SHAREHOLDERS PROPOSALS, VOTE OUTCOME, AND BOARD COMPOSITION

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Abstract

This paper examines the variables that affect vote outcome in shareholder proposals. We found that sponsor identity, proposal type, and board composition play a significant role in determining vote outcome. Furthermore, we found that the interaction between the prior performance with board composition is significant and has a negative coefficient. We conducted nonparametric tests to investigate changes in board's major characteristics before and after targeting. The results indicate that some changes in management and boards occur after shareholder proposals. These changes, however, are unrelated to variables that impact vote outcome. We conclude that shareholders proposals are not effective at changing company behavior or corporate governance.

Keywords: shareholders, board of directors, votes, proposals

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I. Introduction

A. Study Objectives

With the decreased market for hostile takeover in the last decade, shareholder activism has emerged as a possible alternative. The primary role of shareholder activism is to focus attention on poorly performing firms and to pressure management of these firms to improve performance and enhance shareholder's value. Pound (1992) and Black (1992) suggest institutional investor activism as part of an evolution away from market based systems of corporate governance to a more political model.

In this paper we investigated the effectiveness of shareholder proxy proposals using two methods. First we examine shareholder proposal effectiveness by studying voting outcomes and the determinants of voting outcomes. Second we investigate whether there have been any significant changes in board's major characteristics or CEO turnover before and after targeting and whether these changes are related to the shareholder initiatives.

This study differs from previous research in two major areas. Unlike most other studies that concentrate on proposals submitted by pension funds activists, this study focuses on proposals submitted by all types of shareholders whether an individual or a group. Thus, the selection criteria are unbiased regarding sponsor type. In addition, we determine the major variables, such as sponsor type and board composition, that play a major role in voting outcome.

We find that voting outcome is the product of the interaction between certain variables. Firm prior performance measured by cumulative total return interacted with board insider domination is the strongest determinant of voting outcomes. When prior performance is low and the board is dominated by insiders, the mean vote in favor of the proposals is low.

Other studies for example (Gillan and Starcks, 2000) have documented that sponsor's identity as well as issues addressed by the proposal are the main determinants of voting outcome. Similarly, we find that sponsor's identity and proposals types are highly significant determinants of voting outcome. Proposals sponsored by institutions and pension funds have higher probability for approval compared with proposals sponsored by individuals. Also, proposals with issues related to repealing anti-takeover devices and repealing voting issues have higher approval rate than proposals related to board and committee independence issues.

B. Shareholder Proposals

The use of shareholder proposals is increasing year after year despite the fact that their effectiveness is

questionable. A large number of proposals are submitted more than once suggesting that even tenacious shareholders have difficulty passing proposals. For example, a proposal concerning confidential voting was submitted to Merrill Lynch Corporation by an active individual investor each year for 11 consecutive years. However, it was never passed.

There are several possible reasons why the growth in proposal use continues even with a poor success rate. Investors are becoming more sophisticated and may be using proposals as a method to alert firms to improve their performance. While the proposal may fail, it may lead the company to make changes that benefit shareholders. Another possible reason for the increase use of proposals is the high transaction costs in the money market. That is, shareholders may find it cheaper to improve the performance of firms in their portfolio than selling the stocks of such weak performing firms especially if the proposal is effective and firm value improves. If shareholder proposals improve firm performance and ultimately firm value, then initiating a proposal may be a positive net present value investment.

Insert Table 1 About Here

Table 1 shows the ten most cited reasons for firms to be targeted during our sample period, 1995-1996. The most common proposal is the repeal of classified boards. The logic behind this type of proposal is that staged elections provide less chance for board changes. This in turn may reduce the odds of a takeover attempt and/or increase the time that it takes to make changes in board structure. However, boards that are elected yearly provide more chance for a board change and hence, improved performance. Further, it allows shareholders an opportunity to annually register their views on the performance of the board collectively and individually. There are 178 cases of shareholder proposals for this reason, but only 18 (10%) were successfully passed.

The second most frequent proposal type was to provide non-employee director pensions only upon approval of shareholders. Most firms establish a retirement plan for non-employee directors with at least five years of service. Under these plans, non-employee directors often receive an annual retirement benefit for life equal to the annual board retainer in effect at the time of the director's retirement from the board. These plans can be expensive. There were 97 instances of these proposals, but only 1 passed.

The third most cited reason was to adopt cumulative voting. Cumulative voting grants shareholders the number of votes equal to the number of shares owned multiplied by the number of directors to be elected. Thus, cumulative voting may create more competitive elections. Managers often oppose cumulative voting because it might lead to the election of dissidents to the board of directors. A small group of stockholders may elect one or more directors who represent the special interests of a group. There were 76 cumulative voting proposals, but none of them passed. Poison pills may be used to thwart takeover attempts. There were 50 instances of proposals designed to eliminate poison pills. Eleven of these proposals passed giving this type of proposal the highest success rate (22%).

The remainder of this article is divided as follows. Section 1 provides some literature review on shareholder activism. Section 2 provides description of the target list and sample. Section 3 provides methodology and results. The last section is the conclusion.

II Literature Review

A. Shareholders Activism

There are at least two ways for activist shareholders to attempt to change a company's behavior, proxy proposals and private negotiation. The two forms of activism are not mutually exclusive and may be used together (Wahal, 1996). Del Guercio and Hawkins 1999) argue that proposals are generally filed only when private negotiations fail. Thus the appearance of a proposal on a proxy might signal that management is unresponsive to shareholders.

One stream of literature focuses on reasons for targeting a company. Several studies have found that the most cited reason for a sponsor to target a company is based on its weak performance. For example, Karpoff, Malatesta and Walkling (1996) find that firms attracting governance proposals have poor prior performance as measured by the market-to-book ratio, operating return and sales growth. Furthermore, based on CalPERS screening process; companies with poor economic performance and governance structures are placed on their focus list. Among the most important CalPERS elements that determine board accountability is, board size between 6-15 members, non-classified board, separate chair/CEO, greater than 75% independent directors, and no members of the board are related to each other. Del Guercio and Hawkins (1999) addressed the same question of the motivation for targeting and find no evidence to support motivations other than value maximization. Smith (1996) examines firm characteristics that lead to shareholder activism. He finds that firm size and the level of institutional holdings are positively related to the probability of being targeted.

B. Proposal Effectiveness

As Shown in Table 1, there are quite a few proposals submitted to increase board diversity. While the external market for corporate control can be an effective means of disciplining managers, forcing more outside directors may serve as an effective substitute. These proposals generally fail.

Wahal's (1996) study of pension fund activism finds no significant abnormal returns at the time of targeting by pension funds. His results casts doubt on the effectiveness of pension fund activism as a substitute for an active market for corporate control. By contrast, Smith (1996) provides different evidence. He finds that in general shareholder activism is largely successful in changing governance structure and when successful it increases shareholders wealth. In this study 72% of the targets either adopted proposed governance structure resolutions or made changes sufficient to warrant a settlement. Del Guercio and Hawkins (1999) find similar results. Prevost and Rao (2000) find negative abnormal returns associated with pension fund backed shareholder proposals. Thus, the evidence on this issue is not conclusive.

The previous studies concentrated on the actions of a single pension fund or on several (five in Del Guercio and Hawkins study, and nine in Wahal study) of the most powerful funds. Their results may not be generalizable to actions of less powerful pension funds and of individual shareholder proposals.

Gillan and Starcks (1998) examined the effectiveness of shareholder activism by both institutional and individual investors. Their findings suggest that shareholder voting and stock market reaction depend on the issues addressed by the proposal as well as the identity of the proposal sponsor. Proposals sponsored by active individual investors garner fewer votes and are associated with no measurable impact on stock prices. Proposals sponsored by large institutional investors or coordinated groups receive significantly more votes and appear to have some small but measurable impact on stock prices.

Since there are differences in the findings on the effectiveness of shareholder proposals, we argue that it remains an empirical question. Since shareholder proposals are common the determinants of their effectiveness is an important issue.

C. Board Composition and Shareholder Proposals

There have been numerous studies that have documented the role of independent outside directors in protecting shareholders (Bayainger & Butler, 1985; Byrd & Hickman, 1992; Lee, Rosenstein, Rangan, & Davidson, 1992; Brickley, Lease, & Smith, 1994; and Brickley, Coles & Jarrell, 1997). Carleton, Nelson, and Weisbach (1998) argue that board composition and stock ownership may influence the outcome of shareholder proposals. Firms with a high proportion of inside directors may be more likely to resist these proposals. They also find significant and negative abnormal returns for proposals that target board diversity issues.

Results on CEO turnover associated with targeting are not yet conclusive. Opler and Sokobin (1997) document little change in the rate of CEO turnover following appearance on the focus list of the Council of Institutional Investors. Specifically, the one-year CEO turnover rates were abnormally high both before and after appearance on a focus list. The CEO turnover was 18.6% before targeting and 17.8% after targeting. Del Guercio and Hawkins (1999), Karpoff et al. (1996), Smith (1996), Woods (1996) have all find no significant change in CEO turnover. However, other studies (Huson, 1997) have found an increase in CEO turnover following shareholder intervention. Finally, Opler and Sokobin (1997) have found a decrease in CEO turnover following shareholder intervention. We propose that one outcome of shareholder activism may be changes in board composition and structure as well as in senior managers. We propose to first examine whether board composition and CEOs change following shareholder proposals and then, if changes occur, determine whether these changes are related to shareholder proposal and the shareholder support it receives.

3. Target list and Sample

We obtained the focus list from the Investor Responsibility Research Center IRRC for the years 1995 and 1996 which includes all major corporate governance shareholder proposals. The sample in this study is different from other studies since we include proposals submitted by several types of activist investors (public pension funds, coordinated groups of investors, and individual investors). The total number of firms that have been targeted in the years 1995 and 1996 was 597. Proposals, which the IRRC denotes as "withdrawn", or "omitted" are not included in the sample. Also, proposals that are taken off the proxy prior to the mailing date are excluded from the sample. For the above two reasons 180 firms were excluded from the sampling procedure. Therefore, our sample frame consists of 417 proposals. Further, during the sampling procedure 27 firms were excluded due to merger activity, and 18 were excluded due to repetition (one proposal listed in the IRRC data twice) in the two years.

From the remaining proposals, we selected a random sample using the S-plus package of one hundred firms out of the checklist. In our sample, some firms have more than one proposal and some firms have been targeted

for two consecutive years. Our final sample consists of 143 proposals submitted to 100 firms. We obtained board composition data from reading proxy statements for each firm. Proxy statements came from the Lexis Nexis database. These data were collected for the year before a firm is targeted and for the year after a firm is targeted. Stock market prices were obtained from standard & Poor's Stock Market Prices Report.

Table 2 provides summary statistics for the data. Panel A shows the type of proposal in our sample and sponsor ownership statistics for the eleven proposals receiving more that 50% votes in favor. Panel B shows the same data for the proposals receiving 35% to 50% positive votes, Panel C for those receiving 20% to 35% and Panel D for those receiving less than 20%. Comparing the data in Panel A with that in Panel D shows that groups sponsored 8 of the 11 (72.7%) successfully passed proposals, but only 19 of the 57 (33.3%) receiving below 20% of shareholders votes. The proportion of stock owned by the groups in Panel A (1.369%) is considerable larger than that in Panel D (0.033%). Ownership by groups of shareholders that sponsor proposals is higher than the ownership of individuals shareholders.

Insert Table 2 About Here

Table 3 provides more data on the eleven proposals in our sample that received at least 50% support. The boards of only two firms are dominated by insiders and affiliated outsiders. So successful proposals may be more common when independent outsiders dominate. Further, these firms have low performance measured by cumulative total return. Finally, consistent with Del Guercio and Hawkins (1999) the two issues that have the highest rate of passing are the repeal poison pill and the repeal of classified boards. Thus, issues related to repealing antitakeover devices received the highest vote in favor across our sample (We also measure the incidence of CEO turnover before and after proposals. Among the 100 firms in our sample there were 19 cases of CEO turnover subsequent to targeting and 10 cases of CEO turnover prior to targeting. Among the 19 cases of CEO turnover subsequent to targeting the age of the CEO was over 63 years in four cases).

Insert Table 3 About Here

4. Methodology and Results

4.1 Voting Outcome

We developed two models to test our hypotheses based on a multiple regression analysis. Our set of independent variables includes firm's performance, board's ownership, board's domination, sponsor, and proposal issue. In our first multiple regression model, we did not include any interaction terms. We treated each proposal as a separate identity of its firm to avoid the problem of correlation—between proposals that are from the same company—through out our analysis.

Model 1:

$$\text{Vote\%} = \beta_0 + \beta_1 \cdot (\text{Prior Performance}) + \beta_2 (\text{Board Domination}) + \beta_3 (\text{Sponsor Type}) + \beta_4 (\text{Board Ownership}) + \beta_5 (\text{Type A}) + \beta_6 (\text{Type B})$$

where "Performance" is a dummy variable that equals to one when the cumulative total return is 15% less than the peer group—indicating low performance—and equal to zero otherwise. The second variable "Domination" is a dummy variable equal to one if the firm's board is dominated by insiders and affiliated outsiders and equal to zero otherwise. Boards are dominated by insiders when the number of insider and affiliated (gray) board members is more than the number of outsiders. The third variable is "Board Ownership" which is a percentage of stock of the company that the board owns. The fourth variable is "Sponsor" which is also a dummy variable that is equal to one if the proposal is sponsored by an institutional investor or a coordinated group and equal to zero otherwise.

The fifth and sixth variables (Type A and Type B) are proposal types. We divide the sample into two groups depending on board domination, inside-dominated boards and outside-dominated boards. Inside directors (insiders) are board members who are full-time employees of the corporation; outside directors are board members who are not employed by the firm and are not affiliated. For our statistical tests, we categorize proposals into three groups. The first group (Type A) includes all proposals related to repealing anti-takeover devices. The second group (Type B) includes all voting-related proposals. The third group includes both proposals related to board and committee independence issues plus all other issues. "Type A" is a dummy variable equal to one when the proposal is of group A and equal to zero otherwise. "Type B" is a dummy variable that is equal to one when the issue is of group B and equal to zero otherwise.

Table 4 Panel A reports the results of the regression in model 1. The coefficient for "Board Ownership" has a highly significant *p*-value of 0.004 with a negative coefficient of –0.47. This result indicates that the higher the board's ownership the lower the percentage of vote outcome. Thus, when board members have greater control of the company they tend to be able to resist shareholder proposals. The coefficient for the variable "Sponsor" is

also highly significant with a *p*-value of 0.002 and a positive coefficient of 7.3. This result indicates that proposals sponsored by coordinated groups or institutional investors have higher probability of a yes vote than proposals sponsored by individuals. Furthermore, Table 4 Panel A reports a highly significant *p*-value for the issue type variables of 0.000 for "Type A" and 0.001 for "Type B". That is, when the proposal issue is related to the repeal of anti-takeover devices or voting issues, the proposal has a greater proportion of yes votes. However, in model 1 the board insider domination variable was not significant.

Insert Table 4 About Here

Model 2:

$$\text{Vote\%} = \beta_0 + \beta_1 \cdot (\text{Performance}) + \beta_2 (\text{Board Domination}) + \beta_3 (\text{Sponsor Type}) + \beta_4 (\text{Board Ownership}) + \beta_5 (\text{Type A}) + \beta_6 (\text{Type B}) + \beta_7 (\text{Performance}) \times (\text{Board Ownership})$$

In our second multiple regression model we added a two-way interaction term among all the variables. However, the results on all the two-way interaction terms were statistically insignificant except for the interaction between board's domination and performance dummy variable. Therefore, we only include this interaction term in the table.

Table 4 Panel B reports the results of the multiple regression in model two. Under this model "Performance" interacted with the "Board Domination" was significant with *p*-value of 0.02 and a negative coefficient of –11.2. That is, when the performance is low accompanied by a board dominated by insiders, there is less probability of a yes vote. In Table 4 Panel A before adding the interaction term, the coefficient for board's domination was not significant, however; in Panel B of Table 4 the *p*-value is significant. Model 2 provide better and more feasible results in explaining vote outcomes than model 1. R-square r^2 value was 0.48 for model 1 and 0.51 for model 2. The second model explained more than 50% of the variation in voting.

4.2. Analysis of Board's Characteristics Before and After Targeting

Whether or not a proposal passes, it may encourage change in a company's organizational structure by showing management that shareholders are unhappy. Here, we argue that one outcome of a shareholder proposal may be a turnover of board membership and a move toward a more outsider dominated board.

In this section we test shareholder proposal effectiveness by analyzing board's major characteristics one year before and one year after targeting. Table 5 provides summary statistics on board's size, domination, and number of board members (insiders, affiliated, outsiders) before and after the shareholder proposals.

Insert Table 5 About Here

We conducted nonparametric tests to determine if there were any significant changes. We use the McNemar's test (Seigel and Castellan, 1988) to test for changes in proportions in board and company data. None of the variables in Table 6 are significant. The change in all the nominal variables of dual CEO, board's ownership, CEO turnover, the number in blockholder holders, and staged election were not significant. Thus, there are infrequent changes in corporate governance mechanisms after shareholder proposals have been put in proxies. Our results are consistent with the findings of Opler and Sokobin (1997), Del Guercio and Hawkins (1999), Karpoff et al. (1996), Smith (1996) and Woods (1996) of no significant change in CEO turnover.

Insert Table 6 About Here

In Table 7, we report changes in board of directors and test their significance using the Wilcoxon sign-rank test. The change in the proportion of board members is insignificant for all board categories, although nominally the percent of independent outsiders does increase and the number of insiders decrease. Board size does decrease by an average of 0.42 members. The decrease in board member size appears to be due to the decrease in the number of insiders. The actual number of insiders decreases significantly. Thus, the board size decrease is apparently driven by the insiders decrease with a highly significant p-value of 0.009.

Insert Table 7 About Here

Table 8 contains regression results relating the changes in board size (Panel A) and changes in percentage of insiders on the board (Panel B) to factors related to the shareholders proposal. If the shareholder proposal causes these board changes to occur, it is likely that a larger vote for the proposal, the proposal sponsor and prior firm performance would be associated with the board changes that we observed in Table 7.

The results in both panels of Table 8 are statistically insignificant. While board size decreases and the proportion of inside board members drops significantly after the proposals, these changes do not appear to be related to the

shareholder proposals.

5. Conclusion

Overall, our results provide further evidence on the notion that shareholder activism is not a substitute mechanism for the market of corporate control.

Our results suggest that shareholder proposals can be effective only in a narrow scope. That is even when the performance is significantly low this will not guarantee a proposal to be passed. The main reason is due to the fact that there are many factors that can affect a vote outcome, most importantly; sponsor's identity, board's domination, issue addressed in the proposal and board's ownership. A very good example was illustrated in one of the firms in our sample. Archer-Daniels-Midland was targeted during 1996 by five different sponsors with four different proposals. Although the performance of the company was significantly lower than their peer group, none of the proposals was passed. And the main reason for these proposals not to pass can be attributed to the fact that this company has a board dominated by insiders with a high percentage of ownership.

Moreover, according to the nonparametric tests that we have performed on board's major characteristics, none of the variables was significantly different between before and after targeting except for the number of inside directors. The previous results indicate that shareholders don't have the power to alter significant changes in firm's boards, in spite of the fact that most of the proposals are initiated in an attempt to make such changes. However, when a proposal is related to the removal of anti-takeover devices it is more effective. Also, when a proposal is initiated by groups it is more effective. Finally, when board's ownership is lower a proposal is more effective.

This area can be further investigated be adding more variables to the model. For example, the existence of anti-takeover devices within the firm can be added to the model as well as the type of industry in which the firm is performing.

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Table 1

Top 10 proposal issues used by sponsors of shareholder 1995-1996 with the number of passed proposals, using the "Checklist of 1995 and 1996 shareholder proposals" IRRC.

		Submitted		Passed	
No.	Proposal	*freq*	*perc*[a]	*freq*	*perc*[b]
1.	Repeal of classified boards	178	15.8%	18	10%
2.	Restrict non-employee director pensions	97	8.6%	1	1%
3.	Cumulative voting	76	6.7%	0	0%
4.	Repeal of poison pill	50	4.4%	11	22%
5.	Increase board diversity	47	4.2%	0	0%
6.	Pay director in stocks	44	3.9%	0	0%
7.	Vote on golden parachute	43	3.8%	3	7%
8.	Confidential voting	42	3.7%	2	5%
9.	Restrict executive/director compensation	40	3.5%	0	0%
10.	Link pay to performance	18	1.6%	0	0%
11.	Others	495	43.8%	6	1%
	Total	1130	100%	41	3.6%

[a] Submitted out of total proposals.
[b] Passed out of submitted proposals.

Table 2

Summary statistics

	Sponsor ownership				
Sponsor	Freq	Mean	Median	Proposal type	Freq
	Panel A: Proposals with vote in favor of more than 50%				
Individual	3	0.004%	0.003%	Repeal of poison pill	2
				Confidential voting	1
Group	8	1.369%	0.391%	Repeal of classified boards	5
				Repeal of poison pill	3
	Panel B: Proposals with vote in favor 35% - 50%				
Individual	9	0.003%	0.001%	Repeal of classified boards	6
				Repeal of poison pill	2
				Others	1
Group	26	0.991%	0.003%	Repeal of classified boards	9
				Confidential voting	4
				Restrict non-employee director pensions	3
				Vote on golden parachute	4
				Cumulative voting	2
				Others	4
	Panel C: Proposals with vote in favor between 20% -35%				
Individual	13	0.019%	0.001%	Repeal of classified boards	2
				Restrict non-employee director pensions	4
				Confidential voting	3
				Cumulative voting	1
				Others	3
Group	25	0.014%	0.003%	Repeal of classified boards	6
				Restrict non-employee director pensions	3
				Cumulative voting	8
				Repeal poison pill	2
				Vote on golden parachute	2
				Majority independent directors	4
	Panel D: Proposals with vote in favor below 20%				
Individual	38	0.008%	0.000%	Repeal of classified boards	1
				Restrict executive pay	8
				Pay directors in stocks	4
				Cumulative voting	2
				Others	23
Group	19	0.033%	0.002%	Repeal of classified boards	1
				Independent nominating committee	2
				Cumulative voting	2
				Pay directors in stocks	2
				Vote on golden parachute	2
				Increase board diversity	3
				Others	7

Table 3
Description of shareholder proposals receiving at least 50% support

Company name	Vote for	Prop.	Sponsor	Board domination	Owner-ship %	CEO change pre	CEO change post	Perf.
Rowam	79.8%	RPP	SWIB	Outsiders	6.44%	No	No	Low
	73.8%	RCB	NYCERS	Outsiders	0.31%	No	No	Low
Alumax	68.2%	RCB	Laborers	Outsiders	0.71%	No	No	Avrg
Ryder System	65.2%	RPP	Individual	Outsiders	0.00%	No	No	Low
	(51.6%)	RCB	Gilberts	Outsiders	0.00%	No	No	Low
Fleming	65.0%	RPP	Teamster	Outsiders	NA	No	No	Low
Oryx Energy	57.5%	RCB	CalPERS	Outsiders	0.50%	Yes	No	Low
Weyerhauser	52.3%	RPP	Long View	Insiders	NA	No	No	Avrg
Bangor Hydro.	51.7%	CV	Individual	Outsiders	0.00%	No	No	Low
Cyprac Amax	(50.7%)	RCB	Gilberts	Outsiders	2.00%	No	No	Low
Central Maine	50.4%	RPP	Individual	Insiders	0.01%	No	No	Low

- Perf. - Performance: Cumulative return compared to peer group. An average performance means that the return is within ± 15% of the performance of their peer group. A high or low performance denotes above or below average, respectively.
- CalPERS – California Public Employees' Retirement System.
- SWIB – State of Wisconsin Investment Board.
- NYCERS – New York City Employees' Retirement System.
- Teamsters – International Brotherhood of Teamsters.
- Laborers – Laborers' International Union of North America.
- Gilberts – John J. Gilbert and Associates.
- RCB – Repeal of classified boards. RPP – Repeal of poison pill. CV – Confidential voting.
- Parentheses around the voting percentage indicate that proposal did not pass, since the firm requires majority vote to pass it.

Table 4
Results of OLS regression analysis for Model 1 and Model 2

Variable	Coef	SE	*t*-stat	*p* –value
Panel A: Regression results for Model 1 $r^2 = 0.49$, p-value = 0.0000 and $n = 140$				
Intercept	13.2	2.02	6.497	0.000***
Performance	4.9	2.24	2.173	0.032*
Board Domination	3.1	2.33	1.320	0.189
Board Ownership	-0.47	0.16	-2.917	0.004**
Sponsor Type	7.3	2.25	3.237	0.002**
Type A	20.9	2.44	8.563	0.000***
Type B	10.9	3.03	3.588	0.001***
Panel B: Regression results for Model 2 $r^2 = 0.51$, p-value = 0.0000 and $n = 140$				
Intercept	12.0	2.05	5.879	0.000***
Performance	8.2	2.62	3.137	0.002**
Board Domination	6.6	2.72	2.410	0.017*
Board Ownership	-0.4	0.16	-2.561	0.012*
Sponsor Type	7.3	2.21	3.301	0.001***
Type A	20.0	2.42	8.258	0.000***
Type B	10.6	2.99	3.536	0.001***
Performance x B Domination	-11.2	4.75	-2.367	0.019*

***Significant at 0.001 or better
** Significant at 0.01 or better
* Significant at 0.05 or better

Table 5

Summary statistics.

Variable	Before Range	Mean	Med	SD	After Range	Mean	Med	SD
Board Size	5-18	11.2	11	2.8	5-17	10.8	11	2.7
Insiders[a]	8-63	21.1	17	11.6	7-63	19.7	17	10.3
Affiliated[a]	0-78	25.5	22	17.0	0-78	25.7	23	16.5
Outsiders[a]	0-92	53.5	55	19.4	0-93	54.6	57	17.0
Domination[a]	8-78	33.8	31	13.5	7-71	32.5	31	11.4
Meetings	3-26	8.3	8	3.3	4-18	8.7	8	3.3

[a] As percentages of total board size.
[b] Domination percentage is a measure of insiders control, calculated as:
Domination = (Insiders + Affiliated/2) x 100/(Board Size).

Table 6

Results of McNemar's chi-square test[a].

	Proportions Before	After	McNemar's test X^2	*p*-value
Dual CEO	0.77	0.85	3.063	0.080
Stag Elect	0.68	0.67	0.000	1.000
Board Ownership[b]	0.55	0.57	0.100	0.752
Blockholders[c]	0.66	0.68	0.100	0.752
CEO Turnover	0.10	0.19	2.207	0.137

[a] McNemar's chi-square tests the null hypotheses that among companies who changed, the probability of changing to one direction is equal to the probability of changing to the other direction.
[b] Board members own (in total) more than 1%.
[c] Institutional or individual investors owns more than 5%.

Table 7

Results of Wilcoxon signed-rank test[a].

	Mean of Differences	Z	*p*-value[b]
Board Size	-0.42	2.338	0.019*
Insiders (num.)	-0.25	2.614	0.009**
Insiders (perc.)	-1.40%	-1.174	0.241
Affiliated (num.)	-0.09	0.643	0.520
Affiliated (perc.)	0.27	0.661	0.509
Outsiders (num.)	-0.08	0.291	0.771
Outsiders (perc.)	1.13%	1.304	0.192
Insiders Domination	1.26	1.605	0.109
Number of Meetings	0.41	-1.408	0.159

[a]Wilcoxon signed-rank normal test statistic with correction for paired samples was used to determine if there is a significant difference between before and after the proposal.

Table 8

Results of regression analysis for both Model 3 and Model 4

Variable	Coef	SE	*t*-stat	*p*-value
Panel A: Regression results for Model 3				
$r^2 = 0.02$, *p*-value = 0.57 and $n = 98$				
Intercept	-0.82	1.58	-0.517	0.61
Vote %	0.0081	0.046	0.175	0.86
Sponsor Type	-0.40	1.60	-0.249	0.80
Performance	-2.29	1.68	-1.369	0.17
Panel B: Regression results for Model 4				
$r^2 = 0.01$, *p*-value = 0.71 and $n = 98$				
Intercept	-0.19	0.33	-0.569	0.57
Vote %	-0.0008	0.010	-0.083	0.93
Sponsor Type	-0.12	0.34	-0.369	0.71
Performance	-0.36	0.35	-1.031	0.31