value of options grants) (Panel B) between award winners and matched predicted winners in the 3-year windows [−1;+1], [0;+1] and [0;+2] in percentage and nominal euros.[18] The cash and total compensation differences between winners and predicted winners are nonsignificant over the different time horizons, suggesting that increases in CEO status captured by government awards do not lead to rent extraction.

[18] Data availability substantially limits the sample size and prevents us from examining the effects for first- and multiple-award winners.

TABLE 9 CEO outside directorships around government awards.

Panel A: First award winners vs. predicted award winners								
	First Award Winner			Predicted Award Winner				
	Obs.	*Mean*	*Median*	*Obs.*	*Mean*	*Median*	Diff. in means	Diff. in medians
Δ Board Seats [−1;+2]	55	0.33	0.00	48	0.27	0.00	0.06	0.00
							(0.76)	(0.31)
Δ Board Seats [−1;+1]	62	0.23	0.00	54	0.19	0.00	0.04	0.00
							(0.74)	(0.45)
Δ Board Seats [0;+2]	72	0.29	0.00	64	0.14	0.00	0.15	0.00*
							(0.22)	(0.05)
Panel B: Multiple award winners vs. predicted award winners								
	Multiple Award Winner			Predicted Award Winner				
	Obs.	*Mean*	*Median*	*Obs.*	*Mean*	*Median*	Diff. in means	Diff. in medians
Δ Board Seats [−1;+2]	50	0.08	0.00	53	−0.13	0.00	0.21	0.00
							(0.30)	(0.62)
Δ Board Seats [−1;+1]	58	0.02	0.00	64	−0.14	0.00	0.16	0.00
							(0.27)	(0.26)
Δ Board Seats [0;+2]	55	0.04	0.00	56	0.02	0.00	0.02	0.00
							(0.91)	(0.79)

Note: This table reports tests of differences in means (standard *t*-tests) and medians (Wilcoxon tests) of the variation in the number of CEO board seats in listed companies around a government award for first nominations (Panel A) and subsequent promotions (Panel B). We use matched samples of firms with awarded and nonawarded CEOs derived from propensity score matching procedures (see Table 2). Δ indicates a change measured over the horizon in years relative to the award shown in brackets. All variable definitions are provided in Appendix 1. The corresponding *p*-values are reported in parentheses.
*Significance level at 10%.
**Significance level at 5%.
***Significance level at 1%.

7 | EXTENSIONS

Our results thus far call into question the desirability of the Legion of Honor from the CEOs' viewpoint to the extent that recipients do not extract any benefits in terms of increased compensation or outside visibility and bear a greater risk of being fired when firm performance is low. We thus now search for other side benefits that could justify the valuation (highlighted in the Introduction) that corporate leaders attribute to state awards (Section 7.1). As a final extension, we investigate whether state awards are all the same in assessing the impact of the less prestigious French Order of Merit (Section 7.2).

7.1 | CEO reemployment after turnover

In search of some nonpecuniary benefits associated with the Legion of Honor, we examine the quality of CEO reemployment after a forced departure. This analysis appears in Nguyen (2012). Our intuition is that (as is the case for elite educational networks) belonging to the "small world" of Legion of Honor recipients might offer protection against CEO unemployment. We create a binary variable that is equal to one when a CEO founded her or his investing, advisory or

TABLE 10 CEO compensation around government awards.

Panel A: Cash compensation									
Variable		Award Winner			Predicted Award Winner				
		Obs.	*Mean*	*Median*	*Obs.*	*Mean*	*Median*	Diff. in means	Diff. in medians
Δ Cash Compensation [−1;+2]	%	28	28.96	14.95	31	32.78	11.68	−3.83	3.27
								(0.85)	(0.47)
	€K	28	211.82	203.83	31	224.06	149.22	−12.23	54.61
								(0.93)	(0.89)
Δ Cash Compensation [−1;+1]	%	33	33.70	17.34	39	24.42	7.67	9.28	9.67
								(0.60)	(0.45)
	€K	33	309.88	232.10	39	183.43	106.45	126.45	125.65
								(0.39)	(0.22)
Δ Cash Compensation [0;+2]	%	46	13.11	2.38	38	15.02	3.01	−1.91	−0.63
								(0.87)	(0.72)
	€K	46	97.97	34.25	38	−79.62	38.57	177.59	−4.32
								(0.26)	(0.79)
Panel B: Total compensation									
		Award Winner			Predicted Award Winner				
Variable		*Obs.*	*Mean*	*Median*	*Obs.*	*Mean*	*Median*	Diff. in means	Diff. in medians
Δ Total Compensation [−1;+2]	%	28	77.58	30.50	31	42.83	20.49	34.75	10.01
								(0.28)	(0.65)
	€K	28	858.01	432.46	31	514.76	272.29	343.24	160.17
								(0.34)	(0.40)
Δ Total Compensation [−1;+1]	%	33	52.47	22.77	39	24.00	5.77	28.47	17.00
								(0.15)	(0.34)
	€K	33	730.12	460.67	39	285.89	146.57	444.23	314.10
								(0.16)	(0.32)
Δ Total Compensation [0;+2]	%	46	40.98	12.14	38	25.87	13.20	15.10	−1.06
								(0.43)	(0.94)
	€K	46	490.00	227.81	38	214.77	206.43	275.23	21.38
								(0.36)	(0.76)

Note: This table reports tests of differences in means (standard *t*-tests) and medians (Wilcoxon tests) of the variation in CEO cash compensation (Panel A) and total compensation (Panel B) around a government award. We use matched samples of firms with awarded and nonawarded CEOs derived from propensity score matching procedures (see Table 2). Δ indicates a change measured over the horizon in years relative to the award shown in brackets. We distinguish the variation in percentage (%) and in monetary terms (€K). Cash Compensation is salary plus bonus. Total Compensation is salary plus bonus plus the value of options grants. All variable definitions are provided in Appendix 1. The corresponding *p*-values are reported in parentheses.

*Significance level at 10%.

**Significance level at 5%.

***Significance level at 1%.

TABLE 11 CEO reemployment after dismissal.

		Awarded CEO = 0			*Awarded CEO = 1*				
CEO job after CEO employment	**Model**	***Obs.***	***Mean***	***Median***	***Obs.***	***Mean***	***Median***	**Diff. in means**	**Diff. in medians**
The CEO founded his/her own firm(t+1)	Permanent model	102	0.39	0.00	41	0.22	0.00	0.17**	0.00*
								(0.05)	(0.07)

Note: This table reports standard t-tests (Wilcoxon tests) for differences in means (medians) between firms with an honored CEO and firms whose CEO has not been awarded the Legion of Honor. The sample consists of all CEO turnovers in the SBF 120 firms for the period from 1998 to 2019. We restrict our analysis to CEOs who are under 60 years old and thus exclude normal retirements (i.e., normal departures due to an age limit or a planned succession) and exogenous turnovers (e.g., death and illness). All variable definitions are provided in Appendix 1. The corresponding p-values are reported in parentheses.

*Significance level at 10%.

**Significance level at 5%.

***Significance level at 1%.

consulting firm after being forcefully dismissed. We interpret such an entrepreneurial choice as evidence that a CEO has difficulty finding a position comparable to her or his previous duties.[19]

Our criteria for building a sample of CEOs who were forced out are as follows. We restrict our analysis to CEOs who are younger than 60 years old and exclude those who experienced normal retirement (i.e., normal departures due to an age limit or a planned succession) and exogenous turnovers (e.g., death and illness). In Table 11, we compare the probability of founding a consulting firm between honored and nonhonored CEOs. We observe that obtaining reemployment is easier for honored CEOs: only 22% of awarded CEOs are forced to launch their own firms after being ousted; this probability increases to 39% in the subsample of nonawarded CEOs. The difference is statistically significant at the 5% level. A potential explanation is that an awarded CEO benefits from stronger social connections, creating a broader network that might assist her or him in finding new employment.

7.2 | National order of merit

After the Legion of Honor, the national Order of Merit is the second national order that honors French citizens. It was established in 1963 by Général de Gaulle and also consists of five ranks. We note that the national Order of Merit counts many CEOs among its members. For example, Air Liquide's CEO Benoit Potier (see Section 3.2.1) is also a recipient of this "lesser" award.

We replicate our analyses for the Order of Merit (see Supporting Information Appendix 7). We first observe a lower prevalence than that of the Legion of Honor (see Panel A) with our indicator variable for awarded CEOs being equal to one in 25.3% of our firm-year observations. The results reported in Panel B show that the bestowal of this "lesser" award has no significant association with firm performance regardless of our empirical approach (permanent vs. temporary model, standard OLS regressions vs. entropy balancing). Overall, our results suggest that the national Order of Merit does not attract much attention from outside investors. It looks like there is also a "rank" in investors' valuation of state awards.

We finally run additional robustness checks and reestimate the models in Table 3 by adding an indicator variable that is equal to one if the CEO is also a recipient of the Order of Merit. This approach yields results that closely parallel earlier findings (see Supporting Information Appendix 8); we notice that the coefficient on the additional control variable is not significantly different from zero.

8 | CONCLUSION

In this study, we examine the association between government awards to CEOs and firm performance. We find that firms managed by awarded CEOs receive valuation premiums relative to a control sample of firms with nonhonored CEOs. We examine short-term stock market reactions around the announcement of government award conferrals and observe positive CARs. Interestingly, the effects are stronger for first-awarded CEOs. We do not observe any significant increase in firm valuation when an already honored CEO is awarded a promotion in the Order of the Legion of Honor.

We explore the potential sources of this valuation premium. Our first strand of analysis relates to the ample research on corporate political connections. We document an increase in political access following a state award conferral. Among other results, we indeed show that firms with awarded CEOs are more likely to be allocated procurement contracts and to attract attention from politicians.

We also examine a firm's corporate governance as a second channel through which state awards could create value. We observe that they are associated with greater valuations in low CEO monitoring environments, suggesting that

[19] For anecdotal evidence, see "Le conseil et la banque pour rebondir" (*Le Parisien*, February 28, 2011).

they act as substitutes for standard internal governance mechanisms. Award-winning CEOs are more likely to be dismissed for poor performance, and no increase in CEOs' outside directorships or compensation is observed around award bestowals. These results are at odds with the empirical evidence on entrenchment that has been provided for media awards. They suggest that government awards reinforce the reputational concerns of recipient CEOs and of their firms' directors.

Readers could question the external validity of our findings. France is indeed a unique setting with a very high level of government expenditures, and state awards (considered antecedents of corporate political connections) might be especially attractive to investors. A potentially fruitful direction for further research would be to extend our analysis to other international contexts. We nevertheless believe that our results might prove generalizable for at least two reasons. First, the French Legion of Honor has inspired many other countries' modern orders of merit (Frey & Gallus, 2017). Second, earlier research has shown that corporate political connections are widespread and valuable in various—and very different—institutional frameworks (see, e.g., Faccio (2006) for worldwide evidence or Goldman et al. (2009) for the United States).

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CONFLICT OF INTEREST STATEMENT

The authors declare no conflicts of interest.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon reasonable request.

ORCID

François Belot https://orcid.org/0000-0001-7797-9104

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

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APPENDIX 1: VARIABLE DEFINITIONS

This appendix describes the variables for CEO characteristics, firm characteristics and corporate governance used in the analyses.

Variables	Definition
Government awards	
Award Winner(t)	Binary variable that equals 1 if the CEO has been promoted to the rank of Knight or a higher rank (i.e., from the rank of Knight to that of Officer, from the rank of Officer to that of Commander, from the rank of Commander to that of Grand Officer, or from the rank of Grand Officer to that of Grand Cross) during the fiscal year and 0 otherwise (source: authors' database).
Awarded CEO	Binary variable that takes the value of 1 if the CEO is a member of the Legion of Honor and 0 otherwise (source: authors' database).
First Award Winner(t)	Binary variable that takes the value of 1 if the CEO has been promoted to the rank of Knight during the fiscal year and 0 otherwise (source: authors' database).
Multiple Award Winner(t)	Binary variable that takes the value of 1 if the CEO has been promoted from the rank of Knight to that of Officer, from the rank of Officer to that of Commander, from the rank of Commander to that of Grand Officer, or from the rank of Grand Officer to that of Grand Cross during the fiscal year and 0 otherwise (source: authors' database).
Firm characteristics	
Firm Size(t)	The natural logarithm of the book value of total assets (in millions of euros) (source: Worldscope).
Leverage(t)	The ratio of financial debt to total assets (source: Worldscope).
Ln(Tobin's Q)(t)	The natural logarithm of Tobin's Q, defined as the market value of equity at the end of the fiscal year plus the book value of assets minus the book value of equity, all divided by the book value of assets (source: Worldscope).

Variables	Definition
R&D/Sales(t)	The ratio of R&D expenditures to net sales (source: Worldscope).
Return on Assets(t)	The ratio of operating income to total assets (source: Worldscope).
Sales Growth(t)	Growth rate computed as the change in net sales (source: Worldscope).
Stock Perf 1y(t)	12-month stock price performance (source: Worldscope).
Tangibility(t)	The ratio of tangible assets to total assets (source: Worldscope).
Var. Employees (t-1/t-3)	The variation in the number of employees over a 2-year period (source: Worldscope).
Volatility(t)	Stock price volatility over the year, computed with daily returns (computed if at least 30 return observations are available) (source: Datastream).
CEO characteristics	
CEO Age(t)	The natural logarithm of the age of the firm's CEO (source: authors' database).
CEO Tenure(t)	The natural logarithm of the number of years since the CEO was appointed (source: authors' database).
CEO Turnover(t+1)	Binary variable that equals 1 if the firm experiences a CEO turnover in the subsequent year and 0 otherwise (source: authors' database).
CEO Woman(t)	Binary variable that takes the value of 1 if the firm's CEO is a woman and 0 otherwise (source: authors' database).
Powerful CEO(t)	A composite index (ranging from 0 to 2) that is obtained by adding 1 when (1) the CEO also chairs the board of directors, and (2) when the CEO is the firm's founder (source: authors' database).
Corporate governance	
No Majority Owner(t)	Binary variable that equals 1 if there is no owner holding more than 50% of the voting rights and 0 otherwise (source: authors' database).
Unitary Board(t)	Binary variable that equals 1 if the firm has a unitary board structure (*Conseil d'administration*) and 0 if the firm has a two-tier board of directors (*Conseil de surveillance* and *Directoire*) (source: authors' database).
Family10(t)	Binary variable that equals 1 when the largest shareholder of the firm owns at least 10% of the voting rights and is directly or ultimately controlled by a family (at the 20% threshold) and 0 otherwise (source: authors' database).
Largest Shareholder(t)	Percentage of outstanding shares held by the largest shareholder (source: authors' database).
Weak Monitoring Index(t)	A composite index (ranging from 0 to 3) that is obtained by adding 1 when (1) the firm has a unitary board of directors, (2) the CEO and chairperson functions are not separated, and (3) the fraction of independent directors is low (i.e., lower than 50% (33.33%) for widely held companies (companies with a dominant blockholder), following the French Afep-Medef corporate governance code of listed corporations) (source: authors' database).
State10(t)	Binary variable that equals 1 when the largest shareholder of the firm owns at least 10% of the voting rights and is directly or ultimately controlled by a state (at the 20% threshold) and 0 otherwise (source: authors' database).
State connections	
Hearing(t+1)	Binary variable that takes the value of 1 if the CEO is heard at least once at one of the houses of representatives committees in the subsequent year and 0 otherwise (source: Assemblée nationale and Sénat).

Variables	Definition
Meeting(t+1)	Binary variable that takes the value of 1 if the CEO meets the French Minister of Economy and Finance in the subsequent year at least once and 0 otherwise (source: French Ministry of Economy and Finance).
Procurement Contract(t+1)	Binary variable that takes the value of 1 if the firm or one of its subsidiaries receives government procurement contracts in the subsequent year and 0 otherwise (source: French Ministry of Economy and Finance).
Site Visit(t+1)	Binary variable that takes the value of 1 if a firm or one of its subsidiaries receive an official visit by either the President of the Republic, the Prime Minister, the Minister of Economy and Finance or one of the Secretaries of state attached to the Minister of Economy and Finance in the subsequent year and 0 otherwise (source: Europresse).
Value of Procurement Contracts(t+1)	The natural logarithm of the total euro value of procurement contracts received by the firm and its subsidiaries in the subsequent year (source: French Ministry of Economy and Finance).
Visit(t+1)	Binary variable that takes the value of 1 if the CEO is part of a state or an official visit in the subsequent year and 0 otherwise (source: President Jacques Chirac official website).
CEO outside directorships and compensation around government awards	
Δ Board Seats	Variation in the number of CEO outside board seats in other listed companies around a government award (source: authors' database).
Δ Cash Compensation	Variation in CEO cash compensation (salary plus bonus) around a government award (source: S&P Capital IQ).
Δ Total Compensation	Variation in CEO total compensation (salary plus bonus plus value of options grants) around a government award (source: S&P Capital IQ).
CEO reemployment after dismissal	
The CEO Founded his/her Own Firm (t+1)	Binary variable that takes the value of 1 if the CEO founded his or her own investing, advisory or consulting firm after his or her dismissal and 0 otherwise (source: authors' database).