The Costs and Benefits of Shareholder Democracy

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We show that while low-cost shareholder activism via shareholder-sponsored proposals is occasionally value-enhancing, many proposals are submitted by the same few individual investors and other sponsors without organizational capabilities to analyze a large number of firms. These proposals if approved and subsequently implemented appear to destroy shareholder value. We show that firms whose shareholders are more likely to collect information before voting benefit from low-cost shareholder activism because these investors weed out low-quality proposals. We conclude that an informed shareholder base is crucial for firms to take advantage of low-cost shareholder activism.

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1. Introduction

External mechanisms of governance are crucial to discipline managers and guarantee that they maximize shareholder value. Consequently, corporate finance theories would imply that regulations should favor shareholder engagement by decreasing its costs (Harris and Raviv, 2010). Yet, the lowest cost form of intervention available to retail investors to engage management – shareholder proposals – is currently under intense scrutiny and debate.

On the one hand, legal scholars advocate for more shareholder power (Bebchuk, 2005). On the other hand, the financial press often refers to individual proposal sponsors as "gadflies", who waste managerial time and cost firms millions of dollars "by creating big fights in the courts and at the Securities and Exchange Commission".[1] Empirically, shareholder proposals do not yield significant valuation gains (e.g., Karpoff, Malatesta, and Walkling, 1996; Gillan and Starks, 2000; Cai and Walkling, 2010). Small positive valuation effects emerge only in selected samples of contested proposals, which pass by narrow margins (Cunat, Gine, and Guadalupe, 2012).[2] For these reasons, the SEC has been considering regulations to limit this form of shareholder engagement by increasing the cost of submitting shareholder proposals (SEC, 2018).

Using hand-collected data on proposal sponsors and implementation, this paper argues that the ineffectiveness of the average shareholder proposal masks large cross-sectional variation in the valuation and long-term effects of proposals and is a consequence of the low cost of this type of intervention. Shareholder proposals, and in particular proposals sponsored by individual investors, may be highly beneficial. Being

[1] See New York Times (2014), Grappling with the Cost of Corporate Gadflies.
[2] Recent work by Bach and Metzger (2018) casts doubt on the internal validity of this approach.

the least costly means of intervention, they can reach companies that are less likely to be targeted by other forms of investor activism. For instance, since hedge fund activists aim to obtain sufficiently large Sharpe ratios, their interventions are confined to few and relatively small firms, which are undervalued, but have good profitability and growth prospects (Brav, Jiang, Partnoy, and Thomas, 2008).

As shareholders with a minimal investment in a company are allowed to submit proposals to be voted on at the company's annual meeting, unskilled or uninformed shareholders are able to post a large number of proposals to many different companies.[3] As a result, a small number of individuals and other sponsors, such as associations and unions, submit an unusually large number of proposals every year. In contrast, investment companies submit very few proposals. Since the most active sponsors are unlikely to have organizational capabilities to analyze dozens of companies, many proposals end up not reflecting the specific firm situation, but rather spreading the most recent corporate governance fads, such as the elimination of staggered boards (Cremers, Litov, and Sepe, 2017).

We show that the proposals submitted by the most active individual sponsors produce negative abnormal returns if they pass with a majority vote in the shareholder meeting. These proposals are also less likely to be implemented by management and, if implemented, produce negative long-term abnormal returns. Importantly, the remaining proposals appear to generate positive short- and long-term abnormal returns, especially if they are submitted by individual sponsors, indicating that low-cost shareholder activism

[3] Any shareholder with an investment of $2000 or 1% ownership is allowed to file proposals. See https://www.sec.gov/interps/legal/cfslb14g.htm.

may be beneficial because it reaches firms that are unlikely to be targeted by hedge fund activists.

We also show that the costs associated with bad shareholder proposals emerge only in companies in which shareholders do not seem to collect information before voting in the shareholder meeting. To reach this conclusion, we explore how mutual funds vote on shareholder proposals. We conjecture that mutual funds that always follow ISS recommendations are unlikely to collect vote-relevant information (Lowry and Iliev, 2015). Other mutual funds always vote in the same way when similar issues arise at different firms, suggesting that they follow their preferences rather than acquiring information on the provisions that may improve a firm's condition (Bolton et al., 2018; Bubb and Catan, 2018). We conjecture that in firms in which mutual funds are less likely to collect information, harmful proposals sponsored by uninformed shareholders are more likely to receive majority voting and to be subsequently implemented. However, if a large proportion of a company's shares are held by discerning mutual funds, harmful proposals are more likely to be weeded out. We show not only that this is the case, but also provide evidence that shareholder proposals yield on average positive abnormal returns in firms with discerning shareholders.

Overall, we highlight that while low-cost investor activism can be beneficial, this form of shareholder democracy crucially requires that investors collect information and are able to discern between good and bad proposals.

Our paper contributes to several strands of the corporate governance literature. First, we contribute to the literature on shareholder activism by showing under what conditions shareholder proposals can perform a useful function in disciplining firms.

Empirically, only takeovers and hedge fund activism have been consistently associated with large valuation gains for the targets (Denes, Karpoff, and McWilliams, 2017). However, these forms of intervention are very costly, not least because they require large investments in the target companies. Shareholder proposals are the least costly means of intervention, but are only advisory in nature. Even though for reputational reasons boards tend to implement proposals that are supported by a majority of shareholder votes (Ferri, 2012; Ertimur, Ferri, and Stubben, 2010), this form of intervention does not seem to yield significant valuation gains (e.g., Karpoff, Malatesta, and Walkling, 1996; Gillan and Starks, 2000; Cai and Walkling, 2010).

Recent work in the literature highlights that shareholders proposals may be driven by conflicts of interest, especially if sponsored by unions in contract renewal years (Matsusaka, Ozbas, Yi, 2018). To the best of our knowledge, we are the first to document that a large number of shareholder proposals are submitted by a small number of sponsors and that proposals sponsored by overly active individual shareholders may be value-destroying.

Finally, we contribute to an emerging literature on shareholder voting. Several papers examine the effects of fund attributes on voting behavior (Dimmock et al., 2018, Iliev and Lowry, 2015, Matvos and Ostrovsky, 2010, and Davis and Kim, 2007). To the best of our knowledge, we are the first to highlight that funds' propensity to acquire information reduces the extent to which harmful proposals receive majority support, and hence, enhances the effects of low-cost shareholder activism by shareholder-sponsored proposals.

2. Institutional Background

Under Rule 14a-8 of the Securities Exchange Act of 1934, any shareholder holding shares worth $2,000 (or 1% of the equity) for at least one year is allowed to submit one proposal with a 500-word supporting statement to be included in the proxy distributed by the company for its annual meeting. Typically, such proposals must be submitted at least 120 days before the proxy is mailed to shareholders. Proposals must be included in the proxy mailed in advance of the annual meeting – together with a statement by the board explaining its position – and must be voted in favor or against by all shareholders at the annual meeting unless the company obtains permission from the SEC to exclude the proposal. This may occur only in extreme circumstances if the proposal addresses ordinary business matters, if it would result in violation of state or federal laws, if it is related to a personal claim or grievance, or if it is materially false or misleading.

Even if they receive majority support, proposals are only advisory in nature. While in this respect they should produce limited costs for the targeted firms, proposals that obtain majority support tend to be implemented by boards largely for reputational reasons, especially in following the governance scandals of the early 2000s. In addition, management frequently discusses in company filings what steps have been taken to meet the shareholders' requests in the proposals. In this respect, proposals may generate significant costs if they are submitted predominantly by uninformed or conflicted shareholders.

Such concerns are accentuated by the fact that a large proportion of proposals are submitted by unions and small individual investors, which may be largely uniformed

about the companies' needs. The press has widely reported that a small group of individual investors, often referred to as corporate gadflies, submits a disproportionate amount of proposals. These individual sponsors, including John Chevedden and William Steiner, do not acquire large stakes and are not particularly wealthy, but submit dozens of shareholders proposals every year convinced that it is the right thing to do. For instance, in an interview, William Steiner compares his fights for shareholder rights to his military combat service during World War II: A fight to spread democracy.[4]

There is limited evidence on the costs and benefits of this type of investor activism. In particular, the academic literature is largely silent on the effects of proposals submitted by individual sponsors. As we discuss below, this is largely due to data limitations. Yet, institutional investors, represented by the Council of Institutional Investors, and the Business Roundtable are discussing possible ways to curb shareholder proposals (Wall Street Journal, Nov 15, 2018). The recent Investor Roundtable on Proxy Process must be viewed in this context.

3. Data

3.1 Sources

We obtain data on shareholder proposals between 2003 and 2014 for all firms in the Standard & Poor's 1500 index from Institutional Shareholder Services (ISS). Our sample period starts in 2003 because the SEC requires all US mutual funds to disclose their proxy voting records via N-PX filings since that year. Therefore, only starting from 2003 we are able to explore how shareholder voting can affect the costs and benefits of proposals that receive majority support and are subsequently implemented.

[4] See https://www.corpgov.net/2017/10/william-steiner-shareholder-activist/

The ISS data report the company name, date of the annual meeting, general description of the proposal, management and ISS recommendations, vote requirement for passing and vote base for calculating the passing threshold, number of outstanding shares, number of votes cast in favor, against, and abstaining as well as some information on the sponsor of the proposal, which we complete and refine by hand-collection as described below. We use the vote requirement and the vote base to create an indicator for whether a proposal receives a majority vote, that is, if the votes cast in favor exceed the vote requirement. We pay particular attention to the vote base, as there are three different bases (all outstanding shares, all shares cast in favor and against, or all shares cast in favor, against, and abstaining).

To focus on consequential proposals that may generate shareholder interest and potential valuation effects, we limit the sample to shareholder proposals that (i) fall within 20 percent (above and below) of the company's passing threshold (i.e., proposals with a reasonable expectation of passing) – 2,212 proposals, and (ii) proposals not in (i) but with conflicting recommendations by management and ISS – 1,307 proposals. After excluding 135 misclassified proposals for director elections or removal, we are left with a final sample of 3,384 proposals.[5]

The choice of excluding proposals that pass (or fail to pass) by extremely large margins is similar to the approach adopted in Cunat, Gine, and Guadalupe (2012). However, we consider larger margins because we aim to explore the heterogeneity of proposals by sponsor type and category of proposal and study how a firm's shareholder

[5] The initial sample includes 4,301 shareholder proposals. The median (mean) pass margin of the proposals we exclude from the analysis is -0.404 (-0.323), i.e. far from the passing threshold.

base affects the probability that proposals with certain characteristics pass and get implemented by the firm.

For each of the proposals in our final sample, we collect the proxy filings announcing the annual meeting as well as the next meeting's proxy filing and all 8-K reports between the two meetings. We read these filings to ascertain whether the firm implements the shareholder proposal(s). Typically, when discussing implementation, firms reference the original proposal or use language similar to that in the original proposal. If a firm has taken at least some steps towards implementation, we consider the firm to have implemented the proposal.

We also verify the meeting date (as 1% of the meetings have the wrong date recorded in ISS) and the identity of the sponsor, which is crucial to identify proposals submitted by individuals, and active sponsors in particular. The sponsor identity also plays an important role in our empirical approach to isolate costly proposals. Sponsor identities are incompletely recorded in at least a quarter of our sample of proposals. For example, 11% (364) of the proposals have the sponsor coded as "shareholder" and 4% have an "unknown" or missing sponsor. In addition, we find that the sponsor in the actual proxy filing is different from the one recorded in ISS in 9% (310) of the proposals. Furthermore, ISS does not consistently classify proposals submitted on behalf of another sponsor as well as proposals by related parties. For example, Amalgamated Bank is not classified as part of a union (The Services Employees International Union, or SEIU) even though it is owned by them (combined 115 proposals in our sample).

We therefore hand-collect the identity of each sponsor from proxy filings and then classify the sponsors as individuals or institutions, and further subdivide institutions into

public pensions, unions, and investment firms. We group all remaining proposals into a category called "other", which includes religious organizations, groups without lead sponsors, and sponsors that we are not able to properly classify.

3.2 Summary Statistics and Descriptive Evidence

Panel A of Table 1 reports descriptive statistics for our sample of proposals. Nearly 40% of the consequential proposals we study are put forward by individuals, a category of sponsors that has been largely neglected in the existing literature, which tends to focus on public pension funds, such as CalPERS (Smith, 1996; Del Guercio and Hawkins, 1999; Gillan and Starks, 2000), or unions (Ertimur, Ferri and Muslu, 2011). Overall, it does not appear that unions and pension funds are the most prolific sponsors of proposals as some have noted in earlier samples. This suggests that reasons other than conflicts of interests and hidden agendas may be important drivers of the low effectiveness of this form of shareholder activism.

Proposals target a variety of topics. The most frequent proposals regard issues related to voting, such as amending the company's bylaws for voting requirements, proxy access, and requesting cumulative voting or supermajority voting for director elections. The second most frequent category of proposals regards the board. Since we exclude director elections, board proposals include board declassification, having an independent board chair, introducing a governance committee, etc. Each of the seven broad categories of proposals listed in Panel A of Table 1 includes a number of finer proposal categories. We have a total of 43 proposal types that we use in the empirical analysis to control for the differences between specific proposals.

Panel B considers how frequently proposals receive majority shareholder support. On average, 30% of the proposals in our sample receive majority support, driven by high support for board and voting proposals. Thus, the proposals we study appear to garner higher shareholder interest than proposals in earlier periods explored in the literature. This largely depends on our sampling choice of focusing on important proposals, but is also consistent with the increased effectiveness of shareholder proposals following the corporate scandals of the early 2000s (Ertimur, Ferri, and Muslu, 2011).

Panel C shows our hand-collected data on proposal implementation. On average, slightly over 20% of the proposals are implemented, driven again by the high implementation rates for board and voting proposals. The overall low implementation rate indicates that management may choose not to implement proposals even when they are approved by a majority of the voting shareholders. Thus, both shareholder voting and management implementation decisions may shield companies from the effects of some potentially harmful proposals, which do not reflect firms' specific needs. In what follows we explore under what conditions this is the case.

Importantly, as evident in Panels B and Panel C of Table 1, proposals submitted by individuals are at least as likely to pass with a majority and be subsequently implemented as proposals submitted by institutions. This indicates that the proposals of individual sponsors are relevant and merit closer scrutiny. In addition, the differences that emerge between sponsors in terms of the support for and implementation of their proposals suggest that it is important to consider not only the characteristics of the proposals, but also the identities of the sponsors in studying the valuation effects of shareholder proposals.

3.3 Active Sponsors

Anecdotal evidence suggests that few sponsors submit a large fraction of proposals. In what follows, we start from systematically documenting the extent to which some types of sponsors are more or less active. We then explore how their activity affects companies. In principle, active sponsors could have particular skills or organizational capabilities that enable them to discipline managers. It is also possible, however, that their attempts do not reflect the specific situations of the companies they target and instead spread the latest corporate governance fads, even when they are not relevant or useful to some companies.

Table 2 supports the notion that a large number of proposals are submitted by the same sponsors, and that this is the case especially for individual investors who are less likely to have large organizational capabilities. For example, the financial press seems to suggest that "corporate America is being held hostage" by a small number of individual investors whose combined proposals "accounted for 70 percent of all proposals sponsored by individuals" in 2014.[6]

Panel A of Table 2 shows that on average an individual sponsor submits more proposals than an investment company (4.53 vs. 1.36). Also, while the vast majority of sponsors submit a handful of proposals per year, a minority of sponsors submit a very large number of proposals. An individual sponsor in the sample puts forward 45 proposals per year, compared to the most active union and pension fund which submit 41 and 30 proposals, respectively; notably, investment company sponsors do not submit on average more than one proposal per year.

[6] See "Grappling With the Cost of Corporate Gadflies", *The New York Times*, August 19, 2014.

The rest of the table lists the top sponsors for each sponsor type. Several patterns emerge. First, the concentration of submitted proposals is higher among individuals than among institutions – the top three individuals account for more than 55% of all individual proposals whereas the top three institutions account for less than 35% of all institutional proposals. In addition, investment companies are not among the most active institutional sponsors, possibly because they are able to engage management behind the scenes. Overall, while a wide-range of shareholders are able to put forward proposals, the submission of proposals appears to be very concentrated, especially in the case of individual sponsors.

4. Shareholder Proposals vs. Hedge Fund Activism

This section compares shareholder proposals to hedge fund activism, an external governance mechanism that has attracted considerable attention in the literature. If the same types of firms were to be disciplined by other forms of shareholder activism, shareholder proposals could be viewed as redundant, especially given that existing literature highlights at best small valuation effects of shareholder proposals. Thus, concerns about their costs could rightly drive changes in regulations.

While it appears that hedge fund intervention yields significant short- and long-term benefits for the targets, hedge funds tend to target firms that are relatively small and profitable, albeit somewhat undervalued (Brav, Jiang, Partnoy, and Thomas, 2008). These target characteristics are to be expected considering that buying a block in a company is costly and that activists have incentives to do so only if they can guarantee their investors a sufficiently large Sharpe ratio. Overall, because of its high cost (Gantchev, 2013), the

reach of hedge fund activism is relatively limited to only about two percent of firms (based on statistics between 1994 and 2011).

Shareholder proposals, on the other hand, are a significantly cheaper means to affect firm policies. Shareholders are allowed to submit proposals to be voted at the shareholder annual meeting as long as they have at least an investment of $2000 or 1% ownership. This makes attempting to affect corporate governance by submitting a shareholder proposal an extremely low-cost method of intervention, available to both individual and institutional shareholders.

Panel A of Table 3 shows that shareholder proposals reach a wide range of firms with characteristics that are markedly different from those of the targets of hedge fund activism and the average firms in the industry. In the comparisons, we match firms by industry, size, and Tobin's *Q*, except when we compare firm size and Tobin's *Q* and exclude the corresponding firm attribute. Proposals target firms that are 9 times larger than the average firm in their industries (Panel A) and 13 times larger than the average target of hedge fund activism (Panel B). This is natural as the need to acquire a large block of shares to influence firm policies tends to limit the size of the firms that can be targeted by hedge fund activists.

Panel B also reveals that hedge funds target companies with low leverage and low dividend yield suggesting that they aim to profit from changes in capital structure (Brav, Jiang, Partnoy, and Thomas; 2008 and Brav, Jiang, and Kim; 2015). Compared to proposal targets, the targets of hedge fund activism also tend to have stronger growth opportunities, as measured by sales growth, and R&D expenses, and to have experienced low stock returns over the previous year, suggesting that they might be undervalued. This

evidence is consistent with the idea that hedge fund activists target firms in which changes can produce high returns to recover the initial investment. While proposal targets have higher institutional ownership, institutional ownership appears less concentrated, as captured by the institutional Herfindahl index. Thus, proposals may be more relevant in firms in which it is harder to coordinate shareholders.

Finally, proposal targets have significantly higher profitability than comparable firms in the industry (Panel A). Thus, while this kind of shareholder activism reaches a wide range of firms, which are unlikely to be targets of high-cost hedge fund activism, proposals are not aimed at poorly performing firms. This makes particularly relevant our exploration of the costs and benefits of shareholder proposals.

Panel C, D and E compare the characteristics of firms targeted by institutional and individual sponsors. Individual sponsors target even larger firms than institutional investors on average. These firms also tend to have lower Tobin's Q relative to firms targeted by institutional sponsors (Panel E) as well as firms in their own industries (Panel D). Less surprisingly, the firms targeted by individual sponsors tend to have lower institutional ownership, compared to the targets of institutional sponsors.

Finally, Panel F compares the targets of top 10 (active) individual sponsors to those of other individual sponsors. Apart from being larger and slightly more profitable and R&D intensive, the targets of non-active individual sponsors are not substantially different from those of top 10 individual sponsors. Thus, any differences between the valuation effects of the proposals submitted by active vs. non-active individual sponsors are unlikely to be driven by differences in firm characteristics.

Table A1 in the Appendix shows that the differences we have highlighted so far survive when we use multivariate regression analysis. The targets of shareholder proposals are much larger, even though the effect of a firm's market capitalization is relatively smaller when we look at the probability that the firm is targeted by a pension fund or an investment company. In contrast to hedge fund activism, proposals target firms with lower institutional ownership and higher returns over the previous year. Shareholder proposals may also be better at disciplining poorly performing companies as lower profitability increases a firm's probability of being targeted by a shareholder proposal, but not by hedge fund activists.

Firm characteristics differentiate not only the targets of hedge fund activism and shareholder proposals, but also of different types of sponsors. This clear in Table A2 in the Appendix, which differentiates between the targets of individual and institutional proposals. Firms that have been targeted by individual (institutional) proposals in the past are more likely to be targeted by another individual (institutional) proposal in the future. Having been a frequent target of individual (institutional) proposals decreases the probability that the firm will become a target of an institutional (individual) proposal in the future. Thus, it appears that individual and institutional sponsors tend to target firms with different fundamental characteristics and are therefore complementary.

5. Why proposals do not improve performance?

5.1 Average Performance of Shareholder Proposals

Table A3 presents firms' price reactions to proposals, measured by cumulative abnormal returns in excess of the CRSP value-weighted index, over the three-day

window around the shareholder meeting. It shows that the average shareholder proposal generates zero or negative returns around the meeting date. This confirms prior results in the literature that on average shareholder proposals appear to be ineffective (Denes, Karpoff, and McWilliams, 2017) at least in terms of their impact on shareholder value. This conclusion does not appear to depend on the fact that the outcome of the voting is anticipated, as we obtain similar results if we consider abnormal returns around the date on which proxy materials containing the shareholder proposal are mailed.

Table A4 shows that this conjecture is robust when we perform multivariate analysis. Even distinguishing between proposals that receive majority voting according to the firm-specific threshold, we do not find any consistent evidence that proposals generate shareholder gains. While proposals submitted by pension funds obtain positive abnormal returns if they pass with a majority vote, proposals submitted by investment firms generate negative abnormal returns. Overall, there is no consistent evidence that proposals are associated with improvements in firm valuation.

5.2 Proposals by Active Sponsors

We conjecture that the disappointing average impact of proposals on firm performance may hide large cross-sectional variation among proposals. Some (good) proposals may target firms that are too large or not undervalued enough to make attractive targets for hedge fund activists. However, the low cost of submitting proposals may enable a large number of "gadflies", which pressure for corporate changes without properly taking into account a firm's circumstances or simply following the most recent corporate governance fad.

Our main objective is to disentangle proposals that are a manifestation of beneficial investor activism from proposals that are unlikely to yield any benefits or that may even be harmful. In particular, we aim to identify proposals that are unlikely to have been submitted after a careful evaluation of the target firm's specific situation. To achieve this, we focus on specific sponsor or proposal characteristics.

We start by comparing the proposals submitted by sponsors that are among the top 10 most active sponsors during a year and the proposals of the remaining sponsors. We explore the effects on short- and long-term returns. As before, we compute short-term returns as a firm's cumulative abnormal returns, in excess of the CRSP value-weighted index, during a three-day window around the shareholder meeting. We compute long-term returns with respect to the CRSP value-weighted index from one month before to 12 months after the annual meeting.

Panel A of Table 4 provides clear evidence that proposals submitted by top 10 individual sponsors generate negative short- and long-term abnormal returns. Proposals submitted by other individual sponsors generate strongly positive abnormal returns both in the short- and the long-run, possibly because these sponsors target firms that are less likely to be targeted by hedge fund activism. In contrast, there is no evidence that top 10 institutional sponsors generate short-term returns different from zero, even though non-top 10 institutional sponsors appear to generate negative long-term returns.

The rest of the table explores whether differences in proposal outcomes are driven by differences in the type of firms that are targeted. For this reason, we control for a wide-range of firm characteristics, including past firm performance and the percent and

concentration of institutional ownership. We also include 43 proposal issue dummies throughout the analysis.

Panel B shows that proposals submitted by top 10 individual sponsors are less likely to pass with majority and to be implemented by the firm. However, conditional on receiving a majority vote, proposals sponsored by serial individual submitters are as likely to be implemented as other proposals (columns 5 and 6). This suggests that these proposals may generate costs.

In Panel C, we consider the effects on shareholder value of proposals submitted by active sponsors and supported by a majority of shareholders. Consistent with the interpretation that proposals by top 10 individual sponsors may be costly to the firm, we find that such proposals generate negative short-term and long-term returns when they pass with majority, even after controlling for firm characteristics and year and proposal type fixed effects. There is also evidence that if implemented these proposals generate negative long-term abnormal returns.

The specifications in columns 2, 4 and 6 also control for the fact that proposals are voted in shareholders meetings at which other issues are likely to be discussed. Therefore, we include dummies capturing whether other proposals have been voted upon and the broad issues addressed in these concurrent proposals. We also include an indicator variable – *Contentious meeting* – capturing whether the meeting is likely to be contentious because the management's voting recommendation differs from that of ISS. Including these controls leaves our results unaffected suggesting that they are not driven by concurrent events.

4.3 Good and Bad Proposals

Given that our previous results demonstrate that proposals by active individual sponsors may be costly, we attempt to come up with finer definitions that capture specific reasons for why a proposal may be value-destroying. In Panel A of Table 5, we use three definitions that consider different aspects of potentially damaging proposals. Our first definition classifies a proposal as *Generic* if the sponsor targets multiple companies within the same year with precisely the same proposal (e.g., limiting executive compensation). Specifically, sponsors whose ratio of targeted companies divided by the proposal types they submit is in the top quartile of all sponsors are defined as generic sponsors. These sponsors target at least three companies with the same proposal.

On the one hand, these sponsors may be specialists on a specific issue, such as board declassification, and may knowingly bring up this issue at different companies. On the other hand, they may be less likely to have researched the individual circumstances of each company and tailored the proposal to the company's needs. Once again, this may be particularly relevant for individual investors who are less likely to have organizational capabilities to identify companies with similar circumstances. Panel A of Table 5 shows that about 45% of the proposals in our sample are classified as generic. Nearly 65% of the proposals submitted by individual investors fall in this category.

We also consider proposals submitted by *unfocused* sponsors, that is, by sponsors who submit many different types of proposals in the same year (e.g., voting proposals, climate change proposals, compensation proposals, etc.). An unfocused sponsor is a sponsor who is in the top quartile for number of proposal types submitted in a given year (i.e., more than three proposal types). A proposal is defined as *Unfocused* if it is

submitted by an unfocused sponsor. On the one hand, sponsors who do not focus on a certain type of issue are less likely to be specialists in the issue tackled by the proposal. On the other hand, especially institutional investors may have organizational capabilities to propose specific changes tailored to the necessities of different firms. Again, about 76% of the proposals in our sample are classified as unfocused. Notably, over 90% of the proposals submitted by individuals are such unfocused proposals.

Finally, we define a *Fad* proposal as one that is submitted in a year when both the number of this type of proposals and the number of sponsors submitting such proposals are in the top tercile of all years. Fad proposals are likely to follow popular trends and be less company-specific. As such, they may impose one-size-fits-all prescriptions, which may be value-destroying for some companies. Institutions and in particular pension funds appear to submit relatively more fad proposals.

Panel B of Table 5 shows the short-term and long-term abnormal returns of generic, unfocused, and fad proposals, which we collectively call "bad" proposals. Around the meeting dates when any of these bad proposals are voted on the firms experience negative abnormal returns on average. The short-term abnormal returns of the proposals that we classify as good (because they are not generic, unfocused or fad) generate positive abnormal returns both in the short- and long-run.

Panel C compares the returns of good and bad proposals according to each of the above criteria between institutional and individual sponsors. It appears that individuals submit more particularly good *and* particularly bad proposals. Specifically, the individual proposals that are not generic, unfocused or fad generate high abnormal returns both in the short- and the long-run. This evidence suggests that there are benefits from low-cost

investor activism, but also that the low barriers to entry of this form of investor activism generate costs.

Panel A of Table 6 shows that generic, unfocused, and fad proposals submitted by individual sponsors are less likely to pass with majority and to be implemented. Proposals submitted by individuals are otherwise more likely to pass and be implemented. Bad individual proposals appear more likely to be implemented even when we limit the sample to proposals that pass with majority (columns 7-9).

Overall, not only shareholder voting provides some discipline in screening out bad proposals but also management appears less likely to implement proposals that are generic, unfocused or fad, conditional on their majority passing. Nevertheless, some of these bad proposals end up being implemented and generate negative long-term abnormal returns.

Fad proposals appear more likely to pass and be implemented if their sponsors are institutions. If not sponsored by individuals, fad proposals also generate positive abnormal returns in Panel B. In all cases, proposals sponsored by individuals generate lower returns if they are generic, unfocused or fad. This conclusion is confirmed also in Table 7 where we focus on the subsample of proposal that receive majority voting and control for a variety of firm characteristics, year and proposal type fixed effects as well as for the topics of concurrent issues addressed at the shareholder meeting and how contentious the meeting is. It emerges, however, that good proposals submitted by individuals do not generate abnormal returns in comparison to other proposals, suggesting that our earlier results are indeed due to individual sponsors targeting firms that are otherwise difficult to discipline.

Overall, it appears that while individuals can positively contribute to firm governance by submitting value-improving proposals, the benefits arising from their activism are wiped out because some individuals submit too many proposals that do not consider the specific circumstances of the firms being targeted or simply follow current governance fads.

Table A5 in the Appendix sheds some light on why bad proposals may be implemented. Firms that implement proposals, whether good or bad, are less likely to be targeted by hedge fund activists, presumably because they demonstrate that they listen to their shareholders. Thus, implementing even bad proposals may be a way for managers to preserve their jobs and private benefits of control.

5. Shareholder Voting and the Quality of Proposals

5.1 Data on Mutual Fund Voting and Ownership

One of our goals in this paper is to evaluate how a firm's shareholder base affects the likelihood of a proposal to pass with majority and be implemented. Specifically, we identify mutual funds that are more or less likely to collect vote-relevant information based on their general voting behavior. We conjecture that a fund is less likely to gather information about the issues being voted on at a firm if it always follows the recommendations provided by ISS (as argued by Iliev and Lowry, 2015, and Malenko and Shen, 2016). Mutual funds' votes may also be driven by ideology or general preferences and be neglectful of the actual firms' needs (Bolton et al., 2018; Bubb and Catan, 2018).

Since 2003, the SEC requires that mutual funds report in Form N-PX the way in which they vote all shares for which they have fiduciary responsibility. ISS compiles these votes in its Voting Analytics database and provides a link to the actual regulatory filing detailing the votes (ISS NPX filing ID). We find that in 89% of the proposals in our sample all funds within a fund family vote the same way. As a result, we focus on fund families rather than individual funds but modify our procedure below for fund families that split their vote across funds.

To capture the proclivity of a fund family to collect vote-relevant information, we regress an indicator that takes the value of one if the fund family votes in favor of a proposal on an indicator for an ISS recommendation to vote for the proposal, and the 43 (finer) proposal category dummies. For the 11% of the fund families that vote differently across funds within the family, we use the fraction of funds that votes in favor instead of the dummy equal to one if the whole fund family votes for the proposal. A high R-squared from this regression indicates that the fund family is unlikely to differentiate votes between firms and is therefore unlikely to collect any firm-specific information. Therefore, we capture whether a fund family is inclined to collect information using the inverse of the R-squared.

The first row in Panel A of Table 8 reports the statistics on the R-squared estimated from the above regression. Our proxy points to large differences in funds' propensity to collect information. The average and median R-squared by fund family is 0.63, with a minimum of 0.01 and a maximum of 1. These statistics suggest that in the majority of proposal votes, fund families follow the ISS recommendations, or do not differentiate their votes when the same issue arises at different firms. However, there is a

substantial cross-sectional variation captured by the large standard deviation of R-squared (0.22).

To evaluate how much the vote of each fund family affects voting outcomes in a specific firm, we estimate the information capabilities of its shareholder base. Specifically, we use the holdings of each fund family as weights to calculate the weighted average information gathering capabilities of its shareholders. As ISS does not report how much each fund owns, we use the ISS NPX filing ID to download the actual N-PX filing for the fund family and scrub the CIK code of the fund. Then, we use the CIK codes to get the fund's holdings in the firm from the CRSP mutual fund database. Using this matching procedure, we are able to obtain holdings information for 706 of the 814 fund families voting on our sample of proposals. These correspond to 319 institutions and 9039 unique funds, of which 8984 vote the same way within the fund family.

Panel A of Table 8 also shows that there is a substantial cross-sectional variation in the *Informed ratio*, which captures the average of the inverse R-squared computed using as weights the proportion of shares owned by mutual funds out of the share owned by mutual funds for which we can estimate the propensity to acquire information. The minimum informed ratio is close to one (i.e., mutual funds always follow the ISS recommendations or do not vary their votes on a given issue), but the maximum is well above one.

5.2 Mitigating the Effects of Informed Voting

Bad proposals are implemented only insofar as they are supported by other shareholders. Thus, lack of informed voting, rather than the behavior of very active proposal sponsors, may limit the benefits of low-cost investor activism. To capture this

idea, we use *Informed ratio* to measure the proportion of mutual fund families that do not closely follow ISS recommendations and that vary their votes when the same issue is raised at different firms. We control throughout the analysis for the level and concentration of institutional ownership.

Panel B of Table 8 shows that generic, unfocused, and fad proposals are less likely to pass when a firm has more informed shareholders. Panel C shows that these proposals are also less likely to be implemented. Thus, having an informed shareholder base has a mitigating effect on passing and implementing value-destroying shareholder proposals.

Columns 1 and 2 of Table 9 provide evidence that shareholder proposals are associated with higher short-term returns around the meeting date in firms with more informed shareholders. Columns 3 and 4 show that proposals are not more likely to pass in these companies, consistent with the conjecture that firms with a higher informed ratio have more discerning shareholders that are able to identify good and bad proposals and vote accordingly.

Conditional on being implemented (columns 5 and 6), and on being implemented if passed by majority (columns 7 and 8), the long-term returns associated with proposals increase with the propensity of a firm's shareholders to collect information. These results support the conclusions of Malenko and Malenko (2018) that there may be over-reliance on proxy advisor recommendations and excessive conformity in voting.

6. Conclusion

Corporations are often compared to democracies (Gompers, Ishii, and Metrick, 2003), in which the ultimate authority rests with voters (shareholders). An advantage of

well-working democracies is that virtually anyone can make proposals to change policies. The responsibility of selecting proposals that are likely to be beneficial and to weed out bad ideas resides ultimately with the voters. Thus, democracies work only to the extent to which voters are well-informed and select the right representatives and policies.

We provide evidence that this is the case also for corporations. Low-cost shareholder activism appears necessary to discipline the managers of large companies, with low investment opportunities, which cannot be profitably targeted by hedge fund activists. By the virtue of being low-cost, however, this type of activism may become excessive and generate too many uninformed or even conflicted proposals. Whether these proposals pass and are ultimately implemented in a way that can generate harm ultimately depends on the other shareholders of a firm. If these other shareholders collect information, bad and potentially harmful proposals are weeded out and low-cost shareholder activism manifest its full benefits.

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Table 1. Descriptive Statistics

This table reports the number of proposals (Panel A), the percent of proposals passing with a majority vote (Panel B), and the percent of proposals implemented by the company (Panel C). Included are only shareholder-sponsored proposals within 20 percent of the passing threshold and proposals with conflicting recommendations by management and ISS, as reported by ISS over the 2003-2014 period. In all panels, proposals are classified into seven non-overlapping categories and sponsors are classified as individuals or institutions, with the latter further subdivided into public pensions, unions, and investment firms. The last row of each panel reports the total number of proposals (Panel A) and the average percent of passing (Panel B) and implemented (Panel C) proposals by sponsor type. The last column reports the total number of proposals (Panel A) and the average percent of passing (Panel B) and implemented (Panel C) proposals by proposal type. Other (sponsors) are groups with no lead sponsor, religiously-affiliated organizations, and sponsors that cannot be classified, and are excluded from the Total column.

Panel A. Proposal Counts	**Individual**	**Institution**	**Pension**	**Union**	**Inv firm**	**Other**	**Total**
Board	291	316	109	178	29	43	607
CSR	9	143	82	12	49	160	152
Compensation	187	475	55	402	18	100	662
Gov disclosure	42	203	93	77	33	102	245
Operations	24	19	2	11	6	12	43
Poison pill	95	27	3	13	11	0	122
Voting	541	357	67	283	7	11	898
Total	1,189	1,540	411	976	153	428	2,729

Panel B. Majority Pass (>50% shaded)	**Individual**	**Institution**	**Pension**	**Union**	**Inv firm**	**Other**	**Total**
Board	51.20%	47.47%	75.23%	29.78%	51.72%	34.88%	48.31%
CSR	0.00%	2.10%	3.66%	0.00%	0.00%	1.25%	1.60%
Compensation	10.16%	21.47%	20.00%	22.14%	11.11%	14.00%	17.72%
Gov disclosure	45.24%	6.40%	4.30%	5.19%	15.15%	1.96%	9.80%
Operations	4.17%	5.26%	0.00%	9.09%	0.00%	0.00%	3.64%
Poison pill	72.63%	70.37%	100.00%	69.23%	63.64%		72.13%
Voting	33.46%	42.58%	56.72%	38.87%	57.14%	36.36%	37.07%
Total	36.82%	28.36%	34.14%	27.09%	21.25%	8.14%	32.04%

Panel C. Implementation	**Individual**	**Institution**	**Pension**	**Union**	**Inv firm**	**Other**	**Total**
Board	32.65%	30.06%	45.87%	20.22%	31.03%	30.23%	31.23%
CSR	0.00%	3.50%	4.88%	0.00%	2.04%	6.88%	5.13%
Compensation	24.06%	15.37%	25.45%	13.93%	16.67%	28.00%	19.16%
Gov disclosure	30.95%	9.36%	6.45%	12.99%	9.09%	3.92%	10.37%
Operations	4.17%	0.00%	0.00%	0.00%	0.00%	0.00%	1.82%
Poison pill	15.79%	0.00%	0.00%	0.00%	0.00%		12.30%
Voting	24.77%	37.82%	40.30%	37.10%	42.86%	45.45%	30.14%
Total	25.36%	21.03%	24.46%	21.08%	11.87%	13.49%	22.91%

Table 2. Proposals by Sponsor Type

This table reports the number of proposals submitted by each sponsor type (Panel A) and the top 10 individual, institutional, and other sponsors (Panels B, C, and D). Institutions include pension funds, unions, and investment firms. Other (sponsors) are groups with no lead sponsor, religiously-affiliated organizations, and sponsors that cannot be classified. The observations are sponsor-year. Included are only shareholder-sponsored proposals over 2003-2014, as reported by ISS.

Panel A. Number of proposals	**Mean**	**Median**	**St Dev**	**Min**	**Max**
Individual	4.53	1	8.14	1	45
Institution	4.50	2	5.35	1	41
Pension	5.62	3	6.79	1	30
Union	6.02	5	5.55	1	41
Inv firm	1.48	1	0.82	1	4
Other	3.99	1	7.90	1	38

Panel B. Top 10 individual sponsors	**# Proposals**	**% Total**
John Chevedden	290	24.39
Kenneth Steiner	222	18.67
Gerald Armstrong	157	13.20
Evelyn Y. Davis	133	11.19
Nick Rossi	125	10.51
James McRitchie	36	3.03
Harold J. Mathis, Jr.	13	1.09
June Kreutzer and Cathy Snyder	9	0.76
Hazel A. Floyd	8	0.67
Richard A. Dee	7	0.59

Panel C. Top 10 institutional sponsors	**# Proposals**	**% Total**
Comptroller of the City of New York	206	13.38
United Brotherhood of Carpenters	193	12.53
Am. Fed. of State, County and Municipal Empl.	119	7.73
AFL-CIO Reserve Fund	112	7.27
Service Employees International Union (SEIU)	108	7.01
International Brotherhood of Teamsters	72	4.68
International Brotherhood of Electrical Workers	62	4.03
Sheet Metal Workers	53	3.44
Comptroller of the State of New York	46	2.99
Trowel Trades S&P 500 Index Fund	45	2.92

Panel D. Top other	**# Proposals**	**% Total**
Nathan Cummings Foundation	42	8.99
Unitarian Universalist Assoc. of Congregations	18	3.85
As You Sow Foundation	11	2.36
Province of St. Joseph of the Capuchin Order	7	1.5
Mercy Investment Services	6	1.28
Sisters of Charity of the Blessed Virgin Mary	6	1.28
United Methodist Church	5	1.07
Christopher Reynolds Foundation	4	0.86
Episcopal Church	4	0.86
Humane Society of the United States	4	0.86
Investor Voice	4	0.86
Sierra Club	4	0.86

Table 3. Targets of Proposals and Hedge Fund Activists

This table reports selected characteristics of firms targeted by shareholder proposals and hedge fund activists (Panels A and B), firms targeted by individual and institutional proposal sponsors (Panels C, D, and E), and firms targeted by Top10 (active) and other individual sponsors (Panel F). Included are only shareholder-sponsored proposals over the 2003-2014 period. Hedge fund activism data come from SEC Schedule 13D and FactSet's SharkRepellent.net. Firms are matched by industry (Fama-French 48), size (market cap) and Tobin's Q. Size matching is dropped when we compare size, and Tobin's Q matching is dropped when we compare Tobin's Q. All variables are lagged by one year. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level for differences in means.

Panel A. Proposal targets vs. matched firms

	Proposal non-targets	Proposal targets	Difference in means	T-stat
Size (market cap)	1912.280	17207.117	-15294.837	-39.71***
Tobin's Q	1.577	1.421	0.155	5.47***
Sales growth	0.124	0.055	0.069	12.56***
ROA	0.060	0.130	-0.071	-27.20***
Cash flow	-0.493	0.497	-0.991	-10.19***
Annual return	0.046	0.038	0.008	1.01
Book lev	0.214	0.265	-0.051	-12.57***
Div yld	0.032	0.051	-0.019	-10.21***
R&D	0.044	0.019	0.025	21.59***
Inst own percent	0.525	0.716	-0.191	-45.14***
Inst herfindahl	0.148	0.046	0.102	83.17***
Neg Amihud	-0.123	-0.025	-0.099	-111.03***

Panel B. Activism targets vs. proposal targets (matched)

	Proposal targets	Activism targets	Difference in means	T-stat
Size (market cap)	16833.506	1269.151	15564.355	37.32***
Tobin's Q	1.282	1.348	-0.066	-1.33
Sales growth	0.035	0.095	-0.060	-3.88***
ROA	0.110	0.059	0.052	6.93***
Cash flow	0.109	-0.384	0.493	2.13**
Annual return	0.064	-0.009	0.072	3.31***
Book lev	0.275	0.214	0.062	6.44***
Div yld	0.041	0.016	0.025	8.15***
R&D	0.016	0.055	-0.039	-9.96***
Inst own percent	0.713	0.580	0.133	10.15***
Inst herfindahl	0.057	0.132	-0.074	-14.00***
Neg Amihud	-0.040	-0.132	0.093	29.76***

Panel C. Firms targeted by individual sponsors vs. matched firms

	Non-targets	Targets of individual sponsors	Difference in means	T-stat
Size (market cap)	2424.071	20563.244	-18139.173	-29.55***
Tobin's Q	1.582	1.283	0.300	7.64***
Sales growth	0.116	0.038	0.078	10.42***
ROA	0.066	0.127	-0.061	-18.48***
Cash flow	-0.058	0.774	-0.832	-12.05***
Annual return	0.049	0.035	0.014	1.22
Book lev	0.223	0.269	-0.046	-8.11***
Div yld	0.034	0.057	-0.023	-8.19***
R&D	0.033	0.018	0.015	11.56***
Inst own percent	0.518	0.689	-0.171	-27.78***
Inst herfindahl	0.150	0.048	0.102	59.36***
Neg Amihud	-0.123	-0.026	-0.097	-65.81***

Panel D. Firms targeted by institutional sponsors vs. matched firms

	Non-targets	Targets of institutional sponsors	Difference in means	T-stat
Size (market cap)	2134.598	16648.931	-14514.334	-29.51***
Tobin's Q	1.572	1.453	0.119	3.13***
Sales growth	0.121	0.069	0.052	7.03***
ROA	0.057	0.132	-0.075	-20.84***
Cash flow	-0.529	0.338	-0.867	-5.88***
Annual return	0.048	0.043	0.005	0.46
Book lev	0.214	0.266	-0.052	-9.36***
Div yld	0.032	0.048	-0.017	-7.21***
R&D	0.044	0.021	0.023	13.22***
Inst own percent	0.527	0.738	-0.211	-43.22***
Inst herfindahl	0.147	0.044	0.103	76.84***
Neg Amihud	-0.122	-0.021	-0.102	-114.37***

Panel E. Firms targeted by individual vs. institutional sponsors (matched)

	Targets of institutional sponsors	Targets of individual sponsors	Difference in means	T-stat
Size (market cap)	13809.910	20458.573	-6648.663	-8.11***
Tobin's Q	1.539	1.233	0.306	4.83***
Sales growth	0.065	0.039	0.026	2.26**
ROA	0.129	0.115	0.013	2.76***
Cash flow	0.611	0.751	-0.139	-1.60
Annual return	0.059	0.035	0.024	1.23
Book lev	0.270	0.271	-0.002	-0.17
Div yld	0.046	0.050	-0.004	-1.12
R&D	0.017	0.014	0.003	1.41
Inst own percent	0.739	0.689	0.050	5.40***
Inst herfindahl	0.045	0.050	-0.005	-2.53**
Neg Amihud	-0.025	-0.029	0.004	2.07**

Panel F. Firms targeted by Top10 individual sponsors vs. other individual sponsors (matched)

	Targets of other individual sponsors	Targets of Top10 individual sponsors	Difference in means	T-stat
Size (market cap)	30283.606	21763.322	8520.284	8.70***
Tobin's Q	1.210	1.214	-0.004	-0.08
Sales growth	0.048	0.032	0.015	1.27
ROA	0.134	0.118	0.017	3.20***
Cash flow	0.656	0.654	0.002	0.04
Annual return	0.018	0.038	-0.020	-1.09
Book lev	0.276	0.272	0.004	0.45
Div yld	0.062	0.059	0.002	0.47
R&D	0.020	0.016	0.004	2.22**
Inst own percent	0.690	0.683	0.007	0.83
Inst herfindahl	0.043	0.046	-0.003	-1.85*
Neg Amihud	-0.013	-0.023	0.010	6.30***

Table 4. Proposals by Active Sponsors

This table reports short- and long-term cumulative abnormal returns (CARs) for different types of sponsors and the probability of passing and implementation of their proposals. Sponsors are classified as individuals or institutions, and further into Top 10 vs. other sponsors based on the total number of proposals they submit in a given year. Included are only shareholder-sponsored proposals over the 2003-2014 period. Panel A reports summary statistics for short- and long-term CARs, estimated with respect to the VW CRSP index. Panel B reports estimates from OLS regressions of a proposal's probability of passing with majority (columns 1-2), being implemented (columns 3-4), and being implemented conditional on majority passing (columns 5-6). Panel C reports OLS regressions of short- and long-term CARs for majority passed proposals (columns 1-4) and implemented proposals (columns 5-6). *Contentious meeting* is an indicator equal to one if the proposal's recommendation by management differs from the recommendation by ISS. All regressions include year and proposal type fixed effects and cluster standard errors by firm and proposal type. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

A. Returns - Top 10 sponsors

	(1)	(2)	(3)	(4)	(5)	(6)
	CAR (-1, +1d)					
	Proposals by Top 10 sponsors	Difference from 0	Proposals by other sponsors	Difference from 0	Difference in means (1)-(3)	T-stat
All sponsors	-0.000	-0.610	0.001	0.353	-0.001	-0.58
Individual	-0.002	-2.364**	0.006	2.345**	-0.008	-3.01***
Institution	0.001	0.918	-0.000	-0.296	0.001	-0.71

	(1)	(2)	(3)	(4)	(5)	(6)
	LTCAR (-1, +12m)					
	Proposals by Top 10 sponsors	Difference from 0	Proposals by other sponsors	Difference from 0	Difference in means (1)-(3)	T-stat
All sponsors	-0.023	-3.137***	-0.090	-5.746***	0.067	3.92***
Individual	-0.055	-5.450***	0.049	1.894*	-0.104	-3.73***
Institution	-0.008	-0.745	-0.117	-6.693***	0.109	5.34**

Panel B. Majority passing and implementation

	(1)	(2)	(3)	(4)	(5)	(6)
	Majority Passing		Implementation		Implementation (Majority pass)	
Individual	0.1971***	0.0981	0.0971***	0.0756	-0.0488	0.0734
	(5.02)	(1.39)	(2.73)	(1.63)	(-0.61)	(0.63)
Top10 sponsor	0.1207***	0.0813	0.0592**	0.0306*	-0.0396	0.0005
	(4.39)	(1.88)	(2.38)	(2.00)	(-0.61)	(0.01)
Individual x Top10 sponsor	-0.1464***	-0.1354	-0.0701*	-0.0749	0.1028	0.0312
	(-3.32)	(-1.60)	(-1.76)	(-1.45)	(1.17)	(0.24)
Size		-0.0000**		-0.0000**		-0.0000
		(-3.64)		(-3.15)		(-1.54)
Tobin's Q		-0.0087		0.0067		0.0243
		(-0.85)		(0.93)		(1.06)
Sales growth		0.0013		-0.0138		-0.0343*
		(0.16)		(-1.51)		(-2.18)
ROA		0.2612**		-0.0515		-0.3834
		(3.33)		(-0.70)		(-1.63)
Cash flow		-0.0001		0.0004		-0.0025
		(-0.32)		(1.93)		(-0.49)
Lag ann return		0.0062		-0.0120		-0.0293
		(0.28)		(-0.55)		(-0.71)
Book lev		-0.1125		-0.0550		-0.0781
		(-1.41)		(-1.39)		(-0.45)
Div yld		0.0029		0.0055		0.0268**
		(0.66)		(1.55)		(2.69)
R&D		0.2223		-0.1978		-0.7926
		(1.70)		(-1.63)		(-1.76)
Inst own percent		0.2035**		0.1749**		0.0723
		(2.45)		(2.82)		(0.52)
Inst herfindahl		-0.6989		-0.6386		-0.9484
		(-1.64)		(-1.63)		(-0.81)
Neg Amihud		-0.7567*		-0.4256		0.5316
		(-1.95)		(-1.25)		(1.20)
Constant	0.1920***		0.1653***		0.5139***	
	(8.02)		(7.63)		(8.71)	
Observations	2,750	2,280	2,750	2,280	881	695
Adjusted R2	0.0141	0.174	0.00362	0.0809	-0.000491	0.133

Panel C. Returns

	(1)	(2)	(3)	(4)	(5)	(6)
	CAR (-1, +1d) - Maj Pass		LTCAR (-1, +12m) - Maj Pass		LTCAR (-1, +12m) - Implemented	
Individual	0.0079*	0.0100	0.2566***	0.2200	0.1640***	0.0841
	(1.78)	(1.54)	(4.88)	(1.23)	(3.22)	(0.53)
Top10 sponsor	0.0102***	0.0123***	0.4150***	0.3769***	0.2274***	0.1784***
	(2.86)	(4.77)	(9.89)	(5.93)	(5.94)	(5.22)
Individual x Top10 sponsor	-0.0151***	-0.0194**	-0.3862***	-0.3962*	-0.3056***	-0.2337
	(-3.08)	(-3.32)	(-6.66)	(-2.32)	(-5.42)	(-1.51)
Size		0.0000*		0.0000		0.0000
		(2.21)		(1.66)		(0.82)
Tobin's Q		-0.0009		-0.0523**		-0.0580***
		(-0.81)		(-2.74)		(-7.10)
Sales growth		-0.0007		0.0324*		0.0114
		(-0.38)		(2.49)		(0.09)
ROA		-0.0021		-0.0275		0.0530
		(-0.27)		(-1.01)		(0.40)
Cash flow		0.0001		-0.0097***		-0.0082**
		(0.23)		(-4.58)		(-3.62)
Lag ann return		0.0048		0.1938***		0.2729***
		(1.68)		(5.26)		(5.04)
Book lev		0.0055		0.1625		-0.0153
		(0.53)		(1.00)		(-0.22)
Div yld		0.0006		0.0065		0.0100**
		(1.39)		(1.50)		(2.71)
R&D		0.0150		-0.1011		-0.1465
		(1.27)		(-0.48)		(-0.45)
Inst own percent		0.0036		0.0876		-0.0761
		(0.35)		(0.40)		(-0.83)
Inst herfindahl		0.0294		-0.1751		0.6085
		(0.91)		(-0.35)		(0.93)
Neg Amihud		-0.0363		-0.9680**		0.2897
		(-0.94)		(-2.85)		(0.56)
Other board proposal		-0.0018		0.0077		0.0045
		(-0.74)		(0.40)		(0.20)
Other compensation proposal		0.0003		0.0403		-0.0041
		(0.07)		(0.60)		(-0.09)
Other governance proposal		-0.0057		0.0173		0.0047
		(-1.39)		(0.23)		(0.08)
Other operations proposal		-0.0043		-0.0620*		-0.1301
		(-0.44)		(-2.17)		(-1.96)
Other poison pill proposal		0.0081		0.0863		0.1089
		(1.09)		(1.48)		(0.84)
Other voting proposal		0.0010		0.0201		0.0381
		(0.27)		(0.86)		(1.21)
Other CSR proposal		-0.0024		-0.0611		0.0042
		(-0.71)		(-1.67)		(0.10)
Contentious meeting		0.0030		0.0404		0.0342
		(1.16)		(0.42)		(0.44)
Observations	873	689	858	679	621	501
Adjusted R2	0.0151	0.0649	0.108	0.238	0.0759	0.225

Table 5. Bad Proposals

Panel A reports the percent of bad proposals by category (rows) and sponsor (columns) as a fraction of the total count of sponsor proposals reported in the last row. Included are only shareholder-sponsored proposals over the 2003-2014 period. Panels B and C report short- and long-term cumulative abnormal returns (CARs) for different types of proposals. CARs are estimated with respect to the VW CRSP index. Panel B reports statistics for all sponsors, whereas Panel C compares individual vs. institutional sponsors. *Generic proposals* are submitted by sponsors who target multiple companies within the same year with the same proposal type. *Unfocused proposals* are submitted by sponsors who engage with many different types of proposals within the same year. *Fad proposals* are proposals submitted in a year when both the type of proposal and the number of sponsors submitting such proposals are in the top tercile of all years. *Good proposals* are ones not classified as generic, unfocused or fad. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Panel A. Frequency of bad proposals

Bad Proposal Type	Individual	Institution	Pension	Union	Inv firm	other	Total
Generic	64.52%	29.84%	27.12%	35.85%	0.00%	9.85%	44.91%
Unfocused	90.46%	65.72%	74.82%	70.26%	14.37%	71.95%	76.47%
Fad	26.95%	32.73%	46.25%	28.00%	26.87%	24.20%	30.22%
Total count	*1,189*	*1,540*	*411*	*976*	*153*	*428*	*2,729*

Panel B. Returns - All sponsors

	(1)	(2)	(3)	(4)	(5)	(6)
	CAR (-1, +1d)					
	Good Proposal	Difference from 0	Bad Proposals	Difference from 0	Difference in means (1)-(3)	T-stat
Generic	0.002	2.756***	-0.003	-4.498***	0.005	5.18***
Unfocused	0.002	2.092**	-0.001	-2.779***	0.004	3.10***
Fad	0.003	5.021***	-0.004	-5.747***	0.007	7.58***

	(1)	(2)	(3)	(4)	(5)	(6)
	LTCAR (-1, +12m)					
	Good Proposal	Difference from 0	Bad Proposals	Difference from 0	Difference in means (1)-(3)	T-stat
Generic	-0.010	-1.185	-0.062	-7.109***	0.052	4.27***
Unfocused	-0.010	-0.789	-0.042	-6.076***	0.033	2.29**
Fad	-0.012	-1.2808	-0.052	-6.511***	0.040	3.26***

Panel C. Returns - Individual vs. Institutions

	(1)	(2)	(3)	(4)
	CAR (-1, +1d)			
Bad Proposals	Institution	Individual	Difference in means (1)-(3)	T-stat
Generic	-0.000	-0.004	0.004	2.75***
Unfocused	0.001	-0.003	0.004	3.17***
Fad	-0.000	-0.008	0.007	5.59***

	(1)	(2)	(3)	(4)
Good proposals	Institution	Individual	Difference in means (1)-(3)	T-stat
Generic	0.001	0.017	-0.016	-6.95***
Unfocused	-0.000	0.018	-0.019	-4.84***
Fad	0.001	0.013	-0.012	-7.81***

	(1)	(2)	(3)	(4)
	LTCAR (-1, +12m)			
Bad Proposals	Institution	Individual	Difference	T-stat
Generic	-0.045	-0.074	0.029	1.45
Unfocused	-0.028	-0.061	0.033	2.17**
Fad	-0.014	-0.094	0.080	4.72***

	(1)	(2)	(3)	(4)
Good proposals	Institution	Individual	Difference	T-stat
Generic	-0.030	0.149	-0.179	-7.48***
Unfocused	-0.048	0.174	-0.222	-6.09***
Fad	-0.058	0.070	-0.128	-6.73***

Table 6. Performance of Bad Proposals

Panel A of this table reports estimates from OLS regressions of a proposal's probability of majority passing (columns 1-3), being implemented (columns 4-6), and being implemented conditional on majority passing (columns 7-9). Panel B reports OLS regressions of short- and long-term CARs for majority passed proposals (columns 1-6) and implemented proposals (columns 7-9). CARs are estimated with respect to the VW CRSP index. Regression estimates do not include controls or FE. Included are only shareholder-sponsored proposals over 2003-2014. Generic, unfocused and fad proposals are defined in Table 6. *, **, and *** refer to statistical significance at 10%, 5%, and 1% levels, respectively.

Panel A. Majority passing and implementation

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Majority Passing			Implementation			Implementation (maj pass only)		
	Generic	Unfocused	Fad	Generic	Unfocused	Fad	Generic	Unfocused	Fad
Individual	0.2909***	0.3916***	0.3114***	0.2009***	0.2205***	0.1721***	0.1220**	0.0939	0.1890***
	(8.03)	(8.30)	(11.01)	(6.12)	(5.15)	(6.69)	(2.22)	(1.43)	(3.21)
Generic prop	-0.0325			0.0197			-0.0361		
	(-1.27)			(0.85)			(-0.68)		
Individual x Generic prop	-0.2243***			-0.2001***			-0.0933		
	(-5.04)			(-4.96)			(-1.22)		
Unfocused prop		-0.0937***			-0.1054***			-0.1170**	
		(-3.84)			(-4.75)			(-2.44)	
Individual x Unfocused prop		-0.3138***			-0.1671***			-0.0399	
		(-6.13)			(-3.59)			(-0.52)	
Fad prop			0.2390***			0.2037***			0.2151***
			(10.36)			(9.71)			(4.00)
Individual x Fad prop			-0.3892***			-0.2352***			-0.2061***
			(-10.76)			(-7.15)			(-2.86)
Constant	0.2933***	0.3452***	0.1571***	0.2044***	0.2795***	0.1025***	0.4906***	0.5489***	0.3217***
	(21.03)	(17.44)	(9.36)	(16.16)	(15.55)	(6.71)	(17.58)	(14.97)	(6.95)
Observations	2,750	2,750	2,750	2,750	2,750	2,750	881	881	881
Adjusted R2	0.0252	0.0408	0.0540	0.0125	0.0253	0.0352	0.00467	0.0121	0.0158

Panel B. Returns

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	CAR (-1, +1d) - Maj Pass			LTCAR (-1, +12m) - Maj Pass			LTCAR (-1, +12m) - Implemented		
	Generic	Unfocused	Fad	Generic	Unfocused	Fad	Generic	Unfocused	Fad
Individual	0.0085***	0.0105***	0.0043	0.1803***	0.1871***	0.1606***	0.0332	0.0492	-0.0134
	(2.79)	(2.87)	(1.34)	(4.91)	(4.14)	(4.03)	(0.90)	(1.13)	(-0.32)
Generic prop	0.0030			-0.0101			-0.0062		
	(1.02)			(-0.29)			(-0.19)		
Individual x Generic prop	-0.0192***			-0.3215***			-0.1538***		
	(-4.58)			(-6.32)			(-3.12)		
Unfocused prop		0.0062**			0.0520			0.0656**	
		(2.33)			(1.59)			(2.13)	
Individual x Unfocused prop		-0.0203***			-0.3245***			-0.1854***	
		(-4.73)			(-6.13)			(-3.60)	
Fad prop			-0.0009			0.1057***			-0.0125
			(-0.30)			(2.91)			(-0.34)
Individual x Fad prop			-0.0157***			-0.3598***			-0.1129**
			(-3.97)			(-7.40)			(-2.29)
Constant	-0.0009	-0.0037*	0.0005	-0.0364**	-0.0697***	-0.1176***	-0.0150	-0.0530**	-0.0074
	(-0.61)	(-1.84)	(0.21)	(-1.96)	(-2.78)	(-3.76)	(-0.81)	(-2.32)	(-0.23)
Observations	873	873	873	858	858	858	621	621	621
Adjusted R2	0.0367	0.0290	0.0476	0.0930	0.0558	0.0813	0.0470	0.0378	0.0397

Table 7. Performance of Bad Proposals - Multivariate Analysis

Panel A of this table reports estimates from OLS regressions of a proposal's probability of passing with majority (columns 1-3), being implemented (columns 4-6), and being implemented conditional on passing with majority (columns 7-9). Panel B reports OLS regressions of short- and long-term CARs for majority passed proposals (columns 1-6), and implemented proposals (columns 7-9). CARs are estimated with respect to the VW CRSP index. Included are only shareholder-sponsored proposals over 2003-2014. Generic, unfocused and fad proposals are defined in Table 6. All regressions include proposal type and year fixed effects and cluster standard errors by proposal and firm. *, **, and *** refer to statistical significance at 10%, 5%, and 1% levels, respectively.

Panel A. Majority passing and implementation

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Majority Passing			Implementation			Implementation (maj pass only)		
	Generic	Unfocused	Fad	Generic	Unfocused	Fad	Generic	Unfocused	Fad
Individual	0.1945**	0.2333***	0.2123**	0.1869***	0.2185***	0.1333***	0.2359***	0.2885***	0.1845***
	(3.69)	(4.99)	(2.89)	(4.98)	(3.85)	(6.01)	(6.94)	(4.19)	(3.78)
Generic prop	-0.0582			0.0073			-0.0104		
	(-1.43)			(0.29)			(-0.23)		
Individual x Generic prop	-0.2088**			-0.2117***			-0.1890**		
	(-2.61)			(-6.82)			(-2.75)		
Unfocused prop		-0.0611			-0.0729**			-0.0116	
		(-1.12)			(-2.49)			(-0.43)	
Individual x Unfocused prop		-0.2462**			-0.1992**			-0.2336*	
		(-3.04)			(-3.27)			(-2.33)	
Fad prop			0.2029**			0.1510***			0.0220
			(2.51)			(3.88)			(0.25)
Individual x Fad prop			-0.3425***			-0.1873***			-0.1312**
			(-5.34)			(-4.07)			(-2.62)
Size	-0.0000***	-0.0000**	-0.0000**	-0.0000***	-0.0000***	-0.0000**	-0.0000*	-0.0000	-0.0000
	(-3.80)	(-3.14)	(-3.44)	(-3.88)	(-3.81)	(-3.56)	(-2.09)	(-1.63)	(-1.63)
Tobin's Q	-0.0064	-0.0085	-0.0097	0.0086	0.0069	0.0059	0.0263	0.0244	0.0238
	(-0.62)	(-0.81)	(-0.99)	(1.26)	(0.99)	(0.79)	(1.17)	(1.03)	(1.11)
Sales growth	0.0034	0.0023	0.0024	-0.0136	-0.0130	-0.0136	-0.0349	-0.0337*	-0.0376**
	(0.29)	(0.22)	(0.36)	(-1.39)	(-1.41)	(-1.46)	(-1.82)	(-2.19)	(-2.46)
ROA	0.2548**	0.2679**	0.2915**	-0.0649	-0.0500	-0.0357	-0.4040	-0.3480	-0.3843
	(2.68)	(2.86)	(3.54)	(-0.95)	(-0.71)	(-0.48)	(-1.72)	(-1.38)	(-1.74)
Cash flow	-0.0001	-0.0000	-0.0001	0.0005**	0.0005**	0.0004	-0.0025	-0.0033	-0.0023
	(-0.20)	(-0.12)	(-0.38)	(2.55)	(2.65)	(1.83)	(-0.49)	(-0.60)	(-0.42)
Lag ann return	0.0002	-0.0007	0.0054	-0.0177	-0.0198	-0.0109	-0.0384	-0.0386	-0.0325
	(0.01)	(-0.03)	(0.25)	(-0.83)	(-0.90)	(-0.58)	(-0.90)	(-0.88)	(-0.72)
Book lev	-0.1217	-0.1202	-0.0974	-0.0623	-0.0630	-0.0439	-0.0959	-0.1005	-0.0927
	(-1.50)	(-1.57)	(-1.22)	(-1.53)	(-1.38)	(-1.18)	(-0.57)	(-0.58)	(-0.56)
Div yld	0.0037	0.0039	0.0013	0.0061	0.0064	0.0052	0.0273*	0.0274*	0.0265**
	(0.95)	(1.06)	(0.29)	(1.15)	(1.42)	(1.20)	(2.42)	(2.39)	(2.77)
R&D	0.2028	0.1856	0.2306	-0.2269	-0.2360	-0.1924	-0.7280	-0.8441	-0.7799
	(1.36)	(1.20)	(1.76)	(-1.90)	(-1.88)	(-1.38)	(-1.67)	(-1.85)	(-1.71)
Inst own percent	0.1889*	0.1863*	0.2168**	0.1649*	0.1593**	0.1843**	0.0506	0.0486	0.0732
	(2.06)	(2.22)	(2.56)	(2.39)	(2.53)	(2.85)	(0.30)	(0.32)	(0.51)
Inst herfindahl	-0.7781	-0.7019	-0.7640*	-0.6965	-0.6470	-0.6909	-1.2887	-1.0356	-0.8828
	(-1.92)	(-1.70)	(-2.01)	(-1.67)	(-1.65)	(-1.83)	(-0.99)	(-0.89)	(-0.73)
Neg Amihud	-0.7303	-0.7029	-0.8328*	-0.4138	-0.3739	-0.4611	0.5177	0.6080	0.5436
	(-1.83)	(-1.78)	(-2.22)	(-1.16)	(-1.04)	(-1.49)	(1.08)	(1.36)	(1.27)
Observations	2,280	2,280	2,280	2,280	2,280	2,280	695	695	695
Adjusted R2	0.191	0.188	0.202	0.0935	0.0981	0.0957	0.147	0.150	0.138

Panel B. Returns

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	CAR (-1, +1d) - Maj Pass			LTCAR (-1, +12m) - Maj Pass			LTCAR (-1, +12m) - Implemented		
	Generic	Unfocused	Fad	Generic	Unfocused	Fad	Generic	Unfocused	Fad
Individual	0.0049	0.0102	0.0033	0.1418	0.1225	0.1467	0.0047	0.0272	-0.0131
	(0.96)	(1.16)	(0.78)	(1.94)	(1.24)	(1.90)	(0.10)	(0.32)	(-0.31)
Generic prop	0.0011			-0.0439			-0.0297		
	(0.44)			(-1.20)			(-1.66)		
Individual x Generic prop	-0.0160**			-0.3265***			-0.1311**		
	(-2.97)			(-4.99)			(-3.84)		
Unfocused prop		0.0056**			0.0527			0.0569**	
		(2.60)			(1.34)			(2.66)	
Individual x Unfocused prop		-0.0219**			-0.3051**			-0.1825**	
		(-2.72)			(-3.83)			(-2.97)	
Fad prop			-0.0017			0.1366			0.0266
			(-0.62)			(1.68)			(0.61)
Individual x Fad prop			-0.0150**			-0.3635***			-0.1269*
			(-3.28)			(-5.65)			(-2.35)
Size	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
	(1.10)	(1.16)	(1.38)	(0.97)	(1.52)	(1.97)	(0.82)	(0.94)	(0.69)
Tobin's Q	-0.0011	-0.0009	-0.0012	-0.0578**	-0.0590**	-0.0589**	-0.0656***	-0.0607***	-0.0656***
	(-0.98)	(-0.76)	(-0.91)	(-3.33)	(-2.82)	(-2.93)	(-6.54)	(-5.32)	(-6.07)
Sales growth	-0.0009	-0.0009	-0.0011	0.0340**	0.0321**	0.0274*	0.0613	0.0396	0.0307
	(-0.51)	(-0.51)	(-0.52)	(3.55)	(2.91)	(2.14)	(0.46)	(0.32)	(0.25)
ROA	-0.0016	0.0018	-0.0013	-0.0135	0.0628	0.0114	0.0419	0.0693	0.0806
	(-0.22)	(0.22)	(-0.15)	(-0.22)	(0.83)	(0.23)	(0.44)	(0.60)	(0.80)
Cash flow	0.0000	-0.0000	0.0000	-0.0116***	-0.0132**	-0.0113**	-0.0076*	-0.0082*	-0.0078**
	(0.10)	(-0.11)	(0.13)	(-4.29)	(-3.85)	(-2.93)	(-2.53)	(-2.51)	(-3.14)
Lag ann return	0.0054	0.0056	0.0056	0.2087***	0.2160***	0.2158***	0.2937***	0.2940***	0.2985***
	(1.86)	(1.78)	(1.78)	(5.26)	(5.07)	(4.80)	(4.77)	(5.28)	(5.22)
Book lev	0.0054	0.0053	0.0049	0.1502	0.1572	0.1654	0.0215	0.0058	-0.0008
	(0.51)	(0.45)	(0.44)	(1.50)	(1.29)	(1.14)	(0.28)	(0.08)	(-0.01)
Div yld	0.0008**	0.0006	0.0007	0.0117*	0.0099*	0.0086	0.0106**	0.0099**	0.0120**
	(2.60)	(1.68)	(1.94)	(2.05)	(2.42)	(1.55)	(2.70)	(2.91)	(3.03)
R&D	0.0258*	0.0173	0.0236	0.1993	-0.0098	0.0714	-0.0726	-0.0882	-0.0319
	(2.33)	(1.55)	(1.91)	(0.91)	(-0.05)	(0.35)	(-0.28)	(-0.27)	(-0.11)
Inst own percent	0.0025	0.0021	0.0037	0.0618	0.0771	0.1304	-0.0556	-0.0695	-0.0659
	(0.27)	(0.19)	(0.30)	(0.39)	(0.36)	(0.63)	(-0.70)	(-0.67)	(-0.67)
Inst herfindahl	0.0051	0.0234	0.0365	-0.7932*	-0.3406	-0.0202	0.2877	0.4384	0.4546
	(0.18)	(0.63)	(0.98)	(-2.17)	(-0.59)	(-0.04)	(0.43)	(0.70)	(0.75)
Neg Amihud	-0.0387	-0.0352	-0.0332	-1.0340**	-0.9940**	-0.9352**	0.1472	0.2009	0.2529

	(-0.96)	(-0.89)	(-0.87)	(-2.90)	(-3.05)	(-3.01)	(0.27)	(0.39)	(0.50)
Other board proposal	-0.0035	-0.0034	-0.0022	-0.0521	-0.0397	-0.0233	-0.0120	-0.0092	0.0034
	(-1.30)	(-1.31)	(-0.65)	(-1.61)	(-1.22)	(-0.65)	(-0.48)	(-0.41)	(0.15)
Other compensation proposal	-0.0004	-0.0003	-0.0016	0.0130	0.0180	0.0032	0.0014	-0.0060	-0.0029
	(-0.08)	(-0.06)	(-0.40)	(0.22)	(0.28)	(0.06)	(0.03)	(-0.12)	(-0.06)
Other governance proposal	-0.0048	-0.0058	-0.0071	0.0347	0.0151	-0.0088	0.0076	0.0006	-0.0061
	(-1.44)	(-1.54)	(-1.56)	(0.62)	(0.22)	(-0.12)	(0.14)	(0.01)	(-0.11)
Other operations proposal	-0.0065	-0.0047	-0.0026	-0.1547***	-0.0784	-0.0130	-0.1655**	-0.1574*	-0.1326*
	(-0.58)	(-0.55)	(-0.27)	(-4.33)	(-1.45)	(-0.34)	(-2.92)	(-2.27)	(-2.37)
Other poison pill proposal	0.0075	0.0073	0.0092	0.0438	0.0550	0.0854	0.0747	0.0897	0.0895
	(0.93)	(0.98)	(1.20)	(1.11)	(1.09)	(1.51)	(0.55)	(0.79)	(0.71)
Other voting proposal	0.0001	0.0006	-0.0003	-0.0025	0.0151	0.0015	0.0238	0.0357	0.0266
	(0.03)	(0.19)	(-0.07)	(-0.07)	(0.48)	(0.05)	(0.65)	(1.27)	(0.81)
Other CSR proposal	-0.0013	-0.0017	0.0005	-0.0344	-0.0442	-0.0142	0.0328	0.0095	0.0284
	(-0.32)	(-0.44)	(0.18)	(-0.65)	(-1.02)	(-0.28)	(0.76)	(0.23)	(0.65)
Contentious Meeting	0.0035	0.0033	0.0006	0.0656	0.0651	0.0111	0.0459	0.0423	0.0222
	(1.00)	(1.01)	(0.21)	(0.45)	(0.52)	(0.09)	(0.46)	(0.49)	(0.27)
Proposal & year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES
Observations	689	689	689	679	679	679	501	501	501
Adjusted R2	0.0713	0.0718	0.0789	0.259	0.195	0.215	0.218	0.205	0.201

Table 8. Shareholder Voting Behavior and Bad Proposals

This table reports statistics on informed investors (Panel A) and estimates from OLS regressions of a proposal's probability of passing with majority (Panel B) and being implemented (Panel B). Generic, unfocused, and fad proposals by individual sponsors are defined as in Table 6. Informed ratio is the ratio of informed mutual fund (MF) ownership divided by total MF ownership. We estimate a MF's propensity to acquire information on a shareholder proposal by 1/R^2 from a regression of the MF's vote "For" a proposal on ISS recommendation "For" and proposal category dummies. Then, a firm's informed ownership is the ownership-weighted average of the 1/R^2 of its MF owners. MF holdings as of the quarter before the vote are obtained from CRSP Mutual Fund database linked by CIK to ISS NPX file numbers. Included are funds with available NPX file numbers, as reported by ISS over 2006-2014, and CIK numbers from NPX filings. In 89% of proposal votes, all funds in a family vote the same; for the remaining 11% we use the fraction of "For" votes in the above regression. *, **, and *** refer to statistical significance at 10%, 5%, and 1% levels, respectively.

Panel A. Informed investors	Mean	Median	St Dev	Min	Max
R^2 (by fund family)	0.6260	0.6288	0.2168	0.0089	1.0000
Informed ownership (by firm)	0.3455	0.3442	0.1381	0.0000	0.8521
Total fund ownership (by firm)	0.1893	0.1898	0.0739	0.0000	0.4860
Informed ratio (by firm)	1.8253	1.7919	0.1500	1.2142	6.0297

Panel B. Majority passing

	(1)	(2)	(3)	(4)	(5)	(6)
	Majority Passing					
Informed ratio	0.0300	0.0039	0.0700**	0.0429	0.0051	0.0456
	(0.99)	(0.12)	(2.04)	(1.68)	(0.13)	(1.05)
Generic prop	0.0423			-0.1996		
	(0.40)			(-0.79)		
Generic prop x Informed ratio	-0.4413***			-0.3241**		
	(-7.58)			(-2.48)		
Unfocused prop		-0.2722**			-0.2951	
		(-2.40)			(-1.60)	
Unfocused prop x Informed ratio		-0.2460***			-0.2397**	
		(-4.00)			(-2.83)	
Fad prop			0.1034			-0.0723
			(0.82)			(-0.22)
Fad prop x Informed ratio			-0.4594***			-0.3648**
			(-6.68)			(-2.54)
Size				-0.0000*	-0.0000*	-0.0000
				(-2.31)	(-2.42)	(-1.63)
Tobin's Q				0.0097	0.0074	0.0078
				(1.22)	(0.87)	(0.69)
Sales growth				-0.0010	-0.0043	0.0032
				(-0.13)	(-0.52)	(0.38)
ROA				-0.0345	0.0102	0.0917
				(-0.29)	(0.10)	(1.31)
Cash flow				0.0002	0.0001	-0.0002
				(0.59)	(0.25)	(-0.60)
Lag ann return				0.0029	0.0005	-0.0086
				(0.21)	(0.03)	(-0.70)
Book lev				-0.1020*	-0.0847	-0.0817
				(-1.97)	(-1.60)	(-0.97)
Div yld				-0.0015	-0.0028	-0.0126**
				(-0.40)	(-0.77)	(-3.12)
R&D				-0.1621	-0.1176	0.0470
				(-0.81)	(-0.63)	(0.42)
Inst own percent				0.0475	0.0406	0.0893
				(0.71)	(0.77)	(1.26)
Inst herfindahl				-0.4395**	-0.2323	-0.3487*
				(-3.16)	(-1.02)	(-2.24)
Neg Amihud				-0.3216	-0.2919	-0.5634
				(-1.13)	(-0.96)	(-1.89)
Proposal & year FE				YES	YES	YES
Observations	2,269	2,269	2,296	1,890	1,890	1,916
Adjusted R2	0.657	0.598	0.542	0.699	0.627	0.608

Panel C. Implementation

	(1)	(2)	(3)	(4)	(5)	(6)
	Implementation					
Informed ratio	0.2086***	0.2193***	0.2243***	0.2909***	0.2769***	0.2929***
	(5.58)	(5.83)	(5.88)	(5.09)	(4.76)	(5.14)
Generic prop	0.1595			0.1877		
	(1.21)			(1.78)		
Generic prop x Informed ratio	-0.2086***			-0.2501***		
	(-2.91)			(-4.28)		
Unfocused prop		0.1684			0.1299	
		(1.32)			(1.02)	
Unfocused prop x Informed ratio		-0.2193***			-0.2247**	
		(-3.16)			(-3.52)	
Fad prop			0.2001			0.2496**
			(1.42)			(2.67)
Fad prop x Informed ratio			-0.2243***			-0.2644***
			(-2.93)			(-4.56)
Size				-0.0000**	-0.0000	-0.0000**
				(-2.69)	(-1.60)	(-2.63)
Tobin's Q				-0.0109	-0.0123	-0.0039
				(-1.58)	(-1.86)	(-0.40)
Sales growth				-0.0060	-0.0072	-0.0071
				(-0.65)	(-0.77)	(-0.69)
ROA				-0.0168	0.0012	0.0142
				(-0.27)	(0.02)	(0.18)
Cash flow				-0.0001	-0.0001	0.0000
				(-0.26)	(-0.38)	(0.06)
Lag ann return				-0.0346	-0.0367	-0.0388
				(-1.66)	(-1.48)	(-1.74)
Book lev				-0.0462	-0.0357	-0.0356
				(-1.23)	(-0.84)	(-1.09)
Div yld				0.0084**	0.0080**	0.0033
				(3.25)	(3.13)	(0.90)
R&D				-0.0310	-0.0237	0.0022
				(-0.29)	(-0.23)	(0.02)
Inst own percent				0.0842*	0.0786*	0.1083**
				(2.09)	(2.07)	(2.48)
Inst herfindahl				0.2133	0.2809	0.2651
				(0.58)	(0.67)	(0.67)
Neg Amihud				0.0094	0.0069	-0.0471
				(0.04)	(0.03)	(-0.18)
Proposal & year FE				YES	YES	YES
Observations	2,269	2,269	2,296	1,890	1,890	1,916
Adjusted R2	0.110	0.123	0.0855	0.184	0.197	0.141

Table 9. Shareholder Propensity to Acquire Information and the Performance of Proposals

This table reports estimates from OLS regressions of short- and long-term cumulative abnormal returns (CARs) for majority passed proposals (columns 1-4) and implemented proposals (columns 5-8). CARs are estimated with respect to the VW CRSP index. Informed ratio is the ratio of informed MF ownership divided by total MF ownership, as described in Table 9. *, **, and *** refer to statistical significance at 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
					LTCAR (-1, +12m)			
	CAR (-1, +1d)		Maj Pass		Implementation		Implementation - Maj Pass	
Informed ratio	0.0056**	0.0045*	0.0191	0.0749	-0.0273	0.0565	-0.0725**	0.0384
	(1.98)	(2.24)	(0.41)	(1.82)	(-0.85)	(1.38)	(-2.24)	(1.03)
Majority pass	-0.0060	-0.0073	0.0941	-0.0639				
	(-0.85)	(-0.90)	(0.83)	(-0.56)				
Majority pass x Informed Ratio	0.0114***	0.0119**	-0.0233	0.0635				
	(3.03)	(2.75)	(-0.38)	(0.94)				
Implementation					-0.0499	0.0008		
					(-0.38)	(0.01)		
Implementation x Informed Ratio					0.1778**	0.1394		
					(2.51)	(1.57)		
Implementation (Maj Pass)							-0.1063	0.0202
							(-0.77)	(0.22)
Implementation (Maj Pass) x Informed Ratio							0.2184***	0.1390**
							(3.01)	(2.79)
Size		-0.0000		-0.0000		-0.0000		-0.0000
		(-0.13)		(-1.63)		(-1.08)		(-1.30)
Tobin's Q		-0.0010		-0.0330**		-0.0333**		-0.0309**
		(-1.07)		(-2.47)		(-2.46)		(-2.46)
Sales growth		-0.0011		0.0163**		0.0198***		0.0171**
		(-1.28)		(3.16)		(3.75)		(3.27)
ROA		-0.0012		-0.1994***		-0.2044***		-0.1903**
		(-0.14)		(-3.85)		(-4.34)		(-3.60)
Cash flow		-0.0001		0.0002		0.0001		0.0002
		(-1.37)		(0.42)		(0.19)		(0.42)
Lag ann return		0.0090***		0.3444***		0.3555***		0.3529***
		(3.75)		(7.76)		(7.74)		(7.84)
Book lev		0.0131**		-0.0167		-0.0095		-0.0099
		(2.99)		(-0.41)		(-0.22)		(-0.23)
Div yld		0.0003		0.0157**		0.0147**		0.0142*
		(1.69)		(3.03)		(3.10)		(2.33)
R&D		0.0179		-0.2579*		-0.2297*		-0.2633**
		(1.11)		(-2.17)		(-2.18)		(-2.57)
Inst own percent		0.0005		-0.0947		-0.1299		-0.1170

		(0.11)		(-1.03)		(-1.50)		(-1.33)
Inst herfindahl		0.0288		0.3049		0.4433		0.2263
		(1.52)		(0.94)		(1.54)		(0.91)
Neg Amihud		0.0020		0.5677		0.6606**		0.5418
		(0.13)		(1.67)		(2.46)		(1.89)
Other board proposal		-0.0018		-0.0460		-0.0326		-0.0416
		(-1.43)		(-1.48)		(-1.19)		(-1.39)
Other compensation proposal		-0.0006		-0.0153		0.0025		-0.0041
		(-0.53)		(-1.09)		(0.18)		(-0.22)
Other governance proposal		0.0005		-0.0044		-0.0089		-0.0108
		(0.25)		(-0.20)		(-0.40)		(-0.49)
Other operations proposal		-0.0026		-0.0834		-0.0858		-0.0948
		(-1.10)		(-1.57)		(-1.63)		(-1.59)
Other poison pill proposal		-0.0001		0.0436		0.0766		0.0594
		(-0.04)		(0.56)		(0.98)		(0.80)
Other voting proposal		0.0004		-0.0218		-0.0162		-0.0117
		(0.27)		(-1.15)		(-0.91)		(-0.70)
Other CSR proposal		-0.0025		0.0032		0.0006		-0.0088
		(-1.05)		(0.11)		(0.02)		(-0.28)
Contentious meeting		-0.0034		0.0509		0.0452		0.0581
		(-0.44)		(0.93)		(1.07)		(1.21)
Proposal & year FE		YES		YES		YES		YES
Observations	2,656	2,215	2,598	2,169	2,598	2,169	2,598	2,169
Adjusted R2	0.116	0.149	0.00399	0.177	0.112	0.264	0.0874	0.245

Appendix. Additional tables

Table A1. Probability of Being Targeted by Hedge Fund Activism or Shareholder Proposals

This table reports OLS regressions for the probability of a firm being targeted by hedge fund activism or shareholder proposals. The observations are firm-year. Included are only shareholder-sponsored proposals over the 2003-2014 period. Hedge fund activism data come from SEC Schedule 13D and FactSet's SharkRepellent.net. All control variables are lagged by one year. All regressions include industry and year fixed effects, and cluster standard errors by firm. *, **, and *** refer to statistical significance at 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Firm targeted by:						
	Hedge fund activism	Shareholder proposal	Individual proposal	Institutional proposal	Union proposal	Pension proposal	Inv firm proposal
Log market cap	-0.0054***	0.0667***	0.0356***	0.0377***	0.0295***	0.0081***	0.0046***
	(-6.48)	(17.14)	(11.15)	(13.54)	(12.02)	(6.37)	(5.15)
Tobin's Q	-0.0034***	-0.0105***	-0.0069***	-0.0056***	-0.0047***	-0.0011	-0.0006**
	(-7.12)	(-7.67)	(-6.84)	(-5.47)	(-6.45)	(-1.64)	(-2.01)
Sales growth	-0.0049***	-0.0176***	-0.0084***	-0.0094***	-0.0064***	-0.0025***	-0.0009
	(-2.61)	(-7.97)	(-5.47)	(-6.02)	(-5.59)	(-2.71)	(-1.56)
ROA	-0.0001	-0.0415***	-0.0215***	-0.0276***	-0.0172***	-0.0117**	-0.0027
	(-0.02)	(-3.94)	(-2.71)	(-3.51)	(-2.97)	(-2.16)	(-1.38)
Cash flow	-0.0001	-0.0006***	-0.0001	-0.0005***	-0.0003***	-0.0002	-0.0001
	(-0.68)	(-3.10)	(-1.40)	(-2.84)	(-3.84)	(-1.21)	(-1.35)
Annual return	-0.0039**	0.0040**	0.0020**	0.0032**	0.0017*	0.0008	0.0008*
	(-2.55)	(2.53)	(2.03)	(2.52)	(1.75)	(1.18)	(1.82)
Book lev	0.0122**	0.0006	0.0049	-0.0024	-0.0006	-0.0018	-0.0014
	(2.28)	(0.07)	(0.72)	(-0.36)	(-0.12)	(-0.51)	(-0.66)
Div yld	0.0044	0.0020	0.0247	-0.0155	-0.0123	-0.0061	0.0017
	(0.49)	(0.08)	(1.36)	(-1.00)	(-1.01)	(-0.69)	(0.27)
R&D	0.0264**	-0.0023	0.0018	0.0051	0.0081	-0.0045	-0.0014
	(2.02)	(-0.12)	(0.14)	(0.36)	(0.76)	(-0.51)	(-0.35)
Inst own percent	0.0267***	-0.0329***	-0.0226***	-0.0128**	-0.0131***	-0.0029	0.0012
	(6.42)	(-3.50)	(-3.29)	(-2.14)	(-2.82)	(-0.97)	(0.69)
Inst herfindahl	-0.0262***	0.0896***	0.0428***	0.0580***	0.0429***	0.0172***	0.0054***
	(-5.51)	(8.92)	(6.48)	(8.84)	(7.79)	(6.64)	(3.76)
Neg Amihud	-0.0262	-0.5478***	-0.3290***	-0.3009***	-0.2548***	-0.0351*	-0.0566***
	(-1.08)	(-9.91)	(-8.06)	(-7.73)	(-8.19)	(-1.79)	(-3.76)
Industry & year FE	YES	YES	YES	YES	YES	YES	YES
Observations	36,954	36,954	36,954	36,954	36,954	36,954	36,954
Adjusted R2	0.0217	0.146	0.0845	0.0813	0.0711	0.0197	0.00897

Table A2. Individuals' and Institutional Investors' Specialization

This table reports OLS regressions for the probability of a firm being targeted by shareholder proposals. The observations are firm-year. Included are only shareholder-sponsored proposals over the 2003-2014 period. All control variables are lagged by one year. All regressions include industry and year fixed effects, and cluster standard errors by firm. *, **, and *** refer to statistical significance at 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	Firm targeted by:					
	Individual proposal			Institutional proposal		
Number individual prop	0.4829***			-0.3817***		
	(6.57)			(-8.61)		
Number institutional prop	-0.3218***			0.4657***		
	(-3.79)			(11.13)		
Majority individual prop		0.3771***			-0.3244***	
		(6.52)			(-6.30)	
Majority institutional prop		-0.4291***			0.4819***	
		(-7.62)			(11.75)	
No implementation indiv prop			0.4124***			-0.3545***
			(6.51)			(-6.48)
No implementation inst prop			-0.4286***			0.4927***
			(-7.64)			(12.47)
Log market cap	0.0000	0.0000	0.0000	-0.0000**	-0.0000**	
	(0.11)	(0.28)	(0.30)	(-3.09)	(-3.25)	
Tobin's Q	-0.0243	-0.0302	-0.0299	0.0200	0.0250	0.0234
	(-1.45)	(-1.52)	(-1.50)	(1.09)	(1.18)	(1.08)
Sales growth	0.0020	-0.0032	-0.0034	-0.0140	-0.0068	-0.0013
	(0.11)	(-0.21)	(-0.22)	(-1.04)	(-0.59)	(-0.11)
ROA	0.0561	0.0743	0.0725	-0.1282	-0.1702	-0.1950
	(0.45)	(0.55)	(0.53)	(-1.09)	(-1.17)	(-1.22)
Cash flow	0.0001	0.0002	0.0002	-0.0003	-0.0004	-0.0005
	(0.21)	(0.25)	(0.26)	(-0.58)	(-0.52)	(-0.71)
Annual return	-0.0074	0.0096	0.0096	0.0053	-0.0098	-0.0026
	(-0.66)	(1.16)	(1.13)	(0.16)	(-0.32)	(-0.08)
Book lev	0.0739	0.1448	0.1433	-0.0921	-0.1587	-0.1162
	(1.20)	(1.31)	(1.30)	(-1.18)	(-1.19)	(-0.79)
Div yld	0.0078	0.0055	0.0055	-0.0043	-0.0030	-0.0035
	(0.83)	(0.59)	(0.59)	(-0.59)	(-0.41)	(-0.47)
R&D	-0.0774	-0.1020	-0.1038	0.0170	0.0260	0.0463
	(-0.47)	(-0.46)	(-0.46)	(0.08)	(0.10)	(0.17)
Inst own percent	-0.1092	-0.1056	-0.1068	0.1993*	0.1849	0.3464***
	(-1.59)	(-1.18)	(-1.20)	(2.28)	(1.92)	(3.71)
Inst herfindahl	-0.1750	0.0742	0.0800	0.1659	-0.0817	0.3672
	(-0.48)	(0.15)	(0.16)	(0.67)	(-0.20)	(1.12)
Neg Amihud	-0.0668	0.1135	0.1191	0.0621	-0.0831	-0.4435
	(-0.30)	(0.44)	(0.47)	(0.19)	(-0.21)	(-1.35)
Proposal and year FE	YES	YES	YES	YES	YES	YES
Observations	2,687	2,687	2,687	2,687	2,687	2,687
Adjusted R2	0.354	0.228	0.229	0.266	0.126	0.113

Table A3. Abnormal Returns Associated with Proposals

This table reports cumulative abnormal returns (CARs) from *t*-1 to *t*+1 around the meeting date. CARs are estimated with respect to the VW CRSP index. Included are only shareholder-sponsored proposals within 20 percent of the passing threshold and proposals with conflicting recommendations by management and ISS, as reported by ISS over 2003-2014. Proposals are classified into seven non-overlapping categories and sponsors are classified as individuals or institutions, with the latter further subdivided into public pensions, unions, and investment firms. Other (sponsors) are groups with no lead sponsor, religiously-affiliated organizations, and sponsors that cannot be classified. The last row reports the average CAR across all proposal types. Differences from zero are statistically significant at 10% if shaded in grey and at 5% if in bold.

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	Individual	**Institution**	**Pension**	**Union**	**Inv firm**	**Other**
Board	0.024%	0.010%	0.079%	0.034%	-0.453%	-0.627%
CSR	-1.254%	0.261%	0.076%	-0.338%	0.690%	-0.399%
Compensation	-0.036%	0.008%	-0.228%	0.076%	-0.793%	**-0.599%**
Gov disclosure	1.058%	0.115%	0.092%	0.331%	-0.324%	-0.395%
Operations	-0.149%	-0.370%	-0.797%	-1.448%	1.741%	-0.887%
Poison pill	-0.418%	0.550%	-0.959%	0.848%	0.455%	
Voting	0.009%	-0.019%	0.282%	-0.048%	-1.728%	-0.260%
Total	0.000%	0.050%	0.060%	0.060%	-0.020%	**-0.480%**

Table A4. Abnormal Returns Associated with Proposals - Multivariate Analysis

This table reports OLS regressions for cumulative abnormal returns (CARs) from *t*-1 to *t*+1 around the meeting date. CARs are estimated with respect to the VW CRSP index. Included are only shareholder proposals within 20 percent of the passing threshold and proposals with conflicting recommendations by management and ISS, as reported by ISS over 2003-2014. All regressions include proposal type and year fixed effects and cluster standard errors by proposal type and firm. *, **, and *** refer to statistical significance at 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)
	CAR (-1, +1d)			
Individual	0.0016			
	(1.05)			
Maj pass proposal	0.0012	-0.0015	-0.0006	0.0003
	(0.75)	(-1.26)	(-0.49)	(0.25)
Individual x Maj pass proposal	-0.0038			
	(-1.87)			
Pension		-0.0003		
		(-0.14)		
Pension x Maj pass proposal		0.0074**		
		(2.56)		
Union			-0.0005	
			(-0.55)	
Union x Maj pass proposal			0.0009	
			(0.60)	
Inv firm				0.0056
				(1.53)
Inv firm x Maj pass proposal				-0.0190**
				(-3.10)
Size	0.0000	-0.0000	-0.0000	-0.0000
	(0.03)	(-0.72)	(-0.83)	(-0.79)
Tobin's Q	-0.0007	-0.0007	-0.0007	-0.0007
	(-0.65)	(-0.70)	(-0.66)	(-0.67)
Sales growth	-0.0007	-0.0013	-0.0012	-0.0013
	(-0.84)	(-1.30)	(-1.20)	(-1.29)
ROA	0.0011	0.0008	0.0012	0.0008
	(0.10)	(0.08)	(0.12)	(0.08)
Cash flow	-0.0001	-0.0001	-0.0001	-0.0001
	(-1.63)	(-1.91)	(-1.84)	(-1.93)
Lag ann return	0.0144***	0.0132**	0.0132**	0.0131**
	(3.75)	(3.49)	(3.53)	(3.48)
Book lev	0.0163**	0.0160**	0.0159**	0.0159**
	(3.24)	(3.26)	(3.24)	(3.29)
Div yld	0.0004	0.0003	0.0004	0.0003
	(1.32)	(0.99)	(1.30)	(1.18)
R&D	0.0234	0.0247	0.0255	0.0248
	(1.48)	(1.45)	(1.47)	(1.46)
Inst own percent	-0.0064	-0.0101*	-0.0099*	-0.0098*
	(-1.69)	(-2.16)	(-2.15)	(-2.07)
Inst herfindahl	-0.0258	-0.0391	-0.0381	-0.0346
	(-1.37)	(-1.86)	(-1.84)	(-1.73)
Neg Amihud	0.0024	0.0081	0.0079	0.0074
	(0.08)	(0.33)	(0.33)	(0.29)
Proposal & year FE	YES	YES	YES	YES
Observations	2,252	2,619	2,619	2,619
Adjusted R2	0.0347	0.0357	0.0340	0.0368

Table A5. Proposal Implementation and Hedge Fund Activism

This table reports OLS regressions of the probability of being targeted by hedge fund activism. Included are only shareholder-sponsored proposals that pass with a majority vote over the 2003-2014 period. Generic proposals, unfocused and fad proposals are defined in Table 6. All control variables are lagged by one year. All regressions include industry and year fixed effects, and cluster standard errors by firm. *, **, and *** refer to statistical significance at 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	Activist target					
No implementation non-fad prop	0.0179					
	(0.85)					
No implementation fad prop	0.0053					
	(0.36)					
Implementation non-fad prop		-0.0067**				
		(-2.51)				
Implementation fad prop		-0.0137***				
		(-6.66)				
No implementation non-generic prop			-0.0059			
			(-0.52)			
No implementation generic prop			0.0254			
			(1.57)			
Implementation non-generic prop				-0.0120***		
				(-5.06)		
Implementation generic prop				-0.0100***		
				(-4.08)		
No implementation focused prop					0.0223	
					(0.95)	
No implementation unfocused prop					0.0068	
					(0.48)	
Implementation focused prop						-0.0132***
						(-4.99)
Implementation unfocused prop						-0.0119***
						(-5.81)
Size	-0.0000***	-0.0000**	-0.0000***	-0.0000**	-0.0000***	-0.0000**
	(-2.87)	(-2.45)	(-2.73)	(-2.44)	(-2.82)	(-2.45)
Tobin's Q	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000
	(-0.63)	(-0.64)	(-0.63)	(-0.64)	(-0.63)	(-0.64)
Sales growth	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000
	(-0.75)	(-0.73)	(-0.75)	(-0.73)	(-0.75)	(-0.73)
ROA	-0.0055	-0.0056	-0.0055	-0.0056	-0.0055	-0.0056
	(-1.29)	(-1.30)	(-1.29)	(-1.30)	(-1.29)	(-1.30)
Cash flow	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
	(0.23)	(0.22)	(0.23)	(0.22)	(0.23)	(0.22)
Lag ann return	-0.0026	-0.0026	-0.0026*	-0.0026	-0.0026	-0.0026
	(-1.64)	(-1.64)	(-1.65)	(-1.64)	(-1.64)	(-1.64)
Book lev	0.0131***	0.0131***	0.0132***	0.0132***	0.0131***	0.0132***
	(2.75)	(2.75)	(2.75)	(2.75)	(2.75)	(2.75)
Div yld	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000
	(-1.04)	(-1.13)	(-1.03)	(-1.13)	(-1.04)	(-1.13)
R&D	0.0006	0.0004	0.0006	0.0004	0.0006	0.0004
	(0.06)	(0.04)	(0.06)	(0.04)	(0.06)	(0.04)
Inst own percent	0.0273***	0.0272***	0.0273***	0.0273***	0.0273***	0.0273***
	(6.72)	(6.71)	(6.72)	(6.71)	(6.72)	(6.71)
Inst herfindahl	-0.0189***	-0.0188***	-0.0189***	-0.0188***	-0.0189***	-0.0188***
	(-4.04)	(-4.02)	(-4.04)	(-4.02)	(-4.04)	(-4.02)
Neg Amihud	-0.1304***	-0.1290***	-0.1303***	-0.1290***	-0.1302***	-0.1290***
	(-8.40)	(-8.35)	(-8.41)	(-8.35)	(-8.42)	(-8.35)
Industry & year FE	YES	YES	YES	YES	YES	YES
Observations	36,954	36,954	36,954	36,954	36,954	36,954
Adjusted R2	0.0185	0.0184	0.0185	0.0184	0.0185	0.0184