

UNIVERSITÉ DU QUÉBEC À MONTRÉAL

THREE ESSAYS ON SOCIAL POLICY SHAREHOLDER ACTIVISM:
ACTORS AND ISSUES, TYPES OF TARGETED FIRMS, AND OUTCOMES

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LISTE DES ABRÉVIATIONS

CalPERS: California Public Employees' Retirement System

CERES: Coalition for Environmentally Responsible Economies

CSR: Corporate social responsibility

ICCR: Interfaith Center on Corporate Responsibility

IRRC: Investor Responsibility Research Center

MUSA: Made in USA Foundation

NYCERS: The New York City Employees' Retirement System

SEC: U.S. Securities and Exchange Commission

RÉSUMÉ

Les actionnaires de firmes qui affichent une faible performance sociale ou environnementale ont à leur disposition un certain nombre d'outils pour forcer les dirigeants à revoir les politiques de la firme. Un des mécanismes pouvant leur permettre de communiquer leurs préoccupations aux dirigeants est la soumission de résolutions d'actionnaire. Ce genre d'actions est régulé par la règle communément appelée Règle 14a-8, promulguée en 1942 par la Commission des valeurs mobilières des États-Unis (SEC par son sigle en anglais). Selon les dispositions de la Règle, les actionnaires des compagnies cotées en bourse peuvent déposer sans frais, s'ils remplissent certains critères, des résolutions (ou propositions) d'actionnaires pour être incluses dans la circulaire de sollicitation de procurations de la firme, si les dirigeants présentent des propositions eux-mêmes lesquelles seront votés par les actionnaires.

Deux grands groupes caractérisent les résolutions d'actionnaires soumises selon les dispositions de la Règle 14 a-8. Le premier groupe de résolutions vise seulement à améliorer la performance financière de la firme, et ces résolutions sont appelées « résolutions de gouvernance d'entreprise ». Le deuxième groupe de résolutions a comme but l'amélioration de la performance sociale des firmes. Alors que la majeure partie de la littérature académique s'est concentrée sur les résolutions de gouvernance d'entreprise, l'objet de notre recherche est l'étude des résolutions du deuxième groupe. En effet, les résolutions de l'actionnariat à caractère social constituent un phénomène persistant (au moins un tiers de toutes les résolutions reçues par les firmes aux États-Unis appartiennent à ce groupe), ce qui motive notre intention de contribuer à la littérature en tentant de comprendre pourquoi certaines entreprises font l'objet de ce type de résolutions, quelles sont les principales sortes de résolutions à caractère social et qui sont les actionnaires qui les promeuvent et enfin, pourquoi certains résultats finaux des résolutions semble plus probables que d'autres.

Nous avons alors bâti une base de données dans laquelle nous avons fusionné les informations sur les résolutions d'actionnaires, avec des données financières et comptables extraites de Compustat et des données de performance sociale colligées dans la base de la firme KLD Research and Analytics, Inc. Cette base de données originale nous a permis de valider empiriquement trois problématiques de recherche visant à contribuer à l'avancement des connaissances sur l'activisme actionnarial à caractère social.

Le premier de ces papiers analyse le type d'entreprises ciblées par les activistes qui présentent des résolutions à caractère social. À cette fin, nous comparons deux groupes d'entreprises, celles ayant reçu une résolution d'actionnaires à l'intention du social (échantillon original) et un autre groupe de firmes témoins qui n'en ont pas reçu (du moins, pendant une fenêtre de temps appropriée). Les critères retenus pour sélectionner les entreprises témoins sont : la taille et le secteur d'activité. Nous avons cherché une firme témoin pour chaque résolution, même si certaines compagnies en reçoivent plusieurs chaque année. Notre hypothèse est que les actionnaires choisissent des firmes qui présentent certaines caractéristiques pour les cibler avec des résolutions. L'article montre que les actionnaires ont tendance à cibler des firmes de grande taille, peu performantes sur le plan financier, et qui affichent des indicateurs de risque élevés. Nous supposons que les deux résultats puissent être reliés à la possibilité que l'impact négatif des enjeux à caractère social sur la valeur des firmes puisse s'avérer plus important quand la performance économique est insatisfaisante et le risque plus élevé, favorisant ainsi davantage le

monitoring. L'article montre aussi que les firmes peu performantes sur le plan social ont plus de probabilité d'être ciblées par les actionnaires. Nous avons aussi exploré la possibilité que les différents types d'actionnaires puissent privilégier différents types d'entreprise. Nous découvrons qu'en général les actionnaires ne choisissent pas ou ne ciblent pas tous les mêmes entreprises, mais que cette différence n'est pas notoire.

Notre deuxième article propose des typologies pour les acteurs qui soumettent des résolutions ainsi que pour les sujets considérés dans les résolutions. Sur la base de ces typologies, l'article examine aussi les résultats des résolutions, en mettant l'accent sur la capacité des actionnaires qui soumettent des propositions de négocier avec les dirigeants en échange du retrait de la résolution de la circulaire de sollicitation de procurations. La littérature disponible a assimilé le retrait des résolutions au succès, c'est-à-dire à la capacité d'exercer une influence sur les dirigeants. Cet article remet en question cette perspective et présente les raisons suggérant que dans certaines circonstances les actionnaires puissent s'incliner pour retirer leurs résolutions, et ce dans le but d'occulter des résultats décevants. En prenant en considération cet aspect, l'article montre que certains types d'actionnaires (tels les fonds de pension, les fonds communs de placement, et dans une moindre mesure, les investisseurs religieux) ont plus de capacité à influencer les dirigeants. C'est aussi le cas de certains types de sujets considérés dans les résolutions, tels que la diversité dans les conseils d'administration, l'égalité dans l'emploi, l'énergie et l'environnement, et le respect des droits humains et du travail à l'international.

Sur la base des résultats que nous avons obtenus dans le deuxième papier, notre troisième et dernier article cherche à voir si un certain nombre de caractéristiques de la firme et de caractéristiques des résolutions elles-mêmes augmentent la probabilité d'un règlement entre actionnaires et dirigeants, et ce, avant que la résolution ne soit votée lors de l'assemblée générale annuelle. Nos résultats indiquent que la taille de l'entreprise ne favorise pas la négociation en faveur de l'actionnaire, même s'il est démontré que les actionnaires préfèrent s'attaquer aux grandes firmes. Une rentabilité plus élevée de la firme réduit la probabilité d'un règlement négocié, mais une performance sociale plus élevée augmente cette probabilité. Le contrôle par la firme de marques de grande valeur (qui pourraient être ternies par le refus des dirigeants de changer la politique sociale de la firme) ne semble pas avoir un impact sur la probabilité d'un règlement favorable pour les actionnaires. Néanmoins, nous reconnaissons que les indicateurs comptables utilisés pour mesurer la valeur des actifs intangibles peuvent être biaisés, comme cela a été suggéré par un nombre de chercheurs en comptabilité. Certaines catégories de sujets et d'initiateurs des propositions peuvent avoir une influence sur le dénouement de la résolution. Il est important de souligner que certaines variables perdent leur signification statistique quand le pourcentage de vote reçu par la proposition la dernière année est introduit comme variable indépendante dans les modèles de régression. Le fait que cette dernière variable domine sur les autres témoigne du pouvoir du processus de soumission des résolutions d'actionnaires en tant que mécanisme de transmission des attentes des actionnaires aux dirigeants. Dans cet article nous examinons également l'impact des variables mentionnées plus haut sur le pourcentage de vote reçu par les propositions.

Mots clés : Résolutions de l'actionnariat, gouvernance d'entreprise, performance sociale, résolutions à caractère social.

ABSTRACT

Shareholders of firms with poor financial or social performance can make use of a number of tools to compel managers to change course. One of these mechanisms to voice concerns to management is to file shareholder resolution proposals. This activity is regulated by the so-called Rule 14 a-8, enacted in 1942 by the United States' Securities and Exchange Commission (SEC). According to the provisions of the Rule, shareholders of public companies may submit under certain circumstances and at no cost for them, non-binding succinct resolutions that should be included in the solicitation materials of the firm to be voted by shareholders, if management itself seeks shareholders voting proxies.

Shareholder-initiated proposals filed under the Rule 14 a-8 fall in two groups. A first group of shareholder-initiated proposals are those intended to solely enhance the corporation's financial performance, and they are called "corporate governance proposals." A second group of proposals is aimed at improving corporations' social performance. Social policy resolutions are the object of our research, given that most previous scholarly research has been devoted to the examination of corporate governance resolution filing activity. Because social policy shareholder resolution is a persistent phenomenon (at least a third of all shareholder-initiated resolutions received by U.S. companies), our research program intends to fill the existing gap.

We have put together all social policy resolutions filed at U.S. firms during the period 1997-2004, and put them in electronic format. This information has been complemented with information from other databases (concerning firm accounting, financial, and social performance) in order to elaborate three papers, envisaged to further knowledge on social policy shareholder activism. The first of these papers analyzes the type of firms being targeted by social policy shareholder resolution filers. For this purpose we compare two types of firms, those having received a social policy proxy (the original sample) and a group of matching firms which have not (at least during an appropriate lapse of time). The chosen matching firms have the closest possible size vis-à-vis those in the original sample and they operate in the same industrial classification. We sought a matching firm for each resolution received by a firm, even if some firms receive multiple resolutions each year. Our hypothesis is that activist shareholders select firms presenting certain traits in order to target them. The article shows that filers are more likely to target large firms. It also shows that they tend to target financially underperforming firms, and exhibiting higher risk levels. We speculate that both results may be linked to the possibility that scrutiny of potential negative impact of social issues on firms' valuation could be higher when the economic fortunes of the firms are low and risk is higher, motivating additional interest in monitoring firms. Our results also suggest that socially underperforming firms are more likely to be picked up by filers. Our paper also explores the possibility that different groups of filers could differ in terms of the firms that they select. Overall, evidence on this aspect suggests that filers somehow differ in the type of firms they selected for targeting, but not in a remarkable fashion.

Our second article proposes typologies for both filers of social proxies and issues brought to the attention of targeted firms' management. Drawing on those typologies, it examines the interplay between filers and management, focusing on the capacity of filers to negotiate with management

in exchange of withdrawing the resolution from the materials distributed to shareholders. Previous research equated withdrawal of resolutions with a successful outcome, i.e. a capacity to exert pressure on management. The article argues against this perspective and presents reasons suggesting that under some circumstances, filers may prefer to withdraw resolutions in order to hide unsuccessful outcomes. Taking into account the later aspect, the paper shows that some types of filers, such as pension funds, mutual funds, and to a lesser extent, religious investors, are more able to negotiate deals with management. Likewise, some types of requests presented in the resolutions, such as issues related to board diversity of firms, equal employment, energy and environment, and international labor and human rights, present a higher capacity to influence management.

On the basis of evidence and approaches concerning the outcomes of social policy resolutions presented in the second paper, our third and last paper analyzes if a certain number of firm characteristics as well as those of the resolutions themselves increase the likelihood of an agreement concerning the resolution, before it is put to vote by shareholders during the annual general meeting. Our results suggest that firm size does not seem to tilt the outcome in favor of filers, even if the second paper shows that they prefer to select larger firms. Higher profitability tends to reduce the likelihood of a negotiated settlement, while a higher social profitability tends to increase the likelihood of this outcome. Firm's ownership of valuable brands (which can be tarnished by management refusal to change the social policy of the firm) does not seem to have an impact on the probability of a favourable settlement for shareholders. Nevertheless, we reckon that accounting indicators used to measure the value of intangible assets can be biased, as it has been suggested by a number of accounting scholars. Certain types of issues and filers may have an influence on the outcome of the resolution. It is important to highlight that some of the abovementioned variables may lose statistical significance when the vote percentage gathered by the resolution the year before is introduced as independent variable in the regression models. The fact that this variable dominates over other variables underscores the power of shareholder resolution filing as mechanism to transmit shareholder expectations to managers. In this article we also examine the impact of the abovementioned variables on the percentage of vote gathered by resolutions.

Keywords:

Shareholder-initiated resolutions, corporate governance, social performance of firms, social policy shareholder resolutions.

INTRODUCTION GÉNÉRALE

Présentation de l'étude

En 1952, la Commission des valeurs mobilières des États-Unis a modifié la Règle 14a-8, afin de permettre à l'équipe de direction d'exclure de la circulaire de sollicitation de procurations de la firme, les résolutions d'actionnaires qui avaient pour but fondamental la promotion de causes à caractère social, racial ou religieux. Cette décision a été renversée au début des années 1970 suite à la montée des mouvements sociaux de contestation qui ont marqué l'époque. La décision de permettre l'inclusion de ce genre de résolutions a été formellement codifiée en 1976 (Ryan, 1988).

Pendant des décennies, la soumission des résolutions d'actionnaires a été le domaine des « gadfly investors », i.e. des critiques irritants, et des actionnaires intéressés aux causes sociales. En 1987, les investisseurs institutionnels ont commencé à soumettre des résolutions reliées à la gouvernance de l'entreprise (Del Guercio et Hawkins, 1999). Cette activité accrue des investisseurs institutionnels (notamment les fonds de pension) était la conséquence du déclin du marché de prises de contrôle, ainsi que de la montée en importance des investissements institutionnels qui rendaient difficile la vente des actions sans pertes économiques importantes (Prevost et Rao, 2000). L'implication des investisseurs institutionnels dans la soumission des résolutions d'actionnaires reliées strictement à la performance financière a donné lieu à des modifications ultérieures de la Règle par la SEC, afin de rendre plus facile son utilisation par les investisseurs institutionnels (Del Guercio et Hawkins, 1999).

La recherche académique a suivi l'implication des investisseurs institutionnels. Un corpus important de littérature a étudié divers aspects de la soumission de résolutions d'actionnaires dites de gouvernance d'entreprise. Karpoff (1998), par exemple, a recensé près de 20 articles qui ont analysé l'impact de l'activisme de l'actionnariat sur la valeur marchande des firmes ciblées, leurs opérations, ainsi que leur structure de gouvernance. Par contre, la recherche dédiée aux divers aspects de la soumission des résolutions à caractère social a reçu beaucoup moins d'attention académique. Peu d'articles, à notre connaissance, ont étudié cette forme d'activisme de l'actionnariat. Parmi les articles analysant le sujet, nous pouvons mentionner : Hoffman (1996), Campbell et al. (1999), Chidambaran et Woidtke (1999), Rehbein et al. (2004), Tkac (2006), Profitt et Spicer (2006), ainsi que Thomas et Cotter (2007). Cependant, certains de ces articles se

concentrent sur les résolutions de gouvernance d'entreprise, ne traitant les résolutions à caractère social¹ que d'une façon marginale.

Bijzak et Marquette (1998) ont mis en relief le fait que, dû à leur faible coût, les résolutions d'actionnaires offrent l'opportunité à des parties qui, autrement, ne seraient pas prises en compte, à prendre la parole auprès de dirigeants des firmes pour leur faire part de leur insatisfaction concernant la performance de la firme. Ils observent aussi que ce faible coût invite à la soumission de propositions qui n'ont pas de conséquences ou bien qui sont de nature frivole. L'emphase des chercheurs sur les résolutions reliées exclusivement à la performance financière semble refléter la vision que les résolutions à caractère social constituent une simple nuisance.

Notre recherche vise à éclairer divers aspects reliés à la soumission des résolutions d'actionnaires à caractère social. Il nous semble que la persistance de l'activité (plus d'un tiers du total des résolutions reçues aux États-Unis selon Thomas et Cotter, 2007) invite à un examen approfondi. Notre recherche est de nature exploratoire, car l'activisme de l'actionnariat ne peut être éclairé qu'à l'aide de plusieurs cadres d'analyse, comme nous le discutons plus bas.

L'activisme de l'actionnariat est un phénomène complexe, pour lequel il n'a pas encore été élaboré de cadre théorique unifié capable de faciliter aux chercheurs un corpus de propositions susceptibles d'être testées empiriquement, comme c'est le cas de l'activisme de gouvernance d'entreprise, qui a été étudié presque exclusivement à l'aide de la théorie de l'agence, proposée par Jensen et Meckling (1976). Par contre, les motivations des activistes de l'actionnariat à caractère social à l'intention du social peuvent être multiples. Ces actionnaires peuvent effectivement chercher à maximiser les rendements financiers de l'entreprise par la voie de la réduction des risques associés à des enjeux sociaux qui ne sont pas pris en compte par les dirigeants des firmes. Mais les actionnaires activistes peuvent aussi poursuivre leurs propres agendas, au détriment de la performance financière de la firme. Pour prendre en compte ce dernier cas de figure, le recours à d'autres cadres analytiques devient incontournable.

¹ Certains auteurs favorisent le terme « sociétale » en lieu de « social » dans ce qui concerne la relation entre firmes et société (par exemple, Swaen et Chumpitaz, 2008). Étant donné que la plupart de notre thèse est rédigée en anglais, nous ne ferons pas de distinction entre les deux concepts, utilisant le terme « social » pour faire référence à tous les aspects caractérisant la relation entre firmes et société.

Notre recherche, de nature exploratoire, cherche à étendre le champ de connaissances sur l'activisme de l'actionnariat à caractère social. Plus particulièrement, elle vise à comprendre les aspects suivants: quels types d'entreprises sont l'objet de ces résolutions de l'actionnariat; quels types d'acteurs initient ces actions et quel genre de sujets ils amènent à la considération des dirigeants et des autres actionnaires et, aussi, quels sont les résultats de ce genre d'activisme. Par rapport à ce dernier aspect, on cherche à caractériser les résultats de l'activisme en termes de « succès » et « échec », c'est-à-dire en termes de la capacité de ces résolutions à favoriser la négociation avec les dirigeants, en les incitant à vouloir accepter un dialogue ou à promettre d'adopter la politique à condition que les actionnaires retirent la résolution de la circulaire de sollicitation de procurations de la firme.

Cadres d'analyse et hypothèses du travail

La recherche précédente sur la soumission de résolutions d'actionnaires dites de « gouvernance d'entreprise » est basée sur la théorie de l'agence développée par Jensen et Meckling (1976). En concordance avec cette approche théorique, une relation conflictuelle est envisagée entre les actionnaires activistes et les managers de compagnies ciblées. Dans cette relation conflictuelle, les actionnaires qui soumettent des résolutions cherchent à empêcher les managers, par exemple, d'isoler la firme des mécanismes disciplinaires du marché ou, en général, d'adopter des mesures contraires à la maximisation des rendements des firmes dans lesquelles ils ont investi. Dans leurs démarches, les actionnaires, dits « activistes » qui soumettent des résolutions aux firmes, cherchent à cibler des firmes avec certaines caractéristiques, facilitant l'obtention de leurs objectifs. Notre recherche adopte aussi cette approche conflictuelle entre les deux parties. Néanmoins, on prend en considération que dans le cas des résolutions à caractère social, bien qu'une partie des actionnaires activistes puissent avoir comme objectif la maximisation de la richesse des actionnaires, une autre partie (dont on ne connaît pas l'étendue) pourrait vouloir aussi la maximisation d'autres objectifs. La relation est toujours conflictuelle, mais la prise en compte des différences d'objectifs conduit à l'introduction des nouveaux cadres théoriques, issus du domaine de la stratégie, notamment ceux relevant du domaine de la responsabilité sociale de l'entreprise (RSE), ainsi que de l'approche basée sur les ressources de la société (« Resource-based view of the firm »). Tel qu'annoncé précédemment, étant donné l'absence d'un cadre unifié pour comprendre cette problématique, notre recherche est donc de nature exploratoire.

Notre thèse ne vise pas à étudier si l'activisme des actionnaires pourrait nuire ou pas à l'atteinte de l'objectif de maximisation de la richesse des actionnaires. Baron (2001) a soutenu que dans la perspective du pluralisme, les attentes de la société sont celles des individus et leurs intérêts, et que la réponse des firmes à ces intérêts est la clef pour comprendre la responsabilité sociale des entreprises. Le pluralisme permet la transmission des demandes à la firme. Ces dernières sont basées sur la concurrence entre elles et sont structurées par institutions publiques et actions privées, c'est-à-dire par ce qu'il appelle la politique « publique » et la politique « privée ». La politique privée, i.e. l'interaction des activistes qui poursuivent l'adoption des actions dites de RSE, peut aboutir à la conformation d'un ordre privé (qui n'est pas basé sur les lois approuvées par les parlements ni appliqué par des fonctionnaires des gouvernements.) Dans certains cas, cet ordre privé pourrait augmenter le bien-être de la société. Feddersen et Gilligan (cité par Baron, 2003) examinent la possibilité que les activistes divulguent aux consommateurs de l'information sur des attributs de RSE des produits qui ne sont pas directement observables (appelés en anglais « credence goods »), ce qui pourrait mitiger des formes de défaillance du marché. D'un autre côté, Baron (2001) dans son étude théorique sur les conséquences des menaces de boycotts à la firme pour qu'elle adopte des politiques de RSE, montre que l'adoption de ces politiques par les dirigeants peut réduire la valeur marchande de la firme. En dépit de ce fait, selon Baron le marché de contrôle ne peut discipliner l'entreprise car une nouvelle équipe de dirigeants se verra confrontée aux mêmes pressions provenant d'activistes.

A. Rôle des caractéristiques de la firme dans la relation entre actionnaires activistes et dirigeants

La littérature sur l'activisme dit de gouvernance d'entreprise conçoit la relation entre activistes et dirigeants comme une confrontation. Les actionnaires activistes ciblent des compagnies avec certaines caractéristiques, primordialement celles qui ont adopté des mesures qui vont à l'encontre de la maximisation de la richesse des actionnaires et qui affichent des rendements financiers décevants (Carleton et al., 1998). Étant donné qu'il arrive très rarement que les dirigeants demandent un vote en faveur des résolutions à caractère social, nous envisageons également une relation de confrontation entre actionnaires activistes et dirigeants de la firme. Dans cette confrontation avec les dirigeants, il paraît plausible que les actionnaires cherchent des firmes avec un certain nombre de caractéristiques, celles favorisant, par exemple un dénouement de la résolution qui leur soit favorable. Par exemple, il est possible que les actionnaires activistes soient particulièrement attirés par les firmes plus performantes socialement, ce qui pourrait être

un indicateur d'une réaction rapide et positive de la part des dirigeants concernant leurs demandes.

Pour avancer la recherche sur ce terrain, il faudra reconnaître que l'activisme d'actionnaire, à la différence de l'activisme dit de gouvernance d'entreprise, ne cherche pas uniquement la maximisation de la richesse des actionnaires. Les actionnaires soumettant des résolutions à caractère social pourraient être également intéressés par d'autres caractéristiques de la firme. Néanmoins, pour avancer dans l'identification de ces caractéristiques, il faudra avoir recours à diverses approches théoriques, notamment celles provenant du domaine de la stratégie et de la responsabilité sociale de l'entreprise.

Ces cadres théoriques nous suggèrent d'autres hypothèses possibles concernant les caractéristiques de firmes qui favorisent l'adoption des résolutions. Par exemple, McWilliams et Siegel (2001) ont avancé que la taille de la firme favoriserait l'adoption de politiques sociales plus progressistes, car il découlerait des économies d'échelle de l'introduction d'attributs RSE dans la production de la firme. Aussi, il est possible d'envisager que les firmes plus rentables auront la possibilité d'investir davantage pour améliorer leur performance sociale (Waddock et Graves, 1997; Seifert et al., 2004; Orlitzky et al., 2003), ce qui nous amène à envisager que les compagnies plus rentables auront tendance à être plus proactives face aux demandes des actionnaires activistes. Il est également possible d'envisager que les firmes considérées comme plus performantes sur le plan social, tel que suggéré entre autres par Rehbein et al. (2004), affichent une probabilité plus élevée d'adopter les propositions suggérées par les actionnaires activistes. Finalement, il a été suggéré que les firmes qui possèdent des marques facilement reconnaissables par le public, pourraient souffrir davantage de la dissémination de nouvelles pratiques considérées comme étant peu « socialement responsables ». Selon l'approche basée sur les ressources de la société (Runyan et Huddleston, 2006; Balmer et Gray, 2003), les ressources telles que les marques et l'image organisationnelle, par exemple, sont à la base de la compétitivité de la firme, donc on pourrait s'attendre à ce que les compagnies qui possèdent des marques de grande valeur puissent être plus favorables à satisfaire les demandes des actionnaires engagés.

En conclusion, il semble plausible que les actionnaires activistes cherchent à cibler des firmes avec les caractéristiques contribuant à un dénouement qui leur soit favorable. En conséquence, nous examinons si certaines des variables considérées pourraient accroître la probabilité qu'une

firme soit ciblée par une résolution d'actionnaire à caractère social. Cela nous amène à formuler une première hypothèse :

Hypothèse 1 : Certaines caractéristiques des firmes augmentent la probabilité de recevoir des résolutions d'actionnaires à caractère social.

B. Les limitations de l'utilisation du marché de capitaux comme outil pour promouvoir la RSE auprès de compagnies, et les caractéristiques des firmes et des résolutions qui peuvent favoriser les actionnaires dans les négociations avec les dirigeants

Angel et Rivoli (1997) argumentent, en citant Hirschman, que les investisseurs qui désirent des changements dans la politique sociale des firmes qu'ils possèdent peuvent avoir recours soit au désinvestissement, soit à la prise de parole auprès des dirigeants, comme pourraient l'être par exemple les résolutions d'actionnaires (la formulation originale d'Hirschman utilise les termes « exit » et « voice »). Selon une analyse théorique, Angel et Rivoli (1997) concluent que les boycotts dans les marchés de capitaux des titres des firmes non performantes d'un point de vue social, n'ont qu'une capacité très limitée de forcer les dirigeants de ces firmes à changer leurs politiques.

Teoh et al. (1999) analysent empiriquement l'impact des mesures contre l'Apartheid en Afrique du Sud et arrivent à des conclusions cohérentes avec les travaux d'Angel et Rivoli (1997). Selon Teoh et al., l'annonce des fonds de retraite qui se départissent de leurs actions dans des compagnies opérant en Afrique du Sud n'a pas eu d'effets détectables sur la valeur marchande de ces compagnies. Teoh et al. notent que certaines compagnies se sont départies de leurs filiales en Afrique du Sud à cause de la pression des investisseurs. Dans ce cas, la valeur marchande a enregistré une augmentation, bien que d'une façon réduite et statistiquement non significative. Pour leur part, Davidson et al. (1995) concluent que les annonces de désinvestissement ont une capacité très limitée d'influencer la valeur marchande des firmes ciblées, tandis que les marchés financiers réagissent à des annonces de boycott dans les marchés de produits de firmes.

Heinkel et al. (2001) analysent la capacité des investisseurs dits « verts » de changer la politique environnementale des firmes. À l'équilibre, le modèle prend en considération le coût du boycott ou d'exclusion des firmes polluantes par des investisseurs engagés, mais aussi le coût pour la

firme d'adopter les nouvelles technologies non polluantes, le pourcentage des investisseurs verts, ainsi que la tolérance des investisseurs au risque. Les chercheurs ont choisi des valeurs raisonnables pour les paramètres du modèle. Selon ces simulations, si le coût pour rendre la technologie de la firme plus verte représente un pourcentage réduit du cash-flow espéré, alors très peu d'investisseurs engagés pourraient forcer les dirigeants à adopter la nouvelle technologie. Mais si ce coût grimpe à 10 pourcent du cash-flow espéré, il serait nécessaire que les investisseurs verts arrivent à constituer au moins 60 pourcent du total des actionnaires pour que la réforme soit possible. En comparaison, Heinkel et al. (2001) estimaient que les investisseurs socialement responsables ne détiennent pas plus que 10 pourcent du total des investissements.

Il est plausible que les deux mécanismes à la disposition des actionnaires aient une certaine interdépendance. Les actionnaires ayant recours à la prise de parole seraient davantage écoutés si éventuellement ils pouvaient menacer les dirigeants de procéder à des désinvestissements s'avérant coûteux pour la firme dans les marchés financiers. Hoffman (1996) évoque cette possibilité dans son étude de cas sur l'émergence de la coalition d'investisseurs Ceres et des principes du même nom. Étant donné la limitation des processus de désinvestissement comme mécanisme pour réformer la politique sociale des firmes, il est possible de formuler l'hypothèse que la prise de parole rencontrera les mêmes difficultés. La soumission des résolutions d'actionnaires sera donc un mécanisme qui risque de rencontrer des limites importantes.

Cette discussion nous amène à formuler notre deuxième hypothèse :

Hypothèse 2 : La soumission de résolutions d'actionnaires à caractère social présente des limites importantes en termes d'un dénouement favorable aux actionnaires l'ayant soumise.

Afin de poursuivre notre étude des résultats des résolutions, nous avons décidé de nous concentrer sur les résultats à court terme des résolutions. Ce choix est motivé par le raisonnement que, bien qu'il soit plausible de concevoir que les résolutions puissent avoir un effet dans le long terme (voire des décennies, selon Proffitt et Spicer), il nous semble également que cela n'empêche pas la possibilité que les actionnaires activistes arrivent à obtenir des résultats dans le court terme, avec certaines compagnies qui ont un nombre de caractéristiques qui facilitent ce dénouement. Par la suite, d'autres compagnies, à cause de la pression exercée par de multiples sources (y compris la possibilité d'intervention étatique), adopteront les nouvelles politiques sociales dans le

long terme, tel qu'envisagé par Proffitt et Spicer et autres (Hoffman, 1996; Logsdon et Van Buren, 2009).

Quels seront les aspects qui pourraient jouer à la faveur des actionnaires? Pour avancer la recherche sur ce cas particulier, nous devons, dans un premier temps, avoir recours à la littérature précédente sur l'activisme dit de gouvernance d'entreprise, qui suggère que l'identité des actionnaires qui soumettent des résolutions, le type de demande à l'entreprise contenu dans la résolution, ainsi que certains aspects de cette dernière (comme le fait d'avoir été votée l'année précédente) peuvent augmenter la probabilité que la résolution soit adoptée par les dirigeants. À ces aspects on devra ajouter des caractéristiques de la firme qui pourraient conduire à un résultat de la résolution favorable aux actionnaires activistes. Ces aspects ont été envisagés dans la littérature sur la responsabilité sociale de la firme, et nous les avons déjà mentionnés comme éléments capables d'attirer l'attention des activistes, précisément à cause de leur capacité d'influencer positivement la performance sociale de la firme. Il s'agit des variables reliées à la taille de la firme, sa rentabilité, les mesures de sa performance sociale et la possession des marques reconnues.

En conclusion, nous formulons une troisième hypothèse :

Hypothèse 3 : un dénouement ou résultat de résolutions favorable pour les actionnaires activistes pourrait être affecté par des caractéristiques des propositions elles-mêmes, ainsi que par certaines caractéristiques des firmes.

Plan de la thèse

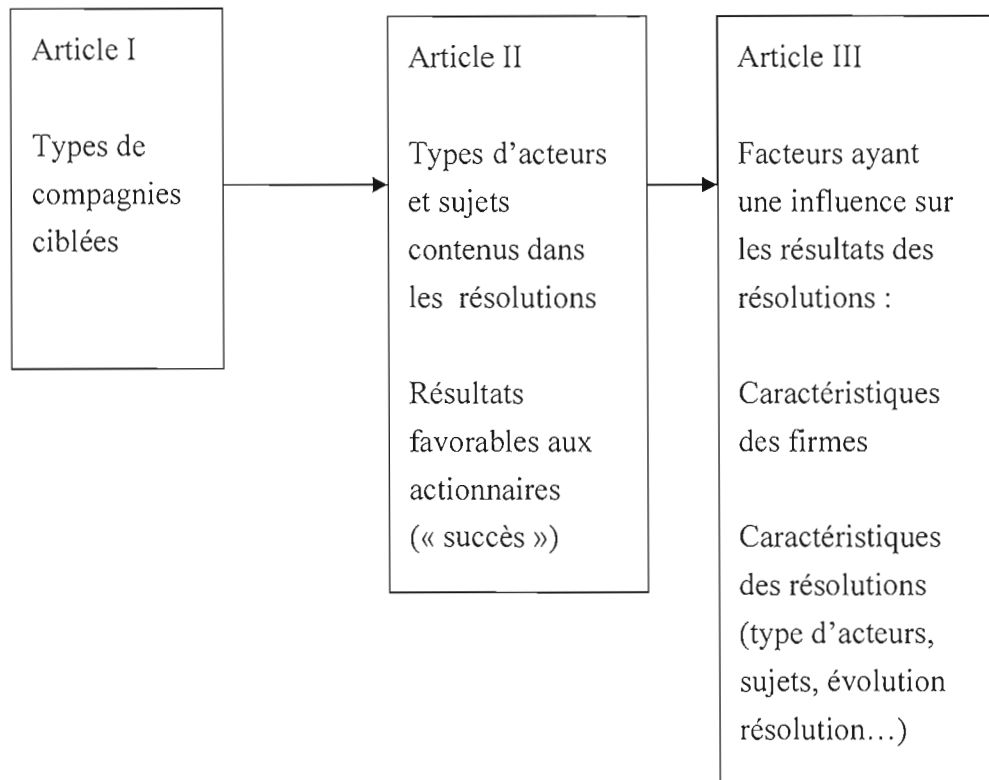
La présente thèse comporte trois parties majeures. Dans chacune de ces parties, nous allons traiter un aspect relié à la soumission de résolutions à caractère social. Afin d'avancer ces trois parties, nous avons d'abord répertorié toutes les résolutions à caractère social en ayant été soumises aux firmes états-uniennes entre 1997 et 2004, et nous les avons saisies électroniquement. Nous avons alors bâti une base de données dans laquelle nous avons fusionné les informations sur les résolutions d'actionnaires, avec des données financières et comptables extraites de Compustat et des données de performance sociale colligées dans la base de KLD. Cette base de données originale nous a permis de valider empiriquement trois problématiques de recherche visant à contribuer à l'avancement des connaissances sur l'activisme actionnarial à caractère social.

Dans une première partie, et à l'aide de techniques reposant sur le maximum de vraisemblance, nous examinons si certaines caractéristiques des firmes augmentent la probabilité de recevoir des résolutions d'actionnaires à caractère social.

Dans une deuxième partie, nous examinons en détail le fonctionnement de la Règle 14a-8, mettant l'emphasis sur la capacité des actionnaires d'influencer les décisions de dirigeants. Nous développons dans cette partie une estimation du pourcentage des résolutions qui arrivent à provoquer une réaction positive de la part des dirigeants de compagnies ciblées, soit une promesse de dialogue, soit une promesse d'implémenter les demandes contenues dans les résolutions. La littérature existante sur les résolutions demandant des changements de la gouvernance d'entreprise suggère que le type d'actionnaires qui soumettent ainsi que le type de demande pourraient jouer un rôle important dans le dénouement de la résolution. En conséquence, nous développons des typologies appropriées pour ces deux aspects.

Dans une troisième partie, et à l'aide de techniques d'estimation reposant sur le maximum de vraisemblance, nous examinons l'hypothèse selon laquelle certaines caractéristiques des firmes et des résolutions elles-mêmes pourraient influencer le dénouement du processus de différentes façons.

Le schéma suivant facilite une vue globale de la thèse et de ses composantes :



Contributions

La présente thèse contribue à la littérature sur les résolutions d'actionnaires à caractère social à plusieurs niveaux.

La première partie de cette thèse étudie les caractéristiques des compagnies ciblées par les actionnaires activistes. Nous examinons si certaines caractéristiques des firmes augmentent la probabilité que la firme soit choisie pour recevoir une résolution d'actionnaire à caractère social. Pour examiner cet aspect, nous comparons un groupe de compagnies ciblées avec d'autres qui n'ont pas reçu de résolutions pendant un certain nombre d'années. À notre connaissance, aucun autre article n'a étudié cette question selon notre approche. Rehbein et al. (2004) n'ont étudié que

les entreprises ayant été la cible de résolutions à caractère social en examinant les déterminants du nombre de résolutions reçues par les compagnies ciblées. Thomas et Cotter (2007) présentent de l'information descriptive sur les différences dans des variables financières entre firmes recevant des résolutions de gouvernance d'entreprise et d'autres qui ont reçu des résolutions à caractère social. Notre analyse se situe en amont des études précédentes, car nous comparons, tel que déjà mentionné, les caractéristiques des firmes qui ont été effectivement ciblées avec d'autres qui ne l'ont pas été.

Dans la deuxième partie de notre thèse, nous avons étudié les résultats possibles à court terme des résolutions. Selon les dispositions de la Règle 14a-8, il y a trois résultats possibles pour chaque résolution : elles peuvent être incluses dans la circulaire et votées par les actionnaires; la compagnie peut décider de ne pas inclure la résolution dans la circulaire, si la SEC l'autorise à cet effet; finalement, les actionnaires peuvent décider de la retirer. Fait à noter, les dirigeants peuvent décider de ne pas mettre en œuvre les décisions soumises aux votes des actionnaires, même s'ils obtiennent plus de 50 pourcent de votes. Chidambaram et Woidtke (1999) ont avancé l'hypothèse que la résolution relève d'un processus de négociation et que les résolutions votées reflètent en fait un échec de la part des actionnaires les ayant soumises, au même titre que celles qui ont été omises de la circulaire. Tkac (2006), entre autres, a assimilé le retrait des résolutions à un succès : si les résolutions sont retirées, ce serait parce que les dirigeants ont accordé assez de concessions aux actionnaires les ayant soumises. Notre recherche questionne cette formalisation du succès ou conception du succès, car nous proposons une série de raisons suggérant que dans certaines conditions les actionnaires qui soumettent des résolutions pourraient les retirer. Parmi ces raisons citons l'omission de la résolution par la SEC et la volonté des actionnaires d'éviter un échec, à savoir l'obtention d'un pourcentage de votes favorables inférieur à celui requis pour permettre à la résolution d'être présentée de nouveau (dans un tel cas, ceci empêcherait la résolution d'être soumise à nouveau pendant cinq ans). Notre interprétation réduit considérablement les estimations du nombre de résolutions ayant la capacité d'extraire des managers une promesse d'action, soit d'implémenter la résolution ou d'initier un dialogue.

Dans la troisième partie de notre thèse, nous avons regroupé les résolutions selon les différents résultats à court terme. Ensuite, nous avons estimé la probabilité qu'un nombre de variables caractérisant les firmes (taille, rentabilité, performance sociale, propriété des marques reconnaissables) ainsi que les résolutions elles-mêmes (type de résolution, type d'actionnaire, vote reçu par la résolution l'année antérieure) puissent également avoir un impact sur cette

probabilité. À notre connaissance, aucun autre article n'a étudié cette question. Chidambaram et Woidtke (1999) ont comparé les caractéristiques de firmes ayant expérimenté des retraits de résolutions sociales avec d'autres qui n'ont pas reçu de résolutions pendant une certaine période. Notre recherche se différencie de celle de ces auteurs. Tout d'abord, nous nous concentrons sur les différents résultats de résolutions parmi les firmes qui ont été effectivement ciblées, ce qui rend la comparaison plus significative. En outre, notre recherche utilise une définition plus contraignante de « succès » que le simple retrait.

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ARTICLE I

HOW DO SPONSORS OF SOCIAL PROXIES DECIDE WHICH COMPANIES TO PICK UP? AN ANALYSIS IN THE CONTEXT OF THE UNITED STATES

How do sponsors of social proxies decide which companies to pick up? An analysis in the context of the United States

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How do sponsors of social proxies decide which companies to pick up? An analysis in the context of the United States

Summary

We compare traits of companies targeted with social policy shareholder resolutions during the years 2000 to 2004 to those of a set of matching firms. On the basis of univariate and multivariate analysis, we show that targeted firms tend to be much larger than their counterparts. They also tend to be less profitable, riskier, and less socially performing. We provide suggestions to explain those results. Our analysis suggests that different types of filers do not differ greatly in terms of the characteristics of the firms that they select for targeting.

Key words: Social policy shareholder activism, firm targeting, types of filers

Résumé

Nous comparons les caractéristiques des firmes ciblées par des résolutions d'actionnaires à caractère social avec celles d'un groupe témoin de firmes. Les analyses univariées et multivariées montrent que la taille des firmes ciblées a tendance à être beaucoup plus grande que celle des compagnies témoins. Elles ont aussi tendance à être moins profitables, plus risquées, et moins socialement performantes. Nous présentons un nombre d'explications possibles pour ces résultats. Notre analyse suggère que les différents types des actionnaires activistes n'affichent pas de différences importantes en termes des caractéristiques des firmes qu'ils choisissent de cibler.

Mots clés : Activisme de l'actionariat à caractère social, compagnies ciblées, types d'actionnaires activistes

Introduction

Stockholders of firms with poor financial or social performance, make use of a number of tools to compel managers to change course. We deal in this article with a particular mechanism to voice concerns to management, the so-called Rule 14 a-8, enacted in 1942 by the United States' Securities and Exchange Commission (SEC). This rule allows shareholders of public companies to file under certain circumstances, at no cost for them, non-binding succinct resolutions (i.e. less than 500 words) that should be included in the solicitation materials of the firm to be voted by shareholders; if management itself seeks shareholder voting proxies. This is something management frequently does, because corporate law of most states in the United States provides that shareholders elect the directors who manage the corporation and vote to approve certain fundamental corporate transactions, such as mergers (Ryan, 1988; Brownstein and Kirman, 2004). Shareholder-initiated proposals filed under the Rule 14 a-8 are considered to fall in two groups. A first group of shareholder-initiated proposals are those intended to solely enhance the corporation's financial performance. These are the so-called corporate governance proposals, and they are related to the external control of the corporation (as it could be calls to repeal anti-takeover devices or other managerial attempts to insulate the firm from the market of corporate control); internal governance mechanisms (including functioning of boards); executive compensation; and in general actions related to the financial performance of the firm (Chidambaran and Woidtke, 1999). A second group of proposals aims at improving corporations' social performance. They are referred to as social policy shareholder resolutions and they are the subject of this paper (we also employ henceforth interchangeably the terms social proxies or corporate social responsibility-CSR- resolutions to refer to this type of resolutions). Requests to firms contained in social proxies are very broad, vis-à-vis corporate governance resolutions. For instance, some of these proxies demand companies to increase ethnic minority and female representation in their boards. Other shareholder social resolutions suggest actions to reduce the environmental impact of firms' operations; to produce reports about this impact; or policies to deal with actual or eventual risks arising from environmental aspects of firms' operations and products. Other proxies suggest management to adopt international codes of conduct, such as the McBride Principles (intended to overcome workplace sectarian discrimination in Northern Ireland), or the Ceres Principles, a ten-point code of corporate environmental conduct to be publicly endorsed by companies that strive to improve their performance. In other cases, companies are requested to develop their own guidelines to assure respect of labor rights upheld by international conventions in their operations abroad, or in the operations of their foreign

suppliers; and to guarantee independent monitoring of compliance. At the domestic level, social policy resolutions frequently ask management to provide a discrimination-free workplace environment, regarding aspects such as ethnicity, gender or sexual orientation.

Most scholarly research falls into the realm of corporate governance shareholder activism activity. Among other things, researchers have examined what types of firms are targeted by filers (for instance, Bijzak and Marquette, 1998; Carleton et al., 1998; John and Klein, 1995; Karpoff et al., 1996; Prevost and Rao, 2000; and Smith, 1996). Articles have also studied factors affecting vote turnovers received by these proposals (Gordon and Pound, 1993; Thomas and Cotter, 2007).¹ Prevost and Rao (2000) also analyze the wealth effects of public pension fund shareholder activism. Other articles have examined as well the wealth effects and long term consequences of proposals sponsored by various types of actors. Among these studies we can cite Wahal (1996), Gillan and Starks (1998) and Del Guercio and Hawkins (1999). Carleton et al. (1998) examines as well firms' characteristics that could influence a settlement between the activist institution (a large institutional investor, TIAA-CREF) and targeted firms.

We believe that social policy shareholder proposal filing deserves further academic attention. To begin with, social proxy filing is a persistent phenomenon, a fact that in itself invites reflection from researchers. Campbell et al. (1999) estimate that nearly a third of these resolutions fall into the social policy category in the 1997 proxy season. Chidambaran and Woidtke studied a sample of 1522 resolutions filed during the period 1989-1995. They classified roughly 40 percent of them as social proxies. Thomas and Cotter (2007) analyze corporate governance and social policy resolutions submitted to vote during the proxy seasons of 2002, 2003, and 2004. Roughly a third of them (403 out of 1454) were classified as social policy shareholding resolutions. Rojas et al. (2009) report that institutional investors, such as pension funds and mutual funds, are increasingly active as filers of social proxies. These types of actors possess larger stockholdings, and have access to specialized resources, which can enhance their ability to influence management decisions concerning CSR. Moreover, recent developments suggest that the weight of CSR resolutions is not likely to fade away in the years to come. In 2006 specialized bodies of the United Nations launched the Principles for Responsible Investment, an initiative intended to stimulate investors to give appropriate consideration to environmental, social and governance issues that can affect the performance of investment portfolios. They are not prescriptive, but

¹ Thomas and Cotter (2007) also consider in their analysis social policy shareholder resolutions, although they focus on corporate governance resolutions.

instead provide a menu of possible actions for incorporating environmental and social issues into mainstream investment decision-making and ownership practices. Exercising voting rights or monitoring compliance with voting policy (if outsourced), and filing shareholder resolutions consistent with long-term environmental and social considerations are explicitly encouraged in the principles. Major institutional investors, such as CalPERS in the U.S. and the Universities Superannuation Scheme in the United Kingdom are among those that have adopted the principles (Principles for Responsible Investment, 2009).

Moreover, it has been recorded that firms are responsive to social activist requests (including those contained in social proxies), even though this can be costly for them. For example, Innes (2004) reports that more than 100 large corporate retailers and users of timber products since 1999 have agreed to phase out all products of old growth forests and to give preference to wood that is certified as “environmentally friendly” by the Forest Stewardship Council. O’Rourke (2003) reports that The Gap had created a vendor compliance department with over 100 staff; responsible for monitoring the implementation of the company’s code of conduct throughout its global supply chain. Whether the abovementioned actions are detractive for firm market value or not —still a matter of debate among researchers— is irrelevant for a positive analysis of the social proxy filing phenomenon. As Baron (2001) has argued, from the perspective of pluralism, where society’s expectations are those of individuals and their interests, responding to interests is the key to social responsibility. Pluralism places demands on firms based on a competition of interests as structured by public institutions and private actions, that is, through public and private politics. “Private politics,” the interaction of activist pursuing CSR interests and firms, may result in a “private order” (i.e. not based in laws approved by parliaments and enforced by government officials). In some cases, the resulting private order of this interaction may expand society’s welfare. Feddersen and Gilligan (cited by Baron, 2003) have examined the possibility that social activists provide consumers with information about product CSR attributes that are not directly observable (the so-called “credence goods”), mitigating in fact a form of market failure and thus, expanding society’s welfare. Baron (2001) on the other hand, presents a formal model which predicts that CSR actions imposed to firms by social activists menacing with boycotts are detrimental of market value. Altruistic firms, promoting CSR without pressure from activists are even more penalized by the market. However, in the case of management being compelled by activist pressure or menace, he argues that the market of corporate control will not impose disciplinary action against the firm. A new team of managers taking over the firm will be confronted to the same kind of threats. Anecdotal evidence (Manheim 2001) suggests that social

proxies are part of a larger arsenal of tools used by activists to pressure firms in order to advance desired CSR actions. If so, proxy filing will likely be strengthened in the future. Baron (2003) argues that the choice between public and private politics is strategic, and that activists may increasingly be choosing private politics. Lobbying governments can be expensive; but also technological change may have contributed to this change in strategy, because the Internet enables politics on a worldwide scale. Given the persistency exhibited by social proxy filing, and its theoretical possibility to coexist with an active market of corporate control, even if they were detrimental to firm market value, we believe that it is worth to expand knowledge about the operation of this legal device as mechanism to transmit societal demands to firms. One key aspect of the functioning of social proxy filing is the type of companies that activist target. And that is the subject of the present article.

To the best of our knowledge only Rehbein et al. (2004) and Thomas and Cotter (2007) present evidence about the kind of companies targeted by CSR resolution filers. Rehbein et al. (2004) examined social policy shareholder resolutions received by firms that are constituents of the S&P 500 index. These researchers used regression analysis to study the effect of CSR ratings of companies (taken from Socrates, a database elaborated by the research firm KLD Research Analytics), and firm industry, size and profitability (control variables) on the number of resolutions received by targeted companies during the period 1991 to 1998. These resolutions were related to four types of stakeholder relations: employees, communities, customers, and the environment. Thomas and Cotter (2007) present descriptive evidence regarding a number of financial traits of firms targeted with corporate governance and CSR proxies, that were effectively voted by shareholders. Our article adds to this literature by approaching the topic in a different way. We do not pose ourselves questions about what factors influencing how frequently firms have been targeted, as Rehbein et al. do, or if firms receiving social proxies and corporate governance differ, as in Thomas and Cotter. Instead, we go a step backwards; examining the traits of firms that have been effectively targeted by social resolutions vis-à-vis those of firms that have not been targeted at all during the period. We also examine this question separately for certain types of filers; and we believe that this approach constitutes a second contribution to the literature on how filers choose the firms that they target with social policy shareholder resolutions.

The rest of the article goes as follows. The following section discusses results of previous literature on corporate governance firm targeting decision, as well as literature presenting the theoretical underpinnings of our research. In this part we also state the hypotheses for the study.

A third section presents the methodology for the study, including sources of data. A fourth section presents and discusses results. A final section closes the paper and suggests possible avenues for future research.

Discussion of previous literature and hypotheses

Most literature about how shareholders use Rule 14 a-8 to voice their concerns to management has been confined to the corporate governance realm. It is also the case for the topic of this article, firm target selection. A number of articles have examined how filers of corporate governance resolutions choose their targets (for instance, Bijzak and Marquette, 1998; Carleton et al., 1998; John and Klein, 1995; Karpoff et al., 1996; Prevost and Rao, 2000; and Smith, 1996).

Bijzak and Marquette (1998) examined resolutions to rescind shareholder rights plans, more commonly known as poison pills, a legal device intended to prevent hostile takeovers. Carleton et al. (1998) examined shareholder resolutions sponsored by TIAA-CREF, a large institutional investor. These resolutions were intended to limit companies' ability to issue blank-check preferred stock as a takeover defense without shareholder approval (blank check preferred stock allows companies to issue stock with greater voting power); enact confidential voting; and increase board diversity.² John and Klein (1995) analyzed the probability that S&P 500 constituent firms receive corporate governance shareholder resolutions. Karpoff et al. (1996) examined corporate governance shareholder resolutions filed during the 1987-1990 proxy seasons, related to external and internal corporate governance issues; compensation-related issues; other miscellaneous issues; and mixed issues. Prevost and Rao (2000) examined shareholder resolutions filing by public pension funds. Smith (1996) examined corporate governance shareholder resolutions submitted to CalPERS, a large pension fund.

In most of the abovementioned articles, authors compare the traits of the originally targeted firms with those of firms in a matching sample that have not received shareholder resolutions,³ using univariate and multivariate logistic analysis. Overall, these studies present evidence that firms attracting corporate governance shareholder-initiated resolutions tend to present distinctive traits

² The later type of resolution is frequently classified as a social policy resolution, but Carleton et al. included it in their analysis because TIAA-CREF considers that a diverse board is less likely to be beholden to management.

³ Prevost and Rao (2000) focus in the distinctive differences between firms that are single and multiple targets of shareholder proposals.

vis-à-vis their counterparts in the matching firm sample, although in some cases these differences can be statistically insignificant. Among other aspects, it has been unearthed that targeted firms tend to be larger (Bijzak and Marquette, 1998; John and Klein, 1995; Karpoff et al., 1996; Smith, 1996). They tend to be also to exhibit poor stock returns (John and Klein, 1995; Karpoff et al., 1996), although authors report a non significant correlation between previous financial performance and the fact of being targeted.⁴ Several authors suggest that at least some aspects of ownership structure —namely stock ownership by executives and directors; percentage of the firm owned by 5 percent block-holders, as well as greater percentage of institutional ownership—, tend to characterize firms receiving corporate governance resolutions (Carleton et al., 1998; Karpoff et al., 1996; Smith, 1996). Nevertheless, not all articles point in the same direction. John and Klein (1995), for instance found that there is a negative correlation between targeting and institutional ownership (the coefficient is significant), a result that they interpret as an indication that companies with greater outside monitoring will be less subject to shareholder proposals. Moreover, they found no significant relation between targeting and the degree of director ownership. Prevost and Rao (2000) discovered that firms targeted just once during the sample period exhibit a higher proportion of blockholder ownership and a higher proportion of outside directors, two characteristics associated with stronger corporate governance. However, the percentage of institutional shareholdings was higher for the firms that have been targeted two or more times, an indicator that Prevost and Rao associate with looming corporate governance problems. These results suggest to the authors that most types of institutional shareholders are unwilling or unable to monitor firms effectively.

Literature has unearthed other types of evidence. Bijzak and Marquette (1998) found that the characteristics of the poison pill adopted, or the type of reaction from the market were correlated with the decision to target. John and Klein (1995) unearth evidence showing that S&P 500-constituent firms are more likely to receive corporate governance shareholder resolutions if they have more directors serving in other S&P 500 firms, and indicator of poor functioning of the internal governance mechanisms of the firm. Karpoff et al. (1996) results indicate that the probability of attracting a corporate governance proposal increases with firm size, but also with

⁴ Bijzak and Marquette (1998) found that the level of operating income scaled by total assets for the three years before the shareholder proposal was similar between samples; Carleton et al. 1998 report that probit regression coefficients for three year cumulative industry-adjusted returns were positive and statistically insignificant, leading them to conclude that this performance measure is not relevant to TIAA-CREF's targeting decision.

leverage, and institutional shareholdings. The probability decreases with the market-to-book ratio, operating return on sales and recent sales growth.

To the best of our knowledge, only Thomas and Cotter (2007) and Rehbein et al. (2004) present evidence about the kind of companies targeted by CSR resolution filers. Thomas and Cotter (2007) present descriptive evidence regarding a number of financial traits of firms targeted with corporate governance and CSR proxies, that were effectively voted by shareholders. These researchers examined both corporate governance and social policy shareholder resolutions, with the later absorbing nearly a third of the total number of sampled resolutions (403 out of 1454 resolutions). Thomas and Cotter present descriptive evidence suggesting that firms targeted with social policy shareholder resolutions tended to be larger than the average firm contained in their sample. Firms receiving what they labelled as “Environmental/Social” shareholder resolutions (a sub-sample comprising 106 firms) were larger (as measured by total assets) than the average firm, although another, more numerous subset of 297 firms receiving “Other Social Responsibility” resolutions) were in fact smaller than the average firm in the sample. However, market value was considerably higher for both sub-samples of firms targeted with social proxies, vis-à-vis the average exhibited by firms from all samples considered in the study. Firms targeted with social policy shareholder resolutions tended to be profitable (as it is the case of the rest of firms in the overall sample) as measured by accounting indicators such as net profit margin and return on assets. Raw returns for the period -250 to -1 days before the mailing date for the average of firms in the sample were 8.55 percent. However, when these returns were adjusted by the market for the same period, it came out that they were strongly negative and significantly different from zero. However, the sub-samples of firms receiving Economic/Social Environmental resolutions and those being targeted with Other Social Responsibility resolutions do not appear to differ greatly from the entire sample (market-adjusted returns were -24.07 percent for the sub-sample receiving Environmental/Social resolutions; -22.73 percent for those receiving Other Social Responsibility resolutions, and -22.14 percent for the full sample). Institutional ownership tended to be relatively high for all targeted firms and insider ownership appears to be relatively low, for any group of firms.

Rehbein et al. (2004) examined social policy shareholder resolutions received by firms that are constituents of the S&P 500 index, and other companies not belonging to this group but that included in the socially screened Domini Social Fund. Sample years range from 1991 to 1998. Rehbein et al. argue that there are two possible perspectives that can provide a rationale for social

proxy filing activity. These activist shareholders can either be motivated by an interest in transforming the CSR performance of the corporation —the interest-based perspective—, or alternatively, they can be motivated to act by the intention of solidifying the group that is pursuing action— the identity-based perspective. In the first case, they reason, filing shareholders will target poor social performing firms. By doing this, they can play a role in identifying problems for management, a first necessary step in ameliorating corporate treatment of specific stakeholders. Moreover, by filing social proxies they can attract support from other stockholders, increasing pressure on management. If the identity-perspective prevails, they reason that filers do not expect to have an impact on corporate actions; the objective is rather just to take action to express an identity. If this perspective motivates action by filers, Rehbein et al. (2004) argue that they would emphasize firms able to attract greater attention. They will do so, by targeting larger firms, more profitable firms that draw more publicity.

To further examine these arguments, Rehbein et al. (2004) regroup shareholder resolutions in the sample, in accordance to corporate treatment of four stakeholders: employees, communities, customers and the environment. Separate firm ratings for each of the abovementioned stakeholders were taken from Socrates, a database elaborated by the research firm KLD Research Analytics, intended to assess corporate social performance. Socrates database, according to Rehbein et al. has been widely used in studying issues pertaining to CSR. Researchers used ordinary least squares regression analysis to study the effect of ratings of performance of companies regarding treatment of these stakeholders; with size and profitability as control variables. Separate regressions were run for each type of stakeholder. Size was proxied by the number of employees; profitability was measured as total return to shareholders. The dependant variable in the regression model was the number of shareholder resolutions submitted to the company that were related to the particular stakeholder category. Results were not conclusive, and they varied according to the stakeholder group. Three models were run to study the effect of independent and control variables on firm targeting in the case of shareholder resolutions related to employment issues (each model considered as dependent variable the number of different types of employee-based resolutions). Coefficient for the size variable was positive and significant in all three models. KLD ratings were negatively related to targeting decision, but the coefficient was significant in just one case. The coefficient for profitability was positive, though statistically insignificant.

Four models were run to analyze firm targeting in the context of community shareholder resolutions. These models show separate results for different definitions of community-based resolutions, i.e. they differ in the definition of the dependent variable. A negative relationship was observed between the number of community-related shareholder resolutions and KLD community ratings for the firms (in two cases, the estimated coefficient was statistically significant, suggesting, as in the case of employee-related resolutions that filers prefer to target underperforming firms. The estimated coefficients for firm size were positive and statistically significant in all four models. Estimated coefficients for profitability were equally positive, although they were statistically significant in just two cases. A model was ran for product-related stockholder resolutions (these resolutions expressed stockholders demands to firms in the areas of tobacco, military contracting, animal rights, infant formula, alcohol, dairy, firearms and gambling. These issues were deemed by researchers to reflect firms' insufficiency in dealing with their customers). The estimated coefficient for KLD customer rating was positive and significant. As in previous cases, the coefficient for firm size was positive and statistically significant. The coefficient for profitability was positive, but not significant. The model fitted for environment and energy resolutions exhibited a positive and statistically significant coefficient for KLD's environmental rating. Coefficient for firm size was positive and significant. However, the coefficient for profitability was negative and insignificant.

Our article expands literature on social proxy firm targeting. Rehbein et al. (2004) and Thomas and Cotter (2007) analyze filer targeting decisions once they have been made. We do not pose ourselves the question of what kind of firms are more frequently targeted, as Rehbein et al. do, or if firms that have already received social proxies differ from those that have been targeted by corporate governance resolutions. Instead, we move the analysis a step backwards; examining ex ante the traits of firms that have been effectively targeted by social resolutions vis-à-vis those of firms that have not been targeted at all, at least during a certain period. We are convinced that this approach can shed additional light on the discussion about what type of firms are chosen by social proxy filers. We also present separate results for different types of sponsors. Previous literature (Rojas et al., 2009) suggests that different types of filers differ in the capacity to negotiate with management. The enhanced capacity of several types of filers may be associated with different patterns in terms of their firm selection. Therefore, we also examine the question of what kind of firms attract social policy shareholder resolutions separately for different relevant actors active as filers of social policy shareholder filers.

Corporate governance literature depicts social proxy filer and firm management as adversarial. John and Klein (1995) illustrates this by pointing out that, while shareholder proposals may be and always are accompanied by statements of opposition or agreement by management in the proxy statement, only one shareholder proposal in their sample —calling for a voluntary reduction in irrelevant shareholder proposals—, was supported by management. Previous literature on corporate governance targeting summarized above has centered confrontation between management and filers around shareowner dissatisfaction with firm financial performance. Poorly performing firms are thus targeted. Active shareowners, by means of the proxy machinery propose resolutions to improve financial performance of the firm. For instance, these resolutions aim to prevent management entrenchment and promote better functioning of internal corporate devices. Outlined literature suggests that in advancing their cause, active shareowners move strategically. They target underperforming firms, but these firms are also greater than matching firms not receiving resolutions. Targeted firms also exhibit a larger proportion of institutional ownership, and less insider ownership. Larger firms provide potential spin-offs effects. Minor competitors, out of mimesis or to avoid damages to reputation, may adopt the proposed policies after bigger players in industry have done it. Large institutional ownership may assure higher vote turnover if the resolution is finally put to vote, while insiders are more likely to vote with managers.

In advancing our research, we also conceive social proxy filing activity as an adversarial process between management of firms and filers, in a way akin to the corporate governance shareholder resolution filing. Thus, in our perspective, actors interacting in the social proxy filing process tend to act strategically as well. If this perspective is true, filers may have an interest in targeting the “right” firms. But how can be best described these firms? In elaborating hypotheses about factors playing a role in filer strategic decision, we argue that two major elements should be taken into account. First, filers may be inclined to target firms presenting particular traits that make them more likely to abide to their requests. Secondly, we recognize that financial gain of targeting firms can yield no or negligible financial return to filers of social proxies (a point stressed by Rehbein et al.). If so, filers may be interested in picking firms that can maximize other objectives that are plausible in the case of social filers. Let us take a closer look to each of these elements.

There is anecdotal evidence suggesting that social activists of all sorts (including those filing shareholder proposals) have the ability to force firms to alter their policies regarding their

treatment of stakeholders. For instance, Innes (2004) reports that more than 100 large corporate retailers and users of timber products since 1999 have agreed to phase out all products of old growth forests and to give preference to wood that is certified as “environmentally friendly” by the Forest Stewardship Council. He also reported that food retailers limited transgenic content to avoid boycott by Greenpeace and other groups. O’Rourke (2003) reports that The Gap had created a vendor compliance department with over 100 staff; responsible for monitoring the implementation of the company’s code of conduct throughout its global supply chain. Rojas et al. (2009) suggest that in a small, but nonetheless non negligible numbers of cases, firms accept to implement requests from social proxy filer requests, particularly those coming from mutual funds and pension funds.

While some firms abide to social activists (and social proxy filers in particular) and others do not, filers should target firms that exhibiting traits that increase their propensity to abide to social requests. Four aspects may play a heightened role in this propensity of firms: profitability of firms and their risk; previous social performance of firms; and their size.

Larger firms could be a target of choice for social policy shareholder resolution filers. Previous research about firm targeting—in both domains corporate governance and social policy shareholder resolutions—, suggest that large firms are preferred by activist investors. Thomas and Cotter (2007) found, as it has been noted above, that companies targeted by corporate governance shareholders are relatively large, but those targeted by social policy shareholder resolutions could be even larger. We argue that three reasons could explain social proxy filers’ preference for large firms. First, large firms can be the leaders in the industry. Innovative social policies can spin-off, if smaller competitors adopt them, either by mimesis or out of fear of losing an important segment of the consumer base. Secondly, McWilliams and Siegel (2001) conjecture that there are economies of scale and economies of scope in firms provision of goods with CSR attributes. A large, diversified firm can spread the costs of CSR provision over many different product and services; for example, the goodwill generated from firm-level CSR-related advertising, can be leveraged across a variety of firm’ brands. Larger firms, thus, can be arguably more likely to abide to shareholders requests, because they are more prone to deploy resources to CSR. But larger firms have also other interesting aspect for filers of social proxies. They are more visible, they are more likely to have global operations, and consequently they attract media attention. Because filers are unlikely to benefit financially from their activism, they can benefit in other forms. Baron (2003) suggests various motivations for activists (using or not the proxy machinery

to further their causes). Some activists, he assert, may have as the objective protective the environment and securing human rights. But they may also want to attract new members and contributions, or becoming the leader of a broader movement or simply exercising power. If these motivations apply in the case of social proxy filer, clearly larger firms are more likely to provide higher rewards. Moreover, the advance of political careers, by means of the use of the proxy machinery (particularly by public pension officials) has been suggested as a possibility by Romano (2001) and Del Guercio and Hawkins (1999). If political or personal careers can also be furthered by social policy shareholder activism, there is an additional motivation to target large or very large firms.

This discussion leads us to state a final hypothesis.

Hypothesis 1: Larger firms have more probability to be targeted by filers of social policy shareholder resolutions.

There is reason as well to hypothesize that firms with higher profits may attract social proxy filing. Some students of CSR have pointed out to the possibility that well performing firms have slack resources enabling them to ameliorate their social performance (Waddock and Graves 1997). In this way, they can go beyond the obligations of the law, offering for instance better conditions to their workers, or employing less polluting technology. Seifert et al. (2004) found support for the slack resource view of corporate social performance. They examined data for 157 constituent firms of the Fortune 1000, and found that corporate giving is dependant on slack resources. Doing well, as they summarize the findings, enable firms to do good.⁵ Meta-analytical studies published by Orlitzky et al. (2003) were not able to reject the slack resources hypothesis, although they are also consistent with the existence of concurrent bidirectionality between financial and social performance; or of a virtuous cycle with quick cycle times. One may build a similar argument in the case of firm risk. Orlitzky and Benjamin (2001) present findings that are consistent with the view that, akin to the slack resources view, managers of low risk firms face less uncertainty and can rely on more reliable financial and cash-flow projections, allowing them to devote more resources to social issues not directly related to survival of the firm.

⁵ Charity giving is just one dimension of CSR. However, there seems to be no restriction to extent the argument to other dimension. Advocates and critics of CSR will agree that firm involvement in CSR is certainly not free, but costly.

In accordance to discussion above, we state the following hypotheses:

Hypothesis 2: Profitable firms or firms with greater financial slack are more likely to receive social policy shareholder proposals.

Hypothesis 2a): Firms that exhibit lower risk tend to attract more social policy resolutions, because management has more room to satisfy this sort of requests.

Previous social performance of firms renders less clear-cut predictions. On the one hand, Rehbein et al. (2004) have found statistically estimates suggesting that bad social performance (as measured by Socrates ratings, transformed by Rehbein et al.) may be linked to incidence of social policy shareholder resolutions, at least in the case of some groups of social policy resolutions (although in some cases the coefficient is insignificant). On the other hand, there is anecdotal evidence pointing to the fact that firms excelling in social terms may attract attention from activists. Manheim's account of one corporate campaign that took place by mid-1960s illustrates this point. The campaign sought to mobilize and represent poor people in a major metropolitan area of the United States. "In June 1966," says Manheim, "the group settled on one local employer — Eastman Kodak — as a special target. Kodak was selected not because it was a bad corporate citizen, *but precisely because it was a model corporate citizen*" (...). The underlying rationale for the action being "to push to the company's value structure to its very limits and then using Kodak's example as a way to pressure such other local employers as Xerox, Bausch and Lomb, General Dynamics, and General Motors" (Manheim 2001: 12, emphasis added). Rehbein et al. (2004) also presented anecdotal evidence pointing in the same direction. At a certain moment, Operation PUSH, an organization intended to promote black people's advancement decided to target Anheuser Busch, because of its lack of minority distributors. The company was targeted, Rehbein et al. claim, to maximize publicity about diversity issues, even if the company exhibited an above-average record regarding diversity issues.

Following this discussion, we state the following hypothesis:

Hypothesis 3:

Previous CSR-performance plays a role in social policy shareholder resolution filers' decision to target a specific firm. Nevertheless, we don't have previous expectations about the sign of the relationship.

Data sources and methodology

We focus our analysis on social policy resolutions received by US firms during the period 2000 to 2004. We create a database containing all social policy shareholder-initiated resolutions received by US firms during this period. Firms receiving these proposals constitute our main sample. Our purpose is to compare the characteristics of firms that have been effectively targeted with others that have not been targeted, in order to test the hypotheses set up for the study. Social policy proposals were retrieved from the Investor Responsibility Research Center (IRRC)'s yearly publication *Social Policy Shareholder Resolutions*. In the process of choosing matching firms, however, we take into consideration that filers of social proxies can spread targeting of firms concerning a topic over a number of years, as suggested by Proffitt and Spicer (2006). Filers do this to mobilize support from other investors and stakeholders of the firm for their agenda and increase their chances of exerting pressure on management of targeted firms. Thus, in order to properly select a sample of matching firms, we keep in mind that firms that have not been targeted during the years 2000-2004 (and that in principle could be acceptable to be included in the matching sample), could have received a social proxy before or after this period. Thus, we decide not to choose firms in the matching sample that have been targeted three years before or after the period under study. This time frame is arbitrary, for we do not have a precise idea of the appropriate boundaries. To check if a firm has received a social proxy during the proxy seasons of 1997-1999, we also consult the same publication from IRRC. To check out this aspect during the proxy seasons of 2005 to 2007, we have consulted information published by the firm RiskMetrics Group, which continues IRRC's tracking of social policy shareholder filing activity. Oftentimes, companies are targeted more than once in a given year. We look for a comparable firm for each resolution.

During the years 2000-2004 firms received a total of 1486 social policy resolutions. For each of these resolutions, we sought for a company matching the firm, using for that purpose information on sales for the year of targeting and industry, retrieved from the Compustat database. We sought for a firm that has not been previously targeted, as described above, operating in the same industry and having a close size in terms of net sales. Large firms seem to be targeted by social policy shareholder resolution filers, thus we have difficulties in finding comparable firms in terms of size. We deal with this issue in the following manner. First, we looked for a company in the same four-digit SIC classification, and with sales in the range of +/- 90 percent of sales exhibited by the targeted company. If no company appears in the four-digit classification, we tried to find a

matching firm in the same three-digit classification, within the abovementioned range of sales. If still no suitable companies were found, we will look for the company that was closest in sales to the targeted firm in the four-digit classification. We follow this procedure to select all firms in the matching firm sample, with the only exception of General Electric. This company, which has been repeatedly targeted in the sample, develops a large number of activities, ranging from media content production and distribution, to finance and manufacturing of many diverse products. As a consequence, the company appears in Compustat in the SIC code 9997, which comprises conglomerates. Because not many companies appear in that classification, and General Electric is one of the most targeted firms in the sample, we cannot find appropriate matching in the same category or even in the same two digit classification for all resolutions received by the company. To avoid losing very important information, we devised the following procedure to choose matching firms to General Electric. First, we select companies appearing in the same four-digit classification, and which have not received social proxies during the period 1997-2007. Once we exhausted possible matching firms listed under the SIC category 9997, we sought for matching firms among the list of competitors appearing in the Mergent database and impose the same restriction regarding previous targeting that apply to other firms in the matching sample. For resolutions concerning media activities, we sought for companies in the 4833 and 4841 SIC classifications, with sales close to an average of sales of General Electric's media division, as reported by Mergent.

In forming our matching firm sample, we excluded some types of companies from consideration because a number of reasons. First, we excluded from the matching sample all privately held firms, because the rule 14 a-8, governing shareholder resolution filing only applies to public firms (Brownstein and Kirman 2004). We also excluded from the matching sample all firms traded in United States stock exchange markets under any type of American Depositary Receipt (ADR) program. Our rationale to do so is two-fold. First, observers have raised questions about the legal ability of investors holding ADR certificates (which imply ownership of the underlying shares) to sponsor resolutions within the Rule 14 a-8 (ADR Subcommittee, International Corporate Governance Network, 2002). Secondly, we found evidence of one case where management of a targeted company excluded a social policy shareholder proposal from the proxy materials. Management reportedly did so, on the grounds that US owners of ADRs do not have the same rights to file shareholder resolutions as investors of ordinary with shares have in the United Kingdom (Anonymous, BP Amoco Excludes Arctic Refuge Shareholder Resolution, 2001).

However, we consider for inclusion in the matching firm all foreign firms whose common shares are traded in United States stock exchanges.

Moreover, we sought information from a variety of sources in order to verify that common shares of firms were effectively being traded during the period under study. We thus eliminate from the list of potential matches, all firms that sought for bankruptcy protection under Chapter 11, or those that faced suspension in share trading during an appropriate time frame (two years before and after the filing year). Likewise, we did not consider as possible matching firms, all those companies that started to be traded in the US stock exchanges, two years before or after the year that their counterparts firms in the original sample were targeted. Finally, in order to constitute our matching firm sample, we did not consider two firms that were publicly owned, but that were controlled by a parent company holding 90 percent or more of share value. We also eliminate from consideration as matching all firms that were traded in the so-called OTC (Over the Counter) markets two years before or after a given year of targeting. These companies are not likely to be owned by many institutional investors, such as pension funds and mutual funds which were important actors in the social proxy filing scene. In order to identify firms to be excluded from the matching sample, we used multiple sources, such as company websites, newspapers databases contained in ABI/Inform, Hoover's company records (also contained in ABI/Inform), the New York Stock Exchange website, as well as Google searches.

In a few cases, Compustat provided no sales information about particular targeted firms in a given year. If sales figures were reported for the previous year, we use that information to find a comparable firm in the year of targeting. In a restricted number of cases, there was no report of the sales figure that we used to select matching firms and we deleted the targeted firm altogether from the original sample. In the end, we kept 1424 firms in the original sample of targeted firms.

We use Compustat to retrieve accounting information about firms as well as information on firms' financial returns and market value. We use KLD's Socrates database to obtain information about social performance of firms. KLD rates firms' social performance along a number of axes, and gives also an overall rating. We use this latter figure to gauge companies' social performance.

It is important to bear in mind that the so-called proxy season covers a number of months. Karpoff et al. (1996) stated that shareholder proposal resolutions included in their sample, which covered the years 1987-1990, started to be filed in March 1986. In other words, decisions about

which company to target are made during the year before the filing takes place effectively. For that reason, we paired information on firms targeted in one given year (and companies matched to them) to financial and social performance of firms one year before.

Social policy shareholder resolutions filed during the years 2000 to 2004 cover a wide spectrum of issues (see Table 1). However, these resolutions are also heavily concentrated. A quarter of all proxies were classified as being related to the environment performance of the firm and energy issues. One resolution in five was connected with corporate policies related to labor rights and human rights in operations overseas. Roughly one in ten contained calls to improve corporate guarantees of a discrimination-free working environment in their domestic operations. Slightly more than seven percent of all resolutions called for adoption of corporate policies intended to increase fairness in society (Annex 1 provides a detailed definition of these categories and concrete examples).

 INSERT TABLE 1 ABOUT HERE

Religious investors were responsible for most of the proxies of the period under study. Roughly a third of all social proxies received by companies during the years 2000 to 2004, as Table 2 shows, were filed by this type of investors. They were followed by mutual funds (17.6 percentage of all resolutions); individual investors (17.2), public pension funds (13.0), asset managers (7.6), and advocacy groups (7.0). Other types of filers were of marginal importance. Appendix 2 contains additional information on each of these categories of filers and gives concrete examples of investors appertaining to them.

 INSERT TABLE 2 ABOUT HERE

In order to develop our analysis, we resort to univariate analysis of proxy variables in a first step. In a further step, we apply a logistic model to study the probability of a firm of being targeted by social proxy filers during the years 2000-2004, following Green (1993), who points out that ordinary least squares regression is not appropriate in the case of models with non continuous dependent variables. The same approach has been also followed by previous articles examining firm targeting decisions in the context of corporate governance shareholder resolutions (Bijzak

and Marquette, 1998; Carleton et al., 1998; John and Klein, 1995; Karpoff et al., 1996; Prevost and Rao, 2000; and Smith, 1996). Thus, in our regression model, the dependent variable assumes two discrete values (1 if targeted, 0 if not). Independent variables are variables proxying for firm size, risk, and social performance. At this point, it is important to highlight that firms that have been targeted were matched to other firms not receiving social proxies on the basis of industry and size. However, because targeted firms tend to be the larger in the SIC codes were they have operations, the matched firms were significantly smaller, this allowing us to test the incidence of firm size in social policy shareholder resolution filer decision-making. Detailed results for our study are presented in next section.

Discussion of results

Univariate analysis suggests that, in accordance to hypothesis 1, larger firms tend to be preferred by filers of social proxies. Our proxy for firm size —market value of firms—, shows a very large gap between the original sample of targeted firms and those in the matched firm sample. Targeted firms had a market value, on average, of nearly US \$ 64.2 billion. On average, matched firms had a value of US \$ 6.0 billion, i.e. less than a tenth of the targeted firms' figure. That difference was statistically significant at 99 percent (see Table 3).

 INSERT TABLE 3 ABOUT HERE

Results concerning hypothesis 2 (slack resources hypothesis), however, are less clear-cut. Our accounting proxy for profitability, return on equity, supports hypothesis 2. Annual return on equity was on average 20.0 percent in the case of targeted firms and it reached 7.8 percent, on average, in the case of matched firms. This difference was statistically significant, with a 95 percent of confidence. Another accounting proxy for slack resources, free cash flow (scaled by assets) was also higher on average for targeted firms, vis-à-vis their counterparts in the matched firm sample. The difference, however, was not statistically significant at any of the common thresholds. Univariate analysis of market-based proxies of slack resources tells a different story. On average, the one-year total return was in fact much higher (18.4 percent) for matched firms than for firms in the original sample of targeted firms. The difference was statistically significant. The three- year total return reveals a similar pattern as well. Even the five-year total return was

higher in the case of matched firms, although the difference in means was in this case was statistically indistinguishable from zero.

Univariate analysis does not allow us either to arrive to conclusive results regarding hypothesis 2a). If our hypothesis holds, less risky firms, tend to attract more social policy resolutions, because management of these firms can count of more predictable sources of revenue. Four indicators were included in the analysis to proxy firm risk: beta coefficient; total liability to assets; long term debt to capital; and long term debt to assets. The later indicator, long term debt to assets, gives support to hypothesis 2a). On average, long term debt to assets was 19.4 percent in the case of targeted firms, a lower percentage vis-à-vis matched firms (the difference was statistically different from zero at a 99 percent of confidence). Likewise, the beta coefficient was lower in the case of targeted firms, although this difference was not statistically significant. However, other indicators of risk, namely total liability to assets and long term debt to capital, do not give support to hypothesis 2a). Targeted firms exhibited in fact, a higher percentage of total liability to assets, on average, than matched firms. Moreover, the difference was statistically significant at a 99 percent level. Another proxy, long term debt to capital, was on average higher for targeted firms, although the difference was statistically insignificant.

Regarding hypothesis 3, univariate results suggest that socially underperforming firms were more likely to be targeted with social proxies. The difference was statistically significant at 99 percent.

In order to shed additional light on the potential role of a number of firm traits that might play a role in firm being targeted by social policy resolution filers, we carried out multivariate analysis. We retain for multivariate analysis only those variables included in the univariate analysis showing statistically significant differences between the two groups of firms. Thus, on those grounds we drop from the multivariate analysis the beta coefficient, the long term debt to capital and five-year total return. We kept free cash flow to assets, because its *t*-value was very close to be statistically significant (-1.6) and because it seems to us an intuitively attractive way to measure the slack resources available for management discretion. We also dropped from the analysis three year total return, because although differences were significant concerning this variable, it presented information that was very likely contained in the one-year total returns.

A total of six models were run using logit regression (the dependant variable assuming the value 1, if the company was targeted and 0 otherwise). Results are reported in table 4. Overall, these

results provide a clearer picture of the type of companies selected by social proxy filers. The logit regressions confirm univariate analysis regarding firm size (hypothesis 1). Firm size increases the probability of a firm being targeted in all models, without exception. All coefficients for the natural logarithm of market value are positive and significant.

 INSERT TABLE 4 ABOUT HERE

Unlike univariate analysis, logit regression results tend to contradict hypothesis 2. Coefficients for one year-total return (models 1 and 2) are negative and significant at 99 percent of confidence. Also negative and significant were the coefficients for free cash flow to assets (models 3 and 4). Return on equity, on the other hand, present positive estimated coefficients (models 5 and 6); but these coefficients are not significant. Also, contrary to our hypothesis 2a), evidence from our multivariate analysis suggests that higher levels of risk tend to increase likelihood of receiving social proxies. Total liability to assets and long term debt to assets exhibit positive coefficients in all models, although in just one case (model 3) the estimated coefficient for total liability to assets is significant. Coefficients for long term debt to assets are positive and significant in all models where the variable was included, namely models 2, 4, and 6. We do not have a ready-made explanation for rejection of hypotheses 2, and 2a). However, we speculate that filers would prefer to target financially underperforming firms, because they hope that other unsatisfied investors could vote for their social proposals as a way to express dissatisfaction to management. It is also plausible that scrutiny of potential negative impact of social issues on firms' valuation could be higher when the economic fortunes of the firms are low. Likewise, firms with higher risks may attract more scrutiny from stockholders, making these firms more interesting for social proxy targeting. In any case, more research is warranted concerning possible explanations for our results about the impact of profitability and risk on decision targeting of firms by social proxy filers.

Our logit regressions confirm univariate results suggesting that firms receiving lower KLD ratings have a greater likelihood of being targeted by filers of social proxies. Coefficients for this variable are negative and significant in all the six models. Although we expected this variable to play a role in filers' targeting decision-making, we did not have a prior on the sign of that relationship. On the one hand, it is possible to argue that some filers, at least, such as socially-screened mutual funds, may have a vested interest in pushing socially underperforming firms to reform, because that would be noticed by potential customers, increasing their business revenues. On the other hand, as we have mentioned above, there is anecdotal evidence suggesting that

companies regarded as progressive in their social policies have been targeted in the past; with the purpose of force them to set new trends that can be adopted afterwards by less socially “progressive” competitors. The unearthed evidence leads us to think that the idea of pushing progressive firms to become champions of innovative social policies belongs to the infancy of shareholder activism and corporate campaigns. The examples that we provided of corporate campaigns targeting above average firms in terms of social performance, took place in fact during the 1960s and the 1980s. We reason that the growing of socially responsible investing since the 1990s have brought more financial power and professional resources to activist shareholders, and thus, the possibility of exerting pressure even on socially-underperforming firms to become trend setters of new social policies.

Our paper also explores potential heterogeneity among filers of social proxies, in terms of the types of companies that they target. Previous literature (Rojas et al., 2009) suggests that some types of filers (such as mutual funds and pension funds) are more successful than others in dealing with managers, withdrawing a higher proportion of resolutions in exchange of adoption of the suggested policies. We reason that this differential rate of success could be the result of different types of firms being selected. In order to further explore heterogeneity among social proxy filers we run separate estimations of the six models presented in table 4 for five types of filers: individual investors, advocacy groups, mutual funds; pension funds; and religious investors.⁶

Overall, evidence from these regressions suggests that filers somehow differ in the type of firms they selected for targeting, but not in a remarkable fashion. On all six models, firm size increases the probability of being targeted, for all five types of filers. Moreover, coefficients are invariably statistically significant. Evidence is more fragmented when it comes to test separately our hypotheses concerning profitability and other measures of slack resources. When models 1 and 2 are run separately, coefficients for one-year total return are negative in all cases. However, coefficients are not significant in the case of individual investors and pension funds in the case of model 1, and pension funds in the case of model 2. A similar picture arises from models 3 and 4. Estimated coefficients for the variable free cash flow to assets are negative for all actors, although

⁶ Hoetker (2007: 337-339) presents objections against the procedure of introducing a dummy variable for group membership and estimating the resulting equation for all observations. Instead, the author proposes a separate estimation for each group contained in the sample, which allows the researcher to compare (at a minimum) the statistical significance of the coefficients across groups. He asserts that this possible because the coefficients and standard errors are consistent within each group.

they are not always significant. Coefficients for return on equity (models 5 and 6) are positive, but only in one case they were significant.

 INSERT TABLE 5 ABOUT HERE

More heterogeneity is observed regarding the role of risk in targeting decision. Coefficients for the variable total liability to assets change sometimes of sign, depending on the type of filer. However, when negative coefficients appear (signaling a departure from results presented in Table 4), they are not significant. Coefficients for long term debt to assets are consistently positive across the different types of filers (as they appear in table 4). Sometimes, though, they are not significant.

It is important to highlight that individual investors differ from other filers in one important aspect: the role of KLD rating in the decision to target a firm. When the regressions are run separately, KLD rating still shows a negative coefficient, signaling that the probability of being targeted increases for socially underperforming firms. This holds true throughout the different models and filers. One notable exception is the group of individual investors. In only one model (model 5) the coefficient for this variable was negative (as it was for the ensemble of other filers) and significant. In all other models, the estimates of the coefficient for KLD rating are insignificant when the logit regression is run separately for individual investors. In some cases (model 3 and model 4) the sign of the coefficient becomes even positive. We do not have a ready-made explanation for this finding. We speculate that individual investors may have a more “ideological agenda” than other filers, focusing for instance in targeting large firms to gain publicity for their causes. However, this explanation is very provisory and the issue calls for additional research.

Conclusion

A number of articles have examined how filers of corporate governance resolutions choose their targets (for instance, Bijzak and Marquette, 1998; Carleton et al., 1998; John and Klein, 1995; Karpoff et al., 1996; Prevost and Rao, 2000; and Smith, 1996). To the best of our knowledge,

only Thomas and Cotter (2007) and Rehbein et al. (2004) present evidence about the kind of companies targeted by CSR resolution filers.

Thomas and Cotter (2007) report descriptive evidence regarding a number of financial traits of firms targeted with corporate governance and CSR proxies that were effectively voted by shareholders. These researchers examined both corporate governance and social policy shareholder resolutions, with the later absorbing nearly a third of the total number of sampled resolutions (403 out of 1454 resolutions). Thomas and Cotter's evidence suggests that firms targeted with social policy shareholder resolutions tended to be larger than the average firm contained in their sample, at least in terms of market value. They also unearthed evidence that firms targeted with social policy shareholder resolutions tend to be profitable (as it is the case of the rest of firms in the overall sample) as measured by accounting indicators such as net profit margin and return on assets. Raw returns for the period -250 to -1 days before the mailing date for the average of firms in the sample were 8.55 percent. However, when these returns were adjusted by the market for the same period, it came out that they were strongly negative and significantly different from zero. However, the sub-samples of firms receiving Economic/Social Environmental resolutions and those being targeted with Other Social Responsibility resolutions do not appear to differ greatly from the entire sample (market-adjusted returns were -24.07 percent for the sub-sample receiving Environmental/Social resolutions; -22.73 percent for those receiving Other Social Responsibility resolutions, and -22.14 percent for the all sample). Institutional ownership tended to be relatively high for all targeted firms and insider ownership appears to be relatively low, for any group of firms.

Rehbein et al. (2004) examined social policy shareholder resolutions received by firms that are constituents of the S&P 500 index, and other companies not belonging to this group but included in the socially screened Domini Social Fund. Sample years range from 1991 to 1998. Rehbein et al. (2004) regroup shareholder resolutions in the sample, in accordance to corporate treatment of four stakeholders: employees, communities, customers and the environment. Separate firm ratings for each of the abovementioned stakeholders were taken from Socrates, a database elaborated by the research firm KLD Research Analytics, intended to assess corporate social performance. Researchers used ordinary least squares regression analysis to study the effect of ratings of performance of companies regarding treatment of these stakeholders; with size and profitability as control variables. Separate regressions were run for each type of stakeholder. Size was proxied by the number of employees; profitability was measured as total return to

shareholders. The dependant variable in the regression model was the number of shareholder resolutions submitted to the company that were related to the particular stakeholder category. Results were not conclusive, and they varied according to the stakeholder group.

Our article expands literature on social proxy firm targeting. Unlike Thomas and Cotter (2007) and Rehbein et al. (2004), we don't pose ourselves the question of what kind of firms are more frequently targeted, as Rehbein et al. do, or if firms that have already received social proxies (that were subsequently voted) differ from those that have been targeted by corporate governance resolutions, as Thomas and Cotter (2007). Instead, we move our examination a step backwards; examining *ex ante* the traits of firms that have been effectively targeted by social resolutions vis-à-vis those of firms that have not been targeted during a certain period. Our results show that this approach can shed additional light on the discussion about what type of firms are chosen by social proxy filers.

Our univariate results were consistent with our hypothesis 1, showing that large firms are targeted by social proxy filers. The average targeted firm was in fact more than 10 times larger, in market value terms, than the average matched firm. Less clear cut were the univariate results regarding the role of slack resources (hypothesis 2) and risk (hypothesis 2-a). Our accounting proxy for profitability, return on equity, supports hypothesis 2. Annual return on equity was on average 20.0 percent in the case of targeted firms and it reached 7.8 percent, on average, in the case of matched firms. This difference was statistically significant. Another accounting measure of slack resources, free cash flow (scaled by assets) was also higher on average for targeted firms, vis-à-vis their counterparts in the matched firm sample; although the difference was not statistically significant at any of the common thresholds. Contrary to these results, our market-based measures of profitability (one, three, and five year total return) suggest that targeted firms were less profitable than matched firms. Differences between the two groups of firms were significant for one year and three year return.

Univariate analysis does not allow us either to arrive to conclusive results regarding the role of risk. Hypothesis 2-a) implies that less risky firms tend to attract more social policy resolutions, because management of these firms can count on more predictable sources of revenue. Four indicators were included in the analysis to proxy firm risk: beta coefficient; total liability to assets; long term debt to capital; and long term debt to assets. One of these indicators of firm risk, long term debt to assets, gives support to hypothesis 2a). On average, long term debt to assets was significantly lower for targeted firms, vis-à-vis matched firms. The beta coefficient

was also higher for matched firms, although the difference was insignificant in this later case. The other two indicators of risk, namely total liability to assets and long term debt to capital, do not give support to hypothesis 2a). Targeted firms exhibited in fact, a higher percentage of total liability to assets, on average, than matched firms. Moreover, the difference was statistically significant at a 99 percent level. Another proxy, long term debt to capital, was on average higher for targeted firms, although the difference was statistically insignificant. Univariate analysis shows that socially underperforming firms were more likely to be targeted with social proxies. The difference was statistically significant at 99 percent.

Our multivariate analysis sheds additional light on the types of companies targeted by social proxy filers. To begin with, logit regressions confirm univariate analysis regarding firm size. Firm size increases the probability of a firm being targeted in all models, without exception. All coefficients for the natural logarithm of market value are in effect, positive and significant. Multivariate results contradict hypothesis 2 and 2-a). When we introduce one-year total return in the regressions, the resulting coefficients for this variable are negative and significant. Also negative and significant were the coefficients for free cash flow to assets. Return on equity, on the other hand, exhibits positive estimated coefficients; but these coefficients are not significant. Also, contrary to our hypothesis 2a), evidence from our multivariate analysis suggests that higher levels of risk tend to increase likelihood of receiving social proxies. Total liability to assets and long term debt to assets exhibit positive coefficients in all models, although in just one case the estimated coefficient for total liability to assets is significant. Coefficients for long term debt to assets are positive and significant in all models where the variable was included, namely models 2, 4, and 6. We do not have a ready-made explanation for rejection of hypotheses 2, and 2a). However, we speculate that filers would prefer to target financially underperforming firms, because they hope that other unsatisfied investors could vote for their social proposals as a way to express dissatisfaction to management. It is also plausible that scrutiny of potential negative impact of social issues on firms' valuation could be higher when the economic fortunes of the firms are low. Likewise, firms with higher risks may attract more scrutiny from stockholders, making these firms more interesting for social proxy targeting. In any case, more research is warranted concerning possible explanations for our results about the impact of profitability and risk on decision targeting of firms by social proxy filers.

Our multivariate analysis also confirm univariate results suggesting that lower KLD ratings increase the likelihood of being targeted by filers of social policy shareholder resolutions.

Estimated coefficients for this variable are positive and significant in all the six models. We did not have a prior for the sign of this coefficient. We recognize the possibility that actors involved in the proxy filing activity may have a vested interest in targeting firms that are widely perceived as performing poorly in social issues. Mutual funds, for instance, may gain notoriety (and potential clients) if they force a firm that disregards the environment or workers rights to change course in its policies. Officials in pension funds trying to promote their professional or political careers by promoting social issues using the proxy machinery would gain additional notoriety, if they arrive to reform firms perceived as particularly reluctant to adopt more progressive policies. On the other hand, we pointed out to anecdotal evidence suggesting that companies regarded as progressive in their social policies have been targeted in the past; with the idea of making them setting new trends that can be adopted afterwards by less progressive competitors. The evidence that we have unearthed leads us to think that the idea of pushing firms to become champions of innovative social policies belongs to the infancy of shareholder activism, in particular, and corporate campaigns in general. The examples that we provided of corporate campaigns targeting above average firms in terms of social performance, took place in fact during the 1960s and the 1980s. The arrival of actors to the social proxy scene with more financial power and access to professional resources has brought to activist shareholders, perhaps, the possibility to exert pressure even on socially-underperforming firms to become trend setters.

Our paper also explores the possibility that different groups of filers could differ in terms of the firms that they select. In order to examine this aspect, we run again all models, separately for individual investors, advocacy groups, mutual funds, pension funds, and religious investors.

Overall, evidence from these regressions suggests that filers somehow differ in the type of firms they selected for targeting, but not in a remarkable fashion. On all six models, firm size increases the probability of being targeted, for all five types of filers. Moreover, coefficients are invariably statistically significant. Evidence is more fragmented when it comes to test separately our hypotheses concerning profitability and other measures of slack resources; although in general, our separate analysis holds previous conclusions. More heterogeneity is observed regarding the role of risk in targeting decision. A major departure from homogeneity is observed in the case of the role of previous performance of KLD ratings. Coefficients for all types of filers are negative, in all the six models run. However, in the case of individual investors, the coefficient is not significant in all but one of the six models. We speculate that this may reflect that individual investors, having more freedom of action than other actors; could also be more “ideological

types,” pursuing narrow causes. If that reasoning is right, they would focus on targeting large firms, in order to gain publicity, regardless of firm previous performance. We recognize, however, that this possible explanation could be subjected to criticism. More research on the issue is warranted.

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Tables

Table 1: Social policy resolution proposals, 2000-2004, according to the category of issues raised

	2000	2001	2002	2003	2004	2000-04	%
Energy and environment	65	59	77	78	83	362	25.4
International labor and human rights	44	71	71	55	46	287	20.2
Equal employment	28	24	31	30	32	145	10.2
Fairness in society	26	27	13	10	26	102	7.2
Human health issues	12	11	20	28	26	97	6.8
Involvement in partisan politics	11	11	10	4	51	87	6.1
Charitable giving ^{1/}	14	5	14	35	18	86	6.0
Tobacco issues	11	9	10	18	16	64	4.5
Involvement in the military & national security issues ^{2/}	13	14	11	12	11	61	4.3
Board diversity	8	12	10	12	13	55	3.9
Local or indigenous communities' human rights	5	4	4	1	2	16	1.1
Animal rights	1	1	1	3	9	15	1.1
Abortion & contraception issues ^{3/}	6	3	1	1	1	12	0.8
Product/service quality service, safety/reliability	0	1	2	3	2	8	0.6
Restriction/removal of equal employment practices	1	3	2	2	0	8	0.6
Workplace issues	3	1	0	2	2	8	0.6
Ethnic or nationality-based discrimination	0	0	5	0	0	5	0.4
Historical violations of human rights	2	0	0	0	0	2	0.1
Sub-total	250	256	282	294	338	1420	99.7
TOTAL	251	256	283	295	339	1424	100.0

1/ Includes calls to curb corporate dependency of governmental assistance ("corporate welfare") and potential involvement in corruption.

2/ Includes corporate involvement in gun production and distribution for other consumers than the military.

3/ Includes rejection of corporate involvement in pornography production or distribution and promotion of corporate adoption of conservative stands on cultural values.

Table 2: Number of resolutions filed by type of first sponsor, 2000-2004

Type of sponsor	No. of resolutions	%
Religious investor ^{1/}	469	32.9
Mutual fund	249	17.5
Individual	246	17.3
Public pension fund	185	13.0
Asset manager	109	7.7
Advocacy group	99	7.0
Trade union ^{2/}	56	3.9
Unknown	10	0.7
University/college	1	0.1
Total	1424	100.0

1/ Church-based pension funds are also included in this category.

2/ Trade union-based pension fund are included in this category.

Table 3: Descriptive statistics of targeted and matched firmsSelected variables, 2000-2004 (*t* statistics within parentheses)

Variable	No. observations	Mean	St. deviation	Minimum	Maximum
Market Value (millions US \$)					
All sample	2741	35088.9	74734.4	0.03	602432.6
Matched firms	1373	6037.2	8877.3	10.20	137964.9
Targeted firms	1368	64246.8	97043.1	0.03	602432.6
Mean difference ^{2/} (<i>t</i> *= -22,09)		-58209.6			
Return on Equity (%)					
All sample	2268	13.9	146.6	-5490.2	1362.1
Matched firms	1344	7.8	173.4	-5490.2	1362.1
Targeted firms	1344	20.0	113.6	-2669.6	1274.1
Mean difference ^{2/} (<i>t</i> **= -2,16)		-12.2			
One-year total return (%)					
All sample	2739	13.5	47.0	-97.0	396.7
Matched firms	1375	18.4	53.6	-97.0	396.7
Targeted firms	1364	8.4	38.5	-95.3	289.8
Mean difference ^{2/} (<i>t</i> *= 5,6)			10.0		
Three-year total return (%)					
All sample	2649	7.4	22.7	-84.9	163.8
Matched firms	1340	9.4	24.7	-84.9	163.8
Targeted firms	1309	5.5	20.5	-69.7	113.2
Mean difference ^{2/} (<i>t</i> *= 4,4)		3.9			
Five-year total return (%)					
All sample	2511	11.5	17.8	-50.3	153.7
Matched firms	1198	12.1	19.1	-46.1	153.7
Targeted firms	1313	11.0	16.5	-50.3	103.151
Mean difference ^{2/} (<i>t</i> = 1,46)		1.0			
Free cash flow to assets (%)					
All sample	2388	3.3	7.8	-63.0	46.3
Matched firms	1190	3.1	8.7	-59.8	46.3
Targeted firms	1198	3.6	6.9	-63.0	39.9
Mean difference ^{2/} (<i>t</i> = -1,6)		-0.5			

1/ (*t* statistic calculation assumes different variances).

2/ Mean matched firms- targeted firms.

*, **= significant at 99% and 95% of confidence, respectively.

Table 3 (cont.)

Variable	No. observations	Mean	Standard deviation	Minimum	Maximum
Beta (coefficient)					
All sample	650	0.794	0.609	-0.464	3.583
Matched firms	322	0.802	0.626	-0.396	3.305
Targeted firms	328	0.787	0.593	-0.464	3.583
Mean difference ^{2/} ($t = 0,30$)		0.015			
Total liability to assets (%)					
All sample	2748	64.7	-6.7	5.8	618.9
Matched firms	1380	62.3	22.2	10.6	201.3
Targeted firms	1368	67.1	27.3	5.8	618.9
Mean difference ^{2/} ($t^* = -5,08$)		-4.8			
Long term debt to capital					
All sample	2747	39.8	34.7	-0.015	732.6
Matched firms	1379	39.4	38.7	-0.015	732.6
Targeted firms	1368	40.3	30.1	0	401.1
Mean difference ^{2/} ($t = -0.67$)		-0.9			
Long term debt to assets (%)					
All sample	2744	20.3	16.1	0	156.7
Matched firms	1376	21.2	17.6	0	117.3
Targeted firms	1368	19.4	14.5	0	156.7
Mean difference ^{2/} ($t^* = 3,07$)					
KLD rating					
All sample	1991	-0.038	0.250	-0.846	0.692
Matched firms	760	0.014	0.173	-0.462	0.615
Targeted firms	1231	-0.070	0.283	-0.846	0.692
Mean difference ^{2/} ($t^* = 8,22$)		0.084			

1/ (t statistic calculation assumes different variances).

2/ Mean matched firms- targeted firms.

*, **= significant at 99% and 95% of confidence, respectively.

Table 4: Determinants of targeting

Logit regressions for the all sample, dependent variable 1= targeted, 0 otherwise (z statistics within parentheses)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Ln (market value)	0.839 (z*= 19.45)	0.862 (z*= 19.33)	0.867 (z*= 18.17)	0.884 (z*=17.60)	0.840 (z * = 18.93)	0.884 (z*=19.00)
One-year total return	-0.006 (z*= -4.51)	-0.007 (z*= -4.65)				
Return on equity					0.001 (z= 0.56)	0.001 (z= 0.57)
Free cash flow/assets			-0.030 (z*= -3.16)	-0.036 (z*= -3.50)		
Total liability to assets	0.004 (z = 1.19)		0.011 (z*= 2.89)		0.0054 (z= 1.59)	
Long term debt to assets		0.010 (z** = 2.20)		0.009 (z*** = 1.79)		0.019 (z*= 3.97)
KLD rating	-1.854 (z*= -7.79)	-1.750 (z*= -7.31)	-1.220 (z*= -4.78)	-1.214 (z*= -4.70)	-2.017 (z*= -7.94)	-1.837 (z*= -7.20)
Constant	-7.44 (z*= -16.33)	-7.61 (z*= -16.75)	-8.02 (z*= -15.57)	-7.63 (z* = -15.10)	-7.66 (z*= -16.27)	-8.07 (z*= -16.94)
Number of observations	1933	1933	1659	1659	1895	1895
Pseudo R2	0.241	0.243	0.257	0.2527	0.2417	0.29

*, **, *** significant at 99%, 95% and 90%, respectively.

Table 5: Determinants of targeting, separate regressions for several types of filers

Table 5: Logit regressions for separate types of filers, dependent variable: targeted =1, 0 otherwise (z statistics within parentheses)

	Model 1				
	Indiv. investors	Advoc. groups	Mutual funds	Pension funds	Religious invest. ^{1/}
Ln (market value)	0.895 (z*= 9.17)	1.402 (z*= 6.12)	0.759 (z*= 7.53)	0.640 (z*= 5.55)	1.218 (z*= 10.11)
One-year total return	-0.006 (z= -1.37)	-0.009 (z***= -1.73)	-0.006 (z**= -2.13)	-0.003 (z= -1.09)	-0.013 (z*= -3.78)
Return on equity					
Free cash flow/assets					
Total liability/assets	0.011 (z= 1.32)	-0.006 (z= -0.38)	-0.003 (z= -0.49)	0.010 (z= 1.40)	0.034 (z*= 4.98)
Long term debt/assets					
KLD rating	-0.612 (z= -1.41)	-4.591 (z*= -3.13)	-2.659 (z*= -3.39)	-1.547 (z**= -2.26)	-3.047 (z*= -5.60)
Constant	-8.73 (z*= -7.63)	-12.33 (z*= -5.53)	-5.72 (z*= -6.34)	-5.52086 (z*= -4.84)	-13.12 (z*= -9.37)
No. of observations	344	136	320	231	568
Pseudo R2	0.267	0.466	0.201	0.178	0.360

*, **, *** significant at 99%, 95% and 90%, respectively.

1/ Excludes church-based pension funds.

Table 5: (cont.)

	Model 2				
	Indiv. investors	Advocacy groups	Mutual funds	Pension funds	Religious invest. ^{1/}
Ln (market value)	0.948 (z*= 8.44)	1.406 (z*= 5.93)	0.785 (z*= 7.64)	0.662 (z*= 5.70)	1.171 (z*= 10.82)
One-year total return	-0.007 (z***= -1.66)	-0.009 (z**= -1.66)	-0.007 (z**= -2.44)	-0.004 (z= -1.20)	-0.012 (z*= -4.22)
Return on equity					
Free cash flow/assets					
Total liability/assets					
Long term debt/assets	0.013 (z= 1.05)	0.020 (z= 0.67)	0.024 (z***= 1.84)	0.021 (z***= 1.93)	0.018 (z**= 2.00)
KLD rating	-0.518 (z*= -1.17)	-3.982 (z*= -2.82)	-2.444 (z*= -3.12)	-1.507 (z**= -2.17)	-2.826 (z*= -5.29)
Constant	-8.73 (z*= -7.11)	-13.15 (z**= -5.12)	-6.57 (z*= -6.40)	-5.535981 (z*= -5.15)	-10.82 (z*= -9.87)
No. of observations	344	136	320	231	568
Pseudo R2	0.265	0.469	0.213	0.186	0.321

*, **, *** significant at 99%, 95% and 90%, respectively.

1/ Excludes church-based pension funds.

Table 5: (cont.)

	Model 3				
	Indiv. investors	Advoc. groups	Mutual funds	Pension funds	Religious invest. ^{1/}
Ln (market value)	1.079 (z* = 7.56)	1,275 (z* = 6,86)	0,722 (z* = 7,11)	0,748 (z* = 5,84)	1,262 (z* = 9,44)
One-year total return					
Return on equity					
Free cash flow/assets	-0.0529914 (z = -1.41)	-0,000767 (z = -0,02)	-0,0055199 (z* = -0,37)	-0,0123384 (z = -0,53)	-0,05081 (z** = -2,25)
Total liability/assets	0.013 (z = 1.18)	0,008 (z = 0,44)	0,011 (z*** = 1,88)	0,015 (z*** = 1,88)	0,044 (z* = 5,10)
Long term debt/assets					
KLD rating	0.220 (z = 0.44)	-3,947 (z* = -2,66)	-2,473 (z* = -2,90)	-0,495 (z = -0,64)	-2,141 (z* = -3.83)
Constant	-10.40 (z* = -6.56)	-12,08 (z* = -5,55)	-6,34 (z* = -6,26)	-6,56 (z* = -5,47)	-13,88 (z* = -8,51)
No. of observations	262	124	293	203	494
Pseudo R2	0.339	0,450	0,194	0,207	0,385

*, **, *** significant at 99%, 95% and 90% respectively.

1/ Excludes church-based pension funds.

Table 5: (cont.)

	Model 4				
	Indiv. investors	Advoc. groups	Mutual funds	Pension funds	Religious invest. ^{1/}
Ln (market value)	1.131 (z* = 7.49)	1,293 (z* = 6,62)	0,732 (z* = 5,28)	0,790 (z* = 6,08)	1,142 (z* = 10,72)
One-year total return					
Return on equity					
Free cash flow/assets	-0.066 (z*** = -1.89)	-0,005 (z = -0,13)	-0,009 (z = -0,50)	-0,018 (z = -0,70)	-0,078 (z* = -3,82)
Total liability/assets					
Long term debt/assets	0.012 (z = 0.83)	0,012 (z = 0,41)	0,019 (z = 1,30)	0,030 (z** = 2,39)	0,012 (z = 1,19)
KLD rating	0.268 (z = 0.51)	-3,829 (z* = -2,64)	-2,246 (z* = -2,81)	-0,415 (z = -0.53)	-2,293 (z* = -4,08)
Constant	-10.21 (z* = -6.63)	-12,01 (z* = -5,46)	-6,09 (z* = -4,44)	-6,61 (z* = -5,70)	-10,11 (z = -9,46)
No. of observations	262	124	293	203	494
Pseudo R2	0.336	0,450	0,190	0,223	0,322

*, **, *** significant at 99%, 95% and 90%, respectively.

^{1/} Excludes church-based pension funds.

Table 5: (cont.)

	Model 5				
	Indiv. investors	Advoc. groups	Mutual funds	Pension funds	Religious invest. ^{1/}
Ln (market value)	0.905 (z*= 9.00)	1.418 (z= 6.06)	0.750 (z= 7.11)	0.634 (z*= 5.40)	1.161 (z*= 9.81)
One-year total return					
Return on equity	-0.001 (z= -1.32)	0.015 (z= 1.12)	0.007 (z***= 1.65)	0.003 (z= 1.34)	0.006 (z= 1.19)
Free cash flow/assets					
Total liability/assets	0.0110888 (z= 1.30)	-0.0028842 (z= -0.18)	-0.0076141 (z= -0.99)	0.0071048 (z= 0.86)	0.0349857 (z*= 5.41)
Long term debt/assets					
KLD rating	-0.749 (z***= -1.74)	-5.424 (z*= -3.42)	-2.835 (z*= -3.40)	-1.591 (z**= -2.11)	-3.306 (z*= -5.66)
Constant	-8.86 (z= -7.65)	-13.05 (z= -5.48)	-5.65 (z*= -6.06)	-5.45 (z*= -4.78)	-12.86 (z= -9.42)
No. of observations	339	133	316	225	558
Pseudo R2	0.268	0.481	0.206	0.179	0.353

*, **, *** significant at 99%, 95% and 90% respectively.

1/ Excludes church-based pension funds.

Table 5: (cont.)

	Model 6				
	Indiv. investors	Advoc. groups	Mutual funds	Pension funds	Religious invest. ^{1/}
Ln (market value)	0.965 (z*= 8.21)	1.447 (z*= 5.57)	0.786 (z*= 7.52)	0.653 (z*= 5.61)	1.102 (z*= 10.64)
One-year total return					
Return on equity	-0.001 (z= -1.33)	0.012 (z= 1.03)	0.005 (z= 1.28)	0.002 (z= 1.28)	0.007 (z= 1.34)
Free cash flow/assets					
Total liability/assets					
Long term debt/assets	0.015 (z= 1.19)	0.027 (z= 0.90)	0.028 (z**= 2.39)	0.029 (z**= 2.42)	0.018 (z**= 1.91)
KLD rating	-0.665 (z= -1.51)	-4.880 (z*= -3.06)	-2.466 (z*= -2.83)	-1.428 (z**= -1.92)	-3.157 (z*= -5.49)
Constant	-8.96 (z*= -6.94)	-14.00 (z*= -4.94)	-6.86 (z*= -6.87)	-5.76 (z*= -5.30)	-10.43 (z= -9.73)
No. of observations	339	133	316	225	558
Pseudo R2	0.267	0.487	0.218	0.198	0.315

*, **, *** significant at 99%, 95% and 90% respectively.

1/ Excludes church-based pension funds.

APPENDIXES

Appendix 1: Categories of issues raised in social policy shareholder resolutions

Category/description	Examples of action requests
Abortion, contraception, and commercial and research use of fetuses. Seek to limit or terminate corporation's involvement in contraceptive products and/or use of human fetuses in research or productive activities, or any form of perceived support for groups, political parties or countries that promote abortion and/or contraception rights.	Endorse Pro Vita principles Disclose giving to pro-abortion political parties Discontinue research using human foetal tissue Don't buy or use human fetuses
Animal rights. Seek to promote, in general, a better treatment of animals in corporations' research and productive activities, or the ban or strict limitation of using animals in those activities, particularly for testing products or methods.	Adopt anti-vivisection policy Review animal welfare standards Stop animal testing not required by law Use non-animal test methods
Board diversity. Seek to enhance diversity of corporate boards, in terms of an increased presence of women, ethnic minorities, and to a lesser extent, union members.	Commit to/report on board diversity Increase efforts to diversify board Union member on the board

<p>Charitable giving. These proposals are related to termination, limitation, regulation of charitable donations (including calls to make charitable contributions subject to shareholder approval, or making donations for particular or unidentified groups). Proposals related to giving to political parties are included in Involvement in Partisan Politics. Those calling for termination of donations to pro-abortion groups or political parties or candidates are included under Abortion, contraception, and commercial and research use of fetuses.</p>	<p>Disclose charitable contributions Don't make charitable donations shareholders vote on donations over \$ 10,000 stop support for NPR</p>
<p>Corporate welfare and governmental links. Seek to encourage corporations to report to shareholders on tax burden and/or subsidies received from government.</p>	<p>Include tax burden figures in annual report Report on corporate tax benefits and subsidies</p>
<p>Corruption. Seek to constraint or eliminate possible corporate involvement in illegal activities, such as fraud, money laundering; and/or to enhance respect of an ethical code.</p>	<p>Adopt policy against money laundering Form committee to oversee anti-fraud compliance Report on "conflicts of interest" legal compliance Report on ethics policy and record no financial aid for convicted executives</p>
<p>Energy and environment. Seek to enhance the environmental performance of the firm. This category excludes proxies that seek to improve <i>simultaneously</i> corporations' environmental performance and respect of other local or indigenous' communities rights.</p>	<p>Clean up toxic waste sites Conduct annual pollution prevention review Develop energy efficiency plans Endorse CERES principles Report on old growth logging policy</p>

<p>Equal employment. Seek to promote discrimination-free workplace environments, which may prevent certain groups of people to obtain employment in the corporation or to get access to equal opportunities of promotion or benefits, as a consequence of their gender identity, ethnicity, religious confession, sexual orientation, or age.</p>	<p>Adopt sexual orientation anti-bias policy Extend benefits to domestic partners Improve hiring and promotion of minorities Increase minority representation in management</p>
<p>Ethnic or nationality-based discrimination. Seek to eliminate corporate actions, <i>outside the workplace</i> that may be perceived as promoting discriminatory attitudes against certain groups in society.</p>	<p>Guard against negative images in marketing NBC should comply with TV Code on ethnic material Report on using only non-racist logos/trademarks Stop TV stereotypes of Polish-Americans</p>
<p>Fairness in society. This category involves a vast array of proposals seeking to promote corporate policies that are consistent with fairer access to wealth and well-being for disadvantage groups or communities, at domestic or international levels. Calls to corporations to adopt anti-globalization initiatives are included in this category, at it is frequently argued by the promoters of these proposals that globalization can be linked with negative impacts for workers, poor people and disadvantaged communities.</p>	<p>Adopt fair lending policy in emerging markets Adopt social guidelines regarding deregulation Adopt strict criteria for emerging market loans Ask DOA to set raw milk "floor price safety net" Become industry leader on fair lending Comply globally with community investment act Create plant closings committee</p>
<p>Family/conservative values. Proxies seeking to engage corporations (particularly those in the media industries) to promote family-centered values; exclude depiction of explicit sexuality or alternative lifestyles.</p>	<p>Return to family values Don't run ads that offend heterosexuals No favourable portrayal of illicit sex on TV Prohibit unbiblical programming</p>

<p>Gun production/distribution. Seek to terminate corporate involvement in production or marketing of guns, which are not conceived primarily for military purposes.</p>	<p>Don't sell guns in company's stores Report on steps against gun violence</p>
<p>Historical violations of human rights. Seek to involve corporation in redressing historical grievances to human rights, whether related to its past business activities or not.</p>	<p>Divest from firms in former Axis countries No services to Swiss pending Holocaust settlement</p>
<p>Human health issues. Proxies seeking to promote corporate involvement in initiatives that improve access to healthcare or healthier products or working environments at domestic and international levels.</p>	<p>Adopt drug accessibility policy Adopt drug price restraint policy Consider supporting national health care Develop ethical criteria for patent extension Disclose countries/guidelines for clinical trials Make AIDS drugs available in poor countries</p>

<p>International labour and human rights. Seek corporate adoption of higher standards of conduct regarding respect of human rights and workers' rights at the international level. The category's proxies are meant to terminate corporate partnerships with governments or groups that allegedly are linked at the moment of the proxy filing, to human or labour rights' violation at the international level. Proposals linked to historic (i.e. non-contemporary) events of human rights violations, implying or not the targeted firm are classified elsewhere. The present category concerns also the adoption of standards conceived to eliminate religious discrimination against workers in company Calls to divest or pullout activities from particular countries (for unspecified reasons, but where accusations of human rights violations have been detected) are included in this category.</p>	<p>Adopt code of conduct for China operations Implement ILO standards and third party monitoring Implement McBride principles Report on maquiladora operations Suspend payments to Indonesian military</p>
<p>Involvement in partisan politics. Seek to limit or terminate corporate involvement in partisan politics or political activity. When specific partisan positions on controversial issues are targeted (like halting donations to pro-choice parties, for instance) proposals are classified in the category that is closest to the issue (Abortion, Tobacco, etc).</p>	<p>Affirm political non-partisanship Create/report on political contribution guidelines Disclose political contributions in newspapers Disclose prior government service</p>
<p>Involvement in the military and national security issues. Seek to reduce or stop corporate involvement in defense, or certain types of defense projects, such as ballistic missiles or space weapons.</p>	<p>Develop military contracting criteria Report on foreign offset agreements Report on space weapons Stop producing nuclear weapons</p>

<p>Local or Indigenous Community Rights. Include the right to a healthy environment, particularly in the case of energy-based projects, respect of ancestral lands and respect of fair compensation to local or indigenous communities. Proxies addressing the issue of human rights violations are included under International Labor and Human Rights.</p>	<p>Conduct risk analysis of developing tribal land Limit use of Hopi water supply Obtain power supply without harming Cree Review Chad-Cameroon pipeline project Review social criteria in financial ventures Report on sites' impact on indigenous peoples</p>
<p>Pornography. Proxies seeking to terminate/limit corporate involvement in production/distribution of pornography</p>	<p>Adopt bylaw to eliminate adult entertainment Report on involvement in pornography industry Stop marketing pornography</p>
<p>Product or service quality, safety and/or reliability. Seek to assure that products or services sold by the corporation, or support activities such as R&D meet higher standards of quality, reliability and safety.</p>	<p>Create safety policy and report Ensure customer privacy Report on train safety program</p>
<p>Restriction or removal of equal employment practices. Seek to reverse corporate policies intended to provide benefits for domestic partners of workers; to protect homosexual workers, or to support affirmative action programs</p>	<p>Don't extend benefits to domestic partners Drop sexual orientation from EEO policy Issue statements opposing affirmative action End employee benefits for gay partners</p>
<p>Tobacco issues. Call tobacco-based corporations to discourage smoking among particular groups; to increase awareness about risks associated to smoking; and to eliminate practices or additives that make tobacco to increase presumed risks to consumers' health. Proposals calling non-tobacco-based corporations to divest from tobacco firms are included in this category.</p>	<p>Compensate tobacco disease victims Apply US prevention programs to all youth Discourage smoking by pregnant women Discourage youth smoking in developing countries Divest tobacco holdings Link exec. pay to reduction in teen tobacco use</p>

Workplace issues. Proxies seeking to protect workers rights at the domestic level. This category excludes proxies seeking to redress inequalities confronted by particular groups (regrouped under Equal Employment)	Adopt employee bill of rights Allow workers one hour for lunch Take steps against workplace violence Take steps to resolve disputes with AFL-CIO
Other	Adopt due process review for NBC Bar Japanese horse owners from races

Appendix 2 : Categories of filers

Category of filer	Description and or examples
Advocacy group	Groups or NGOs, promoting the advancement of particular (often single) causes. Ex. Global Exchange, Friends of the Earth, GE Stockholders Alliance, Pride Foundation, People for the Ethical Treatment of Animals.
Asset manager/advisor	Company offering financial services, but not identified as a socially-screened mutual fund in the 2003 Report on SRI Trends. Ex. Harrington Investments, Christian Brothers Investment Services, Mercy Consolidated Asset Management, Northstar, Boston CAM, Progressive Asset Manager.
Church-based pension fund	Pension fund created for employees of a specific church. Ex. Brethren Benefit Trust, General Board of Pension and Health Benefits of the United Methodist Church.
Individual	Any filer identified by family name and initials. This category includes “gadfly” activists, such as Evelyn Davis.
Mutual fund (socially-screened)	Socially-screened mutual funds, included in the 2003 report on SRI Trends. Ex. Domini, Calvert, Catholic Funds, Walden, MMA Praxis, Trillium, Green Century, LongView, Ethical Funds, Citizens Funds.
Mutual fund (conventional)	Ex. Tocqueville Gold Fund.

Public pension fund	Pension funds operated by city or state governments. Ex. New York City funds, such as New York City Employees' Retirement System (NYCTRS, Teachers' Retirement System (TRS), New York City Police Pension Fund, New York City Fire Department Pension Fund and Board Education retirement System (BEARS). Other examples in the category are the Connecticut Retirement Plans and Trust Funds, the Minnesota State Board of Investment and the New York State Common Retirement Fund.
Religious investor	Religious orders or religious-based healthcare or educational organizations, as well as the Interfaith Center on Corporate Responsibility (ICCR) are included in the category. Ex. Catholic Healthcare West, School Sisters of Notre Dame, Sisters of Loretto, Mercy Investment.
Trade union	Service Employees International Union (SEIU), Communication Workers of America (CWA), American Federation of State, County and Municipal Employees. (AFSCME), PACE Workers, Teamsters, International Brotherhood of Electrical Workers (IBEW), Hotel Employees and Restaurant Employees (HERE), AFL-CIO, Du Pont Workers, Carpenters.
Trade union-based pension fund	Central Laborers' Fund.
University	Swarthmore.

ARTICLE II

Bringing about changes to corporate social policy through shareholder activism: Filers, issues, targets and success

**Bringing about changes to corporate social policy through shareholder activism: Filers,
issues, targets and success**

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Bringing about changes to corporate social policy through shareholder activism: Filers, issues, targets and success

Abstract

We examine shareholder initiated social policy proposals' capacity to exert pressure on management and to adopt the suggested changes in policy. We show that social proposals, filed under the U.S. Securities and Exchange Commission (SEC)'s Rule 14 a-8, have a more limited capacity to change corporate social policy than it has been previously reported. However, the capacity to exert pressure on firms can be substantially higher for some types of filers, notably pension funds and mutual funds. The analysis also suggests that the capacity to influence management is higher for some types of issues presented in the resolution, such as those related to board diversity, energy and environment, and international labor and human rights. We also provide suggestions explaining why shareholder activism is a persistent practice despite its limited results.

Key words: Corporate governance, social policy shareholder activism, corporate social responsibility

Résumé

Nous examinons la capacité des résolutions d'actionnaires à caractère social d'influencer les dirigeants afin qu'ils adoptent les changements suggérés dans la politique sociale des firmes. Nous montrons que les résolutions à caractère social qui sont soumises dans le cadre de la Règle 14a-8 de la Commission des valeurs mobilières des États-unis (SEC), ont une capacité de changer la politique sociale des firmes plus limitée que celle que suggèrent les reports disponibles dans la littérature. Néanmoins, la capacité d'influencer les firmes peut être substantiellement plus élevée dans les cas de certains acteurs, notamment les fonds de retraite et les fonds communs de placement. Notre analyse suggère aussi que la capacité d'influencer les dirigeants est plus élevée dans le cas de certains types de sujets présentés dans les résolutions, comme par exemple ceux reliés à la diversité dans le conseil d'administration, l'énergie et l'environnement, et les droits internationaux de la personne et du travail. Nous présentons également certaines propositions pour expliquer pourquoi l'activisme de l'actionariat est une pratique persistante, malgré ses résultats limités.

Mots clés : Gouvernance de l'entreprise, activisme de l'actionnaire à caractère social, responsabilité sociale de l'entreprise

Introduction

Dissatisfied investors and other stakeholders, of firms with a poor financial or social performance, make use of a number of tools to make managers change their course. They can threaten firms to boycott them in their capital or product markets, and go ahead with the menace if there is no affirmative response from leaders of the concerned organization; they can also communicate about the apprehension to managers in behind-the scene conversations; target the firm with letter campaigns; release damaging information to the media; lobby governments to endorse legislation, or initiate lawsuits (Hoffman 1999; Bansal 2000; Manheim 2001; den Hond and de Bakker 2007). In analyzing the capacity of investors and other stakeholders to promote corporate change, we deal with a particular mechanism to voice concerns. The so-called Rule 14 a-8, enacted in 1942 by the United States' Securities and Exchange Commission (SEC), allows shareholders under certain circumstances, to file non-binding, succinct resolutions (also referred to as proxies or proposals) that should be included in the proxy materials of the firm to be voted in by shareholders.

The purpose of this study is to examine who makes use of the Rule to promote a course of action in corporate social responsibility (CSR)'s policy of companies, what kind of issues are promoted, and with what degree of success. In doing so, we contribute empirically to the understanding of how shareholder activism is an influential factor of corporate social change activities. Throughout the period we examined (1997-2004), firms in the United States received nearly 300 social policy shareholder resolutions per year. These proxies summoned companies to adopt a very wide range of actions, such as making their boards more diverse, adopting the standards of the International Labor Organization in their international operations, forcing their suppliers abroad to respect those standards in their operations and to secure independent monitoring of the compliance.

Some other proposals also called upon management to avoid discriminating against employees because of sexual orientation or to prepare and disseminate reports on the environmental impact of their firms' operations, not to mention the requests to pull out from certain countries where massive violations of human rights are suspected. In 1952 the SEC gave management the power to exclude proposals made "primarily for the purpose of promoting general economic, political, racial, religious, social or similar causes" (Ryan 1998: 114). This exclusion dates at least from

1948 when the company Greyhound excluded a proposal to desegregate its buses on the grounds that it was not a “proper subject” (Proffitt and Spicer, 2006). The SEC formally reversed its decision to allow the exclusion of social proxies in 1976, although it has been in practice allowing such resolutions to get into proxy materials from early 1970s, when the Medical Committee for Human Rights obtained in court the possibility to file a shareholder proposal at Dow Chemical, requesting the manufacturer to stop producing napalm for military use in Vietnam (Ryan, 1988; Vogel, 1978).

Since then, reflecting changes in public perception of the role of corporations, social proxies are part of the corporate landscape, as the nearly 300 social proxies received by US companies during 1997-2004 can attest and it certainly does not seem likely that it would return to the times when these types of issues were routinely excluded from proxy materials by the SEC. On the contrary, the rise of socially responsible investing (SRI) in the United States and Canada, will probably reinforce the use of the proxy machinery to advance social causes. What is more, in 2007 important public pension funds and other institutions have signed the United Nations Principles for Responsible Investment, an international protocol for institutional managers pledging to adopt responsible investment policies and practices. Adherence to these guidelines is believed to increase awareness of SRI tools such as proxy voting (Social Investment Forum, 2005; Social Investment Organization, 2007).

Understanding the capacity of filers of social policy resolutions is critical for three reasons. Firstly, many of the corporate actions promoted by means of these resolutions are of major concern for company decision making. Orlitzky et al. (2003) aggregated results of 52 studies, employing meta-analytic techniques and found that CSR, in particular environmental responsibility, is likely to pay off. It is important to recall to this effect that the proposal received by Dow Chemical in 1970 not only addressed an ethical problem for a portion of Dow’s shareholders: the company trumpeted at the time that it was continuing production out of patriotic duty, in spite of incurring financial losses as a consequence (Ryan 1988, footnote 76). Thus, social policy resolution filing can be synonymous of better financial performance of the firm, and not a hindrance to it. Furthermore, Spicer (1978) proposed that low-CSR companies can be riskier investments, the risk arising from adverse regulatory or legislative actions, judicial decisions, or from consumer retaliation. Orlitzky and Benjamin (2001), using meta-analytical techniques found empirical support for the view that corporate social performance has a negative relationship with risk. Secondly, previous literature suggests that boycotting firms in capital markets can have

limited results in terms of reforming poor social performance. If so, voicing dissatisfaction could be an interesting possibility for socially concerned shareholders who want to promote better social performance in the companies they own. Angel and Rivoli (1997), Heinkel et al. (2001), and Teoh et al. (1999) have suggested that divesting firms perceived as socially irresponsible by a fraction of its shareholders' base can only engender limited consequences in terms of capital costs for targeted firms. Davidson et al. (1995) concluded that divestments have a very limited capacity to impact market valuations of firms, while financial markets tend to react to announcements of boycotts in the firms' product markets.

Thirdly, previous research on the use of the Rule 14 a-8 focuses on shareholder attempts to reform mechanisms of corporate governance aimed at improving financial performance of firms, such as those related to the external control of the corporation, like repealing the adoption of anti-takeover devices. This literature has been surveyed by Karpoff (1998) and Gillan and Starks (1998). On the contrary, the subject of our paper has only attracted a limited attention from researchers. We expand knowledge accumulated so far, by proposing a more thorough approach in measuring the capacity of filers of social policy to induce changes in corporate policy. Our analysis suggests that filing social policy resolutions has a much more limited capacity to exert pressure on managers than Proffitt and Spicer (2006), and Tkac (2006) suggest, not to mention the heightened capacity exhibited by some large institutional investors to influence management of firms to adopt measures envisaged to accrue targeted firms' financial performance (Carleton et al., 1998; Smith, 1996; Wahal, 1996).

Rule 14a-8 and filing of social proxies

Investors in the United States are entitled by the SEC's Rule 14a-8 to submit proposals for inclusion in the proxy materials of the firm, at no cost to them and for subsequent presentation at the annual general meeting. If such resolutions are properly presented at the annual general meeting, they will be voted on (Ryan, 1988). In 1952, the SEC amended the rule to permit management to exclude proposals made primarily for the purpose of promoting general economic, racial, religious, social or similar causes. This policy was later amended as a consequence of the emergence of the social movements in the 1960s and 1970s which mirrored in public corporations' life. The decision to allow social policy proposals into proxy materials was later codified in a 1976 reform of the rule (Ryan, 1988).

The rule limits the number of proposals that a shareholder may submit (one per firm in his or her portfolio) and provides that these submissions must be timely and succinct, in order to avoid interference with management's own solicitation. The rule provides that management may refuse to include certain types of proposals. If the SEC concurs with the firm, a proposal can be excluded from the proxy materials sent to shareholders. There are thirteen grounds for exclusion of a proposal, one frequently cited is that a proposal dealing with substantially the same subject matter has been included in the proxy materials during the last 5 five years and that it failed to pass the required voting thresholds: 3 percent of the vote if it has been included once; 6 percent if it has been included twice; and 10 percent if it has been included three or more times (Securities and Exchange Commission, 2001).

These restrictions and other factors favor management in the operation of the rule. For instance, the typical rule 14a-8 proposal is precatory in nature (Ryan, 1988). Even if a proposal receives more than 50 percent of the votes, management may decide not to implement it, the only general exception being binding bylaw amendments (Brownstein and Kirman, 2004). Davis and Thompson (1994) point out a number of other factors favoring management in the operation of the proxy machinery. However, the importance of shareholder proposals shall not be underestimated. Ryan observed that by means of proposals, shareholders can put management on notice of their expectations. Moreover, unlike other sources of information available to management, shareholder proposals are infrequent and harder to overlook or misinterpret.

Discussion of literature: Outcome of shareholder-initiated proposals and definition of success

Shareholder initiated proposals have basically three possible outcomes: they can be voted by shareholders, i.e. be present in the proxy materials forwarded to them by management for the annual general meeting of the company; they can be withdrawn by the shareholder, therefore placing them outside the consideration of shareholders; or be omitted by the regulator, i.e. the Securities and Exchange Commission.

This paper's main objective is to shed light on the capacity of activist shareholders to induce changes in corporate social policy. Thus, what can be said of the possible outcome in terms of adoption of suggested policies?

Voted proposals, given the non-binding nature of the Rule 14a-8 are not necessarily conducive to any sort of changes in corporate policy. Chidambaran and Woidtke (1999) sustain in fact that proposals being submitted to vote, represent a failure in negotiations and are those that the manager believes will not receive widespread support from shareholders. Omitted proposals, for their part, are a clear form of failure, whatever the reason that supports the exclusion. In this case, management doesn't have to negotiate any withdrawal with filers, and stockowners don't even have to vote on the issue.

Less clear is the case of withdrawal resolutions. Observers tend to connect withdrawal, almost automatically, with resolution success. Tkac (2006: 13) for instance, indicates that "(...) a withdrawal resolution usually signs some type of action on the part of the corporation — dialogue, agreement to resolution, or some other compromise. Withdrawal can be viewed as indicating some level of success." She searched for information about the 859 withdrawn proposals in her database, by means of websites of proponents and firms, Google searches, newspapers databases and direct contact with proposal sponsors. Although Tkac found information only about 298 of the withdrawn proposals,⁸ she concludes that "(...) 30 percent, the percentage of withdrawn proposals in the entire data set, is a reasonable lower bound on the rate of success of socially responsible shareholder activists." (Tkac, 2006: 17). Proffitt and Spicer (2006), although focusing on the long term impact of a particular type of proposals, estimated success as the percentage of proposals withdrawn plus those voted and receiving more than 10 percent of votes.

For a number of reasons, we are at odds with Tkac's proposition on the quasi-equivalence of withdrawal with success. Chidambaram and Woidtke (1999) have noted that a larger percentage of social issue proposals is withdrawn vis-à-vis those dealing with corporate governance. In fact, 43,5 percent of social policy proposals in their sample were withdrawn, but only in 17,6 percent

⁸ In 79 percent of the 298 withdrawn resolutions for which follow-up information was obtained by Tkac, the final outcome was a concrete action on the part of the firm. Another 19 percent of the resolutions resulted in dialogue between activists and the firm without any commitment to action on the part of the later.

of those related to corporate governance did their sponsors agree to do so. This higher rate, the authors claim, might reflect the fact that social proposals are less costly for the manager to accept. They also suggest, following Campbell et al. (1999) that this higher withdrawal rate could result from social policy proposals calling, in some cases, for policies that are already in place.

We do not find Chidambaran and Woidtke explanation satisfactory. In fact, *prima facie* many requests contained in social policy shareholder proposals could be considered expensive, as they may imply considerable changes in technology for the involved firms, or other key aspects of the business operation. This is the case, for instance, of companies in the manufacturing and energy sectors receiving requests to reduce their levels of carbon emissions, or pharmaceutical companies facing demands to voluntarily shorten the lifespan of the patents they hold, or to reduce the price of the anti-HIV drugs that they produce and market, requests that arrive very often to firms in our sample. On the other hand, we found just a few cases where management of a targeted firm contended that the requested policy was already in place. Therefore, we hint that withdrawal rates must be higher in social policy filing than in corporate governance as a result of filers' attempt to avoid failure, if they anticipate very low support from other investors.

Other aspects of the operation of the Rule 14-a motivate us to raise serious questions about the possibility to consider all withdrawals as successes. There are reasons to believe that in many cases filers may anticipate extremely low levels of vote for the resolutions that they have presented to the companies. These anticipations can be built while filers lobby major institutional and individual shareholders of the companies that they approach during the time that elapses (months in many cases) between the filing of the resolution and the actual moment of the annual general assembly of the company. If proponents have a tendency "to trumpet successes and hide failures" as Tkac acknowledges, we must question ourselves about the meaning of proposals that have been withdrawn for ignored reasons. We hypothesize that this type of withdrawals reflects rather a failure in negotiations and anticipation by filers of very poor vote turnovers, something that leads them to withdraw unilaterally their resolutions. In fact, akin to managers who foresee a large turnover that may affect their reputation and capacity to react, some filers act pre-emptively and withdraw before the actual vote takes place. Therefore, these withdrawals are in all likelihood an indication of failure. Our analysis, as we discuss more in detail later on, gives support for this possibility. The more important group of filers for which no information is available on their withdrawals, exhibit, by large, more cases of proposals not attaining the minimum levels required for resubmission.

There is support as well in previous literature to the view that social proxies gather considerably less vote turnovers than corporate governance, making them more vulnerable for being unable to resubmit in subsequent years the same resolution. Campbell et al. (1999) while studying the 1997 proxy season, report that corporate governance proposals generally received a level of support with an average of 23.6 percent of the votes cast in favor vis-à-vis 6.6 percent for social policy proposals (medians were 19.4 percent and 6.1 percent respectively). Under these conditions, filers of social proposals facing managers who are unwilling to compromise may be fearful of obtaining vote turnovers lower than those needed for resubmission, an outcome which filers of corporate governance resolutions can easily avoid.

There is also the possibility that social policy filers confront a greater likelihood of having their proposals omitted by the regulator, vis-à-vis filers of corporate governance proposals. Campbell et al. (op. cit.) found that 34.1 percent of social policy proposals were omitted in 1997, in contrast with only 22.3 percent in the case of corporate governance. Furthermore, Graves et al. (2001) argue that shareholder activism follows fads and fashions, with new issues coming to the proxy machinery, while others lose their importance. New issues that sometimes can be contentious may imply a greater possibility of omission than the more established patterns that one can assume in the corporate governance resolution filing activity.

In summary, in our view, activist shareholders may withdraw some resolutions unilaterally, without disseminating information about the fact that their resolutions confronted blatant forms of failure. We also argue that these activist stockholders may accept minimum gestures of management, in exchange of withdrawing their resolutions. Most notably, they can accept, and publicize the opening of dialogue with firms, on the grounds that it constitutes a positive step and it leads to potential changes in corporate behavior, a possibility defended by Proffitt and Spicer (2006). We also unearth examples showing that some firms in our sample are targeted repeatedly with the foreseeable outcome of withdrawal in exchange of dialogue. Counting each one of these withdrawals as a “success” will lead us to overestimate the efficacy of filing resolutions as a mechanism to promote change in corporate social policy at a given time. Thus, we prefer to treat differently these withdrawals and those leading to actual changes in corporate policy.

Data sources

In order to analyze the effectiveness of social policy shareholder proposal filing, we have created a database. In a first step, we put together all social policy shareholder initiated proposals received by firms in the United States during the 1997-2004 years. These proposals (a total of 2,310) were retrieved from the Investor Responsibility Research Center (IRRC)'s yearly publication Social Policy Shareholder Resolutions. For each proposal, IRRC provides a checklist, containing the name of the company; the summarized title of the resolution; the sponsor's name; as well as the status of the resolution, i.e. withdrawn, omitted, not in proxy or voted (in this later case, turnover is reported in percentage of shares). The publication also contains additional information and analysis about an important number of proposal withdrawals, omissions and vote tallies.

In a second step, the abovementioned information was complemented. First, a number of sources were used to establish the outcome of negotiations for each withdrawn proposal. We visited the websites of filers and targeted companies and we also used Google searches and the database ABI/Inform in order to collect information on the outcome of the negotiations leading to withdrawals.

On the basis of the information compiled throughout these sources, we assigned a code to each withdrawn proposal, according to the types of outcome of the withdrawn proposal. Thus, a first code was assigned to proposals that were withdrawn in exchange of implementation of the request (i.e. what we labeled as 'successes'), another code was given to those that were withdrawn in exchange of actions other than those requested or because management has agreed to initiate a dialogue with the sponsor of the proposal ('dialogue'); a third code was applied to those proposals for which the IRRC explicitly reported that the filer wanted to avoid likely omission by the regulator; another to those proposals that were withdrawn because the targeted company merged or it was acquired since the proposal was filed; and finally, a separate code went to the proposals that have been withdrawn in recognition that the requested policy was already in place.

It is important to highlight that we have no possibility to check out effective implementation of the request. We assigned a code for the outcome of the negotiation according to the results

reported in the press or in the internet. In some cases, filers of withdrawn proposals labeled them as successful, without adding any other additional information. If the information of the withdrawal was published by the filer of the resolution, and if it does not distinguish systematically between withdrawals motivated by dialogue, from those motivated by effective implementation of the requested policy, we labeled the withdrawal as motivated by dialogue. Codes were also assigned to the different categories of filers and issues that were developed following an inductive approach.

Can social policy proposal filing change corporate behavior? Discussion of results

Targeting repeatedly large firms

An examination of our sample suggests that filers tend to repeatedly target large corporations. A number of reasons may contribute to explain this behavior. First, large firms control global brands and thus, they can be wary of possible threats to their reputation that may even further evolve into organized boycotts. Secondly, large firms could be more visible. Activists may target those firms to raise awareness about a specific social cause (Rehbein et al., 2004). Thirdly, Rehbein et al. also claim that larger firms are more likely to have more complex operations and possibly be involved in more lines of business, making them more socially vulnerable. It is possible to reason as well that targeting very large firms, presumably the leaders in their industry may also facilitate spillover effects in corporate social policy. Other players in the same industry may decide to follow the leader adopting the new practice, or bigger firms may lobby governments seeking changes in regulation.

As Table 1 shows, 19 firms were targeted 20 or more times during the years 1997-2004. All together, these firms received 558 proposals, i.e. almost one in four of the total 2310 proposals filed during the period. With the exception of Unocal and RJR Nabisco, two firms that are no longer distinct entities, all 19 most targeted firms were included in the index Standard & Poor's 500 as of August, 2007.⁹ A group of 32 other companies was targeted between 10 and 19 times.

⁹ In preparing Table 1 we tracked name changes of firms using the database ABI/Inform. We added the proposals received by a firm and its successor, if there is a change of name in the company. In case of takeover or merge, we add the number of proposals of the resulting new firm to those received by the firm that figures first in the new name or that prevailed in the name.

Many of these companies are household names in the United States and in many cases; they also belong to the S&P 500. Among them, we found companies such as McDonald's, Procter & Gamble, PepsiCo and Caterpillar.

 INSERT TABLE 1 ABOUT HERE

From the environment to human rights: Requests are varied but heavily concentrated

Demands contained in social policy proposals are varied, and evolving over time. Table 2 presents the number of proxies appertaining to each category of requests that we have created inductively to classify the 2310 proxies under observation. We started with a set of categories proposed by Chidambaran and Woidtke (1999) and we expanded them in order to define categories for social issues for each of the 2310 proxies. In the end, we created 23 categories of issues (see Table 2). Two facts are striking about the type of requests received by companies. First, they can be extremely varied, as the number of categories attests. Firms, for instance, are requested to advance actions as diverse as protecting animal rights, encouraging diversity in the board room, or to respect local or indigenous rights. Secondly, in spite of this diversity, the demands concentrate in a few big items. Roughly one in four proxies (Energy & Environment) seeks to better up the environmental performance of firms, requesting the companies to better reporting on the environmental impact of their operations, or to abandon projects that are deemed extremely dangerous for ecosystems, or to reduce carbon emissions. A proxy in five (18 percent), demands corporate action to ensure respect of labor and human rights in corporations' overseas operations. One proxy in ten requests corporations to advance actions able to assure that firms offer a discrimination-free environment for their employees (equal employment). Similarly, slightly lower proportions were observed for requests intended to favor corporate contribution to the achievement of fairer societies (such as voluntarily shortening the lifespan of the drugs that companies produce, promoting the use of certified fair coffee in commercial operations, or promoting access of economically disadvantaged populations to bank credit). This group of requests, that we labeled "Fairness in society" absorbed roughly 9 percent of all proposals received. Resolutions requesting tobacco companies to adopt self restraining policies in marketing and production decision making, or termination of involvement with tobacco industry in the case of suppliers of goods and services to this industry, absorbed nearly 7 percent of proxies filed during the period. All together, these five categories are responsible for two thirds of proposals filed during the period under examination.

 INSERT TABLE 2 ABOUT HERE

Using the proxy machinery to promote social change: rising and declining stars among filers

As it is the case of categories of issues, few categories of sponsors absorb most of the social policy resolutions in the sample. In fact, four among them (individual investors, mutual funds, public pension funds, and religious investors)¹⁰ absorbed nearly four in five resolutions included in our sample. The rest of actors identified, i.e. advocacy groups promoting particular causes, such as People for the Ethical Treatment of Animals, asset managers not running mutual funds (such as Harrington Investments, Christian Brothers Investment Services, Mercy Consolidated Asset Management), church and trade union-based pension funds, trade unions, universities, and a residual category filers for which we could gather no information (less than 1 percent of cases), only captured, together, the remaining fifth of the resolutions.¹¹ This concentration of the proxy filing activity is in line with the observation by Ryan and Schneider (2002; 2003) that heterogeneity of institutional investors (in terms of size of the investment, investment time horizon, percentage of firm stock, and legal constraints) has an impact on their shareholder activism behavior in terms of proposal filing and voting.

 INSERT TABLE 3 ABOUT HERE

¹⁰ Religious investors are churches and religious orders. We also included in this category all proxies filed by the Interfaith Center on Corporate Responsibility (ICCR), an association of 275 faith-based organizations. We labeled as mutual funds all filers appearing in Appendix 4 of Social Investment Forum (2003).

¹¹ In many cases, shareholder proposals are filed by multiple shareholders, sometimes appertaining to different categories of investors. When the proposal has been filed by multiple investors, we assigned to it a code for the first sponsor. It seems to us that this is an appropriate procedure, because we suspect that the first reported filer is the initiator of the proposal. Besides, the IRRC source for 2004 only reports a single sponsor for each one of the proposals. We created separate categories for church and trade union based pension funds, given the constraints that their financial commitments to their beneficiaries and regulation may imply. Church based pension comprises basically the Brethren Benefit Trust, and the General Board of Pension and Health Benefits of the United Methodist Church.

Concentration in four categories of filers is compounded by a strong concentration within some of those categories. For instance, roughly 90 percent of all social policy resolutions filed by public pension funds were generated by funds that we can collectively termed New York City Funds (data not shown in the tables for lack of space). These funds are presumably controlled by a single agent, the City of New York, which runs a number of pension funds for its employees, including, among others, NYC Police, The New York City Employees' Retirement System (NYCERS), and NYC Fire. We observed also that few investors concentrate a large portion of the resolutions filed by individuals. Three of them, J. Crapo, E. Davis and A. Epstein, were in fact responsible for nearly one in four resolutions filed by individuals in our sample.

Some actors tend to gain importance in the proxy filing scene, while others become more predominant during the examined period. Religious investors, for instance, filed a much larger number of proposals during the early years of the under study period than towards the end of it. Conversely, mutual funds and public pension funds gained in importance throughout the years. We cannot fully identify at this point in time explanations for these trends. It has been reported (Social Investment Forum, 2005) that social screened investments controlled by mutual funds increased from US \$12 billion in 1995 to US \$ 179 billion in 2005. These funds, gaining attention from investors may use social policy resolution filing as a way to attract and retain clients in this growing and presumably competitive niche market, a possibility suggested by Tkac (2006). It is less apparent however, the heightened importance of pension funds as filers of social policy shareholder proposals. The accrued importance of public pension funds in the social policy resolution filing scene may reflect an internal decision of a family of funds that are controlled by a single agent, the City of New York which files nine out of ten social proxies attributed to pension funds. It is unclear for us which could be the incentive driving up this decision. Romano (2001) suggests that some private benefits could accrue to some investors as a consequence of proposal filing, such as enhanced political careers for public pension fund managers.

On the other hand, it is also possible to think that social policy resolution filing is under-supplied as a consequence of limitations of collective action, derived from the fact that the cost of action in this case can be greater than the shareholder's pro rata benefit, although less than the aggregate gain to shareholders. A large public pension fund with large stakes in companies may have a vested interest in taking action, while other actors follow by just voting their shares in favor of those proposals.

Do social proxies promote change in corporate policies?

Table 4 gives an overview of the outcome of the 2310 proposals filed during the period under study, as reported by the IRRC. Data presented in the table points to an overall picture suggesting a relatively modest capacity of shareholder filers to influence management. To begin with, roughly half of the proxies (1172 resolutions) were submitted to vote, which can be seen as a signal of failure in the negotiations between the filer and firm management, a view proposed by Chidambaran and Woidtke (1999). Voted propositions, on the other hand, gather a modest turnover (9 percent in average for all the period). The modest average level of turnover explains why an important number of proxies did not attain the minimum vote turnover needed for resubmission. One in four of the voted proxies (278 out of 1172) in fact did not pass the minimum threshold established by SEC for resubmission.

Apart from the fact that roughly one in two social proxies was submitted to vote, signaling, in this way, the presence of an uncompromising management, the SEC also omit 429 proposals, i.e. 19 percent of the total sample. In a marginal number of cases, the proposal was reported by the IRRC as not being presented; not being in the proxy, the meeting was cancelled or a takeover or merge took place during the proxy season. A total of 657 proposals were withdrawn, slightly less than a third of all cases.

 INSERT TABLE 4 ABOUT HERE

If most proposals are voted or omitted —finding in effect a dead end in terms of capacity to influence management—, we should examine next to which extent withdrawn proposals reflect in fact a change (or at least, an announcement of a forthcoming change) in corporate social policy.¹² Thus, we sought information posted by filers, companies or other parties, on the nature of the dealings motivating each withdrawal. For that purpose we relied on Google searches, filers and targeted firm websites, the ABI/Inform database, and the IRRC's publication Social Policy Shareholder Resolutions, which also reports the motivation of some withdrawals.

¹² Vote turnover gathered by social proposals has been increasing along the period. As a consequence, the number of voted proposals gathering more than a 20 percent turnover has noticeably increased as well.

We have already discussed the reasons for our disbelief in any automatic connection between withdrawals and concessions to filers. Accordingly, we sought information on the outcome of each of the 657 withdrawn proposals. The codes that we assigned them were: "success", if the company accepts to fully implement the suggested policy; "dialogue", if the company accepts to initiate a dialogue with proponents, or if management accepts to implement measures not contained in the original request, but that were deemed worthy by the activist shareowner; or "unknown outcome/failure" if no information could be retrieved on the motivation of the withdrawal. In this later case, we reasoned that the filing shareholder anticipated very low turnovers, and withdrew the resolution to avoid failure. Of marginal numerical importance are three other outcomes: the proposition was explicitly identified by the IRRC as a case where the filer tried to avoid likely omission from SEC, it was withdrawn because of merger or takeover of the firm, and the company or the filer stated that the suggested policy was already implemented.

In the case of "successful" withdrawals we were able to find an announcement of any party claiming that the requested policy will be implemented. These examples range from Avon accepting to phase out dibutyl phthalates from its products (because of the alleged link of the chemical component with health problems, an action that was requested in 2004 by Trillium, a socially-screened mutual fund) to CenterPoint Energy abiding to a New York City pension fund request to amend its equal employment opportunity policy to explicitly prohibit discrimination based on sexual orientation.

In more than a third of the cases, the outcome of the withdrawal proposal was labeled as a "dialogue." By accepting a dialogue, these filers can show that some progress towards to the ultimate goal of reforming the company's social policy. Our rationale not to treat these withdrawals as a success follows the same reasoning leading us to consider unknown results of negotiations as failures: filers could have an interest in accepting dialogue, as a way to save the face, instead of putting their resolutions to vote and obtaining extremely low levels of vote. In numerous cases, proposals that have been withdrawn in exchange of dialogue with the firm are resubmitted the following years. In many cases, when resubmitted, the resolutions are simply voted, an indication of uncompromising management. Furthermore, even if the proposal is finally adopted by management, our procedure leads us to count the success one single time, i.e. when the proposal was finally withdrawn in exchange of implementation.

Some examples can illustrate the rationale of our procedure regarding dialogue established in exchange of withdrawal. Sears, Roebuck received in 1997 a shareholder proposal asking the firm to endorse the Ceres Principles, a ten-point code of environmental conduct. The proposal was withdrawn in 1997, as in many other firms that received the same shareholder resolution, not because the targeted firms actually joined the principles, but because, as the IRRC reported, executives of the firms agreed to talks with the proponents on joining the Ceres effort. In 1999, Sears Roebuck received the same proposal, which was submitted to vote. We can hardly classify the withdrawal in the 1997 proxy season as a success, and thus, we labeled it instead as 'dialogue.'

The case of CSX, a rail and shipping gives also support to our approach. After sustained pressure from filing shareholders, the company reportedly agreed in 2002 to post on its website the greenhouse gas emissions from its rail operations dating back to 1999. This successful withdrawal followed previous ones deemed advisable by filers, given the "company willingness to report" (as the IRRC put it in one of those events). We classified the outcome of the resolution received in 1999 by CSX as a dialogue, and as success in 2002. In other cases in our sample, withdrawals in exchange for dialogue did not even end up with any implementation at all. In 1999, TRW, a defense contractor (later acquired by Northrop Grumman Corporation) received a resolution requesting it to prepare a report on its involvement in the ballistic missiles defense projects. The resolution was resubmitted from 2000 to 2003. All suggests that it was never implemented. In 2002, for instance, the IRRC reported that "(...) TRW agreed, for the fourth year, to keep meeting with the proponents to discuss space weapons and ballistic missile defense."

Table 5 illustrates our argument that it is not possible to assume that all withdrawn proposals can be automatically considered a 'success', or put it in another way, that they lead to a precise action on the part of management. According to our research on the 657 withdrawn proposals, 234 proposals, (or 35.6 percent of withdrawals) could be labeled as "successes"; 239 of them were withdrawn in order to initiate a dialogue with management, or in exchange of actions other than those requested, but that were deemed acceptable by filers (36.4 percent). In 22 cases (3.3 percent), the IRRC reported that the filer wanted to avoid likely omission by the regulator. Of marginal importance were two other possible outcomes of withdrawn proposals: the company merged or it was acquired since the proposal was filed (2 resolutions); or because the policy suggested was already in place (6 resolutions, 0.9 percent).

 INSERT TABLE 5 ABOUT HERE

We were not able to retrieve any information via the internet or the IRRC yearly publication about 154 resolutions (23.4 percent of withdrawn resolutions). We concluded that filers of these proposals confronted an uncompromising management and envisaged a very low vote turnover. To avoid clear messages of failure, these proponents preferred to quietly withdraw their proposals.

After further investigation, we found that data arising from our sample substantiated our treatment of withdrawn proposals of unknown outcome. Firstly, we sought a response for the possible counter argument that proposals of unknown outcome rather reflect under-monitoring of smaller or less visible firms. If it was the case, we reasoned, the large, most targeted 19 firms presented in Table 1 should present a larger percentage of successful withdrawals in Table 5. In fact, it is possible to see that the opposite occurs. We characterized roughly 36 percent of withdrawals as successes in the larger sample (234 proposals out of 657), but we did so only in 17.5 percent of the withdrawals in the sub-sample of the 19 most targeted firms.

We also investigated what type of investors filed proposals for which no information on the withdrawal could be retrieved. We found that 60.4 percent of all withdrawn proposals for which no information on the outcome of the negotiation could be collected—and that we treat as failures—, were filed by religious investors; mutual funds and public pension funds coming at a very distant second place with 8.4 percent. We also found that religious investors are responsible for almost half (47.8 percent) of resolutions failing to gather enough vote turnover for resubmission, followed by individual investors (22.7 percent), a particular ineffectual group in terms of negotiating deals with management in exchange of withdrawals (calculations not presented because of lack of space). Moreover, religious investors are also the second group in importance in terms of omitted proposals, contributing to almost one in five of all omitted proposals, the first being individual investors, who were responsible of almost 56 percent of omitted resolutions. Percentages for the ensemble of firms and for the sub-sample of the 19 most targeted firms do not seem to differ greatly. We conclude from this information that religious investors and other investors, facing a great likelihood of not gathering enough votes for resubmission (a clear form failure in the use of the proxy machinery) or possible omission in the

SEC are tempted to withdraw unilaterally resolutions, without announcing publicly the decision, or may accept the initiation of dialogue with companies, even if they do not envisage eventual implementation of their requests.

Our criteria to assess success in social policy proposal filing yield the vision of a very mitigated capacity of this activity to bring changes in corporate social policy, vis-à-vis previous estimations. For instance, if Tkac's (op. cit.) approach was applied to our sample, nearly 28 percent of all proposals (657 resolutions out of 2310) would be considered as successful. We come forward instead with a percentage of success that approaches 10 percent of all social policy resolutions contained in our sample. Even if we add the 82 voted resolutions that obtained more than 20 percent of vote turnovers to the count of successful resolutions, still we obtained an estimation of success (approximately 14 percent) that is far lower than that offered in previous literature.

The 10 percent of successful withdrawn resolutions represents a modest, although not negligible capacity to change corporate social policy. Success in the social policy filing scene is, however, much lower than the level attained in its corporate governance counterpart by large institutional investors. Smith (1996) for instance, unearthed evidence that nearly 72 percent of firms targeted by CalPERS during the period 1989-1993 (26 out of 36) abided to its requests. Carleton et al. (1998) examined the so-called 'behind-the-scenes' negotiations between companies and the pension fund TIAA-CREF on corporate governance issues (blank check preferred and confidential voting) as well as social policy issue, namely board diversity. They assert that of the 45 firms contacted by TIAA-CREF during the period from 1992 to 1996, 32 (71 percent) reached an agreement prior to TIAA-CREF's proxy resolution being voted, and 13 (29 percent) firms resisted and had TIAA-CREF's resolution voted. Ultimately, TIAA-CREF reached agreements with 42 of the 43 firms that were not acquired during the course of negotiations (97.7 percent).

Secondly, capacity to extract compromises from management is not uniform across the different groups of filers, or among the types of issues considered in resolutions. Previous studies suggested that both filer identity and type of issue play a significant role in voting turnovers (Gordon and Pound, 1993) and on the adoption by management of new policies (Wahal, 1996) as well as on withdrawal of resolutions (Tkac, 2006). Our results show that some types of filers stand out in their capacity to negotiate implementation of their requests in exchange of proxy withdrawal. For instance, mutual funds filed only 13 percent of all 2310 proposals in the sample, but they were responsible for a third of all successfully withdrawn proposals. Likewise, public

pension funds filed 9.6 percent of all proposals, but they were responsible for a fourth (24.4 percent) of all successfully withdrawn proposals (see Table 6). As a consequence, nearly one out of four resolutions presented by these filers ended up with a promise of management to adopt it.

Religious investor presents a more mixed picture. They are among the most successful filers, being able to negotiate 30.8 percent of successfully negotiated withdrawals. However, they also accounted for 38.2 percent of all proposals filed during the period under examination. The mitigated capacity of religious investors cannot be attributed entirely to lack of financial power, given that many religious investors are members of the Interfaith Center on Corporate Responsibility (ICCR), an organization allowing its constituents to obtain support from a large pool of like minded investors when they file proxies. Arguably, other factors may play a role in explaining this limited capacity to exert pressure on management of targeted firms. Religious investors were indeed the most prolific type of filer during the 35-year sample analyzed by Proffitt and Spicer (2006), but also the most innovative, the authors argue, coming up with the first proposals in most topic areas and in battling the companies and the SEC for acceptance of issues. Championing new causes can imply higher levels of failure because it may take time to be able to create a critical mass of support among the shareholder base over an issue. In sharp contrast to public pension funds, and mutual funds, individual investors and advocacy groups exhibited an extremely limited number of successful withdrawals. Individuals, for instance, were responsible for roughly one resolution in five, and of only 1.3 percent of successful withdrawals.

 INSERT TABLE 6 ABOUT HERE

Issues raised in the resolutions also show a connection with successful withdrawal. For instance, according to our calculations (not shown in separate tables because of lack of space) board diversity resolutions accounted for 13.2 percent of all successful resolutions, while this type of issue represented only 4.5 percent of all proposals according to Table 2. Equal employment resolutions represented only 9.3 percent of resolutions, but accounted for 28 percent of all successful withdrawals. Also outstanding in terms of successful withdrawals were issues such as energy and environment and international labor and human rights. This heightened power of some groups of filers and issues can explain the fact, already noticed, that proposals received by the group of 19 most targeted firms, exhibited a half the percentage of success, vis-à-vis resolutions received in the larger sample including all types of firms. Table 2 shows that the

group of the 19 most targeted companies received a lower percentage of proposals dealing with board diversity, equal employment, and international labor and human rights, the most successful issues, and a higher percentage of some of the least successful groups of issues, such as tobacco issues. Likewise, the most targeted firms seem to disproportionately attract the least skilled types of filers in terms of capacity to influence on management (individuals and advocacy groups) vis-à-vis the larger sample.

The heightened power of some types of filers is compounded by their choice of issues. The analysis of our sample indicates that the most successful types of activist shareholders, such as mutual funds, public pension funds and to a lesser extent, religious investors, tend to concentrate their resolutions in some of the most successful issues. For instance, board diversity is the privileged domain of religious investors and mutual funds. Energy and environment proposals are mainly filed by religious investors and mutual funds; religious investors and mutual funds are the main filer of proposals related to equal employment; while public pension funds are particularly active in the domain of international labor and human rights. Individuals, in the other hand, are connected with relatively ‘unsuccessful’ issues, such as proposals calling companies to terminate their involvement with partisan politics, tobacco production and distribution, or abortion and contraception.¹³

If not particularly successful, why is social policy shareholder resolution filing so persistent?

If effectiveness of social policy filing looks rather restraint, vis-à-vis corporate governance activism, it is worthy to question why some groups of filers, notably individual investors or advocacy groups, the least able to successfully negotiate with management, and other groups with a mitigated capacity, such as religious investors, continue to file social policy proxies. Above all, as Tkac (op. cit.) recalls, these investors may rely on other tools to exert pressure on firms, such

¹³ An additional confirmation of the role in of filer identity and issue as determinants of success comes from examination of voting patterns (not shown tables for lack of space). Overall, the same groups of issues and filers that encounter success in their dealings with management also gather higher vote turnouts. Mutual funds and pension funds’ tend to obtain higher than average support for their resolutions when they are submitted to vote. In fact, both types of filers garnered more support for their resolution than the average proposal during all the years in our sample. Moreover, filers that we previously characterized as ‘unsuccessful’ (i.e. advocacy groups, individual investors) in terms of their capacity to withdraw resolutions in exchange of managerial action, tend also to gather lower vote turnovers for the resolutions that they sponsor.

as disruptive demonstrations during annual general assemblies and in other venues, or initiating other forms of pressure (Mannheim, 2001). We propose a number of factors that may contribute to explain why some filers, such as individuals and advocacy groups, continue targeting firms, in spite of being relatively unable to get their suggested policy adopted.

In the first place, we must note that even if social proxy filing is not very effective, it is also not very costly. Other forms of corporate campaigns could imply relative large expenses. For instance, Mannheim (2001) reports that the media campaign that Made in USA Foundation (MUSA) set up against shoe manufacturer Nike in 1992, urging it to establish factories in the United States had a cost of roughly one million dollar per year. In comparison, filing a shareholder resolution may imply only an investment in company stock of \$2000 (held for at least one year by the date of submitting the proposal) and the capacity to lobby important shareholders to vote favorably for the resolution. Moreover, Romano (2001) suggested that filers of both corporate governance and social policy resolutions benefit from an implicit subsidy in the operation of the Rule 14 a-8, because they do not have to pay the costs of printing and mailing proxy resolution to stockowners.

Secondly, Romano (2001) also argued that advancement of careers of people involved in filing decision could lead to over-supply of the activity. Those gains are private to the actors pushing for shareholder activism in the funds that they manage, while costs are distributed across the stockowner base.

Thirdly, our sample suggests that large firms tend to be repeatedly targeted by socially concerned investors. The decisions adopted by very large firms, arguably the leaders in their industry, may be adopted by other competitors, by mimesis or out of fear of losing reputation and consequently, considerable segments of their client base. In other words, it is possible that there is a spill-over in adoption of social policies. Thomas and Cotter (2005) present evidence that firms targeted during 2002-2004 by religious investors and what they call 'social activists' tend to be statistically larger (in terms of their market capitalizations) than those targeted by other groups of filers focusing on corporate governance issues. This finding is certainly consistent with our reasoning.

Fourthly, Del Guercio and Hawkins (1999) reported that in many cases, corporate governance resolutions going above the threshold 20 percent or more (which is modest by the standards of

corporate governance activism) made management uncomfortable enough to satisfy shareholder demands. Also, Romano (2002) studied adoption by firms of confidential proxy voting. She found that management not only is responsive to voted proposals on the issue, but also that its rapidity of response seems related to the level of support obtained by the resolution.

The subject of management reaction to voted social policy shareholder resolution proposals clearly deserves more attention. Such research endeavor, however, will confront practical difficulties in the case of CSR policies. To begin with, as Vogel noted "(...) firms are often reluctant to acknowledge that public protests influenced their business judgments" (Vogel, *op. cit.*: 11). This reluctance, plus the time lag implied in the corporation top level decision-making impose great difficulties in assessing to which extent a managerial decision constitutes a response to high vote tallies. Moreover, researchers cannot rely on systematic reporting of adoption of social policies requested in social proxies. Removal or creation of specific corporate governance devices, the object of corporate governance proxies, are systematically tracked and reported by specialized organizations. This makes it easier to track adoption along time.

Fifthly, it is possible as well that social policy filing may be reinforced by other forms of activism, such as demonstrations, criticism of targeted firms in the media, letter campaigns, etc. Manheim (2001) described shareholder activism as one of several tactics used in corporate campaigns, which comprise strikes and demonstrations, but also pressures generated by stakeholders of the corporation who are mobilized to bring pressure against the company management, typically by acting in their own self-interest. Indeed, highlights Manheim, it is this systematic exploitation of key stakeholder relationships through communication and other strategies that defines the corporate campaign and sets it apart from other forms of economic, political and social pressure. In this context, voted proposals, even when they receive a very low level of support, which is combined with other forms of pressure may carry a threat to corporate reputation big enough to make their managers abide to shareholders' requests. We came across with anecdotal evidence which is congruent with this possibility. In 2007 Berkshire Hathaway, a financial company controlled by the renowned investor Warren Buffett sold its 11 percent shareholding stake in PetroChina, a company that activist has accused of indirectly funding human right abuses in the region of Darfur, in Sudan (The Economist, 2007). Berkshire Hathaway received in May, 2007 a shareholder proposal urging it to divest its shareholdings in PetroChina, a company with operations in Sudan. The board of Berkshire suggested stockowners to vote against the proposal and most of them did so. The proposal was voted and it received slightly less

than 2 percent of support (Berkshire Hathaway, 2007). In spite of the low turnover received by the proposal, the company decided to divest, effectively abiding to shareholders' request.

Finally, it is also possible that many socially concerned investors engage in "symbolic politics", in other words, that they consider that pushing firms to adopt policies that are congruent with their values is an objective in itself. Rehbein et al. (2004) considered the possibility that some groups of investors file social proxies as a way to affirm members' collective identity and solidarity, instead of rational objectives related to improving CSR practices of the firm.¹⁴

Conclusion

Assessing the influence of shareholders and other stakeholders on firms' policy is a difficult task, albeit a very intriguing and relevant one. We have attempted to address this task, while focusing on shareholder activism regarding corporate social policy. In doing so, we first had to answer the following question: what is a successful shareholder resolution. We have taken great methodological care in answering that question and we believe that our results are more accurate than presented in previous research (see Tkac 2006).

According to our results 234 resolutions were withdrawn successfully. They account for slightly more than 10 percent of the total number of resolutions in our sample (2310), a much lower rate of success that was attributed by Tkac (2006) and Proffitt and Spicer (2006). The effectiveness of social policy filing looks restraint vis-à-vis corporate governance activism (Carleton et al., 1998; Smith, 1996) conducted by large institutional investors. However, it is worth to note that some types of filers, such as mutual funds and public pension funds were able to obtain implementation of slightly more than a quarter of the resolutions that they filed.

In spite of their inability to obtain results from management, other groups, most notably individual investors or advocacy groups (the least able to successfully negotiate with management), continue filing social policy proxies. It is worthy to question why they do so. We recognized a number of factors that may contribute to explain why some filers continue targeting

¹⁴ The pursuit of rational motivations related to CSR does not imply that the suggested policies are necessarily enhancers of market valuation of the firm. They can be motivated by vested interests of filers.

firms, in spite of being relatively unable to get their suggested policy adopted. Among other reasons, we pointed out the fact that filing social policy resolutions is not very costly vis-à-vis other forms of exerting pressure on corporations.

It is also possible that the social policy filing activity can be reinforced by other forms of activism, such as demonstrations, criticisms of targeted firms in the media or letter campaigns. We should consider the possibility that many socially concerned investors engage in “symbolic politics”, in other words, that they consider pushing firms to adopt policies that are congruent with their values as an objective by itself. Our results also show that a small set of large companies are systematically targeted by activist shareholders. Are they doing particularly wrong? Not necessarily. It is possible that these firms can be targeted as leaders in their industry. Activist shareholders would then be seeking for a spill-over effect across the industry; minor players would be following adoption of newer social standards set by the dominant firms. This later proposition should be addressed in further research.

Our results can be useful for filers and managers of potential targets. Filing shareholders who want to improve the impact of their activity can use our results as a baseline to evaluate their own capacity to deal with management vis-à-vis other filers. Would-be filers may draw on our results if they want to maximize their ability to exert pressure on management. Managers may also find our results useful in order to ameliorate their strategies to respond to requests contained in shareholder resolutions.

The paper has examined the role of the type of issue and identity of the filer in the capacity of shareholder activism to modify corporate social policy. Further research on social policy resolution filing can benefit from examination of role of other elements, linked to the firm and the industry where it operates. Among other subjects, it would be interesting to study if more profitable firms are more likely to yield to shareholder pressure, or if reputation threats (no matter how we proxy it) plays a role in management decisions in abiding to shareholder requests.

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Tables

Table 1: Companies targeted by social policy filers, 1997-2004

Companies	No. of proxies	%
Targeted 20 or more times	558	24.2
General Electric	73	
Exxon Mobil ^{1/}	62	
Altria Group ^{2/}	47	
Chevron Texaco ^{3/}	29	
Citigroup	28	
Wal-Mart Stores	28	
AT&T	27	
Du Pont (E.I.) de Nemours	27	
Boeing	23	
Coca-Cola	23	
Merck	23	
Unocal	23	
International Business Machines	22	
Johnson & Johnson	21	
Loews	21	
RJR Nabisco ^{4/}	21	
Ford Motor	20	
General Motors	20	
Raytheon	20	
Targeted 10-19 times	440	19.0
Targeted 5-9 times	584	25.3
Targeted less than 5 times	728	31.5
Targeted once	214	9.3
Total proposals	2310	100.0

1/ Includes proposals received by Exxon and its successor, Exxon Mobil.

2/ Includes proposals received by Phillip Morris and its successor, Altria Group.

3/ Includes proposals received by Chevron and its successor ChevronTexaco.

4/ Proxies received by RJR Nabisco are not added to those received by R.J. Reynolds Tobacco and its successor, Reynolds American.

Table 2: Social policy shareholder proposals in the U.S., 1997-2004, according to the category of issues raised

	1997	1998	1999	2000	2001	2002	2003	2004	1997-2004	%	1997-2004	%
	All firms								19 most targeted			
Abortion & contraception issues	21	7	6	6	0	1	1	0	42	1.8	5	0.9
Animal rights	0	1	1	1	2	1	3	9	18	0.8	3	0.5
Board diversity	15	19	14	8	12	11	12	13	104	4.5	10	1.8
Charitable giving	8	29	4	12	5	9	30	16	113	4.9	26	4.7
Corporate welfare & governmental links	1	0	0	2	0	0	3	0	6	0.3	4	0.7
Corruption (corporate involvement)	1	6	1	0	0	5	3	2	18	0.8	3	0.5
Energy and environment	68	63	53	66	65	80	78	83	556	24.1	113	20.3
Equal employment	32	16	19	29	24	32	30	32	214	9.3	40	7.2
Ethnic or nationality-based discrimination	3	6	1	0	0	5	0	0	15	0.6	4	0.7
Fairness in society	31	28	25	31	30	14	11	27	197	8.5	66	11.8
Family/conservative values	1	1	1	2	1	0	0	0	6	0.3	3	0.5
Gun production/distribution	0	0	0	1	2	1	0	0	4	0.2	2	0.4
Historical violations of human rights	0	0	3	3	0	0	0	0	6	0.3	0	0.0
Human health issues	1	2	3	12	11	20	28	26	103	4.5	28	5.0
International labor and human rights	35	42	44	45	74	73	55	46	414	17.9	65	11.6

Table 2 (cont.)

	1997	1998	1999	2000	2001	2002	2003	2004	1997- 2004 All firms	%	1997-2004 19 most targeted	%
Involvement in partisan politics	13	18	13	12	12	10	5	52	135	5.8	36	6.5
Involvement in the military & national security issues	11	9	12	12	12	10	12	11	89	3.9	29	5.2
Local or indigenous communities' human rights	0	0	3	6	4	4	2	2	21	0.9	7	1.3
Pornography	0	1	0	0	2	0	0	1	4	0.2	2	0.4
Product/service quality service, safety/reliability	6	6	1	0	1	2	3	2	21	0.9	4	0.7
Restriction/removal of equal employment practices	6	4	1	1	3	2	2	1	20	0.9	16	2.9
Tobacco issues	34	25	24	15	13	13	24	19	167	7.2	76	13.6
Workplace issues	4	3	3	3	1	0	2	2	18	0.8	8	1.4
Sub-total	291	286	232	267	274	293	304	344	2291	99.2	550	98.6
Other/unknown	7	7	1	1	0	1	1	1	19	0.8	8	1.4
TOTAL	298	293	233	268	274	294	305	345	2310	100.0	558	100.0

Table 3: Social policy shareholder activism in the U.S., 1997-2004, proposals according to the type of main sponsor, for all firms and 19 most targeted

	1997	1998	1999	2000	2001	2002	2003	2004	1997- 2004	%	1997- 2004	%
									All firms		19 most targeted	
Advocacy group	10	12	10	27	19	9	19	31	137	5.9	55	9.9
Asset manager	14	5	5	16	18	29	24	23	134	5.8	19	3.4
Church-based pension fund	0	1	0	12	9	10	16	11	59	2.6	6	1.1
Individual	80	82	50	58	50	47	65	40	472	20.4	154	27.6
Mutual fund ^{1/}	6	18	21	35	58	54	47	62	301	13.0	34	6.1
Public pension fund	9	12	11	13	36	41	50	50	222	9.6	22	3.9
Religious investor	167	148	128	103	78	97	80	80	881	38.1	235	42.1
Trade union	11	14	4	4	0	6	1	25	65	2.8	25	4.5
Trade union-based pension fund	0	0	0	0	6	0	0	15	21	0.9	2	0.4
University	0	0	0	0	0	1	0	0	1	0.0	0	0.0
Unknown/unavailable	1	1	4	0	0	0	3	8	17	0.7	6	1.1
TOTAL	298	293	233	268	274	294	305	345	2310	100.0	558	100.0

^{1/} Only one proposal was filed (in the year 2000) by a conventional, non-socially screened mutual fund.

Table 4: Social policy shareholder activism in the U.S., 1997-2004, proposals according to the outcome

	1997	1998	1999	2000	2001	2002	2003	2004	1997- 2004 All firms	1997- 2004 Most targeted
Withdrawn proposals	98	72	61	65	72	98	105	86	657	97
%	32.9	24.6	26.2	24.3	26.3	33.3	34.4	24.9	28.4	17.4
Voted	115	121	123	150	158	161	145	199	1172	329
% of proposals voted	38.6	41.3	52.8	56.0	57.7	54.8	47.5	57.7	50.7	59.0
Average turnover	7.0	7.6	7.5	7.5	8.7	9.1	11.7	11.3	9.0	7.8
Vote 20% or higher (No. proxies)	0	4	3	6	6	18	26	19	82	16
Proposals failing to pass^{1/}	28	38	42	30	29	41	34	36	278	87
Unknown requirement		5		1						
Omitted	82	95	46	41	37	30	49	49	429	127
%	27.5	32.4	19.7	15.3	13.5	10.2	16.1	14.2	18.6	22.8
Not presented^{2/}	3	4	3	12	7	5	6	11	51	5
%	1.0	1.4	1.3	4.5	2.6	1.7	2.0	3.2	2.2	0.9
Unknown status		1							1	
Total	298	293	233	268	274	294	305	345	2310	558

1/ Proposals not receiving enough votes to be resubmitted the following year.

2/ Not presented, not in proxy, shareholder meeting cancelled, or a takeover or merge took place during the proxy season.

Table 5: Social policy shareholder activism in the U.S., 1997-2004, withdrawn proposals according to the outcome

	1997	1998	1999	2000	2001	2002	2003	2004	1997- 2004	%	1997-2004	%
									All firms		19 most targeted	
Withdrawn proposal (total)	98	72	61	65	72	98	105	86	657	100.0	97	100.0
Success (fully implemented)	15	9	9	22	35	47	54	43	234	35.6	17	17.5
Dialogue 1/	45	42	33	26	18	29	26	20	239	36.4	37	38.1
Withdrawn to avoid omission2/	0	2	1	0	2	4	7	6	22	3.3	7	7.2
Merger/takeover/sale	0	0	0	1	0	1	0	0	2	0.3		
Already implemented, not applicable	0	1	0	0	2	1	1	1	6	0.9	2	2.1
Unknown outcome/failure	38	18	18	16	15	16	17	16	154	23.4	34	35.1

1/ Withdrawn in exchange of actions other than those requested in the proxy or dialogue with the firm.

2/ Omission by SEC was considered likely by the filer, according to IRRC.

Table 6: Successfully withdrawn social policy shareholder proposals, according to the type of sponsor

	1997	1998	1999	2000	2001	2002	2003	2004	1997-04	%	19 most targeted	
	All firms									%		
Successfully withdrawn proposals	15	9	9	22	35	47	54	43	234	100.0	17	100.0
Advocacy group	1	1	0	3	1	0	0	0	6	2.6	2	11.8
Asset manager	0	0	1	1	1	3	6	1	13	5.6	0	
Church-based pension fund	0	0	0	1	0	1	0	1	3	1.3	0	
Individual	0	0	0	1	0	0	1	1	3	1.3	0	
Mutual fund	0	1	1	7	18	18	17	17	79	33.8	6	35.3
Public pension fund	0	3	0	2	8	11	18	15	57	24.4	2	11.8
Religious investor	14	4	6	7	7	14	12	8	72	30.8	6	35.3
Unknown/unavailable	0	0	1	0	0	0	0	0	1	0.4	1	5.9

ARTICLE III

**WHAT EXPLAINS MANAGERIAL DECISION TO MAKE
CONCESSIONS TO FILERS OF SOCIAL POLICY SHAREHOLDER
RESOLUTIONS?**

What explains managerial decision to make concessions to filers of social policy shareholder resolutions?

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What explains managerial decision to make concessions to filers of social policy shareholder resolutions?

Summary

The article analyzes the short term outcome of social policy shareholder resolutions. It does so by focusing on different types of resolution withdrawals. The article shows that firms' size does not tilt negotiations in favor of filers. Less profitable firms seem to be more likely to abide to filers' requests and so do CSR over-performing firms. The percentage of votes received by the resolution the year before also increases the probability of a favorable settlement for filers. Moreover, when introduced in the regressions, this variable overrides many other variables' influence in the outcome. The article also analyzes the determinants of vote turnover.

Key words: Social policy shareholder resolutions, outcomes of shareholder resolutions, types of filers, vote determinants of social policy shareholder resolutions

Résumé

L'article analyse le dénouement à court terme des résolutions d'actionnaires à caractère social. À cette fin, l'article met l'emphasis sur les différents types de retraits des résolutions. L'article rapporte que la taille de la firme ne favorise pas les actionnaires dans leurs négociations avec les dirigeants. Les firmes moins rentables ont plus tendance à satisfaire les actionnaires activistes; c'est le cas aussi des firmes plus performantes sur le plan social. Le pourcentage de votes reçus par la résolution l'année précédente augmente la probabilité d'une solution négociée favorablement pour les actionnaires. De plus, l'introduction de cette variable dans les régressions efface l'influence de certaines autres variables. L'article examine également les déterminants du vote reçu par les résolutions.

Mots clés : Résolutions d'actionnaires à caractère social, dénouements des résolutions d'actionnaires à caractère social, déterminants de vote de résolutions d'actionnaires à caractère social

Introduction

The so-called Rule 14 a-8, enacted in 1942 by the United States' Securities and Exchange Commission (SEC) allows shareholders of public companies to file under certain circumstances, at no cost for them, non-binding succinct resolutions (i.e. less than 500 words) that should be included in the solicitation materials of the firm to be voted by shareholders by proxy— provided that management itself is seeking shareholders to vote its own resolutions. Management routinely seeks shareholder to vote on its own proposals, because corporate law of most states in the United States requires that shareholders elect the directors who manage the corporation and vote to approve certain fundamental corporate transactions, such as mergers (Ryan, 1988; Brownstein and Kirman, 2004). As a consequence, shareholders who are dissatisfied with firms' social or financial performance are entitled to use the proxy machinery to voice their concerns to management and to other shareholders.

Shareholder-sponsored resolution proposals filed under the Rule 14 a-8 take two shapes. Corporate governance shareholder resolutions are those related to the external control of the corporation (as it could be calls to repeal anti-takeover devices or other managerial attempts to insulate the firm from the market of corporate control); internal governance mechanisms (including functioning of boards); executive compensation; and in general actions related to the financial performance of the firm (Chidambaran and Woidtke, 1999). Social policy shareholder resolutions (we also refer to these types of resolutions throughout this article indistinctively as social proxies or social resolutions) cover a wider spectrum of issues. For instance, shareholders use the Rule 14 a-8 to suggest firms to increase minority and gender diversity in their boards or to implement measures intended to reduce the environmental impact of corporations operations or products.

One important aspect of the operation of resolutions is the ability of their sponsors to influence management to adopt their recommendations. In this article we examine empirically that capacity, in the context of social policy proxy filing. According to the operation of the Rule 14 a-8, there are three possible outcomes when the firm receives a shareholder proposal that has been properly submitted. It can publish and distribute the proposal to shareholders, along the proponent's statement of support and management's statement of opposition; it can negotiate with the

resolution's sponsors to get them to withdraw the proposal, putting it off the consideration of shareholders; or it can request to the regulator, the U.S. Securities and Exchange Commission (SEC), to omit the resolution from the proxy materials to be distributed to shareholders (Proffitt and Spicer, 2006). If the SEC concurs with the corporation officials, the resolution cannot be placed in the proxy materials, and there is limited room to claim any possible influence on management (although it is possible that the resolution can successfully pass SEC's hurdles if resubmitted in another moment and with a different wording). More difficult to assess is the capacity of voted and withdrawn resolutions to influence management decisions. In fact, corporate officials may quietly accept to implement policies advised by a social proxy that has been voted, if the vote tally signals that an important segment of shareholders supports the request. They can also decide to implement (partially or in full) a policy suggested by filing shareholders, in exchange of withdrawal of the proposal by the filer; if they anticipate high vote turnovers, which may signal a wide gap between their policies and desires of an important segment of shareholders. However, filers can also withdraw a proposal if they anticipate that it is bound to receive a very low vote turnover. When resolutions are voted for the first time, vote turnover should be 3 percent if sponsors want to resubmit them during the following five years. The figures rise to 6 and 10 percent if the proposal is presented for a second or a third time during the last five years. Not attaining these minimum thresholds can be widely perceived as a failure and it is a scenario that filers have an interest to avoid.

An important corpus of empirical literature on shareholder filing activity deals with the capacity of shareholder resolution filers to influence managerial decisions. A substantial part of this literature deals exclusively with the ability of filing shareholders outcomes of resolutions related to corporate governance. For instance, Bijzak and Marquette (1998) studied the probability that a firm restructures its shareholder rights plan to revise or rescind adoption of a poison pill, after receiving a shareholder resolution asking it to do so. Smith (1996) has examined the capacity of a large pension fund, CalPERS, to negotiate settlements with firms that it has targeted with numerous types of corporate governance proposals. Strickland et al. (1996) studied the ability of an association of shareholders, the United Shareholders Association (USA) to negotiate adoption of its resolutions. Thomas and Cotter (2007) examined boards' decisions to adopt requests contained in proxies submitted to vote and having received more than 50 percent of vote tally, all of them related to corporate governance, because no social proxy attained that level in their sample.

Other researchers have examined both types of proxies. Carleton et al. have examined the capacity of TIAA-CREF, an important institutional investor in the U.S. to induce management to implement two corporate governance policies that TIAA-CREF considered desirable, instituting confidential voting and limiting the use of blank check preferred stock as an antitakeover device; as well as a social policy, increasing board diversity. Chidambaran and Woidtke (1999) have examined the impact of a number of variables connected with size and profitability on withdrawals of social policy proposals. Their results suggest that social activist shareholders are more likely to strike deals for withdrawal with management of larger and more profitable firms. To the best of our knowledge, only three previous articles have focused exclusively at the empirical level on the influence of shareholder resolution filers on management. Hoffman (1996) presents a case study of the interactions between the Coalition for Environmentally Responsible Economies (CERES) and Amoco, a large chemical, gas and oil firm that merged with British Petroleum (now BP) in 1998 (History of Amoco, 2009). These interactions included the filing of social proxies by socially responsible investors associated to CERES, calling Amoco to endorse a ten-point code of corporate environmental conduct promoted by CERES and intended to be publicly endorsed by companies that strive to improve their environmental performance. Proffitt and Spicer (2006) examine the evolution of shareholder proposals on the topics of international and labor human rights, filed over the years 1969 to 2003. They draw on the social movement perspective to analyze the influence of shareholder filers on policies of targeted firms. Within this perspective, they assert that social movement activists deploy efforts to shape collective attitudes and beliefs over a long period, while trying to force change immediately through case-by-case struggles. In this context, they sustain that influence on management can only be discernible over years or decades, thus making "success" of campaigns (in terms of influence on managerial decision-making) an elusive concept, that can be assimilated to the capacity of shareholder proposals to focus managerial attention on the issues raised in the proposals and creating debate. In spite of their view, the authors identify two indicators of outcomes' success, a relatively high vote (10 percent or more) and a negotiated withdrawal by resolutions' sponsors. Because Proffitt and Spicer lack information about agreements leading to the withdrawals, they treat all withdrawals as indicators that management has made enough concessions to filers, and thus, they can be counted as successful outcomes. Unlike Proffitt and Spicer, Tkac (2006) analyzes all corporate social responsibility (CSR) proxies filed during the period 1992-2002, not only those related to international labor and human rights. Tkac also concurs with the view that withdrawal of social resolutions signals an influence on management, and thus can be labeled as a "success."

Our article makes a distinct contribution to the literature on the ability of social policy shareholder proposal resolution filers to influence management of targeted firms in a number of ways. First, as in Tkac (2006) we do not concentrate in a single type of resolutions or filers, analyzing in fact all types of shareholder proposals filed at targeted firms during the period under study. Secondly, we focus our analysis on the short-term capacity of filers to influence management. Following Chidambaran and Woidtke (1999) we conceive the initiation of a shareholder proposal as being part of an ongoing process of negotiations between shareholders and management. Only if an agreement cannot be reached by the parties, is the proposal put to vote. Thus, we focus our research on the outcome of withdrawn resolutions to measure success. However, in doing this, we do not assume that all withdrawals take place in exchange of management concessions. Instead, we try to unearth information on the deals conducing to the resolution withdrawal. Drawing on Rojas et al. (2009) we classify some of the withdrawals as ineffective, and others as successful attempts to exert pressure on management to change course. Third, unlike Chidambaran and Woidtke (1999), who compare firms with withdrawn social policy resolutions and companies that have not received at all resolutions, we focus our analysis on the differences among firms exhibiting different outcomes of resolutions. Fourthly, by focusing our analysis on the short term, we are able to examine econometrically if firm traits, such as size, and profitability, and social performance may play a role in the outcome of social resolutions. These traits were suggested to us by literature on the interplay between CSR and corporate financial performance (Waddock and Graves, 1997; Orlitzky et al., 2003) as well as the review of accounts of the operation of activist campaigns, such as those presented by Vogel (1978), and the case study of Hoffman (1996). Previous findings in the domain of corporate governance also suggest that characteristics associated with resolutions themselves, such as the type of issue raised or the filer may play a role in management decision to adopt requests from shareholders. Fifthly, we introduce our criteria of success into logistic regressions that are run to test our hypotheses concerning the role of the abovementioned traits of the firm in management decision to abide to shareholder requests. Finally, we examine determinants of vote turnover. Although we consider that resolutions put to vote reflect a failure in the negotiations, as we stated above, it has been recognized in literature as well that management can adopt new policies contained in voted resolutions, even if they fail to reach 50 percent of vote turnover (Romano, 2002).

The rest of our article goes as follows. Next section presents our methodological choices in terms of the ability of shareholder resolution filers to influence management. A third section discusses

pertinent literature on CSR that sustains our empirical search, concluding with hypotheses set up for our study. A fourth section presents data sources and methodology. Fifth section presents results of the study. A final section wraps up the article, suggesting also future avenues for research.

What is a successful outcome of a shareholder resolution?

There is no agreement among researchers about what constitutes a successful outcome of shareholder resolution. This is particularly valid for the social policy shareholder resolution domain. Two streams appear to emerge from previous literature. Both seem to share, implicitly, the view that activist shareholders' success is related to its capacity to induce changes in managerial behavior, making firms to adopt measures that are responsive to activist shareholders' desires on a certain issue.

A first stream of research focuses on the ability of shareholder activists to extract concessions from management, mostly in a lapse of few years span, or even within the year following to the filing of the resolution. Many articles on corporate governance shareholder activism fall within this classification, or they are closer to it. Bizjak and Marquette (1998) showed that the proposal sponsor, voting outcome, and number of previous pill rescission proposals affect the probability of whether a pill will be restructured. Resolutions filed by pension funds were more likely to lead to a pill restructuring than those sponsored by other institutions or by individuals. Smith (1996) examined the effects of shareholder activism by CalPERS, a large pension fund, over the 1987-1993 period. During the period under study, CalPERS targeted 51 firms with corporate governance shareholder resolutions. He concluded that 72 percent of firms targeted after 1988 adopted the proposed changes or made changes resulting in a settlement with CalPERS. Carleton et al. (1998) have examined the capacity of TIAA-CREF, an important institutional investor in the U.S. to induce management to implement two corporate governance policies that TIAA-CREF considered desirable, instituting confidential voting and limiting the use of blank check preferred stock as an anti-takeover device; as well as a social policy, increasing board diversity. Their paper analyzed the private negotiation process between the activist shareholder and 45 firms that it contacted between 1992 and 1996. In more than 95 percent of the cases TIAA-CREF was able to reach agreements with targeted companies. In more than 70 percent of the cases, this agreement was reached without shareholders voting on the proposal. Evidence from Carleton et

al. is consistent with Chidambaran and Woidtke (1999), who have argued that the initiation of a shareholder proposal is part of an ongoing process of negotiations between shareholders and management. Only if an agreement cannot be reached by the parties, is the proposal put to vote. In this perspective, managers would be willing to enter into negotiations or adopt the proposal only when they believe that the resolution will bring unwanted attention or receive widespread shareholder support. Thus, voted proposals signal an end of negotiations and are in principle unable to induce changes in corporate behavior. In this definition, thus, only withdrawn resolutions have the potential of inducing changes in management actions, and this ability can be observed in the short run.

Another stream of research (Proffitt and Spicer, 2006; Hoffman 1996; Logsdon and Van Buren, 2009) emphasizes the capacity of resolution filers to force management to focus its attention on a certain social issue first, and then, to use shareholder resolutions and negotiation, over a long period of time, to force management of targeted companies to adopt actions consistent with their desires. Within this view, management of targeted companies reacts not only to pressure from filers; it is also forced to follow the footsteps of other companies that have adopted policies consistent with shareholder activists' views, because not doing so would be risky for corporations in terms of losing segments of customers or investors, who may become dissatisfied with their social performance. Moreover, the broader societal setting also shapes firms' reactions. Firms may prefer to adopt CSR policies that they can still shape to governmental intervention. Logsdon and Van Buren (2009) stress the point that in some cases, in the context of a long standing process of dialogue between management of a firm and social activist shareholders, submission of proxy resolution can be even dropped by activist, as a way to encourage productive discussions.

In analyzing the topic of our study, we follow a short term approach. In other words, we seek information about the short term reaction of firms to requests contained in social proxies, and examine if some traits of targeted firms and the resolutions themselves may play a role in advancing adoption by management of social activists, shareholders requests. The choice of our definition of success cannot be viewed as a challenge of previous literature focusing on the outcome of shareholder activism in the long or very long run. We recognize that social policy activism has the potential to induce changes in multiple ways in the long term, with management mimicking other firms' actions and advancing new social policies that are suitable to give them an edge over competitors. Also, management sometimes may not acknowledge that some of the changes in corporate social policy stem out of requests contained in social proxies received by

the firm. Researchers have recognized that in some cases, voted resolutions can subsequently induce changes in management actions.¹ However, we believe that even if it is possible to find evidence of shareholder activism capacity to induce changes in social policy in the long run, this does not preclude the emergence of successful outcomes in the short run as well. In fact, it seems unlikely that shareholders can induce any change in the long run at all, if there is no such capacity as well in the negotiations conducting to the withdrawal of resolutions during the year that they have been filed. We also argue further that management decision to abide to shareholders' requests can be linked to a number of traits of the firm, such as profitability, size, or social performance, type of request, or type of filer.

Next question to tackle in order to move forward our analysis is how to determine if a resolution leads to changes in social policy of targeted firms. There is no a clear cut answer question to this question. In a baseline scenario, we follow Chidambaran and Woidtke (1999), who have argued that withdrawn signal the intention of management to adopt the resolution, in full or in a diluted version. Voted proposals, however, signal an end of negotiations between management and filers. In this view, by letting the issues arrive to the proxy ballot management signal that it is confident that the resolution will obtain a rather low vote turnover, abstaining in fact of taking action. Voted proposals then, are not considered to be successful in inducing changes in firm actions. Management can also request a no-action letter from the SEC, in order to take out the resolution from the proxy materials. If the SEC concurs with the request, the resolution is also considered unsuccessful in terms of its capacity to induce changes in targeted firms' social policy.

There are reasons, however, suggesting that equating resolution withdrawal with adoption by management can be misleading, particularly in the context of social policy resolutions. Chidambaran and Woidtke (1999) have reported that a larger percentage of social policy proxies are withdrawn, vis-à-vis corporate governance proposals. In fact, 43,5 percent of social policy proposals in their sample were withdrawn, but only in 17,6 percent of those related to corporate governance did their sponsors agree to do so. Chidambaram and Woidtke's explanation suggests that this result can be the consequence of social proxies being less costly for management to

¹ Ryan (1988) has observed that by means of proposals, shareholders can put management on notice of their expectations; because they are infrequent and hard to overlook or misinterpret. Del Guercio and Hawkins (1999) reported that in many cases, corporate governance resolutions going above the voting threshold of 20 percent or more (which seems modest by the standards of corporate governance activism as reported in Thomas and Cotter, 2007) made management uncomfortable enough to satisfy shareholder demands. Romano (2002) found that management is responsive to voted proposals on the issue of confidential proxy voting, even if they have not attained the majority level.

implement, or because social proposals reflect policies that are largely in effect. We rather find more plausible an alternative explanation. Social proxies gather much less support than corporate governance proposals, as Thomas and Cotter (2007) reported. Then, if filers of social proxies anticipate very low turnovers and face an uncompromising management, they can withdraw their resolution in exchange of a minimum dialogue, or even in the absence of it. If so, it is advisable to develop a more restricted definition of outcome success. For that purpose we investigate every withdrawn proposal, in order to seek information from a number of sources about the nature of agreements between management and filers leading to the withdrawal, or the absence of such agreements. If there are public announcements acknowledging that the resolution has been withdrawn in exchange of adoption of its contents, or eventually, as a consequence of dialogue, we will consider the outcome of the resolution as successful. Otherwise, we treat the resolution as a failed attempt to induce a change in the targeted firms' social policy, along with voted and omitted resolutions. The result is a much restricted capacity of resolution filing to influence managers of targeted companies to adopt the suggested policies.² Next section explores what kind of traits of firms and shareholder characteristics resolutions can be linked to successful outcomes of shareholder resolutions.

Are some firms' and shareholder resolutions characteristics linked to successful withdrawal of social policy shareholder resolutions?

Previous literature on corporate governance shareholder activism suggests that it is possible to identify a number of factors associated with the capacity of activist shareholders to see their requests implemented by management. This literature depicts an adversarial relationship between managers and activist shareholders. In the framework of this adversarial relationship, basically modeled along the lines of the agency theory, activist shareholders can file resolutions in order to discipline managers of firms with a poor financial performance, who pursue their selfish interests in detriment of the targeted company's stockholder base. In turn, corporate governance activist shareholders can also pursue their own interests, advancing resolutions to gain personal publicity in order to advance professional or political careers. In any case, previous literature has examined some factors that can favor one of the two parties involved in resolutions filing. We also consider

² One should take notice that, even if a firm agrees to satisfy a shareholder request, for instance, to pull out from a country with a government that is considered to violated its citizens' human rights, does not impede other investors to acquire the concern and continue the operations. We don't take into consideration that kind of systemic effects in the analysis.

the negotiation between management and filers of social proxies as adversarial. However, the variables that may favor the negotiation for filers of social proxies should be altered, in order to take into account some particular traits of their activity.

Characteristics of resolutions (types of issues and filers)

Characteristics of the resolutions themselves, most notably the type of issue that they raise, has shown to favor adoption by management. Smith (1996) presents evidence that, under certain circumstances, the type of issue favored adoption of the proposal by management, although this influence disappeared when the model includes the two-day abnormal return at initial public announcement of targeting, suggesting that the abnormal return is more important than the type of resolution. Rojas et al. (2009) suggests that a higher percentage of resolutions related to environment and energy, equal employment, board diversity, and international human and labor rights, ended up being adopted by management, in exchange of withdrawal by their sponsors.

Rojas et al. also present evidence that some type of sponsors of social resolutions, most notably pension funds and mutual funds, tend to be more able to negotiate withdrawals with management, in exchange of adoption of their proposals. This is consistent with Chidambaran and Woidtke (1999) who found that corporate governance proposals sponsored by institutions and coordinated groups have a higher probability of withdrawal than those filed by individuals.

It also seems plausible that resolutions that have been voted a year before, receiving large vote tallies, could have a greater likelihood of ending up being adopted in way or another by management of targeted firms. It has been argued that the proxy machinery favors management in a number of ways (Davis and Thompson, 1994). For instance, proxy vote is not generally anonymous, which leaves institutional investors open to pressure from managers who may be able to determine in many circumstances who voted with them and against them. This can be a sensitive issue for institutional investors who supply financial services to the firm. Because proxy votes are revocable up to the time of the vote at the annual meeting, management can lobby to change the votes of shareholders who voted against its wishes. In some cases, however, management anticipations about vote turnover can be proved wrong, with higher unexpected vote turnover signaling investors' dissatisfaction with corporate lack of responsiveness towards a sensitive social topic.

Firm size

Previous research about firm targeting — in both domains, corporate governance and social policy shareholder resolutions—, suggest that large firms are preferred by activist investors. Thomas and Cotter (2007) found that companies targeted by corporate governance shareholders are relatively large, albeit those targeted by social policy shareholder resolutions could be even larger. Three reasons could explain that preference. First, large firms can be the leaders in the industry. Innovative social policies can spin-off, if smaller competitors adopt them, either by mimesis or out of fear of losing an important segment of the consumer base. Secondly, McWilliams and Siegel (2001) conjecture that there are economies of scale and economies of scope in firms provision of goods with CSR attributes. Larger firms, thus, can be arguably more likely to abide to shareholders requests, because they are more prone to deploy resources to CSR. Thirdly, larger firms are more visible, they are more likely to have global operations, and consequently they attract media attention. This could be particularly relevant if political or personal careers can be furthered by social policy shareholder activism, as Romano (2001) and Del Guercio and Hawkins (1999) have argued that can be the case of corporate governance activism. Additionally, Baron (2003) suggests activists advocating for social causes (whether using the proxy machinery or not) may want to attract new members and contributions. If these motivations apply in the case of social proxy filer, clearly larger firms are more likely to provide higher rewards. Thomas and Cotter (2007) provide partial evidence that larger firms are more likely to respond to shareholder proposals. Nevertheless, Smith (1996) uncovers evidence that firm size, although important in the targeting selection process for corporate governance shareholder activism, does not affect the likelihood of a successful outcome.

Firm profitability

Researchers have pointed out that firms with higher profits could invest in programs allowing them to ameliorate their social performance (Waddock and Graves, 1997, Seifert et al., 2004; Orlitzky et al., 2003). If that is the case, firm profitability will be positively related to management decision to yield to socially-concerned shareholders' requests. Chidambaran and Woidtke (1999) findings are supportive of the notion that financially performing firms could be more likely to negotiate settlements with shareholder resolution filers. They found that firms that have received social policy shareholder resolutions, which subsequently withdrawn (what they

equate with success) performed better than their match firms (i.e. those that have not received social proxies at all) and the market. Thomas and Cotter found that the firms' market adjusted one-year return increased the likelihood of board taking action on corporate governance resolutions receiving majority votes, indicating that well-performing firms are more willing to abide to the their activist shareholders' requests, especially when it comes to removing anti-takeover defenses. On the contrary, Carleton et al. (1998), also in the corporate governance realm, reported weak evidence that poor stock market performance leads to a higher likelihood of a negotiated settlement.

Firms' social performance

We have the intuition that companies that perform better in social terms should be more likely to yield to requests presented to them in social policy resolutions. There is anecdotal evidence showing that socially performing firms could attract corporate campaigns intended to ameliorate their CSR involvement, as a way to pressure other less performing firms to follow their step. Manheim (2001) presents the case of a company that was targeted in the 1960s by a corporate campaign –Kodak– not because of its disregards for societal concerns, but because it was a model corporate citizen. The underlying rationale for these actions was, according to the author “to push to the company's value structure to its very limits and then using Kodak's example as a way to pressure such other local employers as Xerox, Bausch and Lomb, General Dynamics, and General Motors” (Manheim 2001: 12). According to Rehbein et al. (2004), at a certain moment, Operation PUSH, an organization intended to promote black people's advancement decided to target Anheuser Busch, because of its lack of minority distributors. The company was targeted, Rehbein et al. claim, to maximize publicity about diversity issues, even if the company exhibited an above-average record regarding diversity issues.

Firms with high brand recognition

Literature related to the so-called resource-based view of the firm proposes that firms seek to gain competitiveness by getting access to certain resources. To increase competitiveness of the firm, these resources should be, among other things, valuable, rare, imperfectly mobile, and non-substitutable. Brand and organizational image have been identified as being among those resources capable of driving up competitiveness (Runyan and Huddleston, 2006). Other observers

suggest that financial markets can positively value the contribution of product and corporate brands (Balmer and Gray, 2003). However, they can also be damaged by dissemination of news of company actions which can be potentially deemed socially irresponsible by consumers. For instance, Elliot and Freeman (2001) pointed out that "Large retailers with a prominent market presence, such as Wal-Mart and The Gap, or firms with high brand recognition, such as Nike and Levi's, are the most vulnerable to activist campaigns since they sell their 'image', which can be tarnished by campaigns" (Elliot and Freeman, 2001: 7). Moreover, Baron (2003) points out that technological change has made possible for activists to mobilize information to millions of people and to attack companies at a global scale.

Sample and sources of data

We put together all social policy resolutions received by US firms during the period 2000 to 2004. These proposals were retrieved from Investor Responsibility Research Center (IRRC)'s yearly publication Social Policy Shareholder Resolutions. A total of 1486 resolutions were thus assembled. We use Compustat to retrieve targeted firms' accounting data and market returns. KLD's Socrates database provided data to appraise social performance of firms. In some cases we could not find information about the firms. We drop these firms from the sample. In total, we kept 1424 for further analysis.

For each proposal, IRRC provides a checklist, containing the name of the company; the summarized title of the resolution; the sponsor(s) name; as well as the status of the resolution, i.e. withdrawn, omitted, not in proxy or voted (in this later case, turnover is reported in percentage of shares). The publication also contains additional information and analysis about an important number of proposal withdrawals, omissions and vote tallies.

In a second step, the abovementioned information was complemented. First, a number of sources were used to establish the outcome of negotiations for each withdrawn proposal. We visited the websites of filers and targeted companies and we also used Google searches and the database ABI/Inform in order to collect information on the outcome of the negotiations leading to withdrawals, as well to establish appropriate categories concerning issues and filers.

We assigned a code for the outcome of the negotiation according to the results reported in the press or in the internet. Thus, a first code was assigned to proposals for which we found an explicit claim that the proposal was withdrawn in exchange of implementation of the request; another code was given to those that were withdrawn in exchange of actions other than those requested or because management has agreed to initiate a dialogue with the sponsor of the proposal (a 'dialogue' category); a third code was applied to those proposals for which the IRRC explicitly reported that the filer wanted to avoid likely omission by the regulator; a fourth code was assigned to withdrawals for which no information could be retrieved concerning a negotiated settlement of any sort, and finally, a separate code went to the proposals that have been withdrawn in recognition that the requested policy was already in place. In two cases, filers preferred to withdraw their proposals because the targeted company merged or it was acquired since the proposal was filed. We did not consider those resolutions as withdrawals, because there was no meaningful negotiation to talk about. We instead classified them as "not presented, not in proxy, shareholder meeting cancelled, or takeover or merger took place during the proxy season."

We did not have the possibility to check out effective implementation of the request. In some cases, filers of withdrawn proposals labelled them as "successful," without adding any other additional information. If the information of the withdrawal was published by the filer of the resolution, and if it does not distinguish systematically between withdrawals motivated by dialogue, from those motivated by effective implementation of the requested policy, we labeled the withdrawal as motivated by dialogue.

For the years 2000 to 2003, IRRC reported the names of the first sponsor and cosponsors of resolutions. For the year 2004, only the main sponsor's identity was reported. For the sake of comparability, we dropped from the analysis the identity of cosponsors. Thus, only the first sponsor is associated with each of the resolutions.

Results

Table 1 shows that if the baseline scenario of success, proposed by Chidambaran and Woidtke (1999) applies, most resolutions do not arrive to modify managerial conduct. More than half of all resolutions filed during the period (54.3 percent) ended up being voted by shareholders, signaling management unwillingness in making concessions to resolution filers. Moreover, about 13

percent of resolutions were omitted by the regulator, which sided with management requests to keep those resolution proposals out of the proxy materials distributed to shareholders. Nearly a third of all resolutions (29.4 percent) were withdrawn, presumably in exchange of concessions from management.

Withdrawal of resolutions is not uniform across the types of topics raised in resolutions and filers. Although not very numerous, resolutions connected with local and indigenous rights (calling management, for instance, to conduct risk analysis of developing tribal land) were withdrawn in half of the cases. Calls to diversify boards also exhibited a large percentage of withdrawals during the period. From the point of view of sponsors, religious investors, mutual funds and pension funds exhibited a greater capacity to negotiate with managers.

 INSERT TABLE 1 ABOUT HERE

Table 2 presents the results of a more restricted view of success. It breaks down the category of withdrawn proposals, taking into account the possibility that resolution withdrawals could take place as a consequence that management had made concessions to filers (implementing the resolution request or opening negotiations or dialogue), but also that filers could have withdrew the resolution for other reasons. As we have already stressed out, filers could withdraw their resolutions from the proxy ballot because they anticipate that vote turnover is going to be extremely low, or because they consider likely that management of the targeted company would successfully demand a no-action letter from the SEC, authorizing it to omit the resolution. As table 2 reports, in a greater percentage of cases we were able to find reports of companies adopting the resolution (in full or in a diluted version) in exchange of withdrawal, if requests were connected with topics such as energy and environment, international labor and human rights, equal employment,³ and board diversity. Equal employment issues can be used to illustrate the information conveyed by table 2. A total of 78 resolutions about equal employment issues were withdrawn over the period 2000 to 2004. We were able to find out information confirming

³ Equal employment proposals seek to promote discrimination-free workplace environments in domestic operations of firms. Discrimination could be the result of gender identity, ethnicity, religious confession, sexual orientation, or age. Resolutions in the international labor and human rights category include calls for management to adopt codes of conduct in their operations in certain countries, such as China, or adoption of the International Labor Organization standards and external monitoring.

that in 60 cases, targeted companies expressed commitment to implement the content of resolution, motivating the filers to withdraw the resolution. In the case of 6 resolutions, filers started negotiations, withdrawing their resolutions to foster dialogue with management of targeted firms. We were not able to find information concerning the motivation to withdraw 12 other resolutions appertaining to this classification. We reasoned that these withdrawals were the consequence of filers anticipating very low turnovers or other forms of failure. Finally, it is important to highlight that equal employment resolutions comprise 30 percent of all 200 withdrawn resolutions that were adopted by management, but less 20 percent of all withdrawals.

Table 2 also sheds another light on the ability of some filers to deal with management. When the percentage of withdrawals is chosen to measure success (as in table 1), religious investors, mutual funds, pension funds and asset managers appear to be particularly successful in their deals with management. The more restricted definition of success presented in table 2, however, suggests that both religious investors and asset managers are not as skillful as mutual funds and pension funds in securing deals with management in exchange of withdrawing their resolutions. Religious investors, for instance, filed 39 percent of all 418 withdrawn resolutions. However, we were able to find information confirming adoption of resolutions in 51 of religious investor-sponsored resolutions, roughly a fifth of all adopted resolutions. We could not find information about 36 resolutions withdrawn by activist religious investors. These resolutions constituted almost half (46.2 percent) of all withdrawn resolutions for which no information was available over the internet or in the newspaper database ABI/Inform.

 INSERT TABLE 2 ABOUT HERE

The view that certain types of issues and filers could have an accrued capacity to negotiate with management is reinforced by the examination of voting patterns. As table 3 reports, when negotiations with management fail and the resolution is put to vote, resolutions linked to energy and environment, international labor and human rights, and especially equal employment and board diversity receive tallies which are higher than average. Likewise, voted resolutions sponsored by mutual funds and pension funds gather a higher turnover than those sponsored by other types of filers.

INSERT TABLE 3 ABOUT HERE

We employ logit analysis to verify our intuition that variables concerning resolution characteristics, firm size, profitability, social performance and ownership of renowned brands can play a role in management of targeted companies' decision to abide to activist shareholders' requests. We hypothesize that some traits of resolution themselves can help filers in their negotiations with management, increasing the likelihood of withdrawal (as implicit indication of successful negotiations) or withdrawal in exchange of a managerial promise to implement the suggested policies or initiation of dialogue (the more restricted view presented in table 2). More precisely, we hypothesize that resolutions connected with energy and environment, international labor and human rights, equal employment, and board diversity are more likely to exert influence on management. We also hypothesize that mutual funds and pension funds have an accrued capacity to induce management to negotiate. Likewise, we suspect that because higher vote turnovers may be uncomfortable for management, previous vote turnover will favor filers in their negotiations with management.

We also expect that firm size can favor filers. Large firms could be trend setters in their industry, and can take advantage of being the first to adopt innovative social policies, that other competitors are bound to follow. Moreover, McWilliams and Siegel (2001) conjecture that there are economies of scale and scope in firms provision of goods with CSR attributes.

We hypothesize that firm profitability is positively related to increase the likelihood of withdrawals and adoption of resolutions, because higher profits have been associated with firms' decision to ameliorate their social performance (Waddock and Graves, 1997, Seifert et al., 2004; Orlitzky et al., 2003). If that is the case, firm profitability will be positively related to management decision to yield to socially-concerned shareholders' requests.

We expect that social performance of the firm will increase filers' influence on management of targeted firms. Likewise, we expect that firms with more valuable and recognizable brands can yield more easily to pressure from social activist shareholders.

Table 4 presents the results of a logistic regression, where the dependant variable is set to be one, if filers have withdrawn their resolution, and zero if management, instead of negotiating an acceptable withdrawal for the filer, felt confident enough to let the proposal voted by stockholders or permission from the SEC to omitted from proxy materials. Three models were run in order to test our hypotheses. The first model includes as independent variables the natural logarithm of market value of the firm (the proxy for size), one-year total return (as indicator of profitability), a separate dummy variable set to be one if the resolution was connected to issues of energy and environment, international labor and human rights, equal employment or board diversity. Also, separate dummy variables were introduced in the model, if the filer was a mutual fund or a pension fun, and finally, social performance of the firm, as reported by KLD. Model 2 adds the natural logarithm of intangibles as an independent variable into the regression. Model 3 adds the percentage of vote received by the proposal one year earlier. In all three models, accounting data and market returns, as well as KLD social rating have been lagged one period. This is because the so-called proxy season covers a number of months, and proposals for one year can start to be filed as early as the month of March the previous years (Karpoff et al., 1996).

Results from Table 4 suggest that firm size does not increase the likelihood of a withdrawal, even if larger firms could benefit from economies of scale to adopt innovative social policies, or take advantage of early adoption of them to foster their competitiveness. Although the coefficient for the variable is positive in all three models run, it is also non significant.

Contrary to our expectations as well, profitability of the firm appears to diminish the likelihood of a negotiated settlement leading to withdrawal of resolutions. In models one and two the coefficient is negative and significant; it is negative although insignificant in model three. We suspect that this could reflect that financially underperforming firms are subject to heavier scrutiny from stockholders than their more performing counterparts. If so, their management could be tempted to give more consideration to demands from social activist shareholders, because refusing to do that could provoke reactions (like threats of divestment) or bad publicity that can be particularly damaging for an underperforming firm.

Table 4 also shows that in some cases the type of issues connected with the proposals do play a role in facilitating resolution withdrawals. Resolutions containing requests to provide discrimination-free workplace environments in domestic operations or more diverse board rooms increase the likelihood of withdrawal. Its coefficients are positive and significant in all three

models. However, that is not the case of resolutions dealing with the environmental impact of operations of the firm or energy. Although the sign is positive, all three coefficients were non significant. This is a puzzling result, because environmental issues are pervasive in the public arena concerning firms' interaction with society (Hoffman, 1996). It is interesting to observe as well that the coefficients for the dummy variable international labor and human rights are negative—and significant—, in models one and two (although they are weakly significant and positive in model three). This result runs contrary to our expectations. We reason that potential damage of issues connected with operations outside the country would be less damaging in terms of discrediting the firm than domestic issues connected with employment or board design, or perhaps threats of legal action or consumer boycotts are larger at the domestic level. We are not entirely satisfied with this explanation though, given that rights of foreign workers (the so-called "sweatshops" issue) have attracted a lot of public attention during the very years covered by our study (Elliot and Freeman, 2001). The topic clearly warrants more research.

Mutual fund filers appear to have an accrued capacity to negotiate withdrawals with management of targeted firm. The coefficient for their dummy variable is positive and significant in all three models. The coefficient for the dummy variable (resolution filed by a pension fund, zero otherwise) is positive and significant in models one and two. Social performance of firms increases also the likelihood of withdrawal; the coefficients for the variable are positive in all three models and significant in two of them. The coefficient for the natural logarithm of the value of intangibles in model two and three is insignificant, suggesting that firms owning valuable brands and enjoying widespread recognition are not more likely to abide to activist shareholder requests, contrary to our expectations. This conclusion as well must be handled with caution. First, there is wide consensus among accounting scholars that although intangibles are extremely important, most intangibles do not appear in the balance sheet and that, with some exceptions, the minority of intangibles that do appear there are not reported at their current values (Hodgkinson, 2008). Moreover, items appearing in firms' accounting reporting are those that have been acquired by the firm, rather than those internally generated (Wyatt, 2008). Thus, data on intangibles can be an unreliable measure of the value of brands possessed by the firms and other assets that can be damaged by activist activists spreading bad news.⁴

⁴ We also run two models with the logarithm of advertising expenses as proxy of the measure of the importance of valuable brand and recognition for targeted firms, instead of logarithm of intangibles' value. The results (not reported to save space) were positive (consistent with our hypothesis) but insignificant. We recognize that logarithm of advertising expenses can also be considered not entirely satisfactory as a proxy for the intangibles of the firm. Franses and Vriens (2004, cited by Wyatt, 2008) have pointed out that the amount of money companies allocate to advertising

 INSERT TABLE 4 ABOUT HERE

Model 3 introduces as an independent variable the percentage of votes gathered by the resolution the previous year. The estimated coefficient for the variable is positive and significant. Moreover, when this variable is introduced in the regression other variables (such as profitability, the dummies for mutual funds and pension funds, or rating from KLD) lose their significance, suggesting that it dominates over them. This dominance tells us that a relatively high vote turnover for a resolution constitutes for management an indication of the potential resonance of the issue in society at large, and facilitates negotiations for filers. This conclusion, however, must be handled with care, because introducing the percentage of votes received the previous year implies that the outcome of the resolution (voted, not withdrawn) at time t , becomes an independent variable at $t+1$, and this could be the source of potential econometric problems.

In Table 5 we examined the possible determinants of withdrawal success, using a more stringent definition of success. In this case, the binary dependent variable becomes 1, if we could find announcements of a negotiated settlement between management and filers leading to resolution withdrawal (because the proposal has been adopted in entirety or because dialogue has been initiated), and 0 if the resolution has been voted, omitted, withdrawn for reasons unknown to us; or in few cases, because we were able to find information suggesting explicitly that the proposal was withdrawn to avoid likely omission or because the suggested policy was already in place. Independent variables correspond to those identified in table 4.

 INSERT TABLE 5 ABOUT HERE

often surpasses their after tax profits, although it is not known if this investment pays off or not, or how advertising affects consumers and leads to brand awareness or image, among other things.

Overall, results are similar when success of negotiations is redefined in this way. Results from table 5 suggest that firm size does not increase either the likelihood of a negotiated settlement in more restricted definition of successful withdrawal. The coefficient for one-year total return remains negative in all three models although these estimated coefficients are statistically insignificant. As in table 4, the coefficient for the dummy variable assigned to equal employment-related resolutions remains positive in all three models, and statistically significant, suggesting that management considers this type of issues as potentially harmful, in terms of reactions from consumers or activist investors, and prefers to settle the issue before it arrives to the proxy ballot. Estimated coefficients for the dummy board diversity are positive and significant in all three models. The estimated coefficients for the dummy for energy and environment are positive in all models, but the estimated coefficient is only positive in the case of model one.

The coefficient for the variable KLD rating is negative in models one and two, but it loses statistical significance when the percentage of vote received by the resolution is introduced in the regression (model three). The coefficient for the dummy international labor and human rights is negative in models one and two, but it is only statistically significant in the latter case.

Resolutions filed by mutual funds are more likely to be withdrawn successfully (coefficients positive and significant in all three models). The coefficient is also positive for resolutions filed by pension funds, suggesting that these resolutions are more likely to generate successfully negotiated withdrawals. However, the coefficient for the dummy pension fund loses significance when the percentage of votes received by the resolution is included (model three). A number of coefficients of independent variables which are significant in model one and two, lose their statistical significance if we introduce the percentage of votes received the previous year, suggesting that this variable dominates over the others. Results from Table 5 also suggest that firms possessing valuable brands, proxied by the natural logarithm of intangibles, are not more likely than those that do not to abide to shareholders' requests expressed in social policy resolutions.⁵

Given the importance of vote turnover of resolutions to influence management, we examined the impact of the independent variables analyzed in tables 4 and 5 in vote turnover. Table 6 presents

⁵ We also run in this case two models using the natural logarithm of advertising as a proxy for the importance of valuable brand names held by companies (not reported for the sake of saving space). In one of the cases, the coefficient of natural logarithm of advertising is positive, although it loses significance when the percentage of votes received by the resolution the previous year is introduced in the regression.

the results of an OLS regression, where the dependent variable is the percentage of vote gathered by resolutions submitted to vote. Independent variables are the same than those appearing in the different models of tables 4 and 5.

Coefficients for natural logarithm of market value and one-year total return are insignificant, suggesting that these variables do not play a role either in determining vote turnover. Equal employment resolutions and energy and environment resolutions tend to gather higher percentages of vote turnover, keeping other variables constant. The coefficient is positive and significant in both cases, in models one and two, although the coefficient loses significance when the percentage of vote obtained the previous year is introduced in the regression. Board diversity shows positive and significant estimated coefficients in models one and two, although the estimated coefficient reverses its sign (still being significant in model three). Resolutions filed by mutual funds and pension funds tend to exhibit a larger vote turnover, although these coefficients lose significance when the percentage of votes received by the resolution is introduced in the regression. Coefficients for KLD rating are negative in all three models, and significant in models one and two. This is an intriguing result which may reflect that management teams would pursue social performs beyond their stockholders' desires; however, other interpretations could be possible; the issue warranting additional research. As it was the case in the regressions presented in tables 4 and 5, the introduction of the percentage of vote received the previous year eliminate the statistical significance of other variables, suggesting that it dominates over them.

 INSERT TABLE 6 ABOUT HERE

Conclusions

This paper examines empirically the capacity of filers of social policy shareholder resolutions to induce changes on management. Drawing on corporate governance literature, we conceive the relationship between filers of social policy and management of targeted firms as antagonistic. Previous research from the corporate governance realm suggests that some firm traits favor one are another of the actors who participate in the social proxy resolution filing scene when they negotiate. Arguably, these traits change in the context of social policy resolution filing. On the

basis of previous literature on corporate governance, as well as CSR and strategy literature, we formulate a number of hypotheses concerning aspects such as firm size, profitability, social performance and ownership of brands and other intangible assets. Specifically, we formulate the hypothesis that size, profitability, social performance and ownership of brands and other intangibles are positively connected with the capacity of filers to influence managers.

The task of determining if filers of resolutions are able to exert an influence on management of targeted firms is not an easy one. Firstly, it is possible to look at this issue from a long term and a short term perspective. Proffitt and Spicer (2006); Hoffman (1996); Logsdon and Van Buren (2009) emphasize the capacity of resolution filers to force management to focus its attention on a certain social issue first, and then, to use shareholder resolutions and negotiation, over a long period of time, to force management of targeted companies to adopt actions consistent with their desires. Proffitt and Spicer (2006) have argued that the very fact that management of a targeted company should define a position towards the resolution (that is mailed with the resolution and other proxy materials to shareowners) forces management to focus on a particular social issue and reflect on it, paving the way for dialogue with stakeholders and eventual changes. Hoffman (1996) argues that management of firms targeted with social resolutions could react to requests from activist shareholders, even if they do not acknowledge so.

Although we recognize these aspects, we also argue that the ability of social policy shareholder resolution filers to exert pressure on management of targeted firms does not preclude them to have also an influence management in the short term. Chidambaran and Woidtke (1999) have argued that filing shareholder resolutions is part of a negotiation process. By deciding to submit the resolution to vote, management in fact signals its confidence that the resolution will gather a very limited vote tally, and its unwillingness to negotiate further with filers. In this perspective, withdrawn resolutions imply a negotiation, and are thus considered a successful outcome. Voted and omitted resolutions spell failure.

We adopted this definition as a baseline definition of successful outcome. However, we argue that this approach very likely overestimates the capacity of filers to influence management, because it is possible that some filers who have the expectation of a very low vote turnover may decide to withdrawn the resolution, sparing it of obtaining less than the minimum vote required for resubmission in the following five years. Chidambaran and Woidtke (1999) report in fact that social policy shareholder resolutions are more likely to be withdrawn than corporate governance

resolutions. Therefore, we also sought information in the internet and in the specialized database ABI/Inform about the withdrawals, in an effort to identify truly successful outcomes, i.e. withdrawals taking place because management adopted the proposition in full or in a diluted form, or in exchange of the promise of a dialogue between filers and management. We assume that withdrawn proposals for which no information can be retrieved were in fact motivated by filers' expectation that negotiations with management were doomed to fail, and that the proposal eventually will do poorly in the proxy ballot. In total, 78 withdrawals fall in this category, reducing the number of successful outcomes from 418 (withdrawn resolutions in the baseline definition) to 340, in the more restricted definition of successful outcome.

We used both definitions of successful outcome to test our hypotheses, namely, that size of the firm, its profitability, ownership of valuable brands and social performance increase the likelihood that management abide to the requests of filers. We also hypothesize that some traits of the resolution themselves, namely the identity of the filers, type of proposal, and percentage of voted gathered by the resolution if it has been submitted before, may tilt negotiations in favor of filers.

We run logit regressions to test our hypotheses. In a first step, the dependent variable was set to be one, if the proposal was withdrawn, and zero if it was submitted to vote or omitted. In a second step, we considered as successful outcome only those withdrawn resolutions for which we were able to retrieve information indicating that the withdrawal took place in exchange of a negotiations or adoption of the content of the resolution, and zero if it was withdrawn for reasons unknown to us, or if it was voted or omitted, or because we were able to identify evidence telling that advocated policies were already in place, or that a no action letter was likely to come.

Our results falsify some of our hypotheses and confirm others. Against our expectations, firm size does not seem to tilt negotiations in favor of filers. The coefficients of the variable proxying for it—natural logarithm of market value—, exhibits coefficients which are not statistically significant in any of the models run, and under the two definitions of successful outcome retained for examination. Also against our expectations, the coefficient for profitability seems to reduce the likelihood of withdrawal. It is negative and significant in two of the models reported in table 4, although it loses its significance when the percentage of votes received by the resolution is introduced in the model. In the more restricted definition of successful outcome presented in Table 5, the coefficient for one-year total return is still negative, but it is statistically insignificant

in all of them. The negative coefficient leads us to think that management of financially underperforming firms could be more likely to make concessions to filers of social policy resolutions, because they are more heavily scrutinized by investors, who may be worried by the potential damage that looming social issues could create for the bottom line of the company. This conclusion, however, is very provisory and must be taken with care, given that in some models the estimated coefficients for this variable are statistically insignificant.

Social performance (measured by KLD rating) of the firm increases likelihood of a successful outcome, in both definitions of success. Estimated coefficients for the variable are positive and statistically significant. However, as in other cases, they lose statistical significance when the percentage of vote received by the resolution is introduced as an explanatory variable. This also happens with a number of other variables. The fact that the percentage of vote received by the resolution the year before dominates over other variables is an indicator of the power of the shareholder resolution filing process as a mechanism to communicate stakeholders' desires to managers. Against our expectations, ownership of valuable brands (that can be tarnished by refusal of management to adopt social changes), does not increase the probability of a withdrawal or negotiated settlement. However, this could be the result that the chosen metric proxying the concept (natural logarithm of intangibles' value) can present shortcomings. More research is warranted on this aspect.

Our results also uphold the view that identity of filer and type of issue contained in the resolution could have an incidence in management decision to be responsive to requests of changing the companies' social policy. For instance, our results show that management could be more responsive to filers when they raise issues concerning equal employment issues. The estimated coefficient for the dummy variable is positive and significant, even if percentage of previous vote is included in the regression. Resolutions calling for a more diverse board also carry more weight in negotiations with management. The coefficient for this dummy is positive and significant in all three models presented in table 4 and table 5. Less clear-cut are results concerning energy and environment as well as international labor and human rights. The fact that the resolution deals with energy and environmental performance issues does not increase the likelihood of withdrawal, because all coefficients are statistically insignificant. When the restricted definition of successful outcome applies (table 5), the coefficient is positive and significant in just one model. We cannot provide an entirely satisfactory response for this puzzling result. Firms that neglect their energy and environment impact of their operations can indeed be harshly punished

by large segments of consumers and, consequently, they can fare worse in capital markets. A partial explanation for our results regarding energy and environment issues could be provided by the fact that energy and environment is a very heterogeneous and broad category. We have the intuition that only some of the calls to reform environmental or energy policy of the corporation could be perceived by management of the targeted firm as having a potential to damage financial performance, if shareholder concerns are not addressed properly. In many other cases –our argument goes–, energy and environment resolution could reflect the concerns of a very limited segment of activist shareowners, with a narrow agenda, and a very limited potential of hurting the economic fortunes of the concerned firm if left unanswered. Thus, future research could benefit from separating this type of resolutions in two or more subgroups, and study the capacity of those subcategories to tilt negotiations in favor of filers.

Also puzzling are the results concerning the dummy variable for international labor and human rights. The estimated coefficient in this case is negative and significant in two of the models presented in table 4 (although the coefficient is positive and significant in model three), and negative (and significant in one case) in models one and two in table 5. International labor and human rights resolutions include, for instance, calls to multinational corporations to adopt codes of conduct that can guarantee respect of workers' rights in operations overseas (including their suppliers) and independent compliance of this monitoring. O'Rourke (2003) and Elliott and Freeman (2001) present evidence that many firms have positively reacted to pressure from stakeholders to adopt codes of conduct for themselves and their suppliers abroad. O'Rourke (2003) identifies a host of schemes (mostly non governmental) that have emerged during the late 1990s and early 2000s to develop appropriate codes of conduct for multinational firms and certifications of compliance. These firms enter those arrangements voluntarily, in order to avoid negative reactions from consumers, who could refuse to buy products, presumably elaborated under exploitative conditions. This corporate commitment to adoption of codes of conduct and independent monitoring runs contrary to our finding. Our only provisory explanation is that resolutions that we have put together as international labor and human rights constitute also a relatively broad array of issues. Some of them could be related to adoption of codes of conduct (for which management could presumably be responsive), but some others are connected with more requests more difficult for firms to implement, such as demands of a "living wage" in their operations in developing (presumably much higher than the prevailing average salary in those countries), or calls to divest from countries with a record of massive violation of human rights. This explanation is only partial, and more research is needed on the issue.

Our results uphold the notion that the identity of the filer increases likelihood of withdrawal and negotiated withdrawal. Resolutions filed by mutual funds and pension funds have more likelihood of ending up exerting an influence on management.

Given the importance of previous vote received by a resolution in the subsequent proxy season (if submitted again), our paper also analyzes the possible determinants of vote turnover. For that purpose we ran three regressions, in order to test independent variables included in the logit regressions could play a role in determining vote tally of resolutions put to vote. According to the results, firm size may have a limited impact on vote tally (only in one model is the coefficient significant). Coefficients for one-year total return are not statistically significant. In most cases the coefficients for the dummies related to type of issues were positive and significant. Nevertheless, the coefficient for KLD rating is negative and significant in two of the models. High social performance increases likelihood of negotiated settlement, but reduces vote turnover, a result that for us suggests that in many cases, management and large segments of the stockholder base could be at odds regarding social performance of the firm.

Our article focuses on all types of filers and issues. We believe that by doing so, it sheds light on the capacity of shareholder resolutions to induce managers to adopt changes in policies. Future research however, could gain if other approaches were implemented. For instance, by focusing on a single filer of social shareholder resolutions who give access to its communications, researchers could gain additional information about the capacity of all resolutions over a number of proxy seasons, both withdrawn resolutions and those that have submitted to vote. Future research could also benefit of taking into consideration how media coverage of social policy shareholder resolutions may tilt negotiations in favor of filers. Reports in the financial press suggest that media attention may indeed play a role in management decision to implement an action suggested by activist shareholders. For instance, in 2007 Berkshire Hathaway, a financial company controlled by renowned investor Warren Buffett, received a shareholder resolution asking it to sell its shareholding stake in PetroChina, a company that activists have accused of indirectly funding human right abuses in the region of Darfur, in Sudan. The board of Berkshire suggested stockowners to vote against the proposal and it received slightly less than 2 percent of support (Berkshire Hathaway, 2007). However, and presumably as a consequence of media coverage and demonstrations outside the building where the general annual meeting of the company was taking place, Berkshire Hathaway's board decided to divest, effectively abiding to shareholders'

request.⁶ Thus, the role of media coverage can be potential fruitful for research on shareholder activism, although it can imply methodological challenges, such as how to develop appropriate metrics for it.

Future research could also address another limitation of our study. Although we do not deal with the topic, previous research on corporate governance and social policy suggests that less public forms of activism such as private letters and phone calls to management could be common. Del Guercio and Hawkins (1999) point out that pension fund proposing changes in corporate governance will only use the proxy machinery to file a shareholder resolution as a measure of last resort. Naturally, this only works if the threat is credible. As one pension official quoted by Del Guercio and Hawkins (1999: 297) put it, “every once in a while the junkyard dog has to bit.”⁷ Logsdon and Van Buren (2009) have already noticed that a resolution is not filed for several years because of an ongoing dialogue, putting this form of activism out of the public view, and making it much more difficult for researchers to scrutinize it. In spite of the difficulties of this avenue of research, we agree with Logsdon and Van Buren observation that understanding dialogue could greatly enlarge our capacity to understand the ability of activist shareholders to influence management on matters of social policy.

⁶ Some observers have pointed out that Berkshire Hathaway’s decision could have been driven by profit seeking, rather than desire to appease criticism on its social policies (National Public Radio, 2009).

⁷ Baron (2003: 36) in his study about activism seeking to promote “private orderings” intended to change targeted firms’ social policies, states that more important than the successful or failed attempts of activists are the proactive measures adopted by many firms to avoid private politics. Some of these attempts are, according to the researcher a little more than public relations, but many represent real commitments to changes in policies and practices.

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Table 1: Outcome of social policy shareholder proposals in the U.S., 2000-2004, according to the category of issues raised and type of sponsors

Type of issues	Total		Voted		Withdrawn		Not presented ^{1/}		Omitted	
	No.	% ^{2/}	No.	% ^{3/}	No.	% ^{3/}	No.	% ^{3/}	No.	% ^{3/}
Energy and environment	362	25.4	203	56.1	103	28.5	13	3.6	43	11.9
International labor and human rights	287	20.2	178	62.0	76	26.5	8	2.8	25	8.7
Equal employment	145	10.2	54	37.2	78	53.8	3	2.1	10	6.9
Fairness in society	102	7.2	62	60.8	29	28.4	2	2.0	9	8.8
Human health issues	97	6.8	41	42.3	43	44.3	2	2.1	11	11.3
Involvement in partisan politics	87	6.1	66	75.9	4	4.6	4	4.6	13	14.9
Charitable giving	71	5.0	28	39.4	6	8.5	1	1.4	36	50.7
Tobacco issues	64	4.5	39	60.9	21	32.8	2	3.1	2	3.1
Involvement in the military ^{4/}	57	4.0	46	80.7	6	10.5	3	5.3	2	3.5
Board diversity	55	3.9	27	49.1	26	47.3	1	1.8	1	1.8
Local or indigenous commun. rights	16	1.1	6	37.5	8	50.0	1	6.3	1	6.3
Animal rights	15	1.1	8	53.3	2	13.3	0		5	33.3
Other/unknown ^{5/}	66	4.6	15	22.7	16	24.2	2	3.0	33	50.0
Total	1424	100.0	773	54.3	418	29.4	42	3.0	191	13.4

Table 1 (cont.)

Type of sponsor	Total		Voted		Withdrawn		Not presented ^{1/}		Omitted	
	No.	% ^{2/}	No.	% ^{3/}	No.	% ^{3/}	No.	% ^{3/}	No.	% ^{3/}
Religious investor	469	32.9	267	56.9	163	34.8	15	3.2	24	5.1
Mutual fund	249	17.5	101	40.6	122	49.0	7	2.8	19	7.6
Individual	246	17.3	128	52.0	15	6.1	8	3.3	95	38.6
Public pension fund	185	13.0	99	53.5	72	38.9	4	2.2	10	5.4
Asset manager	109	7.7	70	64.2	28	25.7	4	3.7	7	6.4
Advocacy group	99	7.0	63	63.6	14	14.1	1	1.0	21	21.2
Trade union	56	3.9	42	75.0	3	5.4	2	3.6	9	16.1
Unknown/university or college	11	0.8	3	27.3	1	9.1	1	9.1	6	54.5
Total	1424	100.0	773	54.3	418	29.4	42	2.9	191	13.4

1/ Not presented, not in proxy, shareholder meeting cancelled, or takeover or merger took place during the proxy season.

2/ Percentage of total number of resolutions.

3/ Percentage of each outcome for the issue category.

4/ It also includes issues of national security.

5/ No category found for four resolutions; plus other categories comprising less than 1% of resolutions each.

Table 2: Outcome of withdrawn proposals in terms of their capacity to influence management

	Withdrawn		Adopted		Dialogue		Unknown (failure)		Withdrawn to avoid omission		Already implem.	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Energy and environment	103	24.6	43	21.5	43	36.8	17	21.8	0		0	
International labor and human rights	76	18.2	43	21.5	16	13.7	12	15.4	5	27.8	0	
Equal employment	78	18.7	60	30.0	6	5.1	12	15.4	0		0	
Fairness in society	29	6.9	4	2.0	13	11.1	10	12.8	1	5.6	1	20.0
Human health issues	43	10.3	10	5.0	27	23.1	4	5.1	2	11.1	0	
Involvement in partisan politics	4	1.0	2	1.0	0		2	2.6	0	0.0	0	
Charitable giving	6	1.4	1	0.5	0		3	3.8	2	11.1	0	
Tobacco issues	21	5.0	4	2.0	2	1.7	8	10.3	6	33.3	1	20.0
Involvement in the military ^{1/}	6	1.4	3	1.5	2	1.7	0	0.0	1	5.6	0	
Board diversity	26	6.2	24	12.0	0		1	1.3	1	5.6		
Local/indigenous commun. rights	8	1.9	2	1.0	3	2.6	2	2.6			1	20.0
Animal rights	2	0.5	0	0.0	1			0.0			1	20.0
Other/unknown ^{2/}	16	3.8	4	2.0	4	3.4	7	9.0			1	20.0
Total	418	100.0	200	100.0	117	100.0	78	100.0	18	100.0	5	100.0

Table 2 (cont.)

Type of sponsor	Withdrawn		Adopted		Dialogue		Unknown (failure)		Withdrawn to avoid omission		Already implem.	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Religious investor	163	39.0	51	25.5	67	57.3	36	46.2	6	33.3	3	60.0
Mutual fund	122	29.2	77	38.5	32	27.4	10	12.8	2	11.1	1	20.0
Individual	15	3.6	3	1.5	1	0.9	7	9.0	4	22.2		
Public pension fund	72	17.2	53	26.5	6	5.1	9	11.5	4	22.2		
Asset manager	28	6.7	12	6.0	6	5.1	9	11.5	1	5.6		
Advocacy group	14	3.3	4	2.0	4	3.4	4	5.1	1	5.6	1	20.0
Trade union	3	0.7			1	0.9	2	2.6		0.0		
Unknown/university or college	1	0.2				0.0	1	1.3		0.0		
Total	418	100.0	200	100.0	117	100.0	78	100.0	18	100.0	5	100.0

1/ It also includes issues of national security.

2/ No category found for four resolutions; plus other categories comprising less than 1% of resolutions each.

Table 3: Vote turnover of voted proposals in the U.S., 2000-2004, according to the category of issues raised and type of filers

	No.	Average turnover (%)
Energy and environment	203	10.8
International labor and human rights	178	10.3
Equal employment	54	16.9
Fairness in society	62	8.3
Human health issues	41	8.4
Involvement in partisan politics	66	7.6
Charitable giving	28	5.7
Tobacco issues	39	7.2
Involvement in the military ^{1/}	46	6.2
Board diversity	27	19.8
Local or indigenous commun. rights	6	7.3
Animal rights	8	4.1
Other/unknown ^{2/}	15	6.3
Total	773	10.0

Type of sponsor	No.	Average turnover (%)
Religious investor	267	9.0
Mutual fund	101	13.5
Individual	128	7.0
Public pension fund	99	13.5
Asset manager	70	10.7
Advocacy group	63	7.6
Trade union	42	9.6
Unknown/university or college	3	43.8
Total	773	10.0

1/ It also includes issues of national security.

2/ No category found for four resolutions; plus other categories comprising less than 1%.

Table 4: Determinants of resolutions' withdrawal

Results of logit regressions, 1= resolution withdrawn, 0= resolution submitted to vote or omitted (z statistics within parentheses)

	Model 1	Model 2	Model 3
Ln (market value)	0.003 (z= 0.07)	0.065 (z =1.03)	0.171 (z= 0.93)
One-year total return	-0.003 (z***= -1.68)	-0.005 (z**= -2.24)	-0.001 (z= -0.16)
Dummy energy & environ.	0.212 (z= 1.21)	0.296 (z= 1.50)	0.347 (z= 0.42)
Dummy int. labor & human rights	-0.449 (z***= -1.93)	-0.489 (z***= -1.83)	1.325 (z***= 1.64)
Dummy equal employment	0.984 (z*= 4.36)	1.161 (z*= 4.47)	1.705 (z***= 2.01)
Dummy board diversity	0.672 (z***= 1.78)	1.100 (z***= 2.53)	2.288 (z***= 1.70)
KLD rating	0.655 (z*= 2.69)	0.809 (z*= 2.84)	1.165 (z= 1.22)
Dummy mutual fund filer	1.157 (z*=6.57)	1.096 (z*= 5.38)	0.503 (z= 0.76)
Dummy pension fund filer	0.857 (z*= 3.61)	0.883 (z*= 3.27)	-0.296 (z= -0.40)

Table 4 (cont.)

Ln (intangibles)		-0.074 (z= -1.43)	-0.077 (z= -0.52)
Vote previous year			0.066 (z**= 2.11)
Constant	-1.306 (z**= -2.66)	-1.415 (z**= -2.42)	-4.816 (z= -2.61)
No. of observations	1165	935	216
Pseudo R2	0.07	0.09	0.15

*, **, *** significant at 99%, 95% and 90% respectively.

Table 5: Determinants of resolutions' adoption or dialogue

Logit regression, dependent variable, 1= withdrawn resolution adopted or dialogue initiated, 0=resolution submitted to vote, withdrawn for unknown reasons, to avoid omission, already implemented or omitted (z statistics within parentheses)

	Model 1	Model 2	Model 3
Ln (market value)	-0.028 (z= -0.56)	0.065 (z= 0.93)	0.291 (z= 1.25)
One-year total return	-0.001 (z= -0.49)	-0.003 (z= -1.27)	-0.003 (z= -0.34)
Dummy energy & environ.	0.406 (z**= 2.06)	0.349 (z= 1.58)	0.291 (z= 0.22)
Dummy int. labor & human rights	-0.391 (z= -1.48)	-0.630 (z**= -2.06)	1.049 (z= 0.80)
Dummy equal employment	1.187 (z*= 4.93)	1.232 (z*= 4.50)	2.515 (z**= 2.05)
Dummy board diversity	0.814 (z**= 2.06)	1.195 (z*= 2.67)	3.011 (z***= 1.83)
KLD rating	0.656 (z**= 2.38)	0.710 (z***= 2.23)	1.645 (z= 1.28)
Dummy mutual fund filer	1.415 (z*= 7.68)	1.399 (z*= 6.56)	0.521 (z= 0.62)
Dummy pension fund filer	1.018 (z*= 3.98)	1.247 (z*= 4.30)	0.891 (z= 0.92)

Table 5 (cont.)

	Model 1	Model 2	Model 3
Ln (intangibles)		-0.092 (z= -1.61)	-0.151 (z= -0.84)
Vote previous year			0.115 (z*= 2.90)
Constant	-1.614 (z*= -2.95)	-1.818 (z*= -2.81)	-7.040 (z*= -2.81)
No. of observations	1165	935	216
Pseudo R2	0.11	0.12	0.29

*, **, *** significant at 99%, 95% and 90% respectively.

Table 6: Determinants of vote turnoverOLS regression (*t* statistics within parentheses)

	Model 1	Model 2	Model 3
Ln (market value)	-0.404 (<i>t</i> **= -2.31)	-0.497 (<i>t</i> = -1.60)	-0.352 (<i>t</i> = -1.10)
One-year total return	0.004 (<i>t</i> = 0.39)	0.003 (<i>t</i> = 0.23)	-0.007 (<i>t</i> = -0.90)
Dummy energy & environ. issues	3.058 (<i>t</i> *= 3.42)	3.198 (<i>t</i> *= 2.81)	1.380 (<i>t</i> = 1.34)
Dummy int. labor & human rights issues	0.665 (<i>t</i> = 0.67)	0.375 (<i>t</i> = 0.29)	1.801 (<i>t</i> ***= 1.89)
Dummy equal employment issues	8.313 (<i>t</i> *= 3.91)	8.886 (<i>t</i> *= 2.90)	3.096 (<i>t</i> = 1.59)
Dummy board diversity issues	8.478 (<i>t</i> *= 3.37)	5.688 (<i>t</i> ***= 1.91)	-10.097 (<i>t</i> *= -2.73)
KLD rating	-2.880 (<i>t</i> *= -2.71)	-2.828 (<i>t</i> **= -2.00)	0.549 (<i>t</i> = 0.45)
Dummy mutual fund filer	2.782 (<i>t</i> **= 2.53)	3.106 (<i>t</i> **= 2.26)	1.232 (<i>t</i> = 0.64)
Dummy pension fund filer	4.632 (<i>t</i> **= 2.56)	4.980 (<i>t</i> **= 2.25)	-0.662 (<i>t</i> = -0.60)

Table 6 (cont.)

	Model 1	Model 2	Model 3
Vote turnover previous year			0.606 ($t^*=6.85$)
Ln (intangibles)		0.108 ($t=0.38$)	0.050 ($t=0.22$)
Constant	10.900 ($t^*=6.03$)	11.201 ($t^*=4.86$)	5.883 ($t^{**}=2.33$)
No. of observations	662	529	247
R-squared	0.13	0.11	0.42
F statistics	F(9,652)=7.47	F(10, 518)=4.37	F(11, 174)=8.23

*, **, *** significant at 99%, 95% and 90% respectively.

CONCLUSION GÉNÉRALE

Le but principal de ce travail était d'étendre la connaissance sur l'activisme de l'actionnariat à l'intention du social. Plus précisément, notre but était d'analyser les types de firmes ciblées par les actionnaires ayant déposé ou soumis des résolutions à caractère social; les types d'acteurs et des sujets amenés à la considération des dirigeants de firmes par l'intermédiaire de ce mécanisme de gouvernance d'entreprise, les dénouements des résolutions dans le court terme, ainsi que les facteurs pouvant leur être associés.

Notre premier essai a comme objectif de vérifier si les actionnaires ayant soumis des résolutions à caractère social ciblent davantage des compagnies qui affichent un nombre de caractéristiques financières et autres. Pour cela nous comparons, en utilisant des analyses univariée et multivariée (régressions de vraisemblance maximale), les caractéristiques d'un groupe de firmes ayant reçu des résolutions à caractère social avec un groupe témoin de firmes, ces dernières n'ayant pas reçu ce genre de résolutions pendant une fenêtre de temps déterminé (trois ans avant et trois ans après la soumission de la résolution à la compagnie dans l'échantillon original avec laquelle elles sont comparées.) Notre approche nous permet de faire une contribution importante à la littérature existante. Les auteurs qui ont analysé la question ont comparé les caractéristiques des firmes qui avaient déjà reçu une résolution en examinant, par exemple, les caractéristiques reliées à l'intensité avec laquelle elles recevaient des résolutions (par exemple, Rehbein et al., 2004). Notre article permet d'aller en amont dans l'analyse de la prise de décision, car nous examinons les caractéristiques des firmes comparables qui auraient pu être ciblées (mais qui finalement n'ont pas reçu une résolution) avec d'autres qui ont été effectivement ciblées par les actionnaires activistes.

Notre analyse univariée signale que les actionnaires activistes ciblent davantage les compagnies de plus grande taille, ce qui est cohérent avec notre hypothèse. Ils ont tendance à cibler aussi des firmes moins performantes socialement. Cependant, les résultats de l'analyse univariée sont moins clairs concernant d'autres variables. Notre hypothèse indique que les firmes plus performantes financièrement devraient être ciblées davantage, car elles auront plus de capacité pour investir dans des projets destinés à améliorer leur performance sociale. Les résultats sont

hétérogènes. Le rendement total de marché, par exemple, est plus élevé pour les firmes témoins comparativement aux firmes dans l'échantillon original. Par contre, les rendements des capitaux propres des compagnies ciblées sont plus élevés. On observe une situation similaire concernant le niveau de risque des firmes ciblées. Notre hypothèse indique que les firmes qui affichent des indicateurs de risque moins élevés devraient attirer l'attention des activistes, car les firmes auraient accès à des sources de revenus plus prévisibles. Certains indicateurs de risque tels que la dette à long terme divisée par la valeur des actifs, appuient notre hypothèse. D'autres indicateurs, comme le ratio passif total aux actifs ou encore la dette à long terme divisée par les capitaux propres, infirment notre hypothèse.

L'analyse multivariée nous permet de clarifier considérablement les résultats de l'analyse univariée. D'abord, elle confirme que la taille de la firme (mesurée par le logarithme naturel de la valeur de marché) augmente la probabilité d'être ciblée par des soumissionnaires. Nos régressions infirment plus clairement notre hypothèse concernant l'effet de la rentabilité de la firme sur la probabilité d'être ciblée. En fait, le coefficient du rendement total de marché (un an) est négatif et significatif, ainsi que le coefficient de la variable flux de trésorerie disponible (divisée par la valeur totale d'actifs.) Les rendements des capitaux propres affichent un coefficient positif, mais non significatif. L'analyse multivariée suggère également que les compagnies plus risquées ont tendance à être davantage ciblées. Nous supposons que les activistes préfèrent ce genre de firmes, car ils pourraient ainsi profiter du soutien potentiel des autres investisseurs non activistes qui pourraient exprimer leur mécontentement aux dirigeants de cette façon. Alternativement, nous trouvons plausible que les compagnies moins performantes financièrement et plus risquées soient choisies par les activistes, parce qu'elles sont surveillées de plus près par tous les intervenants dans les marchés financiers, qui seraient plus inquiets concernant les enjeux sociaux qui ne sont pas pris en compte au sein de la firme et qui pourraient nuire à la performance financière de la firme.

L'analyse multivariée confirme qu'il y a une relation négative entre la probabilité d'être ciblée par les activistes et la performance sociale de la firme. En fait, les coefficients pour cette variable sont négatifs et statistiquement significatifs dans tous les modèles. Nous concluons que pour un nombre important d'acteurs, il y a un intérêt à provoquer des changements dans les firmes qui sont précisément moins performantes socialement, car cela pourrait attirer une plus grande clientèle (fonds de placement en commun, par exemple) ou bien plus de frais d'adhésion des nouveaux membres (organisations sans but lucratif), entre autres.

Nous avons effectué des régressions séparées pour différents types d'actionnaires ayant soumis des résolutions : fonds de retraite, fonds communs de placement, organisations à but non lucratif, investisseurs individuels et investisseurs religieux. On détecte que ces acteurs affichent des différences en termes de caractéristiques des firmes qu'ils ciblent, mais pas d'une façon significative. Globalement, la probabilité d'être ciblée augmente avec la taille de l'entreprise pour les différents types d'actionnaires ayant soumis des résolutions et diminue avec la rentabilité. L'évidence est plus hétérogène concernant l'impact du risque dans la décision de cibler une compagnie. Les régressions séparées montrent également des coefficients négatifs de la performance sociale pour l'ensemble d'actionnaires ayant soumis des résolutions, sauf pour les investisseurs individuels. Nous supposons que cela pourrait refléter que ce type d'acteur ait un agenda plus « idéologique » que d'autres intervenants. Cette possibilité demande toutefois une étude plus approfondie.

Notre deuxième article aborde la question des acteurs et sujets contenus dans les résolutions reçues par les compagnies. Nous avons élaboré des catégories complètes et exhaustives à cet effet. Nous avons étudié également dans cet article les différents dénouements possibles des résolutions, c'est-à-dire si les résolutions ont été soumises au vote d'actionnaires, omises par le régulateur ou bien retirées de la circulaire, car négociée entre les actionnaires ayant soumis la résolution et les dirigeants de la firme. La littérature existante sur les résolutions à caractère social suggère que le retrait des résolutions indique une négociation entre les deux parties, et que le retrait reflète des concessions de la part des dirigeants. Donc, « succès » dans le sens de capacité d'influencer la politique sociale de la firme, au moins dans le court terme, est assimilé au retrait des résolutions. Dans cet essai nous avons examiné l'opération de la Règle 14a-8 qui gouverne la soumission des résolutions d'actionnaires. Nous y présentons une série de raisons qui rendent plausible la vision que le retrait pourrait refléter une négociation entre actionnaire activiste et dirigeants de la firme ciblée, mais aussi un intérêt de ce dernier de ne pas afficher des échecs envisageables. Nous examinons chaque résolution retirée par les soumissionnaires afin de déterminer la raison sous-jacente du retrait, soit l'adoption du contenu de la résolution, le dialogue ou bien l'absence de publicisation du dénouement de la résolution, que nous assimilons à un échec de la part de l'actionnaire engagé. Notre approche nous permet de constater que l'activisme de l'actionnariat à l'intention du social est moins effectif que ce qui a été suggéré dans la littérature existante. Néanmoins, certains types d'actionnaires activistes, tels que les fonds de retraite et les fonds mutuels, affichent une capacité accrue d'influencer les dirigeants des

entreprises ciblées. Également, certaines catégories de sujets contenus dans les résolutions ont tendance à être adoptées par les dirigeants des firmes ciblées. En outre, nous constatons que si l'activisme de l'actionnariat à caractère social peut être confronté à des limites dans les compagnies ciblées, cette forme d'activisme ne demande pas de grands investissements, comme pourrait être le cas des boycotts ou d'autres formes de pression sur les entreprises.

Le troisième essai cherche à vérifier si certaines caractéristiques des firmes et des résolutions elles-mêmes, favorisent dans le court terme l'adoption par l'équipe de direction des suggestions contenues dans les résolutions d'actionnaires à caractère social. Une partie importante de la littérature existante sur l'activisme de l'actionnariat soutient que l'utilisation de la Règle 14 a-8 a des effets à long terme, notamment parce que les dirigeants des compagnies ciblées adoptent les politiques suggérées par les actionnaires engagés, mais sans reconnaître l'influence de ces dernières. En plus, selon certains chercheurs, les firmes ont tendance à suivre leurs pairs plus innovateurs sur le plan de la politique sociale, par crainte de pertes significatives de demande dans les marchés de produits et de capitaux, ainsi que pour éviter l'adoption de réglementations plus contraignantes par les gouvernements. Notre recherche reconnaît que ces points peuvent s'avérer importants, mais nous concentrons l'analyse dans le court terme car il semble nécessaire qu'un nombre de compagnies adoptent d'abord ces initiatives pour qu'elles soient ensuite adoptées par d'autres firmes.

La littérature existante sur l'activisme à l'intention de la gouvernance d'entreprise a été guidée par la théorie de l'agence. Dans cette approche, la relation entre activistes de l'actionnariat et dirigeants est forcément de confrontation, car les actionnaires essaient de forcer les dirigeants à adopter une série de mesures destinées à accroître leur richesse. Dans notre recherche, nous concevons également comme une confrontation la relation entre actionnaires ayant soumis des résolutions à caractère social et dirigeants. Cependant, dans notre cas, en tenant compte de différences dans les buts visés par les activistes engagés dans cette activité, les caractéristiques de la firme qui pourraient faire pencher la balance en faveur des actionnaires sont différentes.

Nous utilisons deux critères de succès (c'est-à-dire résultats favorables aux actionnaires activistes) : le retrait de la résolution (définition de base dans la littérature), car il constituerait une évidence des négociations entre activistes et dirigeants, et une définition plus restreinte où l'on compte comme succès uniquement les retraits de résolutions pour lesquelles on a pu constater une promesse des dirigeants en contrepartie du retrait.

Nous utilisons des régressions de vraisemblance maximale pour étudier si un nombre de variables a un impact sur les succès de la résolution, ces derniers mesurés par les deux indicateurs mentionnés plus haut. Notre recherche montre que la taille de l'entreprise (mesurée par le logarithme naturel de la valeur marchande de la firme) ne joue pas un rôle important dans le dénouement de la résolution favorable aux actionnaires, et cela au-delà des critères de succès utilisés. Nous arrivons aussi à la conclusion que la rentabilité de la firme, mesurée par le rendement total de marché (1 an), diminue la probabilité d'un retrait. Il est possible que le résultat soit expliqué par un monitoring accru des compagnies peu performantes financièrement, lesquelles pourraient souffrir davantage à cause de possibles sujets sociaux non résolus, qui pourraient être mis en évidence par l'absence d'une négociation avec les actionnaires activistes. Cependant, l'introduction dans la régression de la variable pourcentage de votes reçus par la résolution l'année précédente (laquelle affiche un coefficient positif et significatif) élimine la signification statistique de la rentabilité.

Dans certains cas, les types de sujets contenus dans les résolutions semblent favoriser les retraits des résolutions; tel est le cas de résolutions proposant des mesures pour créer des environnements de travail libres de discrimination dans les opérations domestiques, et d'autres demandant des conseils d'administration avec plus de représentation de minorités ethniques et de femmes. D'autres types de demandes contenues dans les résolutions, telles celles reliées à l'environnement et l'énergie ainsi qu'au respect des droits de la personne et des travailleurs dans les opérations internationales, ne semblent pas augmenter la probabilité d'un retrait. On s'attendait à ce que tous les types de demandes évoquées augmentent la probabilité d'un retrait de résolutions. Les résultats concernant l'impact du type de résolutions sur la probabilité d'un retrait sont difficiles à expliquer. Une explication possible serait que des sujets tels que l'environnement ou les droits de la personne et du travail au niveau international couvrent un ample éventail de demandes. Certaines de ces demandes seraient perçues comme appartenant à des agendas très « idéologiques » émanant de groupes avec des intérêts très étroits, avec une capacité très réduite de nuire à la firme en cas de rejet.

Les fonds communs de placement montrent une capacité accrue, vis-à-vis d'autres types d'acteurs, de négocier des retraits des résolutions. C'est le cas aussi des fonds de retraite, mais l'influence positive de ces derniers sur la possibilité d'un retrait disparaît quand on introduit le pourcentage de vote de l'année précédente dans les régressions. La cotation de la performance

sociale des firmes, élaborée par la firme KLD, augmente la probabilité d'un retrait. Néanmoins, cette variable perd son influence dans le modèle qui contient le pourcentage de votes reçus par la proposition l'année précédente. La possession de marques facilement reconnaissables par le public, qui pourrait être entachée par une publicité négative, et qui a été mesurée par le logarithme de la valeur des intangibles, ne montre pas une influence claire sur la probabilité d'un retrait. Cependant, on doit prendre cette conclusion avec précaution, car les chercheurs dans le domaine de la comptabilité signalent que les actifs intangibles sont souvent sous-évalués.

Globalement, les résultats sont semblables quand on utilise la définition plus contraignante pour le succès de la résolution, c'est-à-dire qu'on caractérise comme succès seulement les retraits pour lesquels nous avons identifié de l'information sur l'implémentation ou initiation possible d'un dialogue entre activistes et dirigeants. Toutefois, il est important de remarquer que les coefficients pour le rendement total de marché, tout en restant négatifs, deviennent non significatifs dans ce cas.

L'article examine, en utilisant la méthode des moindres carrés ordinaires, les déterminants du vote reçu par les résolutions. À cet égard, les coefficients de régressions pour la taille de la firme et le rendement total de marché sont statistiquement non significatifs. Certains sujets tels que l'environnement et l'énergie ainsi que la diversité dans le conseil d'administration, reçoivent plus de votes, néanmoins, dans les deux premiers cas les coefficients perdent leur significativité statistique lorsque le pourcentage de votes reçus par la résolution est introduit dans la régression. Les résolutions soumises par les fonds de placement en commun et les fonds de retraite récoltent elles aussi plus de votes. Également, ces variables perdent leur signification quand on introduit le pourcentage de votes reçus par la résolution l'année précédente. Le rating pour la performance sociale affiche des coefficients négatifs et significatifs dans deux des modèles, ce qui nous amène à supposer que dans certains cas, les dirigeants pourraient favoriser une performance sociale de la firme qui est au-delà du niveau souhaité par les investisseurs. Cet aspect demanderait, toutefois, plus de recherche.

La thèse a étendu la connaissance sur l'activisme de l'actionnariat à l'intention du social. Nous avons apporté de nouvelles informations et perspectives sur les types des firmes ciblées par cette forme d'activité. Aussi, nous avons élaboré l'information sur les acteurs impliqués dans cette activité, les types d'enjeux contenus dans les résolutions, les résultats finaux de ces résolutions et leurs déterminants. Nous espérons que d'autres chercheurs pourront se servir de ces résultats pour

étendre la connaissance du phénomène que nous avons étudié, mais aussi d'autres aspects connexes reliés à la responsabilité sociale de l'entreprise.