



Academic Study Questions The Efficacy of Majority Voting – Will Proxy Advisers Take Heed?

Posted In [Corporate Governance](#)

2/28/2011

It seems to me that when it comes to corporate governance, many are willing to advocate for change but few are willing to do the hard work of analysis of the actual impacts of change. As I like to say, corporate governance has become all prescription and no diagnosis. Thus, I was excited to read this [paper](#) by [Jay Cai](#), [Jacqueline Garner](#) and [Ralph Walkling](#) at [Drexel University](#).

In “Paper Tiger? An Empirical Analysis of Majority Voting”, Professors Cai, Garner and Walkling note that while majority voting has been “the dominant theme in the most recent proxy seasons”, *very little empirical evidence exists on the practice*. In other words, a lot of people have been trumpeting majority voting without any evidence to support its efficacy. This study tries to fill this rather considerable lacuna. Here are some of their principal conclusions:

- Shareholder support for majority voting appears unrelated to firm performance and governance.
- The bulk of their evidence is consistent with the thesis that majority voting has no significant impact on director election, firm performance and shareholder wealth.
- The most binding forms of majority voting are associated with negative abnormal returns.

It will be interesting to see if these results will have any impact on the debate over majority. However, I wouldn't be surprised if proxy advisers continue to evince far more dedication to the idea majority voting than to its efficacy.

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