A good reputation: a protection against shareholder activism?

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Abstract:

When shareholders become dissatisfied with a public company's policies or actions, they may resort to activist interventions. Shareholder activism has been described as an attempt to resolve agency conflicts by directly influencing management or board decisions. Shareholder activism may be incited by a lack of focus on shareholder value, a misalignment of corporate governance, or a number of social and environmental policy issues. Over recent years, shareholder activism has become more frequent, professional, and costly to corporations. Large, visible companies are held to be most susceptible to activist interventions, potentially damaging their corporation reputation. In this study, we analyze the effect of a good corporate reputation on the susceptibility of public companies to shareholder interventions in the form of proxy fights. We consider both the frequency and success of shareholder proposals and differentiate the effect of corporate reputation by issues context. Our findings indicate that a good corporate reputation serves as a two-fold inoculation against shareholder interventions, reducing both the frequency and success of proxy fights.

A Good Reputation: A Protection against Shareholder Activism?

Introduction

A good corporate reputation has been shown to provide legitimacy to a company and stabilize its stakeholder relationships (Fombrun, 1996; Deephouse, 2000). It helps companies attract customers, recruit and motivate talented employees and induce favorable treatment by the media (Fombrun, 1996; Fombrun, 2002). In short, a good reputation establishes trust and credibility with a company's various stakeholders (Fombrun, Gardberg & Barnett, 2000; Larkin, 2003).

Among these stakeholders are a company's investors: Studies have shown that a favorable reputation helps a company become an "investment of choice", enhancing its ability to attract capital at lower costs, thus generating a price premium for its shares (Fombrun, 2002; Helm, 2007; Larkin, 2003). A good reputation increases investor loyalty and reduces share price volatility, even in times of a crisis. Conversely, it can be hypothesized that a weak corporate reputation will make a company more vulnerable to shareholder dissatisfaction, criticism and interventions, with shareholders resorting to activism when management actions are out of kilter with their interests.

In this article, we explore the effect of corporate reputation on the susceptibility of public companies to interventions by activist shareholders, and the likelihood of organizations having to yield to their demands. We will differentiate the performance dimensions the reputation measure encompasses, and analyze whether failures in specific dimensions make corporations especially susceptible to challenges in the capital markets. Our analysis is based on a sample of U.S. public companies covered by the RepTrak™ Pulse during the years 2011-2013.

Shareholder activism first emerged because large and complex organizations are subject to agency problems, as shareholders struggle to make sense of business decisions and future prospects (Berle and Means, 1932; Eisenhardt, 1989; Fama, 1980; Jensen and Meckling, 1976; Clark, Salo and Hebb, 2006; Dalton and Dalton, 2007). In the past, most investors, particularly institutional investors, played a predominantly passive role when interacting with a company: overall, they pursued a diversified long- to mid-term, hands-off portfolio strategy. They maintained observer status regarding a company's business development and reacted only to fundamental changes. When passive investors did communicate with the company, it was to seek information and an exchange of views regarding the company’s long-term strategy, fundamental value drivers and critical success factors, rather than to influence the company’s immediate plans or actions. Accordingly, passive investors would follow the Wall Street Rule and sell part or all of their holdings when the company’s strategy or performance was no longer in line with their expectations (cf. Hirschman, 1971).

These traditional capital market relationships, however, were fundamentally shaken up when institutional investors began joining hedge funds in engaging companies on various aspects of their corporate governance rules and practices. Arthur Crozier, Chairman of Innisfree M&A called 2014 the watershed year for shareholder activism as more protesters targeted more companies than ever before (Activist Insight, 2015). Crozier notes: “Issuers of all sizes are more vulnerable to activism than ever before, particularly as they must confront increased skepticism by their fundamental institutional investors and a shifting corporate governance paradigm that is changing the rules of engagement” (p. 6).

The upsurge of shareholder activism has thus transformed the character of companies’ interactions with their shareholders and thereby the established system of corporate governance (Kahan and Rock, 2006). Briggs (2007) notes that shareholder activism introduces "balance-of-power politics" into a company's corporate governance where a power struggle erupts between various actors, most significantly between the board of directors and the shareholders. Companies find themselves in uncharted territory as a new dynamic is introduced into their dealings with a previously passive or even sluggish shareholder base. Suddenly, they are faced with unruly, demanding, well-informed and shrewd investors who may be able to wrest corporate power from the managers' hands at any moment.

Shareholder activism is extremely costly to firms; almost three-quarters of activist demands were at least partially satisfied in 2014, according to Activist Insight data (2015). Firms simply cannot afford to ignore the expectations of a more activist shareholder base. Discrepancies between shareholders' expectations of organizational behavior and perceived organizational behavior put a firm's success at risk. Conversely, a good corporate reputation indicates an alignment of shareholder expectations and corporate behavior. Accordingly, while increasing shareholder activism and the resulting proxy fights can be regarded as indicators of shareholder discontent, a good corporate reputation should decrease the likelihood of shareholder interventions. In this study, we hypothesize that a good corporate reputation will serve to reduce both the number and success of proxy fights, and thereby will render corporations less susceptible to shareholder interventions.

Literature Review

Causes and Forms of Shareholder Activism

A core feature of public companies is the separation of ownership and control, i.e., the principal-agent relationship between shareholders and management – shareholders, especially those of large public companies, do not directly control strategic or operational management decisions (Berle and Means, 1932; Eisenhardt, 1989; Fama, 1980; Jensen and Meckling, 1976). As shareholders (principals) delegate the administration of their resources (investment) to a manager (agent), the agent faces incentives to further his/her own interests before those of the principal (Fama and Jensen, 1983). One of the core objectives of a company's corporate governance structure is to alleviate such agency problems by assuring shareholders constitutional, structured and continuous channels for influencing the management of the organization (Alchian and Demsetz, 1972; Jensen and Meckling, 1976; Fama, 1980).

Agency problems are especially relevant to management's incentives to increase shareholder value (Karpoff, 2001; Nisar, 2005). Jensen (2000) describes the insulation of management from shareholders' interests as inconsistent with efficiency and shareholder value. Large and complex public companies have been shown to be especially prone to a) chronic underperformance, measured in terms of unencumbered cash flow against the value of productive assets, b) over-investment by corporate managers in the form of higher-than-justified retained earnings, and c) the exploitation of shareholders through lower-than-expected dividends and low rates of appreciation in the market prices for corporate stock (Clark, Salo and Hebb, 2006, p. 8; Kahan and Rock, 2006). Such cases of severe agency conflicts can also be seen as failures of established corporate governance structures, as these structures have failed to prevent the respective interests of management and shareholders from resulting in conflict (Bebchuk and Cohen, 2005; Bebchuk, 2005; Kahan and Rock, 2006).

Shareholder activism is understood as the attempt of shareholders to directly impact, form or change management decisions. Shareholder activism can take many forms. These include binding and non-binding (or precatory) shareholder proposals, quiet negotiations to obtain governance or other changes, and campaigns to withhold votes or vote against directors (Kahan and Rock, 2006; Bethel et al., 1998; Becht et al., 2006; O'Rourke, 2003; Rehbein, Waddock and Graves, 2004). One of the most popular tools of shareholder activists are proxy fights. A proxy fight (or battle) occurs when a group of shareholders is persuaded to join forces and gather enough shareholder proxies (vote) to win a corporate vote. This may occur when a corporation's shareholders develop opposition to some aspect of corporate governance, often focusing on directorial and management positions. The goals of activists in a proxy contest typically include obtaining seats on the target company's board to initiate actions that the activist believes will enhance shareholder value and/or effect changes in the company's policies.

In the finance and management literature, the pursuit of shareholder value is assumed to be the main driver of shareholder activism (Del Guercio and Hawkins, 1999; Ryan and Schneider, 2002; Bethel *et al.,* 1998; Becht *et al.,* 2006; Brav *et al.,* 2008). In their 1996 study, Karpoff, Malatesta and Walkling identified three primary categories of issues that were the subjects of shareholder proposals:

- external corporate control market issues: resolutions to rescind a poison pill, put a poison pill to shareholder vote, ban greenmail payments, and opt out of a state antitakeover law.
- internal corporate governance issues: shareholders' ability to influence corporate policies through share voting
- executive compensation-related issues: limits on executive pay or requirements that directors own company stock

A fourth category, 'miscellaneous issues', primarily include proposals to involve shareholders more directly in the monitoring or appointment of directors, and proposals for the firm to conduct specific business transactions.

Shareholder activism often also denotes a method applied by hedge funds pursuing a specific short- to mid-term investment strategy that relates solely to the stock of a company. These funds take an activist stance vis-à-vis senior management, often in public and through the media, in order to trigger specific decisions or transactions that are believed to affect share prices. Such forms of activism are primarily geared towards short-term payoffs and can be seen as particularly controversial. These strategies differ from the activist approaches of traditional institutional investors like pension funds, in that they are directed at specific aspects of a company's business or management rather than changes in corporate governance rules (Kahan and Rock, 2006; Briggs, 2007).

While scholars usually interpret shareholder activism in terms of shareholder returns, the rise in shareholder activism over the years has also been motivated by social and moral concerns (Romano, 2001). Social issue advocates, including religious groups, environmental groups, union groups and social investors, buy stock and exercise shareholder rights in an attempt to exert pressure on corporations to change company practices (O'Rourke, 2003; Rehbein, Waddock and Graves, 2004, p. 240).

According to the Manhattan Institute's Center for Legal Policy-sponsored Proxy Monitor, "of the shareholder proposals introduced at the 219 Fortune 250 companies to have held annual meetings on the date of their report, 48 percent involved social or policy concerns" (Proxy Monitor, 2014). In 2014, investors with a social, religious, or policy orientation sponsored 28 percent of all shareholder proposals listed on Fortune 250 companies' proxy ballot, an increase of 25 percent from 2013. Social investors' dominant social and policy proposals involved environmental concerns (43 percent) and corporate political spending or lobbying (33 percent). A smaller percentage involved animal rights and human-rights-related proposals.

Shareholder Activism and Corporate Reputation

Invariably, shareholder activism affects the interaction between management and shareholders. When activists are discontented with managements' adaptation to shareholder demands, they do not hesitate to challenge the executives' authority. In many cases, they push for and achieve adjustments in corporate governance structures and processes (Del Guercio and Hawkins, 1999; Kahan and Rock, 2006; Bratton, 2007; Brav *et al.*, 2008). Shareholder activists do not shy away from directly attacking senior managers and even pursuing their resignation if they do not comply with shareholder demands (Dodd and Warner, 1983; Smith, 1996; Briggs, 2007). While the first step in an activist's intervention is commonly the direct engagement of senior managers in order to present specific wishes and demands, activists also base their leverage on attempts to shape investor sentiments and mobilize the shareholder base for their causes. Aside from senior management, activists also engage constituencies such as supervisory boards, work councils, analysts, shareholders' associations or the financial press. In many cases, they are quite savvy in using the media and the forum of public opinion in order to create public pressure or even attack the reputation of a company and its management (Gabbionetta et al., 2007).

Shareholder activists use their right to speak at general meetings, for instance, to denounce companies for employing child labor or polluting the environment in under-developed countries, or to oppose certain products or an organization's value system. These nuisances may or may not be tolerable for the corporation, depending on the extent to which their criticism relates to a company's business. The more broadly the voiced concerns are shared, the greater the effects of the campaign. This may result in capital markets' discounting of negative perceptions and uncertainty in the mid- or even long-term (Mazzola, Ravasi and Gabbionetta, 2006).

Embedded in social activists' use of resolutions to engage companies is the idea of threatening corporate reputations in the financial marketplace in order to force changes in companies' internal policies and ultimately their social impact (Graves, Rehbein, and Waddock, 2001; Clark *et al.,* 2006). There is no doubt that reputation has value for an organization. It is built over the years normally with (1) continuous investments in promotion, (2) strong customer and supplier relationships, (3) high quality of goods and services, and (4) high quality and conduct of management and employees. Organizations that do the right thing as demonstrated in their business practices internally are viewed as being responsible and are awarded with strong brand recognition.

According to Rehbeien, Waddock and Graves (2004), activists “are selective in their targeting of companies, choosing the most visible (largest) companies and those whose practices raise specific issues of interest to society” (p. 239). Companies with a reputation for producing problematic products and having environmental concerns are also more likely to be targets for shareholder activism, and companies in specific industries are targeted based on poor employee and community related practices.

Dalton and Dalton (2007) describe public shaming as a way for shareholder activists to create attention to an issue that is ignored by the firm. Perfected by the California Employees Reitrement System (CalPERS), public naming or shaming consists of publishing a hit list of companies judged to require adjustments in corporate governance. This tactic has since been used by other watchdog and advisory organizations. Wu (2004) found that the shaming actions of CalPERS had an influence on public opinion, and that the resulting reputation concerns were effective for convincing firms to make positive changes to their corporate governance systems. Of course, companies with a weak corporate reputation are more vulnerable to public shaming efforts than those enjoying more favorable public perceptions.

In the literature on shareholder activism, there is ample evidence that shareholder activists engage in activities that are likely to impact on an organization’s reputation. However, there is little evidence on how their activities are affected or guided by the strength of a corporation’s reputation. This research will shed light on the relationship between corporate reputation and shareholder activism by analyzing the susceptibility of corporations to shareholder interventions in the form of proxy fights. The analysis will take distinct shareholder issues into account and differentiate the role of the corporate reputation by issue context.

Methodology

The analyses performed in this study are based on data from Reputation Institute's RepTrak™ Pulse rankings of the most visible firms in the U.S. for the three years 2011-2013. RepTrak™ Pulse is the world's largest in-depth study of corporate reputations in over 30 countries around the globe. The survey is particularly suited to this study as it collects data on several dimensions of corporate reputation and supportive behavior and the data have been adjusted for example to facilitate global comparisons (cf. Boslaugh, 2007).

Companies making up the list of firms are evaluated by a representative sample of the population, with a minimum of 300 evaluators assessing each firm. To be eligible, respondents are first screened to determine their knowledge of the firms they are evaluating; at a minimum, they must be somewhat familiar with the company. Data is collected through an on-line questionnaire in the respondents' native language and is normally done the first quarter of the year. Respondents provide their views on the following variables:

- Perceptions of the firm's reputation
- Perceptions of organizational practices and procedures that drive reputation,

Reputation Perceptions**.** Drawing on signaling theory to conceptualize corporate reputation as a set of beliefs held about companies by their stakeholders (see Ponzi et al, 2011), Reputation Institute researchers designed a summative scale, the "RepTrak™ Pulse", to capture the reputation construct (Alpha = .95, Goodness of Fit Indexes > 0.900). The scale consists of three questions about the 'emotional' appeal of the firm and one question about the firm's overall reputation:

- [Company] is a company that I trust
- [Company] is a company that I admire and respect
- [Company] is a company I have a good feeling about

- [Company] has a good overall reputation

*Reputation Drivers***.** Reputation assessments are seen to be influenced by stakeholder perceptions of seven fundamental organizational process variables considered "drivers" of corporate reputation (cf. Fombrun, Gardberg and Sever, 1999). Reputation Institute operationalizes these drivers as follows:

- Product/Service Quality: [Company] offers high quality products and services -- it offers excellent products and reliable services.
- Performance Outcomes: [Company] is a high-performing company -- it delivers good financial results
- Innovation Orientation: [Company] is an innovative company -- it makes or sells innovative products or innovates in the way it does business
- Leadership Practices: [Company] is a company with strong leadership -- it has visible leaders & is managed effectively
- Governance Procedures: [Company] is a responsibly-run company -- it behaves ethically and is open & transparent in its business dealings
- Workplace Climate: [Company] is an appealing place to work -- it treats its employees well
- Citizenship Activities: [Company] is a good corporate citizen -- it supports good causes & protects the environment.

The relative contribution of each driver to the RepTrak™ Pulse score can be calculated using a factor adjusted regression modeling procedure.

All variables are re-scaled from the 1-7 metric to a 1-100 metric then normalized and standardized to facilitate global comparisons. For each variable, the score resulting from this calculation was the figure used in our subsequent analyses. Reputation Institute proposes that, based on global distributions of "Pulse" scores over time, companies earning scores above 80 may be considered as "top tier" with "excellent" reputations, scores between 70-79 may be considered "strong/robust" reputations, scores from 60-69 constitutes a "moderate" or average reputation, a score from 40-59 signifies "reputational weakness" or "vulnerability", The number of corporate proxy challenges is used as a measurement of shareholder activism. Data on proxy challenges was obtained from proxymonitor, a register of all proxy challenges filed with the SEC, covering the years 2011-2013 for only those companies listed on the RepTrak rankings for the same years. All companies subject of a proxy challenge in this timeframe were considered. Altogether the collected database covered 649 proxy challenges affecting 132 corporations. The proxymonitor database also provides information on the type and subject of the proposal as well as the percentage of votes in favor of the proposal at the respective annual shareholders meetings.

The shareholder proposals were categorized into four general proposal types: social policy (SP), corporate governance (CG), executive compensation (EC), voting rules (VR).

The overall number of proposals for the sample population remains relatively constant, with 204 proposals in 2011, 232 in 2012 and 213 in 2013 (see Table 1). This indicates that we did not pick a period of observation covering periods with extraordinary events, creating potential distortions in the data. The most frequent type of shareholder proposal in each year is the social policy proposal with between 87 and 99 proposals per year. The second most common type of proposal is the corporate governance proposal, which varies more widely between 53 and 79 proposals per year. The least frequent proposal type addresses voting regulations, with only 15 to 28 proposals per year.

TABLE 1 Frequency of Proposal Types ABOUT HERE

In our analysis, we considered two variables indicating the vulnerability of a corporation to proxy challenges: first, the overall number of proposals over the three-year timeframe, and second percentage of votes cast in favor of shareholder proposals. Company size was measured by market capitalization.

The analysis was carried out in two steps. In a first, descriptive step, we took the affected corporations as unit of observation (N=131) and conducted a Pearson correlation analysis considering the overall number of proposals attracted per company over the three year time period (overall as well as differentiated by proposal type), the average market capitalization over the same time span, and the respective RepTrak scores (overall and for each dimension), again averaged over the three year-time span. We used SPSS 21 to analyze the data. Table 2 presents the results of the correlation analysis as well as some basic descriptives.

In a second step, we conducted multiple regression analysis, again using SPSS 21, treating shareholder proposals as unit of observation and votes in favor (%) as dependent variable. We considered the overall RepTrak scores, market capitalization and type of proposal (dummy) as independent variables (see Table 3). Since the correlation analysis – as expected – showed significant intercorrelation among the RepTrak Pulse dimensions, we chose to only include the overall RepTrak Pulse measure in the regression analysis.

The following segment presents and discusses the results of both analyses.

Results and Discussion

Table 2 reports the findings of the correlation matrix of number of proposals, corporation size and reputation over a three year timespan (2011-2013). The overall number of propositions is strongly and positively correlated with the size of the corporation, as measured by market capitalization. This confirms the proposition by Rehbeien and colleagues (2004) that larger, more visible corporations are more likely to attract shareholder interventions. It could also be argued that larger corporations have a broader, more diverse shareholder base, interested in a wider variety of critical issues. In order to substantiate this claim, though, the shareholder structure of the analyzed corporations would have to be taken into consideration. One finding supporting this interpretation is the fact that, among the proposal types under consideration, market capitalization is most strongly correlated with the number of social policy proposals.

Reputation as measured by the RepTrak Pulse is not significantly correlated with the overall number of shareholder proposals, but there is a significant negative correlation with the number of social policy proposals. Thereby, a positive reputation might serve to protect corporations against shareholder interventions in the domain of social policies, specifically. Again, this could be interpreted as large corporations attracting more attention and more stakeholder interventions, but a positive reputation mitigating the effect of public scrutiny.

Looking at the reputation dimensions, we find that both the citizenship and governance dimensions are negatively correlated with the overall number of proposals ($p<.05$). This effect is more pronounced when focusing on social policy proposals alone, where we find an even stronger negative correlation of the RepTrak citizenship and governance dimensions ($p<.01$).

As expected, there is a positive correlation between market capitalization and the performance dimension. Interestingly, though, the performance dimension is not correlated with the number of shareholder proposals.

TABLE 2 Correlation Matrix of Number of Proposals, Corporation Size and Reputation ABOUT HERE

Table 3 presents the results of the multiple regression analysis of the dependent variable acceptance of proposals measured by the percentage of votes in favor of shareholder proposals. Interestingly, we find that corporation size as measured by market capitalization significantly reduces support for shareholder proposals ($\beta=-.117$, $p<0.001$). Thereby, corporation size attracts more shareholder proposals but reduces the likelihood of these proposals being accepted. Again, it would be worthwhile to take a closer look at shareholder structure to fully explain this effect. Yet, it stands to reason that a more dispersed shareholder structure – as is likely the case with large corporations – would make it more difficult to mobilize a majority for shareholder proposals.

We find that a good corporate reputation reduces the likelihood of shareholder proposals being accepted (β=-.078, $p<0.05$). We conclude that a positive reputation exerts a twofold positive effect for listed corporations: it reduces the number of (social policy) shareholder proposals, and it reduces the likelihood of proposals being accepted. Thereby, a positive reputation serves as a two-fold inoculation against shareholder interventions, while a large market capitalization exerts a mixed effect – with size attracting interventions, but reducing their likelihood of success.

Finally, we find that the success of shareholder proposals is also significantly related to the type of proposal: corporate governance proposals are most likely to be accepted by shareholders, followed by voting rules proposals. These issues are commonly not only of interest to social issues advocates, but also large institutional investors, including established shareholder activists, such as pension funds. Therefore, it is likely easier to build a coalition supporting corporate governance and voting rules proposals than drumming up support for social policy proposals.

In fact, we find that social policy proposals are least likely to be accepted by shareholders. Yet, their importance should not be discounted, as social policy proposals may create media attention and mobilize larger stakeholder groups, they also induce administrative costs. Therefore, it should be of interest to corporations that a positive reputation, especially as it pertains to citizenship and governance, is associated with a lower number of social policy shareholder proposals, while a large market capitalization, reversely, is strongly associated with a higher number of these interventions.

<u>TABLE 3 Regression of Proposal Acceptance on Size, Reputation and Proposal Type ABOUT HERE</u>

Conclusion and Future Research

In this paper we have looked at the increase in shareholder activism and the tactics used to co-opt organizations into changing their behaviour. It is clear that this type of activity is on the rise, and that it is detrimental to organizations' incumbent management. It is costly not only in terms of resources used to take corrective action but also in terms of reputational damage. The question was raised if a good reputation could act as a mitigating factor in the number and type of shareholder proposals being raised against a firm (proxy fights). In other words, would a good reputation lessen the likelihood of shareholders engaging in activism to get their way? Furthermore, what issues should organizations concentrate on to build reputation among shareholders specifically?

Our findings indicate that a firm's reputation does influence the number of proposals raised by shareholders and the likelihood of their acceptance. This is important as investors take an increasingly activist role in public companies where they see either near-term opportunities to exploit undervalued share prices or mid- to long-term opportunities to change corporate conduct. These findings are also noteworthy in light of recent increases of shareholder activism around public policy issues. It would seem that firms who are on the forefront of tackling social issues are likely to gain reputation benefits as they have fewer social policy proposals raised against them and thus less media attention.

We have supported Fombrun (2002), Larkin (2003) and especially Gabbioneta, Ravasi and Mazzola (2006), who have shown that reputation research is applicable to the capital market context. Their research shows that past research has extensively investigated reputational issues affecting the reaction of financial markets to extraordinary events (e.g., D' Aveni and Kesner, 1993; Hambrick and D' Aveni, 1992; Schnietz and Epstein, 2005). Our research likewise points to the role of reputation in special situations, and the applicability of qualitative corporate factors in capital markets.

It should be noted that shareholder activism does not always have to be detrimental from a corporate perspective. In some cases, it can be interpreted as an at least a partially helpful means of evaluating corporate strategy and current business practices. Nonetheless, there are circumstances in which the interests and perspectives of activists and companies diverge. At the heart of this struggle is the constant communication of disparate views, analyses, conclusions and recommendations regarding a company's development. For this reason, shareholder activism is an important topic for reputation research and its practical application in financial and corporate communications.

Based on the results of the research presented in this paper, we recommend that investor relations move towards a more balanced dialogue that takes active stakeholder engagement and interaction seriously. The intention behind this conclusion is not to only to advocate for the incumbent management's side of the story, but also to inquire, explore, and discover. Communication and reputation management understood in this way is a way of transcending conflict and developing social capital. In this more interactive shareholder environment, management and communication officers can show leadership by recognizing, analyzing and responding to activist demands and by demonstrating a strong understanding of their company’s possible vulnerabilities and potential for value creation. Not every shareholder activist may have the long-term interest of the company in mind, but companies should at least listen to what their shareholders have to say. Shareholders’ have the right to make their voices heard, reminding management that failure to meet their expectations, particularly on social policy issues, can have undesirable impact on their reputation.

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Table 1:
Frequency of Proposal Types

Year	Proposal Type General				Total
	CG	SP	VR	EC	
2011	53	99	28	24	204
2012	79	96	20	37	232
2013	65	87	15	46	213
Total	197	282	63	107	649

Table 2:
Correlation Matrix of Number of Proposals, Corporation Size and Reputation

	Means	*SD*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*
1. Prop. Total	4.95	4.64													
2. Prop. SP	2.16	3.06	.827**												
3. Prop. CG	1.50	1.57	.704**	.331**											
4. Prop. EC	.82	1.38	.509**	.107	.373**										
5. Prop. VR	.48	0.84	.361**	.134	.210*	.076									
6. Market Cap (bn)	58.79	71.80	.592**	.552**	.392**	.158	.269**								
7. RepTrak™ Pulse	66.46	7.82	-.160	-.231**	-.051	.028	-.002	-.010							
8. RepTrak_Products	69.78	7.22	-.108	-.165	-.010	.006	.006	.054	.945**						
9. RepTrak_Innovation	67.49	7.14	-.085	-.168	.027	.042	.015	.133	.883**	.935**					
10. RepTrak_Workplace	65.26	6.06	-.137	-.172	-.052	-.039	.025	.010	.863**	.892**	.861**				
11. RepTrak_Citizenship	65.08	7.00	-.200*	-.273**	-.081	.028	-.009	-.081	.948**	.899**	.852**	.880**			
12. RepTrak_Governance	65.82	7.19	-.192*	-.257**	-.084	.018	.000	-.072	.966**	.923**	.864**	.891**	.964**		
13. RepTrak_Leadership	67.06	6.04	-.111	-.157	-.035	-.005	.027	.092	.919**	.926**	.910**	.878**	.896**	.919**	
14. RepTrak_Performance	68.77	5.73	-.071	-.077	-.049	-.019	.009	.187*	.865**	.886**	.899**	.810**	.827**	.841**	.949**

N=131

SP=social policy, CG=corporate governance,
EC=executive compensation, VR=voting rules
*p<.05; **p<.01 (2-tailed)

Table 3:
Regression of Proposal Acceptance on Size, Reputation and Proposal Type

Variables	*Standardized Coefficients*	*t*	*Sig.*
Proposal Type			
(SP=0)			
CG	.486	13.207	.000
VR	.370	10.456	.000
EC	.219	6.025	.000
Market Cap	-.117	-3.372	.001
RepTrak™ Pulse	-.078	-2.265	.024
R^2	0.278		
Adjusted R^2	0.272		
F (df = 5)	49.482		0.000

N=649