IE UNIVERSIDAD

TESIS DOCTORAL / DOCTORAL DISSERTATION

¿APORTAN LOS ASESORES DE VOTO VALOR A LOS INVERSORES? UNA PERSPECTIVA DE LA PROPIEDAD

DO PROXY ADVISORS ADD VALUE TO FIRM INVESTORS? AN OWNERSHIP PERSPECTIVE

LAURA JIMÉNEZ FERNÁNDEZ

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ABSTRACT

Proxy advisors (PAs), or information intermediaries that provide voting recommendations to investors, have gained visibility in the corporate governance landscape as external firm monitors. However, recent evidence suggests that the informational value of PAs is not the same across firms. Hence, their role in the shareholding voting process has come under increasing scrutiny.

We advocate that the value of the PA as an external monitor cannot be assessed without considering the role of the other key internal monitor that participates in the shareholder voting process, that is, the Board of Directors, and without adopting an ownership perspective, as the Board voting advice will be largely influenced by who is the major owner of the company. Thus, we focus on family firms – a dominant group of concentrated firms with unique agency problems. We conduct three studies to understand how PAs help investors to evaluate the unique agency dynamics of listed family firms.

In the first study, we examine the “PA-Board conflict” that arises when the PA recommendation is to vote differently from the Board; we also analyze its influence over investor dissent in listed family firms. In the second study, we explore the impact of the PA-Board conflict over investor dissent in listed family firms that pay generous dividends to satisfy investors. Finally, in the third study, we investigate the influence of the “PA stamp” (i.e., when PAs recommend voting in the same way as the Board) over the value of concentrated firms, with a focus on listed family firms.

Through the analysis of every voting proposal presented in Fortune 1000 firms; our studies provide insights into not only the role of the PA as an external firm monitor but also the value of the Board as an internal firm monitor. The studies also advance the understanding of the agency problems in listed family firms.

RESUMEN

Los *Proxy Advisors* o asesores de voto (AV) –intermediarios de información que proporcionan recomendaciones de voto a los inversores– han ido ganando visibilidad en el panorama de la gobernanza corporativa en calidad de supervisores externos de las empresas. No obstante, las últimas investigaciones indican que el valor informativo de las recomendaciones ofrecidas por los AV no es el mismo en todas las compañías y, por tanto, su papel en el proceso del voto accionarial empieza a escrutarse más de cerca.

Postulamos que el valor del AV como supervisor externo no se puede evaluar sin tomar en consideración el papel del otro supervisor clave interno que participa en el proceso de voto accionarial, esto es, la Junta Directiva, y sin adoptar una perspectiva de la propiedad, dado que el consejo de voto de la Junta se verá influido en gran medida por el principal propietario de la compañía. Este es el motivo por el que nos centramos en las empresas familiares, un grupo dominante de empresas concentradas con problemas de agencia propios, y acometemos tres estudios para entender las forma en que los PA ayudan a los inversores a evaluar las dinámicas de agencia propias de las empresas familiares cotizadas.

En el primer estudio se examina el "conflicto AV-Junta" (cuando los AV recomiendan un voto distinto al de la Junta) y su influencia sobre la disconformidad de los inversores en las empresas familiares cotizadas. En el segundo estudio exploramos la influencia del "conflicto AV-Junta" con respecto a la disconformidad de los inversores en empresas familiares cotizadas que pagan generosos dividendos para satisfacer a los inversores y legitimarse. Por último,

en el tercer estudio examinamos la influencia del “sello AV” (cuando los AV recomiendan un voto alineado con la Junta) con respecto al valor de empresas concentradas, con el foco puesto de forma especial en empresas familiares cotizadas.

En el análisis de todas las propuestas de votos presentadas en compañías del Fortune 1000 nuestros estudios no solo nos muestran el papel del AV como supervisor externo de la empresa, sino también el papel de la Junta como supervisor interno de la empresa, y mejoran nuestra comprensión de los problemas de agencia a los que se enfrentan los inversores en las empresas familiares cotizadas.

ACKNOWLEDGMENTS

I would like to express my deepest gratitude to numerous people who have helped me with this doctoral dissertation. First, I would like to give my warmest thanks to my thesis advisor, Dr. Cristina Cruz, for trusting in me since the beginning and giving me the opportunity to discover the passionate world of academia and family firms. Without her continuous guidance, support, and inspiration through all the stages of this large and challenging process, I would not have been where I am today. I will be eternally grateful to Cristina. Her dedication, passion, and invaluable knowledge have significantly contributed to the quality and completion of this thesis.

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NOTATION

CEO (Chief Executive Officer)

ESG (Environmental, Social and Governance)

FE (Fixed effect)

ISS (Institutional Shareholder Services)

OLS (Ordinary Least Squares)

PAs (Proxy Advisors)

PA (Proxy Advisor)

SEC (Securities and Exchange Commission)

SEW (Socioemotional Wealth)

INTRODUCTION

THE ROLE OF PROXY ADVISORS IN THE SHAREHOLDER VOTING PROCESS: WHAT WE KNOW AND WHAT WE HAVE YET TO KNOW

THE RISE OF SHAREHOLDER ACTIVISM: A FOCUS ON SHAREHOLDER VOTING

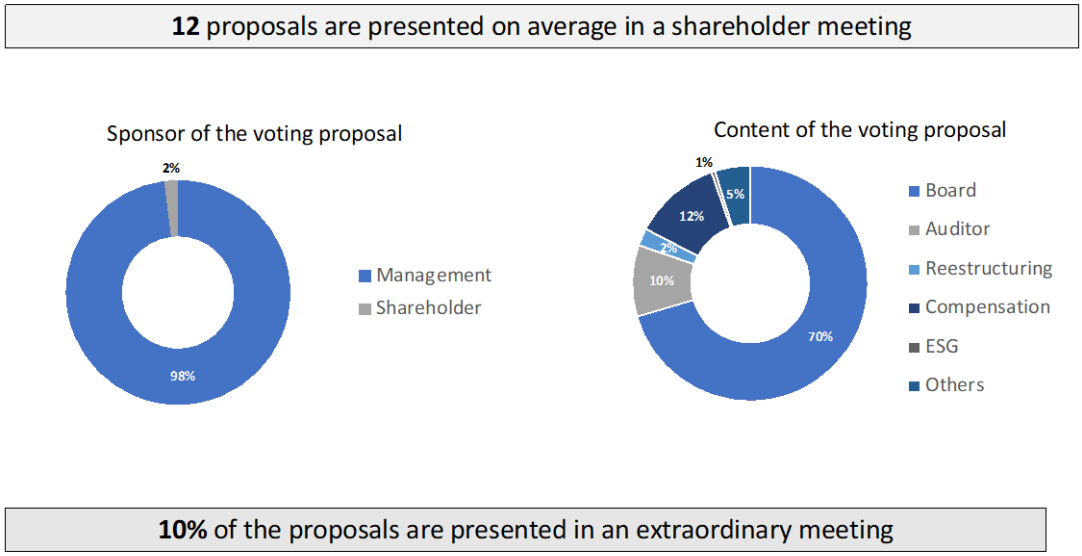
Corporate governance research has largely investigated the role that corporate governance mechanisms play in reducing agency costs in listed firms. This literature has mainly focused on the internal governance mechanisms of the firm, particularly on the role and composition of the Board of directors (Desender et al., 2013; Hillman & Dalziel, 2003) and the design of managerial incentives (Devers et al., 2007; Zajac et al., 1994). However, existing evidence on the effectiveness of these mechanisms in mitigating agency problems has been mixed and inconclusive (Aguilera et al., 2015; Dalton et al., 2007).

With the rise of shareholder activism in recent decades, investors have begun to take an active role in controlling agency problems in listed firms (Ferri, 2012; Fos, 2017; Goranova & Ryan, 2014; Iliev et al., 2015) by using their voting power to provoke corporate changes (Yermack, 2010). Indeed, Fos (2017) shows that between 2002–2012, proxy fights (i.e., investor's campaigns asking for votes against the firm Board) tripled compared to 1980–1990 and nearly doubled compared to 1991–2001. As a result, corporate governance scholars have shifted their attention towards how investors can reduce agency costs in listed firms through their votes (Aguilera et al., 2015; Goranova & Ryan, 2014; Iliev et al., 2015).

Shareholders exercise their voting rights at shareholder meetings. They vote on diverse voting proposals, such as the election of the Board of directors; the ratification of auditors; the approval of executive compensation, mergers and acquisitions, and Environmental, Social, and Governance (ESG) issues (David et al., 2007; ISS Voting Guidelines, 2020). An analysis of the voting proposals presented in shareholder meetings of Russell 3000 firms from 2008-2018[1] (see Figure 1) shows that investors vote on average on 12 proposals per shareholder meeting, with 70% of them referring to the election of directors. Most of the voting proposals are presented by the firm management. However, firm shareholders may also sponsor the voting item. In the case of Russell 3000 firms, only 2% of voting proposals are sponsored by shareholders. These proposals are usually voted on annual shareholder meetings. Yet, 10% of the shareholder proposals presented in Russell 3000 firms are voted on extraordinary meetings (i.e., nonregular meetings in which urgent proposals are put to the vote).

[1] The analyses of this introductory chapter are based on Russell 3000 firms. We used the *ISS Voting Analytics Database*, which provides information on each of the Russell 3000 companies regarding every voting proposal presented in their shareholder meetings (date of the meeting, description of the proposal, the voting recommendation of the Board and ISS, etc.). Yet, in our dissertation analyses, we narrow our attention to Fortune 1000, as we merged the *ISS Voting Analytics Database* with hand-collected data on family ownership, family involvement, firm ownership, firm financials, etc. (More information on the sample and data collection will be provided in the following chapters.)

Figure 1. Overview of shareholder meetings in Russell 3000 firms (2008–2018)



Source: ISS Voting Analytics Database

The Board of directors recommends investors whether to vote for or against each voting proposal of a shareholder meeting. Although investors usually vote in favor of the Board's recommendations, they may also show their dissatisfaction with the Board by expressing their dissent and opposing the Board's recommendations on proposals put to vote (Hillman et al., 2011; Sauerwald et al., 2016, 2018). Investor dissent is consequential, as it is usually followed by governance and leadership changes in the firm (Iliev et al., 2015). For example, meaningful votes against the election of directors may lead to CEO turnover (Cai et al., 2009; Fischer et al., 2009), a reduction of CEO compensation (Cai et al., 2009; Fischer et al., 2009), and more director resignations in the following year (Aggarwal et al., 2014; Fischer et al., 2009). Investor dissent may also lead to severe reputational damages (Aggarwal et al., 2019). As such, corporate governance scholars consider investors' dissent as a potentially useful corporate governance mechanism in addressing agency costs

(Cai et al., 2009; Hillman et al., 2011; Sauerwald et al., 2016; Sauerwald et al., 2018).

THE ROLE OF PROXY ADVISORS AS EXTERNAL MONITORS: WHAT WE KNOW

Given their diversified portfolios, many investors lack the incentives to perform a detailed evaluation of every voting proposal of each portfolio firm in which they have invested (Appel et al., 2016; Choi et al., 2010; Iliev et al., 2015; Shleifer & Vishny, 1986) and thereby follow the Board's recommendation, even though it comes at the expense of their interests in the firm. This problem is particularly pronounced for institutional investors who typically face thousands of votes each year (Appel et al., 2016; Bebchuk et al., 2019; ESMA, 2012) and hence are unwilling to collect information to effectively express their dissent (Iliev et al., 2015).

As institutional investors have become increasingly responsible for voting on a larger volume of shares (Allaire, 2013), the demand for proxy advisors (PAs) has largely increased (Malenko & Shen, 2016), especially since 2003, when the U.S. Securities and Exchange Commission (SEC) required mutual funds to disclose their voting records annually (Belinfanti, 2008). PAs are relatively new types of information intermediaries that derive cost-efficient voting recommendations, "against" or "for," on each voting proposal of a shareholder meeting (Hitz & Lehmann, 2018). PA voting recommendations are usually public and are available to every firm investor (Malenko et al., 2021). However, their reports

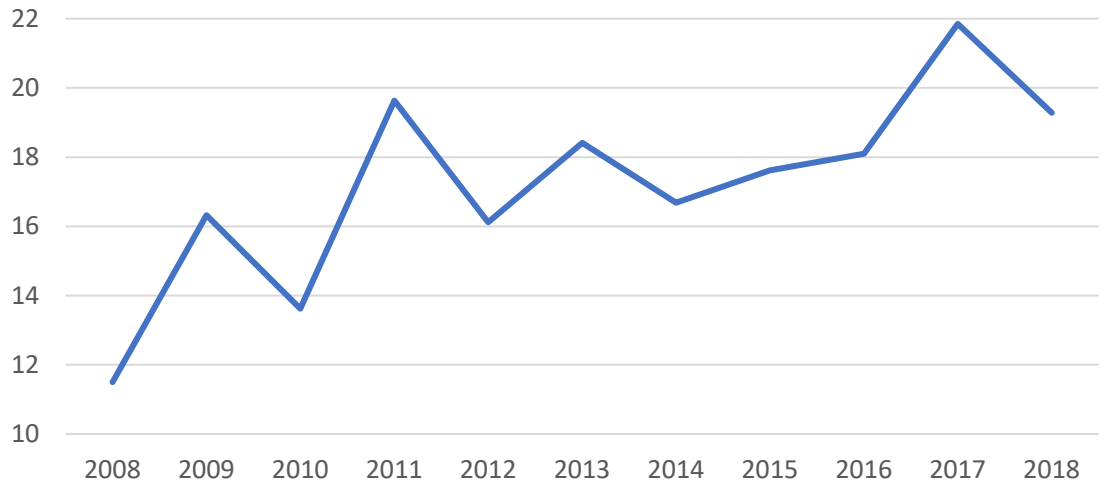
explaining the reasoning behind each voting recommendation are only available to their subscribers (Malenko et al., 2021; Shu, 2022).

The proxy advisory industry is highly concentrated in two companies. Institutional Shareholder Services (ISS) dominates the market with an estimated 63% market share. ISS provides voting recommendations on almost 42,000 shareholder meetings in 115 countries and has over 2,000 institutional clients (ISS Governance, 2019). Glass Lewis, its main competitor, controls 28% of the market share (Shu, 2022). The remaining 9% of the market share is controlled by other boutique proxy advisors (Egan-Jones, Segal Marco Advisors, and ProxyVote Plus). Within the proxy advisory industry, ISS is not only the dominant player, but also the most influential among the investment community (Shu, 2022). Therefore, our dissertation focuses its attention on ISS voting recommendations.

PA voting recommendations are based on standardized voting guidelines (ESMA, 2012). These guidelines, which describe detailed rules that the PA should use when making voting recommendations (Malenko et al., 2021), are mainly based on legitimized good corporate governance practices (ISS Policy Update, 2020). This implies that PAs would be more likely to recommend that investors vote against proposals that deviate from good governance practices, such as non-independent directors (Choi et al., 2010), dual-class shares (ISS Guidelines, 2020), or compensation schemes not aligned with firm performance (Ertimur et al., 2013). Figure 2 shows that the percentage of proposals with an

ISS “against” recommendation has increased over time in Russell 3000 firms, from 11% in 2008 to 19% in 2018.

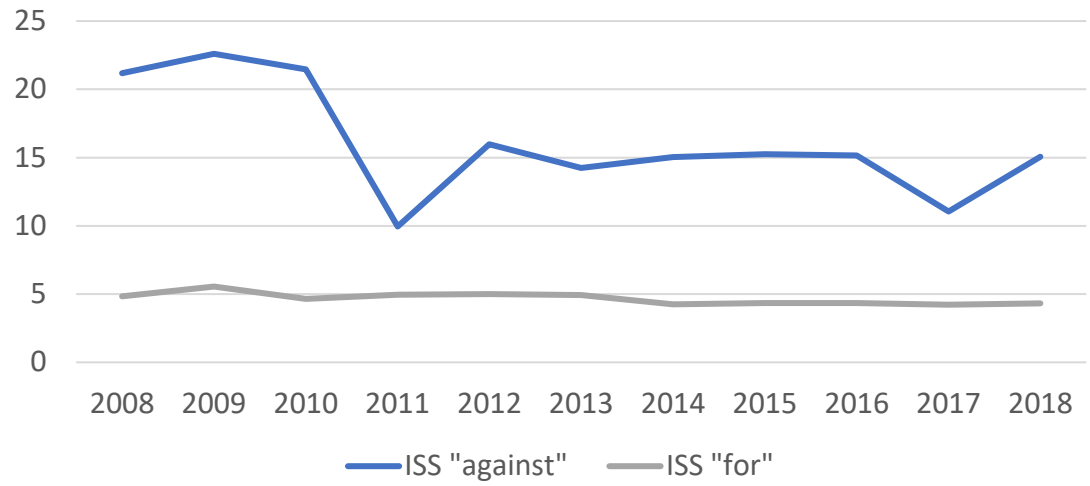
Figure 2. Percentage of proposals with an ISS “against” recommendation in Russell 3000 firms (2008-2018)



Source: ISS Voting Analytics Database

By promoting the globally accepted good governance norms in their recommendations, PAs have become standard-setters of good governance policies in listed firms (Koch et al., 2020; Hayne & Vance, 2019; Tuch, 2019). Consequently, PAs have dramatically changed the shareholder voting process, as when PAs recommend investors to vote against a specific proposal, investor dissent significantly increases (Cai et al., 2009; Ertimur et al., 2013; Larcker et al., 2017; Malenko & Shen, 2016). In this regard, Figure 3 shows that in Russell 3000 firms, investor dissent is on average 10% higher when ISS recommends voting against a proposal put to the vote.

Figure 3. Percentage of investor dissent by type of ISS recommendation in Russell 3000 firms (2008–2018)



Source: ISS Voting Analytics Database

Given the increasing influence of PAs over investors votes in recent years, corporate governance scholars have started to assess them as additional external monitors of the firm (Aguilera et al., 2015; Sauerwald et al., 2018). Yet, as shown in Figure 3, their influence over investor dissent has decreased in recent years, suggesting that investors do not always follow PAs blindly.

A major concern across market participants is that, given their limited resources to conduct in-depth assessments of each company (Sharfman, 2018), PAs issue highly standardized recommendations that may neglect firm-specific circumstances (McCahery et al., 2016c). As Hayne and Vance (2019) argue: “ISS cannot look at 5 or 10 thousand companies and look at all the unique nuances of each one of those companies …they put together a model, and they hope that most companies will fit within that model.” This might ultimately reduce the quality of the PAs recommendations (McCahery et al., 2016c) and be costly for firms (Coles et al., 2008).

The above discussion suggests that PAs, despite being acknowledged as key players in the corporate governance of listed firms, have debatable effectiveness as external monitors. To investigate whether PAs add value to investors and their firms, governance scholars have followed different approaches. On the one hand, they have explored how PAs recommendations influence investor dissent (Cai et al., 2009; Ertimur et al., 2013; Larcker et al., 2017; Malenko & Shein, 2016), showing that, on average, an ISS “against” recommendation can increase investor dissent by 13–20% (Larcker et al., 2017). However, it seems that investors do not always follow PAs blindly (Ertimur et al., 2013; Malenko & Shein, 2016), as when voting, they consider diverse firm factors. In this regard, scholars suggest that the positive relationship between PA "against" recommendations and investor dissent is weaker in listed firms with high ownership concentration (Ertimur et al., 2013; Hitz & Lehmann, 2018; Malenko & Shein, 2016 ; Sauerwald et al., 2018), which is consistent with the idea that blockholders have greater incentives to do their independent research, and, in turn, are less likely to follow PA recommendations.

On the other hand, another stream of research has studied market reactions to PA recommendations (Alexander et al., 2010; Hitz & Lehmann, 2018; Malenko & Malenko, 2019) and to corporate governance changes proposed by PAs (Ertimur et al., 2013, 2015; Larcker et al., 2017). While some studies have found insignificant market reactions to governance changes made in line with proxy advice (Ertimur et al., 2013, 2015), others have documented negative returns (Larcker et al., 2017) and even positive market reactions to PA recommendations (Alexander et al., 2010). To illuminate the question, more recent research

suggests that the impact of PAs over the firm value should be examined in light of multiple firm specificities, with firm ownership structure playing a key role (Hitz & Lehmann, 2018; Malenko & Malenko, 2019; Calluzzo et al., 2019). It is argued that in firms with high ownership concentration, the firm market value is more likely to decrease around the release of a PA "against" recommendation (Hitz & Lehmann, 2018) or a PA recommendation that is not sufficiently precise (Malenko & Malenko, 2019).

Overall, existing academic evidence agrees that the presence of PAs in the corporate governance landscape has altered the shareholding process and has implications for investors votes and firm value. Nevertheless, this evidence also shows that the informative value of the signal provided by PAs, and consequently their effectiveness as external monitors of the firm, is not equal across firms. Hence, it should be examined considering the firm's unique attributes, with the firm ownership structure being a key determinant of the value of PAs in listed firms.

THE ROLE OF PROXY ADVISORS AS EXTERNAL MONITORS: WHAT WE HAVE YET TO KNOW

In this doctoral dissertation, we join the corporate governance conversation on the role of shareholder voting as a mechanism to control for agency costs (Aguilera et al., 2015; Goranova & Ryan, 2014; Iliev et al., 2015), and, in line with recent studies (Ertimur et al., 2013; Hitz & Lehmann, 2018; Malenko & Shen, 2016; Sauerwald et al., 2018), we highlight the importance of considering firm ownership structure when examining shareholder voting behaviors.

We focus our attention on listed family firms, a prevalent type of firm with concentrated ownership representing around one-third of U.S. listed firms (Gomez-Mejia et al., 2010; Villalonga et al., 2006). Accumulated evidence in the past twenty years shows that family firms have unique agency problems (Schulze et al., 2001; Andres, 2008; Villalonga et al., 2006). From a traditional agency perspective, the principal–agent problems stemming from the separation between ownership and management (Jensen & Meckling, 1976; Andres, 2008; Villalonga et al., 2015) are less prevalent in family firms. As family owners are concentrated shareholders with undiversified portfolios (Andres, 2008; Bianco et al., 2013) and strong voices within their firms (Gedajlovic et al., 2004), they have greater incentives and abilities to collect the insider information needed to monitor managers (Anderson & Reeb, 2003; Desender et al., 2013). Yet, scholars suggest that family firms are more likely to face principal–principal agency problems (Gordon & Nicholson, 2010; Schulze et al., 2003; Villalonga & Amit, 2006), as family owners may take advantage of their controlling position to extract private benefits at the expense of nonfamily investors (Villalonga et al., 2015).

Using the family firm context, we look at investor dissent and firm value to understand how investors in listed family firms perceive their unique agency problems. Recent literature has started to examine the unique agency problems of listed family firms from the investor standpoint. Martin et al. (2017) compare the number of shareholder proposals submitted in family versus nonfamily firms. Their findings suggest that investors do not perceive agency problems as more

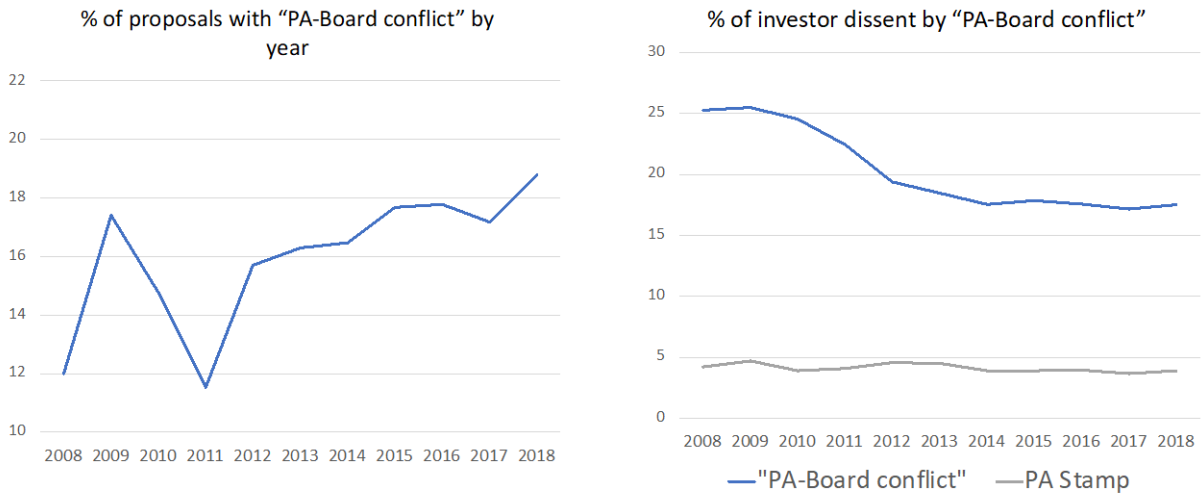
severe in family firms, as they do not present more shareholder proposals in family firms than in nonfamily firms. Nevertheless, Ashraf et al. (2020) suggest the opposite, as in their study, the percentage of shareholder support to director's elections was lower in a family firm than in a nonfamily firm. Therefore, from an investor perspective, the severity of agency costs in listed family firms is still an open question. Building on this literature, in this dissertation, we introduce the figure of the PA to provide a more nuanced understanding of how investors assess the unique agency dynamics of listed family firms.

As suggested by the above literature, the rising importance and prevalence of the PA has changed the shareholder voting process, as when voting, investors now receive two voting recommendations: one from the external PA and one from the Board of directors, serving as the firm internal monitor. Although the Board may take advantage of its firm insider position and authority to acquire private information (Sharfman, 2018) and issue more tailored and informed voting recommendations than the PA, their recommendations may be biased, as the Board, representing the owners' interests (Federo et al., 2020), may recommend investors to vote in favor of voting proposals that advance the interests of the controlling owner.

As a result, PAs may advise investors to vote in the same way as the Board recommendation; this is referred to as the "PA stamp." Yet, PAs may also recommend investors to vote differently from the Board voting recommendation; this is what we label as the "PA–Board conflict." Figure 4 shows that the PA–Board conflict has increased over time, and, in line with previous literature

(Sauerwald et al., 2018; Shu, 2022), that investor dissent is much higher in face of such conflict.

Figure 4. Percentage of proposals with a PA-Board conflict and its effect on investor dissent in Russell 3000 firms (2008–2018)



Although Figure 4 is very similar to the evidence that refers to the PA "against" recommendation and its influence over investor dissent (see Figures 2 and 3), in this dissertation, we focus our attention on the PA–Board relation, as it presents several advantages over examining the proxy advice alone. First, building upon previous literature that suggests that the firm monitors do not operate in isolation (Aguilera et al., 2015; Desender et al., 2013), we believe that looking at the PA–Board relation would not only inform about the value of PAs as external monitors, but also, by looking at them in relation to the Board, would help to clarify the role of the Board as an internal monitor. Overall, it would therefore offer insight into agency problems in listed firms. Indeed, investigating the PA–Board relation becomes even more relevant when adopting an

ownership perspective, as investors' perceptions on the role of the PA as an external monitor would largely depend on the extent to which investors trust that the information signal issued by the Board is informative and not biased against the interests of the controlling owners.

Furthermore, differently from most existing studies examining shareholder activism in listed family firms (Ashraf et al., 2020; Martin et al., 2017) and those looking at the PA alone (Ertimur et al., 2013; Hitz & Lehmann, 2018; Malenko & Shen, 2016), by studying the figure of the PA in relation to the Board, we provide a broader picture of the shareholder voting process. We are able to examine every proposal put to the vote in the shareholder meeting, considering different contents and sponsors, and its different key participants, from the internal monitor (the Board) to the external monitor (the PA) and the firm investors.

RESEARCH AGENDA

In this doctoral dissertation, we conduct three studies that adopt an ownership perspective to understand whether PAs add value to investors and their firms. In the first study, "*The proxy advisor-Board conflict in listed family firms: Who do investors trust more?*" we examine the influence of the PA–Board conflict over investor dissent to understand how investors perceive agency problems in listed family firms. In this study, we theorize that, given that family owners have unique governance needs and hence are less likely to conform with institutionalized good governance practices (Federo et al., 2020; Ponomareva & Ahlberg, 2016), the PA–Board conflict is more likely to happen in listed family firms relative to nonfamily firms. However, we claim that this greater conflict would not imply

higher investor dissent in family firms. From an investor perspective, family owners' long-term monitoring incentives and abilities (Anderson & Reeb, 2003; Desender et al., 2013) will result in more informative Board voting recommendations. This suggests that, for investors in family firms, PAs play a limited role as external firm monitors. Yet, we theorize that the PA–Board conflict will increase investor dissent when there is a dual CEO or when the percentage of independent directors in the Board increases, as investors would feel that the informative value of the Board recommendation is reduced.

In our second study, "*Fooling investors by paying them more dividends? The role of proxy advisors in listed family firms*" we advance our knowledge on the role of PAs in listed family firms. We suggest that PAs may add value as external monitors to investors in listed family firms when helping them to assess the symbolic versus substantive nature of dividend payouts, a common practice used by firms to reduce investor dissent, and, thus, increase the firm's social legitimacy. We claim that family firms with a higher dividend payout than the industry standard have a lower investor dissent relative to nonfamily firms, as investors' feelings of expropriation are reduced. Yet, in the face of a PA–Board conflict, we argue that the negative effects of dividend payout over investor dissent are weakened in listed family firms, as the PA–Board conflict raises investors' suspicion about the symbolic use of dividend payout to seek legitimacy while avoiding investor intervention that may result in a loss of family influence and control.

Finally, in the third study "*When does the 'proxy advisor stamp' add firm value? An ownership perspective*" we examine the influence of the PA stamp over the firm value. We suggest that the PA stamp improves firm value in firms with high ownership concentration. As the corporate governance needs for highly concentrated firms is more likely to be questioned by market participants, this stamp would signal that the Board is providing voting recommendations aligned with the good corporate governance norms supported by PAs and hence are in the best interest of every investor. Moreover, as firms with high ownership concentration are more likely to face information asymmetries problems, the stamp will be beneficial for these firms in reducing transparency concerns among the investment community.

Lastly, after presenting the three studies, we finish with the conclusions of this doctoral dissertation. Overall, by looking at the PA–Board relation and its influence on investor votes and firm value, these studies advance our understanding of how investors perceive the unique agency dynamics of listed firms with concentrated ownership, with a particular focus on family firms.

INTRODUCCIÓN

EL PAPEL DE LOS ASESORES DE VOTO EN EL PROCESO DE VOTACIÓN ACCIONARIAL: LO QUE SABEMOS Y LO QUE NOS QUEDA POR SABER

EL AUGE DEL ACTIVISMO ACCIONARIAL: UN ENFOQUE BASADO EN EL VOTO DE LOS ACCIONISTAS

La investigación sobre la gobernanza corporativa se ha centrado en gran medida en el papel que desempeñan los mecanismos de gobernanza corporativa en la reducción de los costes de agencia en las empresas que cotizan en bolsa. Esta literatura académica ha examinado principalmente los mecanismos de gobernanza interna instaurados por la empresa, y de manera especial el papel y la composición de la Junta Directiva (es decir, Desender et al., 2013; Hillman y Dalziel, 2003) y el diseño de los incentivos de los directivos (es decir, Devers et al., 2007; Zajac et al., 1994). Sin embargo, las pruebas existentes sobre la eficacia de estos mecanismos para mitigar los problemas de agencia han sido ambiguos y poco concluyentes (Aguilera et al., 2015; Dalton et al., 2007).

Con el auge del activismo accionarial en las últimas décadas, los inversores han empezado a adoptar un papel activo en el control de los problemas de agencia en las empresas cotizadas (Ferri, 2012; Fos, 2017; Goranova y Ryan, 2014; Iliev et al., 2015) utilizando su poder de voto para introducir cambios corporativos (Yermack, 2010). Ciertamente, Fos (2017) muestra que entre 2002-2012, las *proxy fights* o luchas vicarias (es decir, las campañas de los inversores que piden el voto contra la Junta) se triplicaron en comparación con el periodo 1980-1990 y casi se duplicaron en comparación con 1991-2001. Como resultado, los

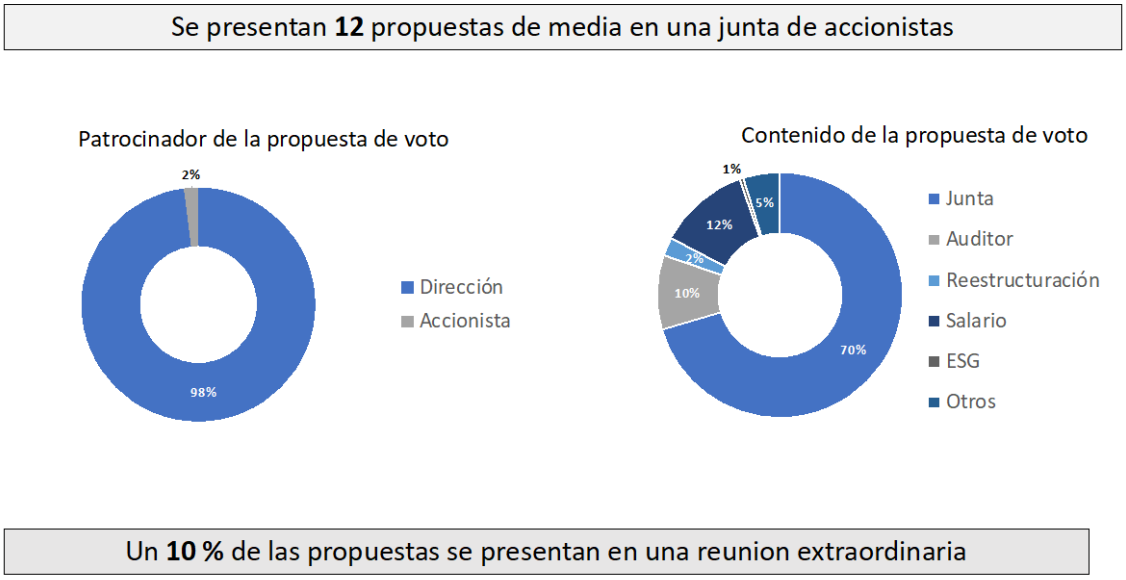
expertos en gobernanza corporativa han desviado su atención hacia la forma en que los inversores pueden reducir los costes de agencia en las empresas cotizadas a través de sus votos (Aguilera et al., 2015; Goranova y Ryan, 2014; Iliev et al., 2015).

Los accionistas ejercen sus derechos de voto en las juntas de accionistas. Votan sobre diversas propuestas de voto, tales como la elección de la Junta Directiva; la ratificación de los auditores; y la aprobación de la remuneración de los ejecutivos, las fusiones y adquisiciones, y las cuestiones ESG (David et al., 2007; ISS Voting Guidelines, 2020). Un análisis de las propuestas de voto presentadas en las juntas de accionistas de las empresas del Russell 3000 entre 2008 y 2018[2] (véase el Gráfico 1) muestra que los inversores votan una media de 12 propuestas por junta de accionistas, y que el 70 % de ellas se refieren a la elección de directores. La dirección de la empresa se encarga de presentar la mayoría de las propuestas de voto. Sin embargo, los accionistas de la empresa también pueden patrocinar la cuestión objeto de voto. En el caso de las empresas del Russell 3000, los accionistas tan solo patrocinan el 2 % de las propuestas de votación. Estas propuestas suelen votarse en las juntas anuales de accionistas. A pesar de eso, el 10 % de las propuestas de los

[2] Los análisis de este capítulo introductorio se basan en las empresas del Russell 3000. Utilizamos la *ISS Voting Analytics Database*, que proporciona información sobre cada una de las empresas del Russell 3000 en relación con cada propuesta de votación presentada en sus juntas de accionistas (fecha de la junta, descripción de la propuesta, recomendación de voto de la Junta y de ISS, etc.). Sin embargo, en los análisis de nuestra tesis, limitamos nuestra atención al Fortune 1000, ya que fundimos la *ISS Voting Analytics Database* con datos recopilados manualmente sobre la propiedad familiar, la implicación de la familia, la propiedad de la empresa, los datos financieros de la empresa, etc. (En los capítulos siguientes se proporcionará más información sobre la muestra y la recopilación de datos).

accionistas presentadas en las empresas del Russell 3000 se votan en reuniones extraordinarias (reuniones no periódicas en las que se someten a votación propuestas urgentes).

Gráfico 2. Resumen general de las juntas de accionistas en las empresas del Russell 3000 (2008-2018)



Fuente: ISS Voting Analytics Database

La Junta Directiva recomienda a los inversores que voten a favor o en contra de cada propuesta de votación de una junta de accionistas. Si bien los inversores suelen votar a favor de las recomendaciones de la Junta, también pueden mostrar su descontento con la Junta expresando su desacuerdo y oponiéndose a las recomendaciones de la Junta sobre las propuestas sometidas a votación (Hillman et al., 2011; Sauerwald et al., 2016, 2018). La disconformidad de los inversores tiene consecuencias, ya que suele ir seguida de cambios en la gobernanza y el liderazgo de la empresa (Iliev et al., 2015). Por ejemplo, un número de votos significativo en contra de la elección de los consejeros pueden ocasionar la sustitución del consejero delegado (Cai et al.,

2009; Fischer et al., 2009), una reducción de la remuneración del consejero delegado (Cai et al., 2009; Fischer et al., 2009) y un mayor número de dimisiones de directivos al año siguiente (Aggarwal et al., 2014; Fischer et al., 2009). La disconformidad de los inversores también puede ocasionar graves daños reputacionales (Aggarwal et al., 2019). Por ello, los expertos en gobernanza corporativa consideran que la disconformidad de los inversores es un mecanismo de gobernanza corporativa potencialmente útil para afrontar los costes de agencia (Cai et al., 2009; Hillman et al., 2011; Sauerwald et al., 2016; Sauerwald et al., 2018).

EL PAPEL DE LOS ASESORES DE VOTO COMO SUPERVISORES EXTERNOS: LO QUE SABEMOS

Dada la diversificación de sus carteras, muchos inversores carecen de incentivos para llevar a cabo una evaluación detallada de cada propuesta de voto de cada empresa en cartera en la que han invertido (Appel et al., 2016; Choi et al., 2010; Iliev et al., 2015; Shleifer y Vishny, 1986) y, por tanto, siguen la recomendación de la Junta, aunque sea a costa de sus intereses en la empresa. Este problema es especialmente acusado en el caso de los inversores institucionales, que suelen enfrentarse a miles de votaciones cada año (Appel et al., 2016; Bebchuk et al., 2019; ESMA, 2012) y, por tanto, no están dispuestos a recabar información para expresar su disconformidad eficazmente (Iliev et al., 2015).

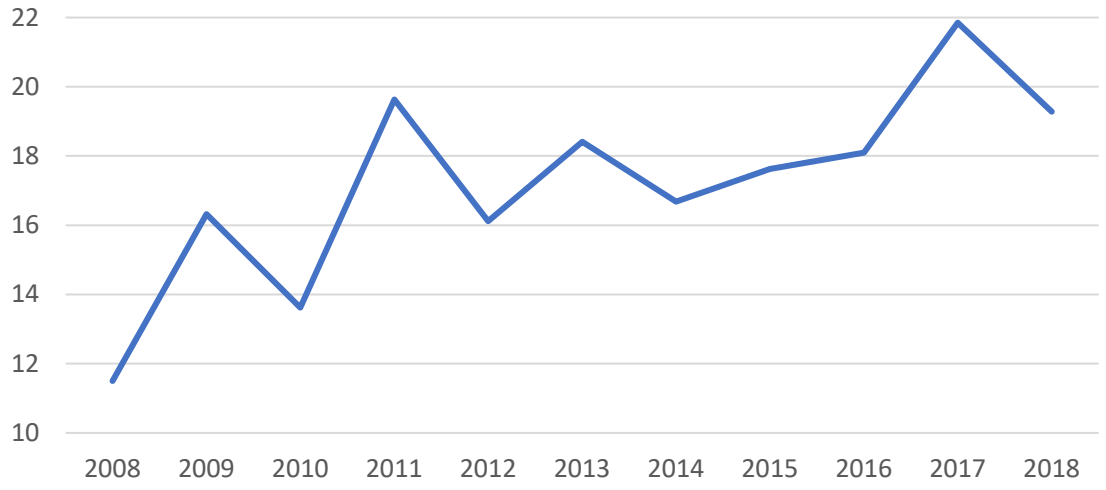
A medida que los inversores institucionales han ido aumentando sus responsabilidades de voto sobre un mayor volumen de acciones (Allaire, 2013),

la demanda de asesores de voto (AV) ha aumentado de forma acorde (Malenko y Shen, 2016), especialmente desde 2003, cuando la Comisión del Mercado de Valores de EE. UU. (SEC) exigió a los fondos de inversión que divulgaran anualmente sus registros de votación (Belinfanti, 2008). Los AV son tipos de intermediarios de información relativamente nuevos que ofrecen recomendaciones de voto rentables, “en contra” o “a favor”, sobre cada propuesta de voto de una junta de accionistas (Hitz y Lehmann, 2017). Las recomendaciones de voto de los AV suelen ser públicas y están a disposición de todos los inversores de la empresa (Malenko et al., 2021). Sin embargo, los informes en los que explican el razonamiento que hay detrás de cada recomendación de voto solo están disponibles para sus suscriptores (Malenko et al., 2021; Shu, 2022).

El sector de la asesoría de voto está muy concentrado en dos empresas. Institutional Shareholder Services (ISS) domina el mercado con una cuota de mercado estimada del 63 %. ISS proporciona recomendaciones de voto en casi 42 000 juntas de accionistas en 115 países y cuenta con más de 2000 clientes institucionales (ISS Governance, 2019). Glass Lewis, su principal competidor, controla el 28 % de la cuota de mercado (Shu, 2022). El 9 % restante de la cuota de mercado está controlado por otros asesores de voto boutique (Egan-Jones, Segal Marco Advisors y ProxyVote Plus). Dentro del sector de la asesoría de voto, ISS no solo es el actor dominante, sino también el más influyente entre la comunidad inversora (Shu, 2022). Nuestra tesis, por tanto, centra su atención en las recomendaciones de voto de ISS.

Las recomendaciones de voto del AV se basan en directrices de voto estandarizadas (ESMA, 2012). Estas directrices, que describen normas detalladas que el AV debe utilizar al plantear recomendaciones de voto (Malenko et al., 2021), se basan principalmente en prácticas legitimadas de buen gobierno corporativo (ISS Policy Update, 2020). Esto implica que es más probable que los AV recomienden a los inversores que voten en contra de las propuestas que se desvían de las prácticas de buen gobierno, tales como los directores no independientes (Choi et al., 2010), las acciones de doble clase (Directrices ISS, 2020), o los sistemas de remuneración no alineados con el rendimiento de la empresa (Ertimur et al., 2013). El Gráfico 2 muestra que el porcentaje de propuestas con una recomendación "en contra" del ISS ha aumentado con el tiempo en las empresas del Russell 3000, pasando del 11 % en 2008 al 19 % en 2018.

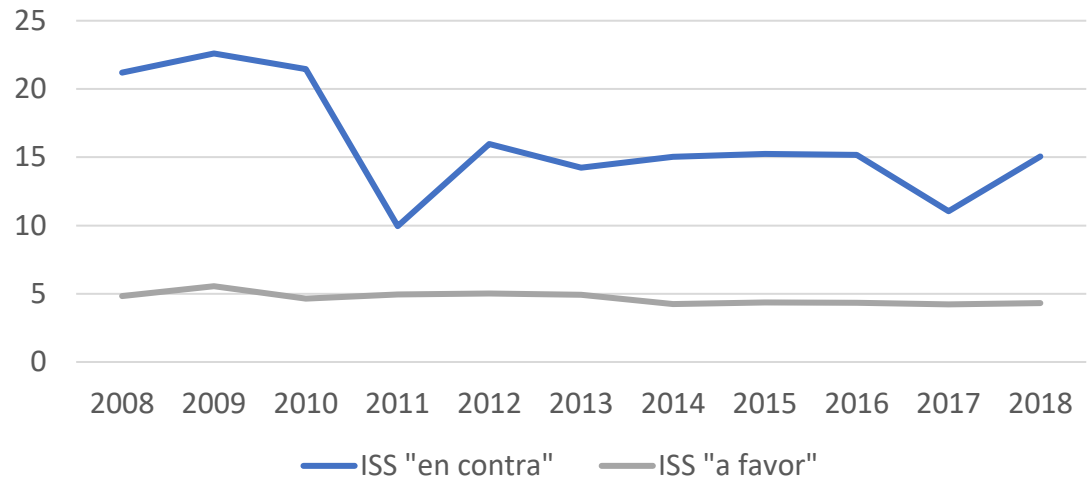
Gráfico 2. Porcentaje de propuestas con una recomendación "en contra" de ISS en las empresas del Russell 3000 (2008-2018)



Fuente: ISS Voting Analytics Database

Al promover en sus recomendaciones las normas de buen gobierno aceptadas en todo el mundo, los AV se han convertido en estandarizadores de las políticas de buen gobierno en las empresas cotizadas (Koch et al., 2020; Hayne y Vance, 2019; Tuch, 2019). Por consiguiente, los AV han cambiado drásticamente el proceso de votación de los accionistas, ya que cuando los AV recomiendan a los inversores que voten en contra de una propuesta específica, la disconformidad de los inversores aumenta significativamente (Cai et al., 2009; Ertimur et al., 2013; Larcker et al., 2017; Malenko y Shen, 2016). En ese sentido, el Gráfico 3 muestra que en las empresas del Russell 3000 la disconformidad de los inversores es, de media, un 10 % mayor cuando ISS recomienda votar en contra de una propuesta sometida a votación.

Gráfico 3. Porcentaje de disconformidad de los inversores por tipo de recomendación de ISS en las empresas del Russell 3000 (2008-2018)



Fuente: ISS Voting Analytics Database

Dada la creciente influencia de los AV en los votos de los inversores en los últimos años, los expertos en gobernanza corporativa han empezado a considerarlos supervisores externos adicionales de la empresa (Aguilera et al.,

2015; Sauerwald et al., 2018). Sin embargo, tal como puede verse en el Gráfico 3, su influencia sobre la disconformidad de los inversores ha disminuido en los últimos años, lo que indica que los inversores no siempre siguen ciegamente a los AV.

Una de las mayores preocupaciones de los participantes en el mercado es que, dados sus limitados recursos para realizar evaluaciones exhaustivas de cada empresa (Sharfman, 2018a), los AV emiten recomendaciones muy estandarizadas que pueden pasar por alto las circunstancias específicas de cada caso (McCahery et al., 2016c). Tal como argumentan Hayne y Vance (2019): "ISS no puede examinar 5000 o 1000 empresas y analizar todos los matices propios de cada una de ellas […] diseñan un modelo, y esperan que la mayoría de las empresas encajen en él". En última instancia, esto podría reducir la calidad de las recomendaciones de los AV (McCahery et al., 2016c) y resultar costoso para las empresas (Coles et al., 2008).

El análisis anterior indica que los AV, a pesar de ser reconocidos como actores clave en la gobernanza corporativa de las empresas cotizadas, tienen una eficacia discutible como supervisores externos. Al objeto de investigar si los AV ofrecen valor añadido a los inversores y a sus empresas, los estudiosos de la gobernanza han seguido distintos enfoques. Por un lado, han explorado cómo influyen las recomendaciones de los AV en la disconformidad de los inversores (Cai et al., 2009; Ertimur et al., 2013; Larcker et al., 2017; Malenko & Shen, 2016), lo que demuestra que, por término medio, una recomendación "en contra" de ISS puede aumentar la disconformidad de los inversores entre un 13% y un 20%

(Larcker et al., 2017). No obstante, parece que los inversores no siempre siguen ciegamente a los AV (Ertimur et al., 2013; Malenko & Shen, 2016), ya que a la hora de votar tienen en cuenta diversos factores de la empresa, destacando el papel de la estructura de propiedad de esta. En ese sentido, los estudiosos señalan que la relación positiva entre las recomendaciones “en contra” de los AV y la disconformidad de los inversores es más débil en las empresas cotizadas con una elevada concentración de la propiedad (Ertimur et al., 2013; Hitz y Lehmann, 2018; Malenko et al. 2016 ; Sauerwald et al., 2018), lo que es coherente con la idea de que los *blockholders* (tenedores de bloque) cuentan con mayores incentivos para hacer sus investigaciones independientes y, a su vez, es menos probable que sigan las recomendaciones de los AV.

Por otro lado, otra corriente de investigación ha estudiado las reacciones del mercado a las recomendaciones de los AV (Alexander et al., 2010; Ertimur et al., 2013; Hitz y Lehmann, 2018; Malenko, 2019) y a los cambios en la gobernanza corporativa propuestos por los AV (Calluzzo y Dudley, 2019; Ertimur et al., 2013, 2018; Larcker et al., 2017). Mientras que algunos estudios han detectado reacciones insignificantes del mercado a los cambios de gobernanza realizados de acuerdo con el asesoramiento de voto (Calluzzo y Dudley, 2019; Ertimur et al., 2013, 2018), otros han documentado rendimientos negativos (Larcker et al., 2017) e incluso reacciones positivas del mercado a las recomendaciones de los AV (Alexander et al., 2010). Para aclarar la cuestión, investigaciones más recientes apuntan a que el impacto de los AV sobre el valor de la empresa debe examinarse a la luz de múltiples especificidades de la empresa, en las que la estructura de propiedad de esta desempeña un papel clave (Hitz y Lehmann,

2018; Malenko, 2019). En las empresas con una elevada concentración de la propiedad, es más probable que el valor de mercado de la empresa disminuya en torno a la publicación de una recomendación “en contra” del AV (Hitz y Lehmann, 2018) o una recomendación del AV que no sea lo suficientemente precisa (Malenko, 2019).

Por regla general, las pruebas académicas existentes coinciden en que la presencia de los AV en el panorama de la gobernanza corporativa ha alterado el proceso accionarial y tiene implicaciones para los votos de los inversores y el valor de las empresas. No obstante, estas pruebas también demuestran que el valor informativo de la señal proporcionada por los AV y, por consiguiente, su eficacia como supervisores externos de la empresa, no es igual en todas las empresas. Debemos examinarlo, pues, teniendo en cuenta los atributos específicos de la empresa, siendo la estructura de propiedad de la compañía un determinante clave del valor de los AV en las empresas cotizadas.

EL PAPEL DE LOS ASESORES DE VOTO COMO SUPERVISORES EXTERNOS: LO QUE NOS QUEDA POR SABER

En la presente tesis doctoral nos sumamos al debate sobre la gobernanza corporativa en torno al papel del voto de los accionistas como mecanismo para controlar los costes de agencia (Aguilera et al., 2015; Goranova y Ryan, 2014; Iliev et al., 2015) y, en consonancia con estudios recientes (Ertimur et al., 2013; Hitz y Lehmann, 2018; Malenko y Shen, 2016; Sauerwald et al., 2018), destacamos la importancia de tener en cuenta la estructura de propiedad de las empresas al examinar los comportamientos de voto de los accionistas.

Centramos nuestra atención en las empresas familiares que cotizan en bolsa, un tipo prevalente de empresa con propiedad concentrada que representa, aproximadamente, un tercio de las empresas estadounidenses cotizadas (Gómez-Mejía et al., 2010; Villalonga et al., 2006). Las pruebas acumuladas en los últimos dos decenios demuestran que las empresas familiares tienen problemas de agencia específicos (Schulze et al., 2001; Andres, 2008; Villalonga et al., 2006). Desde una perspectiva tradicional de la agencia, los problemas de agente-principal derivados de la separación entre propiedad y gestión (Jensen y Meckling, 1976; Andres, 2008; Villalonga et al., 2015) son menos habituales en las empresas familiares. Dado que los propietarios familiares son accionistas concentrados con carteras poco diversificadas (Andres, 2008; Bianco et al., 2013) y voces fuertes dentro de sus empresas (Gedajlovic et al., 2004), tienen mayores incentivos y capacidades para recopilar la información privilegiada necesaria para supervisar a los directivos (Anderson y Reeb, 2003; Desender et al., 2013). Sin embargo, los estudiosos indican que las empresas familiares tienen más probabilidades de enfrentarse a problemas de agencia principal-principal (Gordon y Nicholson, 2010; Schulze et al., 2003; Villalonga y Amit, 2006), ya que los propietarios familiares pueden aprovechar su posición de control para extraer beneficios privados a expensas de los inversores no familiares (Villalonga et al., 2015).

A través del contexto de las empresas familiares, examinamos la disconformidad de los inversores y el valor de la empresa para comprender cómo perciben los inversores de las empresas familiares cotizadas sus problemas específicos de agencia. La literatura académica reciente ha

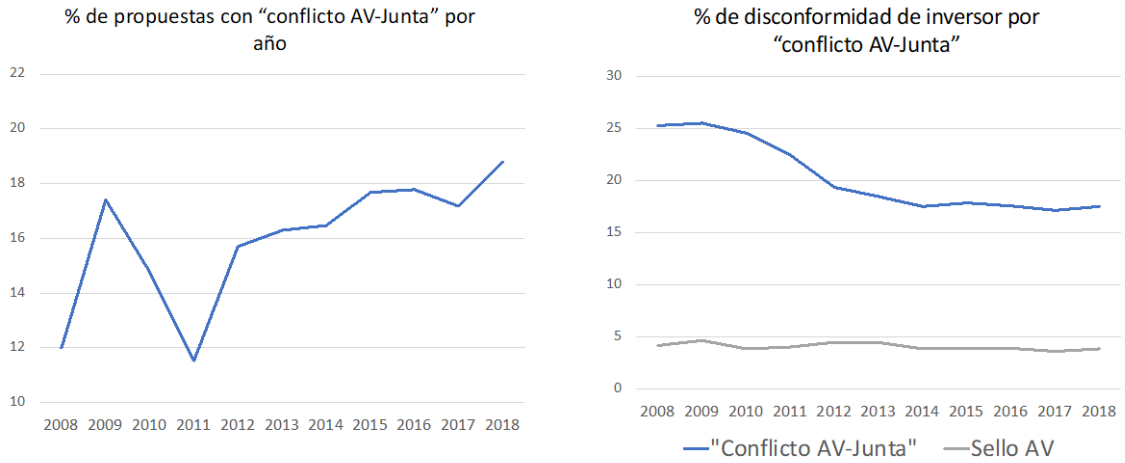
empezado a examinar los problemas de agencia específicos de las empresas familiares cotizadas desde el punto de vista del inversor. Martin et al. (2017) comparan el número de propuestas de los accionistas presentadas en las empresas familiares frente a las no familiares. Sus conclusiones indican que los inversores no perciben los problemas de agencia como más graves en las empresas familiares, ya que no presentan más propuestas de los accionistas en las empresas familiares que en las no familiares. No obstante, Ashraf et al. (2020) sugieren lo contrario, ya que, en su estudio, el porcentaje de apoyo de los accionistas a las elecciones de directores fue menor en una empresa familiar que en una no familiar. Desde la perspectiva del inversor, pues, la gravedad de los costes de agencia en las empresas familiares cotizadas sigue siendo una cuestión abierta. Partiendo de esta literatura académica, en esta tesis introducimos la figura del AV para proporcionar una comprensión más matizada de cómo los inversores evalúan la dinámica de agencia específica de las empresas familiares cotizadas.

Tal como sugiere la literatura académica que hemos mencionado, la creciente importancia y prevalencia del AV ha cambiado el proceso de votación de los accionistas, ya que los inversores reciben ahora dos recomendaciones de voto en el momento de la votación: una del AV externo y otra de la Junta Directiva, que ejerce de supervisor interno de la empresa. Si bien la Junta Directiva puede aprovecharse de su posición de supervisor interno de la empresa y de su autoridad para adquirir información privada (Sharfman, 2018a) y emitir recomendaciones de voto más adaptadas e informadas que el AV, sus recomendaciones pueden estar sesgadas, ya que la Junta, al representar los

intereses de los propietarios (Federo et al., 2020), puede recomendar a los inversores que voten a favor de propuestas de voto que favorezcan los intereses del propietario mayoritario.

Como resultado, los AV pueden aconsejar a los inversores que voten de la misma manera que la recomendación de la Junta; esto es lo que denominamos el "sello AV". Sin embargo, los AV también pueden recomendar a los inversores que voten de forma diferente a la recomendación de voto de la Junta; esto es lo que denominamos "conflicto AV-Junta". El Gráfico 4 muestra que el conflicto AV-Junta ha aumentado con el tiempo y, en línea con la literatura académica anterior (Sauerwald et al., 2018; Shu, 2022), que la disconformidad de los inversores es mucho mayor ante dicho conflicto.

Gráfico 4. Porcentaje de propuestas con un "conflicto AV-Junta" y su efecto en la disconformidad de los inversores en las empresas del Russell 3000 (2008-2018)



Si bien el Gráfico 4 es muy similar a las pruebas que hacen referencia a la recomendación "en contra" del AV y su influencia sobre la disconformidad de los inversores (véanse los Gráficos 2 y 3), en esta tesis centramos nuestra

atención en la relación AV-Junta, ya que presenta varias ventajas sobre el examen del asesoramiento de voto por sí solo. En primer lugar, basándonos en la literatura académica existente que sugiere que los supervisores de la empresa no operan de forma aislada (Aguilera et al., 2015; Desender et al., 2013), creemos que examinar la relación AV-Junta no solo informaría sobre el valor de los AV como supervisores externos, sino que también, al examinarlos en relación con la Junta, ayudaría a aclarar el papel de la Junta como supervisor interno. Por tanto, de forma general, nos ofrecería una visión de los problemas de agencia en las empresas que cotizan en bolsa. De hecho, investigar la relación AV-Junta adquiere mayor relevancia cuando se adopta una perspectiva de propiedad, ya que la percepción de los inversores sobre el papel del AV como supervisor externo dependería principalmente de la medida en que los inversores confíen en que la señal informativa emitida por la Junta es informativa y no está sesgada en contra de los intereses de los propietarios mayoritarios.

Además, a diferencia de la mayoría de los estudios existentes que examinan el activismo accionarial en las empresas familiares cotizadas (Ashraf et al., 2020; Martin et al., 2017) y de los que examinan únicamente el AV (Ertimur et al., 2013; Hitz y Lehmann, 2018; Malenko et al., 2016), al estudiar la figura del AV en relación con la Junta, podemos ofrecer una imagen más amplia del proceso de votación de los accionistas. Podemos examinar cada propuesta sometida a votación en la junta de accionistas, considerando diferentes contenidos y patrocinadores, y sus diferentes actores clave, desde el supervisor interno (la Junta) hasta el supervisor externo (el AV) y los inversores de la empresa.

AGENDA DE INVESTIGACIÓN

En la presente tesis doctoral realizamos tres estudios que adoptan una perspectiva de propiedad para comprender si los AV ofrecen valor añadido a los inversores y a sus empresas. En el primer estudio, "*The 'proxy advisor-Board' conflict in listed family firms: Who do investors trust more?*" ("El conflicto 'asesor de voto-Junta' en las empresas familiares cotizadas: ¿En quién confían más los inversores?"), examinamos la influencia del conflicto AV-Junta sobre la disconformidad de los inversores para comprender cómo perciben estos los problemas de agencia en las empresas familiares cotizadas. En este estudio teorizamos que, dado que los propietarios familiares tienen necesidades de gobernanza específicas y, por tanto, es menos probable que se ajusten a las prácticas de buen gobierno institucionalizadas (Federo et al., 2020; Ponomareva y Ahlberg, 2016), es más probable que se produzca un conflicto asesor de voto-Junta Directiva en las empresas familiares cotizadas en comparación con las empresas no familiares. No obstante, afirmamos que este mayor conflicto no implicaría una mayor disconformidad de los inversores en las empresas familiares. Desde la perspectiva del inversor, los incentivos y capacidades de supervisión a largo plazo de los propietarios familiares (Anderson y Reeb, 2003; Desender et al., 2013) darán lugar a recomendaciones de voto de la Junta más informativas. Esto indica que, para los inversores en empresas familiares, los AV desempeñan un papel limitado como supervisores externos de la empresa. Sin embargo, teorizamos que el conflicto AV-Junta potenciará la disconformidad de los inversores cuando haya un CEO dual o cuando aumente el porcentaje de

consejeros independientes en la Junta, ya que los inversores percibirán un menor valor informativo de la recomendación de la Junta.

En nuestro segundo estudio, "*Fooling investors by paying them more dividends? The role of proxy advisors in listed family firms*" ("¿Engañar a los inversores pagándoles más dividendos? El papel de los asesores de voto en las empresas familiares cotizadas"), enriquecemos nuestros conocimientos sobre el papel de los AV en las empresas familiares cotizadas. Sugerimos que los AV pueden ofrecer valor añadido como supervisores externos de los inversores en las empresas familiares cotizadas al ayudarlos a evaluar la naturaleza simbólica frente a la sustantiva del pago de dividendos, una práctica común utilizada por las empresas para reducir la disconformidad de los inversores y, así, potenciar la legitimidad social de la empresa. Afirmamos que las empresas familiares con un reparto de dividendos superior al estándar del sector tienen una menor disconformidad de los inversores en relación con las empresas no familiares, ya que se reduce el sentimiento de expropiación de los inversores. Sin embargo, ante un conflicto AV-Junta, sostenemos que los efectos negativos del reparto de dividendos sobre la disconformidad de los inversores se debilitan en las empresas familiares cotizadas, ya que el conflicto AV-Junta alimenta las sospechas de los inversores sobre el uso simbólico del reparto de dividendos para buscar la legitimidad, al tiempo que se evita una intervención de los inversores que pueda provocar una pérdida de influencia y control de la familia.

Por último, en el tercer estudio, "*When does the 'proxy advisor stamp' add firm value? An ownership perspective*" ("¿Cuándo ofrece valor añadido a la empresa

el ‘sello del asesor de voto’? Una perspectiva de la propiedad”), examinamos la influencia del sello del AV sobre el valor de la empresa. Planteamos que el sello del AV mejora el valor de la empresa en compañías con una elevada concentración de la propiedad. Dado que es más probable que los participantes en el mercado cuestionen la necesidad de gobernanza corporativa de las empresas altamente concentradas, este sello indicaría que la Junta está proporcionando recomendaciones de voto alineadas con las normas de buen gobierno corporativo respaldadas por los AV y que, por tanto, redundan en beneficio de todos los inversores. Además, como las empresas concentradas tienen más problemas de información asimétrica, el sello del AV será beneficioso para estas empresas al reducir las preocupaciones sobre transparencia entre la comunidad de inversores.

Por último, tras presentar los tres estudios, terminamos con las conclusiones de esta tesis doctoral. En general, al examinar la relación AV-Junta y su influencia en los votos de los inversores y el valor de la empresa, estos estudios mejoran nuestra comprensión de cómo perciben los inversores la dinámica de agencia específica de las empresas cotizadas con propiedad concentrada, con especial atención a las empresas familiares.

CHAPTER 1

THE PROXY ADVISOR-BOARD CONFLICT IN LISTED FAMILY FIRMS: WHO DO INVESTORS TRUST MORE?

ABSTRACT

This paper uses the shareholding voting process to examine agency problems in listed family firms from an investor perspective. We focus on proxy advisors (PAs), information intermediaries that advise investors on how to vote, and their influence on investor dissent. We theorize that while PAs are more likely to recommend investors to vote against Board recommendations (i.e., the "PA-Board conflict") in family than in nonfamily firms, this would not translate into higher investor dissent in family firms. In the presence of a PA-Board conflict, investors in family firms would trust more in the informative value of the internal monitor (i.e., the Board) than the external monitor (i.e., the PA). Nevertheless, we argue that the PA-Board conflict has a higher positive impact on investor dissent in family firms than in nonfamily firms when there is a dual Chief Executive Officer or when the percentage of independent directors on the Board increases, as investors would feel that the informative value of the Board recommendation is reduced. Using 22,656 voting proposals from Fortune 1000 firms, our findings provide a deeper understanding of agency problems in listed family firms.

INTRODUCTION

Research on publicly held family firms over the last two decades has conveyed that these firms have distinct governance features compared to their nonfamily counterparts (Andres, 2008; Schulze et al., 2001; Villalonga & Amit, 2006). It is widely held that listed family firms enjoy certain benefits from an agency perspective because they are less subject to the damaging consequences of the separation between ownership and management (i.e., they incur in lower principal-agent agency costs) (Andres, 2008; Jensen & Meckling, 1976; Villalonga et al., 2015). Still, their unique governance features could further exacerbate conflicts between family and nonfamily investors (i.e., greater principal-principal agency costs), as family owners concerned with preserving their socioemotional wealth (SEW) (Berrone et al., 2012; Gómez-Mejía et al., 2007) create unique opportunities for wealth expropriation of nonfamily investors (Gordon & Nicholson, 2010); Villalonga & Amit, 2006).

The unique nature of agency problems in listed family firms raises doubts as to the extent to which they are regarded as a superior investment for investors. To illuminate this question, the family firm literature has followed various approaches, such as testing whether family ownership is beneficial to firm performance (Anderson & Reeb, 2003; Andres, 2008; Pindado et al., 2014; Villalonga et al., 2006) and examining the effectiveness of diverse corporate governance mechanisms in reducing agency costs in listed family firms (Anderson & Reeb, 2004; Desender et al., 2013; Gomez-Mejia et al., 2001). Despite important advancements, these works have failed to provide unequivocal findings, and questions persist regarding whether investors face

higher agency costs in listed family firms compared to nonfamily firms (Villalonga et al., 2015).

In this paper, we follow an alternative approach to assess the importance of agency costs in listed family firms from an investor perspective. Inspired by recent works on mainstream corporate governance research, we consider the shareholder voting process as a key external corporate governance mechanism to reduce agency costs in listed firms (Goranova & Ryan, 2014; Iliev et al., 2015). We focus on investor dissent, as by voting against Board voting recommendations on proposals in shareholder meetings, investors voice their concerns about governance arrangements that do not align with their interests in the firm or about managers becoming too entrenched (Aggarwal et al., 2014; Cai et al., 2009; Fischer et al., 2009; Sauerwald et al., 2016). However, as most investors lack incentives to efficiently exercise their votes (Choi et al., 2010; Iliev et al., 2015; Shleifer & Vishny, 1986), we consider the corporate governance role of proxy advisors (PAs), information intermediaries hired by institutional investors to provide them cost-efficient voting advice on each voting proposal in a shareholder meeting. With most institutional investors currently using the services of PAs, investor dissent has significantly increased (see Copland et al., 2018 for a review), suggesting that PAs play an essential role as external monitors in listed firms.

The presence and growing importance of the PA as an external monitor has changed the corporate governance landscape. Faced with a voting decision, investors now receive two recommendations: one from the internal monitor (i.e.,

the Board of directors) and another from the external monitor (i.e., the PA). While PAs' recommendations follow the standardized agency logic of good corporate governance norms (Hayne & Vance, 2019), Board advice is more tailored to firm specifics (Sharfman, 2018). As a result, these information signals may not necessarily be aligned, and the PA may advise investors to vote against the Board recommendation, resulting in a "PA-Board conflict." Empirical evidence reveals that when a PA-Board conflict exists, investor dissent increases (Sauerwald et al., 2018; Shu, 2022), suggesting that when facing a controversial proposal, the value of the PAs as an external monitor is strengthened relative to the value of the Board as an internal monitor.

We leverage these relatively new shareholding voting dynamics to infer investors' perceptions of agency problems in listed family firms. As family firms have unique governance demands and are hence less likely to conform to global accepted governance norms (Federo et al., 2020; Miller et al., 2013; Federo et al., 2020; Ponomareva & Ahlberg, 2016), they are more likely than nonfamily firms to have a PA-Board conflict, as PAs follow an agency logic when issuing their voting recommendations (Hayne & Vance, 2019 ; Sauerwald et al., 2018). Nevertheless, this does not translate into greater investor dissent, meaning that when the advice of the two monitors is not aligned, investors would trust the Board more and rely less on the PA recommendation. Building on prior research (Sauerwald et al., 2018), we hypothesize that given the superior family blockholding monitoring capabilities, investors in family firms expect to obtain greater value from Board advice than from standardized proxy advice, despite the potential risk of expropriation by family blockholders (Villalonga & Amit, 2006).

We also use the PA-Board conflict and its impact on investor dissent to illuminate the debate on the effectiveness of traditional proxies for Board monitoring (i.e., Board independence and CEO duality) in reducing agency problems in listed firms (i.e., Anderson & Reeb, 2004; Hillman et al., 2011; Krause et al., 2014; Singla et al., 2014). The effectiveness of both measures is contingent on firm ownership structure. In family firms, having a dual CEO and a high proportion of independent directors will reduce the quality of Board voting recommendations. From an investor's perspective, when there is a PA-Board conflict, the Board advice would be less informative and more likely to be biased toward the controlling family's interests. This effect would be different in nonfamily firms. Absent SEW concerns and lacking superior family blockholding capabilities, investors in nonfamily firms will perceive a higher quality on the Board voting recommendation in presence of these two governance arrangements. We hence predict that while in family firms, CEO duality and greater Board independence would cause investors to rely more on proxy advice when a PA-Board conflict exists. In the case of nonfamily firms, it would increase investor's trust on the Board recommendation. We test our hypotheses using a sample of 22,656 voting proposals from Fortune 1000 firms, based on a unique, original, and ample collection of secondary data. We run several analyses to test the robustness of our results, as well as additional post-hoc analyses.

This paper makes several contributions to the literature. Our study is among the first to use the PA-Board conflict and its influence on investor dissent to examine

agency dynamics in listed firms (Sauerwald et al., 2018) and, to our knowledge, the first one to do so in listed family firms. Using this unique setting, we reconcile previous findings regarding agency conflicts in listed family firms. In line with the previous literature, we theorize that, in the case of family firms, nonconformity with global best practices is explained by their unique governance demands (Federo et al., 2020; Ponomareva & Ahlberg, 2016; Witt et al., 2022) derived from their SEW objectives. However, given that investors in family firms appear to trust more in the internal monitoring capabilities of the Board than in the external proxy advice in the presence of a PA-Board conflict, our analyses reveal that investors do not necessarily perceive family firm's deviation from corporate governance rules as an agency problem (Aguilera & Crespi-Cladera, 2012; Martin et al., 2017).

We also contribute to reconciling the exiting debate on the ideal Board structure to minimize agency costs. The differential impact of both Board independence and CEO duality on the relationship between PA-Board conflict and investor dissent in family relative to nonfamily firms suggests that the effectiveness of these monitoring arrangements is contingent on the firm ownership structure and should be examined from an ownership perspective.

Our work also contributes to previous calls in corporate governance research to assess agency problems in listed firms by considering the effectiveness of multiple monitors together (Aguilera et al., 2015; Bell et al., 2014; Desender et al., 2013). Our findings suggest that investors in family firms are sensitive to the costs and benefits of internal (i.e., Board) versus external (i.e., PA) monitoring

and that they appear to substitute the external proxy advisory services for the internal monitoring capabilities of the Board when voting recommendations from the two monitors are not aligned.

Finally, this study provides a more nuanced understanding of the role of the PA as an external monitor. We advance the previous literature that suggests that investors do not blindly follow PAs (Ertimur et al., 2013; Malenko & Shen, 2016; Sauerwald, et al., 2018) and propose that when facing a PA-Board conflict, investor reliance on proxy advice would depend on the extent to which investors perceive that the information signal the Board provides is informative and unbiased against their interests in the firm.

THEORETICAL BACKGROUND

The shareholder voting process and the role of proxy advisors

Investors use shareholder voting to voice their preferences on corporate matters and protect their financial interests in the firm (David et al., 2007; Hillman et al., 2011; Iliev et al., 2015). Investors vote in annual meetings over diverse voting items, including director election; executive compensation proposals; Environmental, Social, and Governance (ESG) proposals (e.g., publish political contributions and report on sustainability); restructuring proposals (e.g., approve merges and acquisitions and approve recapitalization); and auditor proposals (e.g., ratify auditor). These proposals are typically sponsored by the firm management, yet they may also be presented by the firm shareholders. For each voting proposal presented in the meeting, the Board recommends investors to

vote either for or against it. Investors may convey their dissatisfaction with the Board by expressing their dissent (i.e., voting against Board recommendations) (Hillman et al., 2011; Sauerwald et al., 2016; Sauerwald et al., 2018).

Companies pay considerable attention to investor dissent by making governance and leadership changes in the firm (Aggarwal et al., 2014; Cai et al., 2009; Fischer et al., 2009). For this reason, corporate governance scholars view investor dissent as an important external corporate governance mechanism to reduce agency costs in listed firms (Iliev et al., 2015). Nonetheless, many investors, especially institutional investors who must vote on thousands of voting proposals each year (Appel et al., 2016; Bebchuk et al., 2019), lack the incentives to effectively express their dissent (Iliev et al., 2015). As a solution, many investors utilize the services provided by PAs. PAs are information intermediaries that, by exploiting economies of scale (Shu, 2022), provide cost-efficient voting recommendations on each voting proposal in a shareholder meeting. In recent years, institutional investors, who collectively own shares in all listed firms (Bebchuk et al., 2019), have increased the demand for proxy advisory services. For instance, Institutional Shareholder Services (ISS), the main PA worldwide, currently provides voting recommendations on almost 42,000 annual meetings and has over 2,000 institutional clients (ISS Governance, 2020).

To issue their recommendations, PAs generally rely on their own voting guidelines (Larcker et al., 2013; ESMA, 2012), which are revised and announced publicly on an annual basis (Malenko & Shen, 2016). To legitimize their advice, these guidelines support good corporate governance practices (Hayne & Vance,

2019; Levit et al., 2020). Accordingly, academics have found that PAs follow an "agency logic" when issuing their recommendations (Sauerwald et al., 2018). That is, they tend to recommend that investors vote against proposals that do not follow the corporate governance rules suggested by agency theory (Choi et al., 2010; Ertimur et al., 2013; Hitz & Lehmann, 2018). For example, PAs generally recommend that investors vote against non-independent directors (Choi et al., 2010); excessive CEO pay (Ertimur et al., 2013); and dual-class shares (ISS Guidelines, 2020). Because they promote governance norms, scholars have started to perceive PAs as additional (external) monitors of the firm's agency problems (Aguilera et al., 2015; Sauerwald et al., 2018). Nevertheless, the role of PAs as external monitors is questionable, as they are criticized for adopting a "one-size-fits-all" approach that leads to standardized recommendations (Hayne & Vance, 2019) that fail to identify the firm's major agency problems.

Empirical evidence on the informational value of PAs recommendations is mixed. On the one hand, prior works document that by drawing investors' attention to voting proposals that might go against their interests, PAs' "against" recommendations have a positive influence on investor dissent (Cai et al., 2009; Larcker et al., 2017; Malenko & Shen, 2016). Specifically, they are associated with an increase in investor dissent from 13.6% to 20.6% (Larcker et al., 2017). On the other hand, investors do not necessarily follow PA recommendations blindly (Ertimur et al., 2013; Malenko & Shen, 2016; Field et al., 2022), which suggests that the informational value of PA recommendations varies among firms.

To investigate what drives this heterogeneity across the role of the PA as an external monitor, a recent study by Sauerwald (2018) analyzed who investors would trust more when the recommendations of the internal (i.e., Board) and the external (i.e., PA) monitors disagree (i.e., the PA-Board conflict). Using the PA-Board conflict rather than the PA recommendation directly provides several advantages, as it identifies not only the value of PAs as external monitors, but also the role of the Board as an internal monitor. Ultimately, it offers a more nuanced understanding of the agency costs that investors in listed firms face. Overall, their results indicate that when there is a PA-Board conflict, investor dissent increases (Sauerwald, et al., 2018), suggesting that investors rely more on proxy advice when the recommendations of the two monitors are not aligned.

Nevertheless, they examine diverse contingencies that increase the relative value of Boards as internal firm monitors and particularly investigate firm ownership concentration. In firms with high ownership concentration, investors follow proxy advice less since the increased monitoring efforts from concentrated owners result in more informative Board advice (Sauerwald et al., 2018). However, as not all concentrated owners are equally effective monitors, they theorize than in firms controlled by blockholders with low monitoring incentives and abilities, as is the case of institutional investors, firm investors increase their reliance on the PA recommendation. Despite the importance of ownership when examining the relationship between the PA-Board conflict and investor dissent, existing research has yet to examine the role of PAs in listed family firms, a dominant group of firms with high incentives for both monitoring

and expropriation (Amit & Villalonga, 2014); Villalonga et al., 2015),

With the shift in mainstream corporate governance studies toward the role of shareholder activists (Ferri, 2012; Goranova & Ryan, 2014; Iliev et al., 2015), a nascent literature has started to examine agency problems in listed family firms by analyzing the actions that shareholders can take to decrease agency costs. Specifically, Martin et al. (2017) use shareholder proposals as a direct indicator of conflict between family and nonfamily investors, and Ashraf et al. (2020) compare investor support of director elections in family and nonfamily firms. Martin et al. (2017) find that family firms do not receive more shareholder proposals than nonfamily firms, suggesting that agency problems in family firms are not severe from an investor's perspective. On the contrary, Ashraf et al. (2020) reveal that director's nominations receive less support from investors in family firms than in nonfamily firms.

While Martin et al. (2017). and Ashraf et al. (2020) investigate a particular type of voting proposal to understand agency problems in listed family firms from an investor perspective, by examining the PA-Board conflict and its influence on investor dissent, our study proposes a more holistic approach to understand agency problems in listed family firms. In contrast to previous studies, our method allows us not only to analyze every participant in the shareholder voting process (i.e., the PA, the Board, and the firm investors). But also, to expand our focus of analysis beyond a particular type of voting proposal and examine every item presented in the shareholder meeting, considering various sponsor types and proposal contents.

HYPOTHESES DEVELOPMENT

The PA-Board conflict in family firms compared to nonfamily firms

Listed firms face intensifying pressure to conform to accepted governance norms (Aguilera et al., 2018). However, ample research shows considerable heterogeneity among firms' governance practices, suggesting that adopting a one-size-fits-all approach to best practices is not a major concern for many firms (Aguilera et al., 2018; Ponomareva et al., 2022). Indeed, this evidence indicates that in firms with concentrated ownership, blockholders have greater governance discretion and hence design nonconforming governance arrangements that reflect their interests in the firm (Aguilera et al., 2018; Federo et al., 2020; Ponomareva & Ahlberg, 2016; Witt et al., 2022).

This agentic behavior is more likely to occur in family firms. The extant academic evidence suggests that family firms are less likely to conform to good governance norms (Cruz et al., 2014; Kellermanns et al., 2012) and to deviate more from the agency logic of corporate governance codes (Federo et al., 2020; Miller, Le Breton-Miller, et al., 2013; Ponomareva & Ahlberg, 2016). For instance, they are more likely than nonfamily firms to nominate affiliated directors (Anderson & Reeb, 2004); to implement a dual-share class structure (Anderson et al., 2017); or to appoint a dual CEO (Voordeckers et al., 2007).

The greater tendency of family firms to not conform to globally accepted governance rules is explained by the unique agency issues associated with family ownership. From a traditional agency approach (Andres, 2008; Schulze

et al., 2001; Villalonga & Amit, 2006), family owners represent a distinctive class of concentrated shareholders with a significant voice in the firm (Gedajlovic et al., 2004). They may hence have sufficient governance discretion to implement governance practices that reflect their preferences, deviating from established governance norms (Aguilera et al., 2018; Federo et al., 2020; Witt et al., 2022).

Behavioral theories also support the notion that family firms are less likely to adopt global best practices. Family owners have idiosyncratic preferences toward the preservation of the family SEW (i.e., the non-economic benefits derived from the pursuit of family centered goals), such as ensuring family control and long-term prospects for family descendants (Berrone et al., 2012; Chrisman et al., 2014; Gómez-Mejía et al., 2007; Gomez-Mejia et al., 2011). Because many traditional governance practices may compromise family control and influence on the firm (Cruz et al., 2014; Kabbach de Castro et al., 2017), family owners may choose to deviate from standardized governance practices if it helps them to protect their SEW. Family firms' Boards, which ultimately represent the interests of the controlling family (Federo et al., 2020; Gomez-Mejia, Cruz, Berrone, & De Castro, 2011), may consequently be more likely to advise investors to vote in favor of voting proposals that do not conform with good governance norms.

A closer examination of press releases from shareholding voting outcomes provide further evidence on the notion that family firms' Boards tend to provide voting recommendations in favor of proposals that do not align with standard practices of good governance. For instance, in 2022, the Board of Guess (i.e., a

listed family firm controlled by the Marciano brothers) recommended the firm investors to vote in favor of a management-sponsored voting item proposing the reelection of Paul and Maurice Marciano as Board directors, as “they bring to the Board a large amount of knowledge and experience” (PR Newswire, 2022). In 2022, the Board of Tyson (i.e., a listed family firm controlled by the Tyson family) advised its investors to vote against a shareholder proposal requesting to suppress the firm dual-share class structure, arguing that “it is in the best interest of shareholders (Tyson Proxy Statement, 2022).” In 2014, the Board of Danaher (i.e., a listed family firm controlled by the Rales family) recommended to its investors to vote against a shareholder-sponsored proposal to appoint an independent Chair as “it would significantly diminish the accountability and stewardship that shareholders currently enjoy as a result of Mr. Rales’ leadership” (Danaher Proxy Statement, 2014).

Consistent with their standardized voting guidelines of good governance (Hayne & Vance, 2019; Levit et al., 2020), PAs recommended investors to vote against the Board advice in all the previous examples. ISS recommended Guess investors to vote contrary to the Board advice and withhold the reelection of the Maurice brothers as directors, claiming that “their presence on the Board poses a long-term reputational risk to the company, its brand and valuation” (Legion Partners Asset Management, 2022). In the case of Tyson, PAs advised investors to support the removal of the “problematic” dual-share class structure (Hirtzer & Deveau., 2022). Last, ISS challenged Danaher’s Board by recommending the firm’s investors to vote in favor of an independent Chair.

This evidence suggests that given the one-size-fits-all approach of proxy advice, PAs are more likely to recommend investors to vote against items that deviate from the agency-based rules of good governance, irrespective of whether the proposal satisfies the unique governance demands of listed family firms (Field & Lowry, 2022). Because family firms' Boards are more likely to deviate from agency norms, PAs will disagree more with the Board recommendations in listed family firms than nonfamily firms. Formally stated,

Hypothesis 1. More PA-Board conflict exists in listed family firms than in nonfamily firms.

The impact of the PA-Board conflict on investor dissent in family firms

The previous hypothesis suggests that PAs are more likely to disagree with the Board recommendations in listed family firms. The question is how investors in listed family firms would react to this greater PA-Board conflict when voting. Investors could interpret the PA-Board conflict in two ways. First, when the two information signals are not aligned, investors could perceive that the PA is raising awareness of the potential risk of family "entrenchment" (i.e., when the family exploits its controlling position in the firm at the expense of nonfamily investors; Gomez-Mejia et al., 2001).

This perspective is associated with the belief that family owners' idiosyncratic preferences increase the principal-principal problems traditionally associated with firms with concentrated ownership. To protect their SEW, family owners may become entrenched and act against the financial interests of nonfamily investors

(Anderson & Reeb, 2003; Andres, 2008; Villalonga & Amit, 2006). For instance, to retain family control over the firm (i.e., a fundamental SEW dimension), family owners may be willing to appoint family members to key positions regardless of their contributions (Miller & Le Breton-Miller, 2006); retain family executives despite weak performance (Gomez-Mejia et al., 2001); and reject strategic decisions that may increase firm value, such as diversification (Gomez-Mejia et al., 2010); research and development investments (Gomez-Mejia et al., 2014); and acquisitions (Gomez-Mejia et al., 2018). Under this view, investors would hence interpret the PA-Board conflict as a signal that the Board advice favors family entrenchment. If this is the case, investors would rely more on the PA than on the Board recommendation, as they may suspect that the Board is providing a biased advice in favor of the controlling family, which ultimately increases expropriation.

Alternatively, investors could interpret the PA-Board conflict as a signal that the Board possesses greater insider knowledge than PAs to provide voting recommendations that may be value increasing (Sauerwald et al., 2018). This view is aligned with the notion that family firms are less susceptible to principal-agent problems that result from the separation between ownership and management (Andres, 2008; Jensen & Meckling, 1976; Villalonga et al., 2015). As family owners have a high stake of their wealth invested in the firm (Andres et al., 2008), they have stronger incentives to spend private resources to ensure that the Board is collecting firm-specific information needed for effective monitoring. In the face of a PA-Board conflict, investors would hence rely more

on the Board recommendation, as they may believe that its advice has higher informative value than the standardized proxy advice.

We suggest that for investors in family firms, the perceived informative value of the Board recommendation is greater than the fear of receiving a biased Board recommendation. We offer several reasons. Family owners typically sit on the Board and occupy key managerial positions, so they have a strong voice in the firm (Gedajlovic et al., 2004). For this reason, they have access to firm insider knowledge and can engage in "behind-the-scenes" conversations with managers (Becht et al., 2009; Sauerwald et al., 2018). Investors in family firms may hence feel that Boards have not only higher incentives to collect and process firm-specific information, but also greater capabilities to do so.

Moreover, accumulated tacit knowledge built over generations may lead investors to perceive the Board as a less-costly monitor (Desender et al., 2013) with more reliable information. Compared to other concentrated owners, family owners have a longer-term investment horizon derived from their commitment to continuing the family legacy (Berrone et al., 2012). Family owners' concern for firm survival incentivizes family firms' Boards to engage in patient investments (Sirmon & Hitt, 2003); create a positive reputation (Zellweger et al., 2013); and build loyal relationships with stakeholders (Miller & Le Breton-Miller, 2006). From an investor perspective, this means that family firms' Boards would recommend voting against those voting proposals that could jeopardize firm value creation in the long term.

The above discussion suggests that from an investor standpoint, in listed family firms, Boards provide higher quality recommendations than PAs. When there is a PA-Board conflict, investors hence trust the Board recommendation more than the standardized PA advice, as they consider the Board to possess the necessary superior information that justifies deviating from the agency logic supported by proxy advice. They do so despite the possible agency conflicts that may arise from the controlling dominant position of the family and its potential entrenchment in the firm. This does not imply that investors would neglect these potential costs when voting but that they would expect to obtain more value from family blockholders' internal monitoring capabilities. Compared to investors in nonfamily firms, investors in family firms would therefore delegate substantial discretion to Boards and rely less on proxy advice in controversial voting proposals. Formally stated,

Hypothesis 2. The positive effect of the PA-Board conflict over investor dissent is weaker in listed family firms than in nonfamily firms.

The moderating role of governance characteristics: Dual CEO and independent Board members

Overall, investors in family firms appear to trust more in the internal monitoring capabilities of the Board than in proxy advisory services when the voting recommendations of the two monitors are not aligned. In this section, we argue that when deciding whom to trust more, investors seek cues to ascertain the Board's monitoring capabilities and thus the informative quality of the Board voting recommendation.

Most corporate governance studies use two Board characteristics as proxies for Board monitoring: CEO duality and Board independence (i.e., Anderson & Reeb, 2004; Hillman et al., 2011; Krause et al., 2014; Singla et al., 2014). We reexamine the effectiveness of these two governance mechanisms in light of our context as potential moderators of the relationship between PA-Board conflict and investor dissent. Following previous studies suggesting that the Board monitoring role is contingent on the firm ownership structure (Desender et al., 2013; Federo et al., 2020), we propose that the mentioned moderator effect should be different in family and nonfamily firms.

CEO duality. Extant research suggests that CEO duality (i.e., the practice of an individual serving at the same time as Board chair and CEO) may be a double-edged sword that forces Boards to choose between contradictory objectives (Finkelstein & D'aveni, 1994; Goergen et al., 2020). On the one hand, a centralized leadership structure may encourage a strong leadership in the firm and unity of command (Zajac & Westphal, 1996). On the other hand, duality can entrench the CEO at the top of the organization, compromising the Board's ability to effectively monitor and discipline (Dalton et al., 1998; Finkelstein & D'aveni, 1994; Krause et al., 2014; Singla et al., 2014). Entrenched CEOs may abuse of their power and lead Board members to make decisions that decrease shareholder value (Finkelstein & D'aveni, 1994; Tuggle et al., 2010; Wijethilake & Ekanayake, 2020).

Building on these arguments, we argue that investors in family firms with a dual CEO would be less likely to follow Board recommendations on controversial

proposals. Family owners have greater incentives to appoint dual CEOs as a mechanism to ensure their controlling position in the company and their pursue of SEW goals (Singla et al., 2014). Hence, a PA-Board conflict in family firms with a centralized leadership may signal that that the CEO-Chair is weighing more family owner´s concerns than those of nonfamily investors (Braun & Sharma, 2007). Consequently, the Board, dominated by the controlling family, will support voting recommendations that favor family owner´s goals at the expense of nonfamily investors interests. Hence, from an investor perspective, a PA-Board conflict in family firms with a dual CEO may increase the risk of family entrenchment and thus, of wealth expropriation by family owners.

On the contrary, in nonfamily firms, as the risk of entrenchment is lower than in family firms, when there is a PA-Board conflict, investors would rely more on the Board advice, as the unity of command of the dual structure would increase the informative value of the Board voting recommendations relative to the PA advice when the two are in conflict. Formally stated,

Hypothesis 3a: In family firms, CEO duality would increase the positive effect of the PA-Board conflict over investor dissent.

Hypothesis 3b: In nonfamily firms, CEO duality would decrease the positive effect of the PA-Board conflict over investor dissent.

Independent directors. The ratio of independent directors is the most widely used proxy for Board monitoring (Hillman et al., 2011; Neville et al., 2019). According to agency theory, independent directors may minimize managerial expropriation

by bringing expertise and objectivity to the Board (Anderson & Reeb, 2004; Dalton et al., 1998). Nevertheless, despite increasing calls to appoint independent directors to protect investors' interests in the firm (Campbell et al., 2012; Crespí-Cladera & Pascual-Fuster, 2014), recent research has raised multiple concerns regarding their monitoring effectiveness (Boivie et al., 2016; Moscariello et al., 2019). Several studies claim that higher levels of Board independence may reduce the monitoring efficacy of the Board, as these directors are highly limited by time constraints and have inferior firm insider information compared to insider directors (Adams et al., 2010; Finkelstein & Hambrick, 1996; Moscariello et al., 2019).

In line with previous studies (Desender et al., 2013; Federo et al., 2020), we argue that the effectiveness of independent directors as internal monitors is contingent on firm ownership structure, as the presence of controlling owners is likely to affect the monitoring incentives and abilities of independent board members. Particularly in the family firm context, as family owners are less likely to share information with outsiders (Ali et al., 2007), independent directors face greater information asymmetries (Chen & Nowland, 2010). Furthermore, as independent directors are not involved in the firm operations, they possess fewer political connections and a lower ability to engage in behind-the-scenes conversations than family or insider directors. From an investor perspective, the access to both private information and to behind-the-scenes conversations with managers are critical to ensure the increased monitoring capabilities of family firms' Boards (Chen & Nowland, 2010). Moreover, as family owners typically have substantial voting rights to appoint Board members, investors may question the true

independence of outside directors in family firms (Anderson & Reeb, 2004). Investors in family firms would consequently be less likely to perceive the potential benefits derived from having a strong internal monitor when there is a strong presence of independent directors on the Board. In the face of a PA-Board conflict, a greater presence of independent directors in family firms will thus reduce the quality of the Board recommendation relative to the PA advice.

On the contrary, in the nonfamily firm context, absent the monitoring role of family blockholders, investors are expected to rely more on the Board monitoring (Desender et al., 2013). For this reason, independent Board members are hired based not only on their expertise but also on their ability to exercise a monitoring role. Investors would hence trust in their ability to make value-added voting recommendations on controversial voting proposals. Taking these two arguments together, we propose that the moderator effect of independent Board members on the relationship between the PA-Board conflict and investor dissent is contingent on ownership control. Specifically, the larger the ratio of independent board members in a (non) family firm, the more likely that its investors will (de) increase their reliance on external proxy advisors when there is a PA-Board conflict. Formally stated,

Hypothesis 4a: In family firms, the percentage of independent directors increases the positive effect of the PA-Board conflict over investor dissent.

Hypothesis 4b: In nonfamily firms, the percentage of independent directors decreases the positive effect of the PA-Board conflict over investor dissent.

METHODS

Sample and data collection

Our starting point is the sample of publicly held companies in the U.S. that were in the Fortune 1000 during the 2011–2017 period. To be included in our sample, a firm had to be listed at least since 2011 to prevent potential bias associated with recent entrants (Cruz et al., 2014). We excluded those firms for which information was unavailable; following previous studies (Anderson et al., 2017; Calluzzo & Dudley, 2019; Villalonga & Amit, 2006), we also excluded companies from the financial and public administration sector because these firms are regulated. We then merged this subsample of firms with the ISS Voting Analytics Database. The database provides the following information for each firm and each voting proposal of the shareholder meeting: meeting date, proposal description, whether the proposal is sponsored by the management or by shareholders and voting recommendations of the board and ISS. It also provides the number of shares outstanding; the number of for, against, and abstain votes; requirements for the proposal to pass; and the final voting outcome (Aggarwal et al., 2014). As a result, our final sample consists of 22,656 voting proposals issued at 1,994 shareholder meetings nested in a final sample of 330 listed firms. Our unit of analysis is at the proposal level.

We collected additional information at the firm level from several databases. We manually inspected each firm's proxy statement to determine whether the firm is classified as a family firm, as well as the influence of family members in management and Board positions. Following Cruz et al. (2019), family ownership was determined as the voting power of the controlling family group. To identify

family relationships, we sought accordance in last names and used several keywords to identify kinship ties between individuals (e.g., father, mother, son, daughter, or cousin; Cruz et al., 2019; Villalonga & Amit, 2006). We adopted the same strategy to determine family involvement in leadership positions. Based on previous studies on publicly traded US family firms, we classified the company as a family firm if in each specific year (1) an individual or a family group had at least 5% of the voting power, and (2) at least one member of the family was on the Board of directors. Following this process, we obtained a sample in which 18% of the firms are family owned. Additionally, we gathered firm-specific variables from other databases such as Compustat (i.e., financial variables necessary to compute ROA, firm size, firm leverage, cash flow from operations, and discretionary accruals); Boardex (i.e., CEO duality); Execucomp (i.e., CEO tenure); ISS director database (i.e., Board size and Board independence); Thomson Reuters Ownership database (i.e., name of firm shareholders, percentage of ownership of each firm shareholder, type of shareholders); and CSRHub database (i.e., transparency rating).

Dependent Variables

Our dependent variable for Hypotheses 1 is the *PA-Board conflict*. This binary variable receives the value of 1 when ISS recommends investors to vote differently than the Board voting recommendation and 0 when ISS recommends investors to support the Board voting recommendation. This variable is also used as independent variable for subsequent hypotheses.

The dependent variable for Hypothesis 2 and the remaining hypotheses is *investor dissent*. We capture investor dissent as the percentage of votes present at the shareholder meeting that oppose the Board voting recommendation on each voting proposal (Sauerwald et al., 2016). All votes not following the Board recommendation are classified as investor dissent (Sauerwald et al., 2018). Investors may vote for or against the Board voting recommendation or they may abstain. In calculating investor dissent, we considered "abstain" votes, as these votes also indicate shareholders' discontent with the Board (Conyon & Sadler, 2010). If the Board recommends investors to vote for the proposal, we calculated investor dissent using the following formula:

$$\text{Investor dissent (\%)} = \frac{\text{Against votes} + \text{Abstain votes}}{\text{Total votes}}$$

If the Board recommends investors to vote against the voting proposal, the formula of dissent is calculated in the following way:

$$\text{Investor dissent (\%)} = \frac{\text{For votes}}{\text{Total votes}}$$

Because the vote distribution is skewed, we first added 1 to the percentage of dissent votes and then log-transformed the data, so that our dependent variable exhibits a normal distribution (Hillman et al., 2011; Sauerwald et al., 2016).

Independent variables

The main independent variable for Hypotheses 1 and 2 is *family firm*, a dummy

variable that receives the value of 1 when the firm is under family control and 0 if the firm it is not under family control. To identify the familial nature of the firm, we used the criteria explained in the data collection section. For Hypotheses 3a and 3b, the independent variable is *CEO duality.* We coded this variable as 1 if the CEO and chair position is held by the same person and 0 otherwise. For Hypotheses 3a and 3b, the independent variable is *Board independence*. We measured this variable as the number of directors who have no material relationship with the firm other than the Board seat divided by the number of directors on the Board.

Control variables

We first controlled for *CEO tenure*, as CEOs with longer tenure may be more entrenched and attract higher investor dissent (Dalton et al., 1998). We measured CEO tenure as the number of years the CEO has been in this role. We further considered *Board size*, defined as the number of directors on the Board, as investors may perceive larger boards to be less effective due to collective action problems that increase investor dissent (Hillman et al., 2011).

We also controlled for *institutional investor ownership*. Previous research has found that the influence of proxy advice over investor dissent depends on the percentage of institutional ownership concentration (Sauerwald et al., 2018). We measured this variable as the ratio of shares held by institutional investors to total outstanding shares. Institutional investors include banks, insurance companies, mutual funds, investment advisors, pension funds, and endowment funds (Gompers & Metrick, 2001). Because *ownership concentration* may also

influence investor voting behavior (Ertimur et al., 2013; Malenko & Shen, 2016; Sauerwald et al., 2018), we controlled for this variable using the Herfindahl index, which accounts for the distribution of ownership among blockholders. The Herfindahl index is calculated using the total combined block ownership of the firm blockholders. This variable is then log transformed and multiplied by 10,000. A low Herfindahl index value implies low ownership concentration.

We controlled for *dual-class shares,* as they may give controlling shareholders more opportunities to expropriate (Villalonga & Amit, 2009). This variable takes the value of 1 for firms with two types of shares and 0 for firms with one class of shares (Anderson et al., 2017). We controlled for *firm performance* using firm ROA, as investor dissent may be affected by poor firm performance (Krause et al., 2014). This variable is measured with a one-year lag. We also included the variable *firm size* since larger firms are exposed to higher expectations,which may result in higher investor dissent. We measured this variable as the natural logarithm of the firm's total assets. We also controlled for *cash flows from operations* scaled and lagged by total sales. This variable is a recognized indicator of firm financial performance (Nwaeze et al., 2006) and, consequently, it may influence investor dissent (Krause et al., 2014). We also considered *firm leverage*, calculated as the lagged ratio of total debt to total assets (Trombetta et al., 2014), since firms facing financial constraints may attract higher investor dissent (Klein et al., 2009).

Likewise, we included the absolute value of *discretionary accruals* computed by adopting the modified Jones model as described in Francis et al. (2008). A

higher value of this variable indicates a lower quality of the firm financial statements (Doyle et al., 2007), so it may impact investor voting behavior. In addition, we controlled for the *transparency rating*. The transparency rating is measured on a 0–100 rating (100 = positive rating), based on how transparent the firm is with its corporate policies and practices. Finally, to control for fixed effects, we added *year*, *firm*, and *type of proposal* dummy variables that consider the content and the sponsor of the proposal put to vote. We also considered the *type of meeting* dummy variable that determines whether the shareholder meeting is ordinary or extraordinary.

Estimation methods

Hypothesis 1 analyses whether there is more PA-Board conflict in listed family firms compared to nonfamily firms. To test this hypothesis, we use a regression model with year and proposal-level fixed effects and standard errors clustered at the meeting level. The subsequent hypotheses analyze the influence of the PA-Board conflict over investor dissent conditioned in the presence of family ownership and Board monitoring mechanisms.

A major endogeneity problem in our research design is that the variable PA-Board conflict might be influenced by factors that also influence investor dissent. For instance, firm performance and corporate governance practices (e.g., Board independence, CEO tenure, dual CEO, or Board size) (Hillman et al., 2011; Krause et al., 2014) may influence investor dissent. These practices may influence the presence of a PA-Board conflict, as PAs tend to vote against Board recommendations that do not follow good corporate governance norms (Cai et

al., 2009; Sauerwald et al., 2018) or when the firm performance is weak (Ertimur et al., 2013). Although this concern is consistent in the literature, similar studies (i.e., Cai et al., 2009; Choi et al., 2010; Ertimur et al., 2013; Field & Lowry, 2022; Sauerwald et al., 2018) are unable to efficiently address this issue and find a powerful instrumental variable that extracts the exogenous component from the PA-Board conflict and then use it to explain investor dissent.

Lacking a powerful instrument that relates to the PA-Board conflict but not to investor dissent, we followed previous studies on PAs (Cai et al., 2009; Choi et al., 2010; Ertimur et al., 2013; Field & Lowry, 2022; Sauerwald et al., 2018) and pursued an alternative approach that may be less sensitive to endogeneity biases. We included the unexplained portion of the PA-Board conflict (i.e., the residuals from the regression that tests Hypothesis 1) in the subsequent regressions that estimate investor dissent. Since the PA-Board conflict is a binary variable, to estimate the residuals, we followed Edmans et al. (2012) by adopting the “generalized residual” for discrete response models.

Furthermore, to mitigate endogeneity problems, we use entropy balancing (Hainmueller, 2012), a novel multivariate matching approach increasingly used in management research (i.e., Backman et al., 2021; Hendricks et al., 2019; Rossi et al., 2022) that reduces the observable differences between firms with voting proposals with and without a PA-Board conflict. In our study, proposals with a PA-Board conflict (i.e., control group) are matched with proposals without a PA-Board conflict (i.e., treatment group) so that the mean and variance of both groups are similar in terms of corporate governance practices (i.e., Board

independence, CEO duality, CEO tenure, and Board size); firm financials (i.e., firm size, ROA, leverage, liquidity, and transparency); ownership structure (i.e., institutional ownership and ownership concentration); and industry and year. The benefit of entropy balancing over propensity score matching is that entropy balancing prevents the loss of information as no observations are discarded, increasing statistical power (Hainmueller, 2012).

After both groups were matched on mean and variance and convergence achieved in all variables, the weights obtained from entropy balancing were included in the regression models that test our hypotheses. We tested Hypothesis 2 by regressing investor dissent on PA-Board conflict and its interaction with the "family firm" variable. To test Hypotheses 3a and 3b, we ran a model regressing investor dissent on PA-Board conflict and its interaction with "dual CEO" for the family and nonfamily firm subsample. Finally, to test Hypotheses 4a and 4b, we regressed investor dissent on PA-Board conflict and its interaction with "Board independence" for the family and nonfamily firm subsample.

Results

Table 1 presents the descriptive statistics and correlations for all variables. The average percentage of voting proposals in which there is a PA-Board conflict is 7.7%. Our results show a significant and positive correlation between investor dissent and PA-Board conflict. The table displays a positive and significant correlation between PA-Board conflict and family firm.

Table 1. Descriptives and correlation table

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
(1) PA-Board conflict	.077	.267	1.000																		
(2) Investor dissent	.052	.096	0.733***	1.000																	
(3) Family firm	.183	.387	0.108***	-0.029***	1.000																
(4) Independence	.825	.099	-0.080***	0.025***	-0.510***	1.000															
(5) CEO duality	.514	.5	0.020***	0.042***	-0.157***	0.258***	1.000														
(6) CEO tenure	6.695	6.484	0.049***	0.028***	0.196***	-0.132***	0.286***	1.000													
(7) Board size	10.566	1.916	0.017***	0.011*	-0.037***	0.183***	0.081***	-0.028***	1.000												
(8) Concentration	5.731	.57	0.066***	-0.012**	0.236***	-0.179***	0.035***	0.083***	-0.021***	1.000											
(9) Performance	.064	.059	-0.021***	-0.038***	0.021***	-0.024***	0.086***	0.024***	0.027***	-0.150***	1.000										
(10) Firm size	9.252	1.417	0.083***	0.092***	-0.159***	0.285***	0.207***	-0.068***	0.471***	-0.113***	-0.006	1.000									
(11) Cash flows	.114	.059	-0.009	-0.008	0.022***	-0.020***	0.011*	0.012*	-0.009	-0.143***	0.688***	0.068***	1.000								
(12) Leverage	.24	.147	-0.013**	-0.019***	-0.024***	0.073***	0.011*	-0.040***	0.125***	0.086***	-0.207***	0.138***	-0.111***	1.000							
(13) Transparency	49.527	9.722	-0.043***	-0.024***	-0.054***	0.137***	0.045***	-0.080***	0.142***	-0.039***	0.107***	0.105***	0.044***	-0.045***	1.000						
(14) Accruals	.06	.078	0.019***	0.024***	-0.006	-0.001	-0.007	-0.040***	-0.045***	-0.054***	0.027***	-0.103***	0.032***	-0.052***	0.046***	1.000					
(15) Institutional own.	.936	.086	-0.071***	0.021***	-0.419***	0.296***	0.071***	-0.048***	0.049***	-0.444***	-0.018***	0.059***	-0.082***	-0.037***	0.022***	-0.046***	1.000				
(16) Dual class shares	.083	.276	0.064***	-0.052***	0.448***	-0.327***	-0.069***	0.089***	-0.013**	0.001	-0.004	-0.078***	-0.068***	-0.030***	-0.117***	-0.033***	-0.001	1.000			
(17) Ext. meeting	.009	.097	0.121***	0.068***	-0.023***	0.039***	-0.008	0.001	0.068***	0.015**	-0.056***	-0.005	-0.040***	0.016***	0.035***	0.053***	0.016***	-0.024***	1.000		
(18) Family CEO	.078	.268	0.090***	-0.001	0.614***	-0.335***	0.063***	0.416***	-0.137***	0.209***	-0.028***	-0.124***	-0.013**	-0.029***	-0.085***	0.018***	-0.264***	0.320***	0.004	1.000	
(19) Dual family CEO	.049	.215	0.089***	-0.002	0.476***	-0.228***	0.219***	0.415***	-0.110***	0.198***	-0.047***	-0.078***	-0.017***	-0.044***	-0.092***	-0.006	-0.198***	0.256***	-0.00	0.77***	1.000

*** p<0.01, ** p<0.05, * p<0.1

Table 2 tests Hypothesis 1 (i.e., there is more PA-Board conflict in listed family firms than in nonfamily firms). Consistent with Hypothesis 1, the family firm coefficient is significant and positive ($\beta = 0.052$, $p = 0.000$). The table also shows, in line with the literature, that in firms with better corporate governance (i.e., Board independence) and with better performance (i.e., firm ROA) there is less PA-Board conflict.

Table 2. PA-Board conflict in listed family firms

VARIABLES	(1)
Family firm	0.052***
	(5.40)
Board independence	-0.196***
	(-5.65)
CEO duality	-0.001
	(-0.23)
CEO tenure	0.001**
	(2.54)
Board size	-0.004***
	(-2.90)
Ownership concentration	0.016***
	(3.44)
Firm performance	-0.002
	(-0.05)
Firm size	0.004*
	(1.78)
Transparency	-0.001***
	(-3.75)
Discretionary accruals	0.006
	(0.23)
Institutional ownership	-0.025
	(-0.45)
Dual class shares	0.027**
	(2.10)
Cash flows	-0.106**
	(-2.06)
Leverage	-0.012
	(-0.63)
Year Fixed effect (FE)	Yes
Type of proposal FE	Yes
Type of meeting	Yes
Observations	22,656
R-squared	0.40069

DV: PA-Board conflict
Robust t-statistics in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table 3 tests Hypothesis 2 (i.e., relative to nonfamily firms, in listed family firms the positive effect of the PA-Board conflict over investor dissent is weaker). Notably, while the percentage of independent directors reduces investor dissent, firm size increases investor dissent. In line with our theorizing, the coefficient for the interaction between PA-Board conflict and family firm is negative and significant for investor dissent (β = - 0.228; p = 0.000). Hypothesis 2 is hence supported.[3]

[3] We re-run the analyses of Table 2 and 3 using the continuous "family ownership" variable instead of the dummy "family firm" variable. The continuous variable measures the voting power of the family in each of the sampled years. This measure is a common proxy used to capture the intensity of the family influence over the firm (Cruz et al., 2014). As expected, and in line with our hypotheses, as family ownership increases there is more "PA-Board conflict". Moreover, in firms with high family ownership, the "PA-Board conflict" reduces more investor dissent than in firms with low family ownership. Thus, our conclusions remain unchanged.

Table 3. Influence of PA-Board conflict over investor dissent

VARIABLES	(1)
PA-Board conflict	1.190***
	(77.07)
Family firm	0.000
	(0.00)
Family firm x PA-Board conflict	-0.228***
	(-10.97)
Board independence	-0.574***
	(-3.66)
CEO duality	0.033
	(1.16)
CEO tenure	0.000
	(0.23)
Board size	-0.011
	(-1.51)
Ownership concentration	-0.033
	(-1.25)
Firm performance	-0.181
	(-0.78)
Firm size	0.142***
	(3.66)
Cash flows	-0.607***
	(-2.60)
Leverage	-0.267**
	(-2.06)
Transparency	0.001
	(0.66)
Discretionary accruals	0.122
	(1.08)
Institutional ownership	-0.060
	(-0.41)
Dual class shares	-0.615***
	(-4.08)
Extraordinary meeting	-1.137***
	(-9.56)
Constant	1.637***
	(3.43)
Year FE	Yes
Firm FE	Yes
Type of proposal FE	Yes
Entropy balance	Yes
Observations	22,357
R-squared	0.82149

DV: Investor dissent
Robust t-statistics in parentheses
PA-Board conflict is proxied by the general residuals derived from Table 2 regression.
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table 4 shows the regression models that test Hypotheses 3a and 3b. Table 4 shows that while CEO duality does not influence investor dissent in family firms, it increases investor dissent in nonfamily firms. Yet, in the presence of a PA-board conflict, CEO duality increases investor dissent in family firms (β = 0.096; p = 0.000) and reduces investor dissent in nonfamily firms (β = -0.116; p = 0.000), suggesting that in these firms, investors rely more on the informative value of the Board recommendation. These results support both Hypothesis 3a and 3b.

Table 4. Influence of PA-Board conflict over investor dissent in listed family and nonfamily firms with a dual CEO

VARIABLES	(1) Family firm	(2) Nonfamily firm
PA-Board conflict	0.912***	1.263***
	(33.31)	(64.34)
CEO duality	-0.114	0.061**
	(-1.58)	(2.07)
CEO duality x PA-Board conflict	0.096***	-0.116***
	(2.93)	(-6.12)
Board independence	-0.644*	-0.513***
	(-1.95)	(-3.18)
CEO tenure	0.001	0.003
	(0.37)	(1.36)
Board size	0.034	-0.026***
	(1.51)	(-3.95)
Ownership concentration	0.007	-0.071***
	(0.12)	(-2.87)
Firm performance	0.292	-0.475**
	(0.56)	(-1.98)
Firm size	0.134*	0.116***
	(1.76)	(2.67)
Cash flows	-0.624	-0.599**
	(-1.10)	(-2.43)
Leverage	-0.030	-0.392***
	(-0.09)	(-3.17)
Transparency	0.002	0.001
	(0.80)	(0.62)
Discretionary accruals	-0.211	0.260**
	(-0.74)	(2.35)
Institutional ownership	0.131	0.406
	(0.48)	(1.45)
Dual class shares	-0.386	0.162
	(-1.45)	(1.61)
Extraordinary meeting	-0.995***	-1.222***
	(-3.03)	(-10.05)
Constant	0.444	1.791***
	(0.41)	(3.26)
Year FE	Yes	Yes
Firm FE	Yes	Yes
Type of proposal FE	Yes	Yes
Entropy balance	Yes	Yes
Observations	4,003	18,354
R-squared	0.78916	0.83187

DV: Investor dissent
PA-Board conflict is proxied by the general residuals derived from Table 2 regression.
t-statistics in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table 5 tests Hypotheses 4a and 4b. This Table shows that Board independence reduces investor dissent in both family and nonfamily firms. However, in the presence of a PA-Board conflict, Board independence is positive and significant for investor dissent in listed family firms (β = 1.084; p = 0.000) and negative and significant in nonfamily firms (β = - 0.423; p = 0.000). These results support hypotheses 4a and 4b[4].

[4] The results displayed in Table 4 and 5 have been tested in the full sample by looking at the triple interaction between the variables CEO duality (and Board independence), PA-Board conflict and family firm. Our conclusions remain unchanged.

Table 5. Influence of PA-Board conflict over investor dissent in listed family and nonfamily firms with Board independence

VARIABLES	(1) Family firm	(2) Nonfamily firm
PA-Board conflict	0.220*	1.549***
	(1.83)	(15.99)
Board independence	-0.774**	-0.503***
	(-2.42)	(-3.08)
Board independence x PA-Board conflict	1.084***	-0.423***
	(5.96)	(-3.69)
CEO duality	-0.100	0.066**
	(-1.49)	(2.29)
CEO tenure	0.001	0.003
	(0.54)	(1.43)
Board size	0.018	-0.026***
	(0.78)	(-4.08)
Ownership concentration	0.025	-0.075***
	(0.42)	(-2.95)
Firm performance	0.203	-0.490**
	(0.41)	(-2.05)
Firm size	0.151**	0.118***
	(2.05)	(2.68)
Cash flows	-0.545	-0.631**
	(-0.99)	(-2.54)
Leverage	-0.095	-0.414***
	(-0.31)	(-3.33)
Transparency	0.002	0.001
	(0.89)	(0.64)
Discretionary accruals	-0.181	0.267**
	(-0.65)	(2.39)
Institutional ownership	0.208	0.420
	(0.78)	(1.51)
Dual class shares	-0.351	0.181*
	(-1.27)	(1.82)
Extraordinary meeting	-1.073***	-1.171***
	(-3.20)	(-9.44)
Constant	0.435	1.774***
	(0.41)	(3.22)
Year FE	Yes	Yes
Firm FE	Yes	Yes
Type of proposal FE	Yes	Yes
Entropy balance	Yes	Yes
Observations	4,003	18,354
R-squared	0.79373	0.83121

DV: Investor dissent
PA-Board conflict is proxied by the general residuals derived from Table 2 regression.
t-statistics in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Robustness tests

In this section, we present several analyses to validate the robustness of our results and to rule out alternative explanations.[5]

Robustness tests to account for the absence of data on each investor vote. We lack information on how each investor in the firm votes. Since we cannot differentiate between family and nonfamily investors votes, our results indicating that investors in family firms follow the Board recommendation more when facing a PA-Board conflict could hence be driven by the influence of family owners' votes, as family owners tend to support the Board recommendation (Ashraf et al., 2020). The lack of information about how each investor of the firm votes may also bias our results if investors in family firms are different from those in nonfamily firms (Fernando et al., 2014) and if different types of investors have different incentives when voting (Boone et al., 2020).

These concerns may be partly alleviated, as our results hold when we include family voting power (instead of the family dummy) as an independent variable. Also, when we controlled by the percentage of institutional ownership and by a concentrated blockholding measure. However, we run further analyses to mitigate these concerns. Specifically, we followed the process proposed by Ashraf et al., (2020) and removed family votes from our calculation of investor

[5] In these robustness tests we assess the regressions that look at the influence of the PA-Board conflict over investor dissent by type of firm. The "PA-Board conflict" variable is always proxied by the general residuals derived from Table 2 regression.

dissent. In the case that the Board recommends investors to vote for the proposal, we calculated the new dissent formula as follows:

$$\text{Nonfamily dissent (\%)} = \frac{\text{Against votes} + \text{Abstain votes}}{(\text{Total votes}) - (\text{Family For votes})}$$

By contrast, if the Board recommends investors to vote against the voting proposal, the formula of dissent was calculated in the following way:

$$\text{Nonfamily dissent (\%)} = \frac{\text{For votes}}{(\text{Total votes}) - (\text{Family Against votes})}$$

Next, we estimated our regressions using the new computed variable of investor dissent. In the face of a PA-Board conflict, the relation between family firm and the new investor dissent variable remains negative and significant (β = -0.142; p = 0.000; see Table 6). This result suggests that the relationship between the PA-Board conflict and investor dissent is not driven by family votes.[6]

[6] Although our results hold after removing family votes from our initial investor dissent formula, these results should be interpreted with caution, as we are assuming, that family owners always vote in favor of the Board and that every family owner exercises its voting rights in every shareholder meeting.

Table 6. Influence of PA-Board conflict over nonfamily investor dissent

VARIABLES	(1)
PA-Board conflict	1.200***
	(77.63)
Family firm	0.062
	(0.94)
Family firm x PA-Board conflict	-0.142***
	(-6.72)
Board independence	-0.299*
	(-1.84)
CEO duality	-0.009
	(-0.32)
CEO tenure	0.002
	(1.05)
Board size	-0.012*
	(-1.70)
Ownership concentration	-0.052*
	(-1.89)
Firm performance	-0.184
	(-0.79)
Firm size	0.094**
	(2.40)
Cash flows	-0.403*
	(-1.71)
Leverage	-0.075
	(-0.57)
Transparency	0.001
	(1.29)
Discretionary accruals	-0.123
	(-0.80)
Institutional ownership	0.019
	(0.12)
Dual class shares	0.112
	(0.94)
Extraordinary meeting	-1.157***
	(-9.61)
Constant	1.982***
	(4.12)
Year FE	Yes
Firm FE	Yes
Type of proposal FE	Yes
Entropy balance	Yes
Observations	22,357
R-squared	0.80817

DV: Investor dissent (without family votes)
t-statistics in parentheses
PA-Board conflict is proxied by the general residuals derived from Table 2 regression.
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Moreover, to further refine our model, we reran our analyses including as a control variable the percentage of ownership owned by the "Big 3," passive funds that collectively hold an average stake of more than 16% of Russell 3000 companies. Recent research (Boone et al., 202) has conveyed that the Big 3 rely more than other investors on the Board advice when facing a PA-Board conflict. After including this control variable, our results remain supported, suggesting that our tests are not influenced by investors' voting preferences.[7]

Robustness tests to rule out alternative explanations of our results. It is feasible that our results are not driven by the unique agency dynamics of listed family firms, but rather by the concentration of the PA-Board conflict over specific voting proposals. Based on the sponsor of the voting proposal, shareholder proposals are typically more controversial than management ones. In fact, while there is a PA-Board conflict in 71.90% of shareholder proposals, the PA-Board conflict only occurs in 4% of management proposals. Although in our analyses we controlled for the sponsor, our results could be driven by shareholder-sponsored proposals. We therefore replicated our analyses considering only the management-sponsored proposals. Table 7 shows that when facing a PA-Board conflict, investors in family firms are still more likely to follow the Board recommendation (β = - 0.295; p = 0.000) when the proposal is sponsored by the firm management. Our results hence further confirm that our analyses are not influenced by shareholder proposals.

[7] Results available upon request

Table 7. Influence of PA-Board conflict over investor dissent by sponsor

VARIABLES	(1) Only management
PA-Board conflict	1.250***
	(79.07)
Family firm	-0.014
	(-0.24)
Family firm x PA-Board conflict	-0.295***
	(-10.79)
Board independence	-0.611***
	(-3.60)
CEO duality	-0.037
	(-1.26)
CEO tenure	0.002
	(1.37)
Board size	-0.018**
	(-2.52)
Ownership concentration	-0.025
	(-0.86)
Firm performance	-0.020
	(-0.08)
Firm size	0.196***
	(4.73)
Cash flows	-0.877***
	(-3.53)
Leverage	-0.485***
	(-3.30)
Transparency	0.001
	(0.65)
Discretionary accruals	0.240**
	(2.01)
Institutional ownership	0.037
	(0.24)
Dual class shares	-0.564***
	(-3.57)
Extraordinary meeting	-1.273***
	(-11.31)
Constant	1.148**
	(2.31)
Year FE	Yes
Firm FE	Yes
Type of proposal FE	Yes
Observations	21,080
R-squared	0.75515

DV: Investor dissent
Robust t-statistics in parentheses
PA-Board conflict is proxied by the general residuals derived from Table 2 regression
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Furthermore, regarding the content of the voting item, the most controversial ones are the ESG proposals (e.g., employment diversity report, report on sustainability, and report on political contributions), as there is a PA-Board conflict in 63% of them. Although we controlled for the content of the voting proposal in our analyses, we reran our regressions subtracting the ESG proposals from our analyses. After removing the ESG proposals, investors in family firms rely more on Board advice than the PA recommendation when facing a PA-Board conflict (β = -0.265; p = 0.000; see Table 8). Our results hence remain unchanged and seem not to be driven by ESG proposals.

Table 8. Influence of PA-Board conflict over investor dissent by content

VARIABLES	(1) Without ESG proposals
PA-Board conflict	1.228***
	(72.95)
Family firm	-0.026
	(-0.40)
Family firm x PA-Board conflict	-0.265***
	(-11.17)
Board independence	-0.596***
	(-3.62)
CEO duality	0.018
	(0.61)
CEO tenure	0.000
	(0.20)
Board size	-0.016**
	(-2.20)
Ownership concentration	-0.026
	(-0.95)
Firm performance	-0.124
	(-0.51)
Firm size	0.172***
	(4.32)
Cash flows	-0.598**
	(-2.45)
Leverage	-0.337**
	(-2.48)
Transparency	0.001
	(0.65)
Discretionary accruals	0.183
	(1.55)
Institutional ownership	-0.021
	(-0.14)
Dual class shares	-0.551***
	(-3.52)
Extraordinary meeting	-1.217***
	(-9.85)
Constant	1.390***
	(2.85)
Year FE	Yes
Firm FE	Yes
Type of proposal FE	Yes
Entropy balance	Yes
Observations	21,828
R-squared	0.81263

DV: Investor dissent
PA-Board conflict is proxied by the general residuals derived from Table 2 regression *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Robustness tests to reinforce our theoretical arguments. From the investor perspective, family owners are a unique type of concentrated shareholder with superior monitoring capabilities that substitute for external proxy advice. As we cannot directly capture this uniqueness, we performed additional analyses to reinforce our argument that not all blockholders are equally effective monitors. Specifically, we analyzed the PA-Board conflict and its influence on investor dissent in other types of ownership-concentrated firms, namely those controlled by institutional investors, the dominant blockholder of most US listed firms (Bebchuk et al., 2019). Given that most US listed firms have an institutional blockholder in their ownership structure, we classified a firm as one controlled by an institutional blockholder if a bank, insurance company, mutual fund, investment advisor, pension fund, or endowment fund (Gompers & Metrick, 2001) owns more than 10% of a listed firm.

In line with Sauerwald et al (2018), Table 9 illustrates that when facing a PA-Board conflict, investors in firms with an institutional blockholder follow the PA more than the Board advice (β = 0.099; p = 0.000). These results suggest that it is not ownership concentration per se that drives our results, but rather family blockholding. Despite having a key stake in the firm, institutional blockholders do not have a long-term interest in the firm. Hence, from an investor perspective, the informative value of the Board recommendation would be lower, so that when there is a PA-Board conflict, they would trust the PA advice more.

Table 9. Influence of PA-Board conflict over investor dissent in listed firms with an institutional investor blockholder

VARIABLES	(1)
PA-Board conflict	1.053***
	(68.16)
Institutional owner	-0.044**
	(-2.31)
Institutional owner x PA-Board conflict	0.099***
	(6.25)
Board independence	-0.598***
	(-3.74)
CEO duality	0.031
	(1.08)
CEO tenure	0.001
	(0.64)
Board size	-0.011
	(-1.47)
Ownership concentration	-0.011
	(-0.37)
Firm performance	-0.171
	(-0.73)
Firm size	0.140***
	(3.57)
Cash flows	-0.627***
	(-2.62)
Leverage	-0.309**
	(-2.35)
Transparency	0.001
	(0.85)
Discretionary accruals	-0.066
	(-0.42)
Institutional ownership	-0.625***
	(-4.14)
Dual class shares	0.096
	(0.85)
Extraordinary meeting	-1.103***
	(-9.22)
Constant	1.581***
	(3.24)
Year FE	Yes
Firm FE	Yes
Type of proposal FE	Yes
Entropy balance	Yes
Observations	22,357
R-squared	0.81927

DV: Investor dissent
Robust t-statistics in parentheses
PA-Board conflict is proxied by the general residuals derived from Table 2 regression.
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

We also performed additional tests to support the theorizing of our moderator effects (i.e., from an investor´s perspective CEO duality and Board independence reduces the quality of Board recommendations in controversial proposals in family firms while increases it in the case of nonfamily firms). Paralleling these arguments, we analyzed how within family firms having a dual family CEO and a high proportion of family directors moderates the influence of the PA-Board conflict on investor dissent. As having a centralized family leadership may increase the risk of "family entrenchment" (Ashraf et al., 2020; Gomez-Mejía et al., 2001; Martin et al. 2017), we would expect that in face of a PA-Board conflict, investors in family firms with a dual family CEO would trust less in the Board advice. On the contrary in line of our theorizing we would expect that the proportion of family directors would increase investor´s reliance on the Board advice in controversial voting proposals.

Consistent with our theorizing, Model 1 in Table 10 shows that having a dual family CEO positively moderates the impact of the PA-Board conflict over investor dissent ($\beta = 0.058$; $p = 0.092$), suggesting that it reduces investor´s trust in the Board advice relative to the PA recommendation. On the contrary, Model 2 shows that the presence of family directors, negatively moderates the relationship between the "PA-Board conflict" and investor´s dissent ($\beta = -1.237$; $p = 0.00$). This provides further support to our theorizing that in controversial proposals, investors trust more in the superior capabilities of family members to get private information and to engage in behind-the-scenes conversation with management that may justify voting differently than the PA advice.

Table 10. Influence of PA-Board conflict over investor dissent within listed family firms

	(1)	(2)
PA-Board conflict	0.928***	1.213***
	(34.82)	(25.00)
Family CEO	-0.043	-0.029
	(-0.49)	(-0.33)
Dual family CEO	0.121	0.128
	(0.88)	(0.97)
Family directors	-0.208	-0.158
	(-0.28)	(-0.21)
Dual family CEO x PA-Board conflict	0.058*	
	(1.68)	
Family directors x PA-Board conflict		-1.237***
		(-6.45)
Board independence	-0.693*	-0.606*
	(-1.92)	(-1.66)
CEO duality	-0.173*	-0.169*
	(-1.67)	(-1.76)
CEO tenure	0.002	0.003
	(0.78)	(1.00)
Board size	0.033	0.027
	(1.18)	(0.99)
Ownership concentration	0.011	0.027
	(0.18)	(0.44)
Firm performance	0.362	0.305
	(0.70)	(0.64)
Firm size	0.129*	0.124*
	(1.71)	(1.70)
Cash flows	-0.657	-0.709
	(-1.17)	(-1.27)
Leverage	-0.086	-0.169
	(-0.24)	(-0.50)
Transparency	0.002	0.003
	(0.97)	(1.46)
Discretionary accruals	-0.200	-0.357
	(-0.71)	(-1.27)
Institutional ownership	0.117	0.171
	(0.43)	(0.63)

Dual class shares	-0.647	-0.702*
	(-1.59)	(-1.74)
Family voting power	0.487	0.516
	(1.01)	(1.07)
Extraordinary meeting	-0.997***	-1.067***
	(-3.05)	(-3.23)
Constant	0.513	0.412
	(0.47)	(0.39)
Year FE	Yes	Yes
Firm FE	Yes	Yes
Type of proposal FE	Yes	Yes
Entropy balance	Yes	Yes
Observations	4,003	4,003
R-squared	0.78883	0.79392

DV: Investor dissent
PA-Board conflict is proxied by the general residuals derived from Table 2 regression.
Robust t-statistics in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Robustness tests to further reduce endogeneity concerns. To further adopt an empirical approach that is less sensitive to endogeneity biases, we ran an analysis that includes fixed meeting effects. As a result of the inclusion of fixed meeting effects, all control variables at the firm level are dropped, as they do not change at the meeting level. In this manner, we can inspect differences between proposals within the same shareholder meeting—particularly differences between proposals with and without a PA-Board conflict. Table 11 reveals that when controlling for fixed meeting effects, our results remain unchanged, as the coefficient for the interaction between the PA-Board conflict and family firm variables is still negative and significant (β = -0.103; p = 0.000).

Table 11. Influence of PA-Board conflict over investor dissent with meeting fixed effect

VARIABLES	(1)
PA-Board conflict	1.040***
	(34.21)
Family firm x PA-Board conflict	-0.103***
	(-2.67)
Year FE	Yes
Meeting FE	Yes
Type of proposal FE	Yes
Entropy balance	No
Observations	22,643
R-squared	0.65253

DV: Investor dissent
Robust t-statistics in parentheses
PA-Board conflict is proxied by the general residuals derived from Table 2 regression.
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

DISCUSSION AND CONCLUSION

Our theoretical and empirical analyses provide new ways of understanding the nature of agency problems in listed family firms. While prior research has studied agency problems in family firms, it is still unclear whether listed family firms may be regarded as a superior form of investment from the investor perspective, as family firms have both greater monitoring and expropriation incentives. The analysis of the PA-Board conflict and its influence on investor dissent provides a unique opportunity to reconcile previous mixed findings. It allows us to observe whether when facing a controversial voting decision indicative of agency problems, investors in family firms are more prone to follow the voting advice of the internal (i.e., Board) monitor or the external (i.e., PA) monitor.

In line with previous studies that claim that family firms are more likely than nonfamily firms to choose a nonconformity governance strategy and implement governance arrangements that depart from governance best practices (Aguilera et al., 2018; Federo et al., 2020; Miller, Le Breton-Miller, et al., 2013; Ponomareva & Ahlberg, 2016), our data shows that there is more PA-Board conflict in listed family firms than in nonfamily firms. However, and despite the increasing institutional pressure to adopt the one-size-fits-all governance model that PAs follow, our results suggest that for investors in family firms, this might not be the best corporate governance model for family firms, as when facing a PA-Board conflict they trust more on the Board advice. These results, which hold even after subtracting the most controversial voting proposals by sponsors (i.e., shareholder proposals) and content (i.e., ESG), support existing research that shows that from an investor perspective, agency problems are not necessarily more severe in listed family firms than in nonfamily firms (Aguilera & Crespi-Cladera, 2012; Martin et al., 2017).

Despite the fact the investors in family firms rely more on the Board recommendation when there is a PA-Board conflict, our results support the notion that investors also seek firm cues that help them to assess the monitoring capabilities of the Board and hence the informative quality of the Board voting recommendation. We build upon previous governance studies that examine CEO duality and Board independence as the main proxies to assess Board effectiveness (i.e., Anderson & Reeb, 2004; Hillman et al., 2011; Krause et al., 2014; Singla et al., 2014) and show that while in family firms, CEO duality and

Board independence reduce investor reliance on the Board recommendation when facing a PA-Board conflict, in nonfamily firms, both mechanisms increase investor's trust on the Board advice. These results call into the question the general belief that non-CEO duality and Board independence is synonymous with good governance (Neville et al., 2019). In line with previous studies (Desender et al., 2013; Federo et al., 2020), we claim that the effectiveness of these monitoring arrangements should be examined from an ownership perspective.

This paper also advances our understanding of the role of PAs as an influential player in the corporate governance landscape. Building upon previous research that highlights the importance of examining the effectiveness of the firm monitors in conjunction (Aguilera et al., 2015; Desender et al., 2013), in this study we assess the role of the PA in light of the role of the Board of directors. By examining the PA-Board conflict rather than PA "against" recommendations alone, our study provides a more holistic picture of the shareholder voting process and its key players.

In line with previous studies (Ertimur et al., 2013; Malenko & Shen, 2016; Sauerwald, et al., 2018), we found that investors do not necessarily follow PAs blindly. We show that in the presence of a PA-Board conflict, the value of the PA is contingent on the value of the Board, since investor reliance on proxy advice is influenced by whether investors perceive that the information signal provided by the Board is informative and unbiased against their interests in the firm. This

result informs us about the costs and benefits of internal monitoring (i.e., rely on board advice) versus external monitoring (i.e., rely on proxy advice).

This study also offers important practical implications. To provide more valuable advice to institutional investors, PAs voting recommendations should be revisited and adjusted to the unique governance needs of listed family firms. Our results shows that investors in family firms care about these firm specificities, as when facing a PA-Board conflict, they tend to follow Board advice more and rely less on proxy advice. Our results also have implications for the Board of directors in listed family firms. To avoid being penalized by institutional investor votes when there is a PA-Board conflict, the Board should identify governance practices that are more likely to be negatively perceived by investors (i.e., Board independence and dual CEO) and that may lead to higher investor dissent.

LIMITATIONS AND FUTURE RESEARCH

Our contributions to the existing literature should be considered in light of its limitations, which may provide ground for potential future extensions. We suggest that overall, in family firms, the positive effect of the PA-Board conflict over investor dissent is reduced. Because we do not have data on how each specific investor votes, our measure of investor dissent could be influenced by family votes. To alleviate this concern, we removed family votes from our calculation of investor dissent in our robustness checks, and after replicating our analyses with the new dissent variable, our results continued to hold. However, future research may benefit from analyzing more detailed data that provides information on each specific investor vote.

Another limitation of our paper is that investors in listed family firms could be fundamentally different from investors in nonfamily firms, which may ultimately result in different voting outcomes. Although we controlled for the percentage of ownership in hands of institutional investors and the Big 3 in our analyses, future research should examine differences in institutional ownership in family and nonfamily firms by institution types (e.g., long- versus short-term investors and engaged versus disengaged investors).

Our theorizing builds on the most common criticism of the PA role as an external monitor in corporate governance studies (i.e., the evidence that they follow a one-size-fits-all approach when issuing their recommendations; Hayne & Vance, 2019; McCahery et al., 2016; Sharfman, 2018). For this reason, in this study we assume that PAs' recommendations are standardized. However, some practitioners and academics suggest that PAs may be biased when they provide consultancy services to firms on how to improve their corporate governance and simultaneously provide voting services to institutional investors on how to vote in these same firms (Hayne & Vance, 2019; McCahery et al., 2016; Sharfman, 2018), as PAs may issue more favorable recommendations to its corporate clients (Li, 2018). Furthermore, when PAs issue recommendations over voting proposals for which it is not possible to follow the general guidelines of good governance practices, they have shown a tendency toward ideological bias (Cappucci, 2019). We thus encourage future research to explore under which conditions PAs deviate from standardized voting and how this biased advice may affect the voting process.

CHAPTER 2

FOOLING INVESTORS BY PAYING THEM MORE DIVIDENDS? THE ROLE OF PROXY ADVISORS AS EXTERNAL MONITORS IN LISTED FAMILY FIRMS

ABSTRACT

We counter previous speculations suggesting that proxy advisors (PAs), or information intermediaries that enable shareholders to exercise their voting rights, play a limited role as external monitors in listed family firms. To do so, we examine dividend payout, a practice that firms use for increasing investor satisfaction and hence reducing investor dissent. We theorize that family firms with higher dividends than the industry standard have lower investor dissent compared to nonfamily firms. Nevertheless, we hypothesize that when the PA suggests voting against the Board recommendation (what we refer to as "PA–Board conflict"), the effectiveness of dividend payout in reducing investor dissent would decrease in the case of family firms. The reason is that the PA–Board conflict raises the investors' suspicion about the potential risk of expropriation they may be confronting. Our analysis of 23,247 voting proposals from Fortune 1000 firms between 2011 and 2017 indicates that our hypotheses are supported. Therefore, in the eyes of investors, PAs have a role as external monitors in listed family firms.

INTRODUCTION

In the past decades, the demand for the services of proxy advisors (PAs) has substantially increased due to the rise of shareholder activism among institutional investors and the growing volume of shares that they are responsible for voting (Malenko & Shen, 2016).[8] PAs are information intermediaries that advise investors in listed companies on how to vote on each voting proposal of a shareholder meeting. Currently, the largest PA in the world, Institutional Shareholder Services (ISS), provides voting recommendations on almost 42,000 shareholder meetings in 115 countries, and it has more than 2,000 institutional clients (ISS Governance, 2019). PAs have become key players in the shareholder voting process, as when they recommend investors to vote against the voting advice of the Board (the main internal firm monitor) and therefore a PA–Board conflict arises, investor dissent (i.e., the percentage of investors votes opposing Board recommendations on proposals put to the vote) increases. This premise suggests that PAs that base their voting recommendations on globally accepted good governance norms (Choi et al., 2010; Ertimur et al., 2013; Hitz & Lehmann, 2018) play an important role as external monitors in listed firms.

However, investors do not blindly follow proxy advice, as the negative effect of the PA–Board conflict over investor dissent is weaker in firms with strong internal monitoring capabilities, such as the ones owned by large blockholders (Sauerwald et al., 2018). This evidence implies that the recommendations of PAs

[8] For instance, BlackRock, an institutional investor with more than $7.43 trillion under management, voted in 2020 over 153,000 voting proposals, at more than 16,200 shareholder meetings, in 96 markets worldwide (Blackrock, 2020).

have lower informational value in firms with concentrated ownership. More recent research claims that when the main blockholder of the firm is a family owner, investors are even less likely to follow the PA recommendation (Jimenez & Cruz, 2021), indicating that in the eyes of the firm investors, family owners' greater incentives and monitoring capabilities may result in more informative Board voting advice.

This paper adds a more nuanced understanding of the corporate governance role of PAs by showing that PAs may also play an important role as external monitors in listed family firms. Listed family firms may arouse suspicion among investors, as their governance structures are less likely to conform with the dominant logic of good corporate governance (Federo et al., 2020; Ponomareva & Ahlberg, 2016) to preserve the family socioemotional wealth (SEW), that is, the non-economic benefits derived from family ownership (Berrone et al., 2012; Gomez-Mejia, Cruz, Berrone & de Castro, 2011). Such nonconforming governance practices may create a sense of expropriation among investors, as the pursuit of SEW may go against their economic interests in the firm (Villalonga & Amit, 2006). To counter investor fears and increase the firm legitimacy among the investment community, firms are likely to overconform in practices that help them to be perceived as legitimate by external actors (Joseph et al., 2014; Kuppuswamy et al., 2020; Miller et al., 2013), especially in those actions that are more visible and easily scrutinized by investors in financial markets (Kuppuswamy et al., 2020). In this context, we argue that PAs may play an important role as external monitors in listed family firms by helping investors to discern whether these overconforming practices signal a substantial adherence

to good governance to reduce expropriation risk or are merely a symbolic way for family owners to “please” investors while pursuing family goals.

To support our claim, we build on previous studies exploring the role of dividend payout as a mechanism that companies implement to increase the satisfaction of the firm investors (Miller, Le Breton-Miller, et al., 2013; Pindado et al., 2012), thus reducing investor dissent (Tanyi et al., 2021). We first theorize that when family firms pay higher dividends than the industry median, the negative effect of dividend payout over investor dissent would be greater compared to nonfamily firms. The reason is that a high dividend payout reduces the free cash flow in the hands of family owners, and hence dampens investor’s greater expropriation concerns (Setia-Atmaja et al., 2009).

Nevertheless, we hypothesize that in the case of family firms, the existence of a PA–Board conflict weakens the negative effect of a high dividend payout over investor dissent. The PA–Board conflict will trigger the investors’ suspicion of whether Boards in family firms are paying greater dividends than the industry standard to effectively reduce the expropriation risk, or as a symbolic means of seeking legitimacy while avoiding unwanted shareholder intervention that may result in a loss of family influence and autonomy. As investors’ trust in the Board would be reduced, they will rely more on the PA recommendation when exercising their voting rights.

We propose that this effect would be different in nonfamily firms. Without SEW goals, nonfamily owners will be less likely to seek legitimacy through dividends and therefore less likely to use them in a symbolic manner. Hence, we contend

that in nonfamily firms with a high dividend policy, the presence of a PA–Board conflict will not trigger the investors' suspicion of the high dividend policy; thus, investors would continue to rely on the informative value of the Board recommendation. We find support for our hypotheses using a sample of 23,247 voting proposals presented in Fortune 1000 firms between 2011 and 2017, based on a unique, original, and ample collection of secondary data. Empirical evidence supports all our hypotheses. We perform several analyses to test the robustness of our results and conduct additional post-hoc analyses.

Our paper makes several contributions to the literature on corporate governance and family firms. First, we advance the literature on the corporate governance role of PAs by providing a more nuanced understanding of the role of PAs as external monitors in listed family firms. We counter previous suggestions on the limited role of PAs as external monitors in concentrated firms (Sauerwald et al., 2018), more specifically in family-owned firms (Jimenez & Cruz, 2021). Instead, we theorize why PAs may play an important (external) monitoring role in family firms by helping investors to discern whether family firms' overconforming practices signal a substantial adherence to good governance to reduce expropriation risk, or such practices are simply a symbolic way for family owners to "please" investors while pursuing family goals. By doing so, we also respond to recent calls highlighting the importance of understanding the nature of the costs that listed firms (in our case, listed family firms) incur in dampening the investors' feelings of expropriation and attempting to avoid the negative consequences of nonconformity (Kuppuswamy et al., 2020; Ponomareva et al., 2022).

Our study reveals that as an overconforming mechanism for increasing shareholder satisfaction, a high dividend payout may be a double-edged sword in the case of listed family firms. On the one hand, paying a generous dividend is proven to increase the firm legitimacy among investors and thus to be an effective mechanism for reducing their dissent. On the other hand, a high dividend policy compared to the industry median may backfire when a PA–Board conflict ensues, as it may increase the investors' skepticism about the use of dividends as a subtle entrenchment device for family owners, thus increasing the investor dissent. This aspect is also an important contribution to the literature on family business because to our knowledge, we are among the first ones to assess the relationship between dividend payout and investor dissent in the context of listed family firms.

THEORETICAL BACKGROUND

Compliance with corporate governance, investor dissent, and the role of proxy advisors in listed family firms

Despite the increasing institutional pressure for listed firms to conform with globally accepted good governance norms, research shows that many firms do not adopt these best practices (Aguilera et al., 2018). In understanding governance heterogeneity across firms, corporate governance scholars underscore that ownership concentration plays a key role (Aguilera et al., 2018; Federo et al., 2020; Ponomareva et al., 2022; Witt et al., 2022), as ownership concentration is deemed to shape the governance needs of firms (Aguilera et al.,

2015; Federo et al., 2020) and the extent to which the firm conforms to institutional pressures (Porta et al., 2020).

Extant research shows that in the context of concentrated firms, blockholders use their controlling position to choose nonconforming governance practices that reflect their interests and goals (Aguilera et al., 2018; Federo et al., 2020; Ponomareva et al., 2022; Witt et al., 2022). This agentic behavior in the form of governance discretion is even more likely to happen when the firm ownership is concentrated in the hands of family owners, as they possess unique governance preferences (Aguilera et al., 2018; Ponomareva et al., 2022).

As family owners have a significant stake of their personal wealth invested in the firm (Andres, 2008) and a strong voice over the Board and/or the firm management (Gedajlovic et al., 2004), they have greater incentives and authority to use their power in the firm to not conform with the institutionalized rules of good governance and to dictate governance practices that reflect their interests in the firm. Moreover, ample evidence supports the notion that as family owners tend to prioritize their SEW, that is, the non-financial aspects of the firm that meet the family's affective needs, such as ensuring family control and influence over the firm and long-term prospects for family descendants (Berrone et al., 2012; Chrisman et al., 2014; Gomez-Mejia et al, 2007, 2011) sometimes at the expense of financial performance (Gomez-Mejia et al, 2007, 2011), the adoption of many accepted good governance norms, including the appointment of independent directors or the removal of dual-class shares, may reduce family control and

influence over the firm, which is a key SEW goal for family firms (Kabbach de Castro et al., 2017).

As a result, Boards in family firms, which ultimately represent the interests of the controlling family (Federo et al., 2020; Gomez-Mejia et al, 2011), are more likely to support through their voting advice certain actions that may help to preserve the SEW even if they deviate from the accepted institutional norms of good governance. Indeed, evidence suggests that compared to nonfamily firms, listed family firms are less likely to appoint independent board members (Federo et al., 2022; Anderson & Reeb, 2004) and more likely to have a dual CEO (Voordeckers et al., 2007), adopt a dual-class share structure (Anderson et al., 2019), and design compensation schemes that decouple pay from performance (Gomez-Mejia et al., 2003). Hence, in the case of listed family firms, investors could interpret the family owner's nonconformity strategy as an opportunistic behavior that prioritizes the family SEW goals at the expense of their wealth in the firm (Miller, et al., 2013).

If investors feel expropriated, then their greater activism through their dissent and votes against the Board voting recommendations seems reasonable to expect (Iliev et al., 2015; Mitra et al., 2021). Investor dissent may generate substantial corporate governance changes such as CEO turnover (Cai et al., 2009; Fischer et al., 2009) or director resignations (Aggarwal et al., 2014; Fischer et al., 2009). These subsequent firm changes resulting from investor dissent may be particularly troublesome for family firms, as they may threaten the family's influence and control over the firm and thus jeopardize the family SEW. Similarly,

investor dissent may cause important reputational damages as a result of the loss of the social legitimacy of firms (Aggarwal et al., 2019). The negative consequences of a harmed reputation will be even more damaging for family firms, as they may imperil not only the firm but also the family's image and reputation, which may ultimately threaten the long-term survival of the firm (Aguilera et al., 2018).

Following mainstream corporate governance, we argue that in their quest to reduce investor dissent and ensure family control and firm survival in the long run, listed family firms are prone to incur costs and compensate their nonconformity practices by overconforming with actions that are visible and easily monitored by investors (Kuppuswamy et al., 2020; Miller et al., 2013). These visible actions may range from the implementation of good governance practices promoted by the institutional logic such as the appointment of more outsider directors (Joseph et al., 2014) or female independent directors (Kuppuswamy et al., 2020; Mitra et al., 2021), to the payment of generous dividends (Chen et al., 2019; DeAngelo, 2007; Porta et al., 2020). Given our interest in the investor perspective, we focus on dividends, as ample evidence shows that the investment community attaches a high value to dividend payout (Chen et al., 2019; Miller, Le Breton-Miller, et al., 2013; Porta et al., 2020).

The issue of whether these overconforming practices are merely symbolically implemented to appear legitimate or are substantially adopted to de facto reduce the potential risk of expropriation is of particular concern for corporate governance scholars (Kuppuswamy et al., 2020; Zajac & Westphal, 2004). In the

next sections, we advocate the figure of the proxy advisor as an external monitor that helps investors to assess the substantive versus the symbolic nature of overconforming practices (i.e., a dividend payout above industry norms in our case). The literature on shareholder activism generally assumes that investors are informed voters that effectively use their voting rights to voice dissent. However, given their diversified portfolios and the impossibility to examine in detail every proposal put to the vote (Appel et al., 2016; Iliev & Lowry, 2015), many investors are typically increasingly hiring the services of PAs to provide them with voting advice on each voting recommendation of a shareholder meeting. Although PAs have been criticized for their one-size-fits-all approach to their recommendations (Hayne & Vance, 2019), corporate governance scholars portray them as “governance setters” (Aguilera et al., 2015; Jimenez & Cruz, 2021; Sauerwald et al., 2018), as they base their recommendations on the globally accepted good corporate governance rules (Choi et al., 2010; Ertimur et al., 2013; Hitz & Lehmann, 2018). Hence, when PAs recommend investors to vote against the Board voting recommendation, what we refer to as the PA–Board conflict, empirical evidence indicates that investor dissent increases (Sauerwald et al., 2018), suggesting that PAs play an important role as external monitors in listed firms.

In this paper, we use this measure of PA–Board conflict in the family firm context to determine whether in the presence of a higher dividend payout than the industry median, investors follow more the Board or the PA recommendation. If investors follow more the PA recommendation, then this approach will indicate that investors perceive the implementation of a high dividend payout as a

symbolic practice; by contrast, if investors rely more on the Board advice, then such action will signify that investors believe that the firm dividend policy chosen by the Board is a substantive practice of reducing the risk of expropriation.

HYPOTHESES DEVELOPMENT

Dividend payout, PA–Board conflict, and investor dissent in listed family and nonfamily firms

From a traditional agency perspective, dividend payout plays a key role in corporate governance, as it mitigates agency problems resulting from the separation between ownership and management by removing the free cash flows in the hands of opportunistic managers (Easterbrook, 1984; Jensen, 1986; Rozeff, 1982). Nonetheless, dividend payout reduces not only the likelihood of the unprofitable use of resources by discretional managers but also the probability of an inefficient utilization of resources by blockholders in firms with concentrated ownership (Villalonga & Amit, 2006), as it limits their opportunistic use of corporate wealth (Setia-Atmaja et al., 2009) while providing investors with their expected financial returns. Existing evidence consistently suggests that a high dividend payout dampens the possibility of expropriation by concentrated owners, making investors happy and willing to invest in the firm (Faccio et al., 2001; Hu & Kumar, 2004; Jog et al., 2010; Yoshikawa et al., 2009).

In line with the idea that dividend payout reduces agency costs, Tanyi et al. (2021) show that dividend payout diminishes investor dissent, as firms with a high dividend payout are more likely to receive fewer shareholder disapproval votes in

director elections. We contend that the effectiveness of a high dividend policy in reducing investor dissent would be stronger in listed family firms than in nonfamily ones.

Family owners have a high proportion of their wealth invested in the firm (Anderson & Reeb, 2003; Andres, 2008), and they often occupy key managerial positions (Gedajlovic et al., 2004); hence, they have both the incentives and abilities to collect firm insider knowledge needed to monitor managers (Desender et al., 2013) and to engage in behind-the-scenes conversations to negotiate with the firm managers (McCahery et al., 2015; Sauerwald et al., 2018). Therefore, having a high dividend payout to discipline managers in family firms would be unnecessary. Nevertheless, ample empirical evidence shows that family firms have a higher dividend payout on average (Andres et al., 2019, Atmaja, 2009, Isakov et al., 2015; Pindado et al., 2012; Setia-Atmaja, 2009) and that the incentive to distribute dividends is stronger when the potential conflict between family and nonfamily shareholders is greater (Berzins et al., 2018). This result indicates that family owners use dividends as a mechanism for countering the investor's fears of expropriation. When family firms pay more dividends than the industry standard, the investor's expropriation concerns would be weaker, as the high dividend payout reduces the potential for family owners to extract private control benefits (Faccio et al., 2001; Setia-Atmaja et al., 2009). Consistent with this idea, Setia-Atmaja et al. (2009) underscore that the impact of dividends on firm performance is stronger for family firms than nonfamily firms, suggesting that from an investor standpoint, dividend payout is more effective in reducing the agency problems typically associated with family firms. Following this rationale,

we expect the dividend payout to be more effective in reducing investor dissent in listed family firms than in nonfamily firms. We formally state our premise as follows:

Hypothesis 1: The negative effect of dividend payout over investor dissent is greater in listed family firms than in nonfamily firms.

The previous discussion suggests that from an investor's standpoint, dividends in family firms are an effective tool for reducing the perceived risk of expropriation resulting from their nonconformity with good corporate governance practices. Nevertheless, as the motives behind implementing a dividend policy cannot be observed, it may be the case that family owners use dividends not as a substantive governance tool for decreasing the expropriation risk but as a symbolic mechanism for satisfying the investors' expectations and avoid their intervention in the decision-making process of the firm. Above all, given the strong influence of family owners over the Board (Federo et al., 2020; Gomez-Mejia et al., 2011; Jones et al., 2008), the family can force Board members to approve a high dividend payout as a "pleasing" mechanism toward investors. In doing so, the family owner's ulterior motives are to establish a reputation for acting in the best interests of shareholders while pursuing the family goals without being questioned. In line with this idea, an inference is that insiders may manipulate dividend policies for their own benefit (Sharma, 2011).

In this scenario, we contend that PAs can play a key role as external monitors by helping investors to discern the substantive versus the symbolic intention (Zajac & Westphal, 2004) behind the dividend policy. When the PA recommendation for

investors is to vote against the Board (the PA–Board conflict), investors may become suspicious that the Board has chosen to pay generous dividends not as a substantive tool for reducing the expropriation risk but rather as a symbolic mechanism for pleasing investors and increasing the legitimacy of the firm, thereby enabling family owners to opportunistically pursue their SEW objectives. Consequently, we predict that in the case of family firms, the presence of a PA–Board conflict would make the adoption of a high dividend payout policy less effective in reducing investor dissent because from an investor standpoint, the Board recommendation would have less informative value.

Without SEW objectives, nonfamily firms are less likely than family firms to be scrutinized by the investment community (Miller, et al., 2013). Thus, the need to use dividend payout as a symbolic mechanism for pleasing investors and preventing their interference in decision-making is lower than in family firms. Hence, the presence of a PA–Board conflict will not necessarily trigger the investors' suspicion of the high dividend policy, thereby averting the reduction of the informative value of the Board recommendation.

The previous discussion suggests that when a PA–Board conflict ensues, the effectiveness of a high dividend payout in reducing investor dissent in family firms compared to nonfamily ones becomes lower, as investors in family firms will rely less on the Board recommendation. We formally state our premise as follows:

Hypothesis 2: In the presence of a PA–Board conflict, the stronger negative effect of dividend payout over investor dissent in family firms (relative to nonfamily firms) decreases.

METHODS

Sample and Data Collection

Our sample consists of Fortune 1000 firms in the US during the period of 2011–2017, excluding those companies for which information was unavailable. Following previous studies (Anderson et al., 2017; Calluzzo & Dudley, 2019; Villalonga & Amit, 2006), we also excluded firms from the financial and public administration sector because these companies are regulated. We then merged this subsample of firms with the ISS Voting Analytics Database that includes Russell 3000 firms. The database provides for each firm and each voting proposal of the shareholder meeting the following information: date of the meeting, description of the proposal, whether the proposal is sponsored by the management or by shareholders, and the voting recommendations of the Board and ISS. It also provides the number of shares outstanding, the number of shares voted for/against/abstained, the requirements for the proposal to pass, and the final voting outcome (Aggarwal et al., 2014). As a result, our final sample consisted of 23,247 voting proposals issued at 1,994 shareholder meetings nested in a final sample of 330 listed firms. Our unit of analysis was at the proposal level.

We collected additional information at the firm level from several databases. We manually inspected the *proxy statement* of each firm to determine whether the firm is family-owned, the level of family ownership, and the type of family involvement in management and board positions. Following Cruz et al. (2019), family ownership was determined as the voting power of the controlling family

group. To identify family relationships, we searched for accordance in surnames and used several keywords to identify kinship ties between individuals (e.g., father, mother, son, daughter, cousin, and so on; Cruz et al., 2019; Villalonga & Amit, 2006). Based on previous studies on publicly traded U.S. family firms, we classified the company as a family firm if in each specific year: (1) an individual or a family group owns at least 5% of the shares, and (2) at least one member of the family sits on the Board. Following this process, and in line with previous studies (Cruz et al., 2019), we ultimately obtained a sample in which 18% of the firms are family owned.

We also gathered firm-specific variables from other databases such as *Compustat* (financial variables necessary to compute dividends payout, ROA, firm size, firm leverage, cash flow from operations, discretionary accruals, liquidity), *Boardex* (CEO duality), *Execucomp* (CEO tenure), *ISS Director database* (Board size and Board independence), and *Thomson Reuters Ownership database* (name of firm shareholders, percentage of ownership of each firm shareholder, type of shareholders).

Dependent Variable

We used *investor dissent* as our dependent variable. We captured investor dissent as the percentage of votes present at the shareholder meeting, which oppose the Board voting recommendation on each voting proposal (Sauerwald et al., 2016). All the votes not following the Board recommendation are classified as investor dissent (Sauerwald et al., 2018). Investors may vote “for” or “against” the Board voting recommendation, but they may also “abstain.” In calculating

investor dissent, we considered “abstain” votes, as these votes also indicate shareholders discontent with the Board (Conyon & Sadler, 2010). Therefore, if the Board recommends investors to vote “for” the proposal, we calculated investor dissent using this formula:

$$\text{Investor dissent (\%)} = \frac{\text{Against votes} + \text{Abstain votes}}{\text{Total votes}}$$

However, if the Board recommends investors to vote “against” the voting proposal, the formula of dissent was calculated in the following manner:

$$\text{Investor dissent (\%)} = \frac{\text{For votes}}{\text{Total votes}}$$

As the vote distribution is skewed, we initially added 1 to the percentage of dissent votes and then log-transformed the data, such that our dependent variable would exhibit a normal distribution (Hillman et al., 2011; Sauerwald et al., 2016).

Independent Variables

PA–Board conflict. This binary variable takes the value of 1 when ISS recommends investors to vote against the Board voting recommendations, and 0 when ISS recommends investors to support the Board voting recommendations.

Family firm. This dummy variable is equal to 1 when the firm is a family firm, and 0 otherwise. To identify the familial nature of the firm, we used the criteria explained in the data collection section.

Dividend payout. As we are interested in how investors perceive the overconforming practice of paying more dividends than the industry median, we calculated dividend payout as the difference between the firm prior year's ratio of total dividends to total assets (Coles et al., 2008) and the median value of all the firms in the same two-digit Standard Industrial Classification (SIC) (Goergen et al., 2020; Miller et al., 2013).

Control variables

We included several control variables to control for other potential determinants of investor dissent. We first controlled for *board independence*. Independent directors are assumed to be effective monitors (Coles et al., 2008); hence, they reduce investor dissent. We measured this variable as the number of directors with no material relationship with the firm other than the seat Board divided by the number of directors on the Board (ISS Directors database). We also controlled for *CEO duality.* CEOs who also chair the Board may weaken board monitoring (Bhagat & Bolton, 2008), thus increasing investor dissent. We coded this variable as 1 if the CEO and chair position is held by the same person and 0 otherwise. Additionally, we controlled for *CEO tenure*, as CEOs with longer tenure may be more entrenched (Dalton et al., 1998) and attract higher investor dissent. CEO tenure was measured as the number of years the CEO has been in this role. We further considered *Board size*, defined as the number of directors

on the Board, as investors may perceive that larger Boards are less effective because of collective action problems, increasing investor dissent (Hillman et al., 2011).

We also controlled for *ownership concentration*, as it may influence the voting behavior of investors (Ertimur et al., 2013; Malenko & Shen, 2016; Sauerwald et al., 2018). We measured ownership concentration as a Herfindahl index. This index accounts for the distribution of ownership among blockholders. The index is calculated using the total combined block ownership of the firm blockholders. This variable is then log-transformed. A low value of this index implies a low ownership concentration.

We controlled for *firm performance,* using the firm's ROA, as investor dissent may be affected by poor firm performance (Krause et al., 2014). We also included the variable *firm size* because larger firms are exposed to higher expectations, which may increase investor dissent. We measured this variable as the natural logarithm of the firm's total assets. We also considered the *firm leverage*, calculated as the lagged ratio of total debt to total assets (Trombetta et al., 2014), as firms confronting financial constraints may attract higher investor dissent (Klein et al., 2009). Furthermore, we introduced a control variable for *cash flows from operations* scaled and lagged by total sales. This variable is an indicator of firm financial performance (Nwaeze et al., 2006) that may influence investor dissent (Krause et al., 2014). We similarly included the absolute value of *discretionary accruals*, which was computed by adopting the modified Jones model as described in Francis et al. (2008). A higher value of this variable indicates a lower

quality of the firm financial statements (Doyle et al., 2007); hence, it may impact investor voting behavior.

Finally, we included the variable *extraordinary meeting*, a dummy variable with a value of 1 if the voting proposal is presented in an extraordinary meeting, and 0 if it is presented in an ordinary annual meeting. Moreover, we added *firm* and *year* dummy variables as well as *type of proposals* dummy variables to consider the content and the sponsor of the proposal put to the vote.

Estimation methods

To test our hypotheses, we initially ran OLS regressions with firm- and year-level fixed effects. We also included several fixed effects at the proposal and meeting levels and standard cluster errors. After the OLS regressions, we ran several analyses to reduce the endogeneity bias of our results, as well as to validate the robustness of our results and to rule out alternative explanations.

Results

The descriptive statistics and correlations for all the variables are reported in Table 1. The average investor dissent is 5.2%. In our sample, there is a PA-Board conflict in 7.7% of the voting proposal. The mean value of the variable dividend payout is 0.002.

Table 2. Descriptives and correlation table

Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
(1) Investor dissent	.052	.096	1.000														
(2) PA-Board conflict	.077	.267	0.733***	1.000													
(3) Dividend payout	.002	.019	0.007	-0.006	1.000												
(4) familyfirm	.183	.387	-0.029***	0.108***	-0.066***	1.000											
(5) Board independence	.825	.099	0.025***	-0.08***	0.050***	-0.510***	1.000										
(6) CEO duality	.514	.5	0.042***	0.020***	0.091***	-0.157***	0.258***	1.000									
(7) CEO tenure	6.895	6.484	0.028***	0.049***	0.049***	0.196***	-0.13***	0.286***	1.000								
(8) Board size	10.566	1.916	0.011*	0.017***	0.119***	-0.037***	0.183***	0.081***	-0.028***	1.000							
(9) Ownership concentration	5.731	.57	-0.012**	0.066***	-0.007	0.236***	-0.17***	0.035***	0.083***	-0.021***	1.000						
(10) Institutional ownership	.936	.086	0.021***	-0.07***	-0.017***	-0.419***	0.296***	0.071***	-0.048***	0.049***	-0.444***	1.000					
(11) Firm performance	.059	.063	-0.051***	-0.02***	0.267***	0.019***	-0.004	0.087***	0.022***	0.028***	-0.108***	-0.006	1.000				
(12) Firm size	8.108	1.332	0.079***	0.077***	0.191***	-0.106***	0.236***	0.192***	-0.012**	0.393***	-0.174***	0.047***	0.137***	1.000			
(13) Leverage	.24	.147	-0.019***	-0.013**	-0.035***	-0.024***	0.073***	0.011*	-0.040***	0.125***	0.086***	-0.037***	-0.155***	-0.078***	1.000		
(14) Discretional accruals	.06	.078	0.024***	0.019***	0.007	-0.006	-0.001	-0.007	-0.040***	-0.045***	-0.054***	-0.046***	0.050***	-0.033***	-0.052***	1.000	
(15) Cash flows	.114	.059	-0.008	-0.009	0.294***	0.022***	-0.02***	0.011*	0.012*	-0.009	-0.143***	-0.082***	0.520***	0.145***	-0.111***	0.032***	1.000

**** p<0.01, ** p<0.05, * p<0.1*

Table 2 tests Hypothesis 1. Model 1 shows how the control variables individually influence investor dissent and suggests that in firms with good corporate governance (i.e., Board independence) and higher performance, less investor dissent is present. Model 2 illustrates that the coefficient for the interaction between the variables family firm and dividend payout is negative and significant (β = -1.738; p = 0.084), suggesting that investors in family firms with higher dividend payouts than the industry median are less likely to express their dissent (relative to investors in nonfamily firms). Thus, Hypothesis 1 is supported.

Table 2. Influence of dividend payout over investors dissent

VARIABLES	(1)	(2)
Dividend payout		-0.072
		(-0.10)
Family firm		0.097
		(1.56)
Family firm x Dividend payout		-1.738*
		(-1.73)
PA–Board conflict	1.599***	1.599***
	(65.96)	(65.99)
Board independence	-0.448***	-0.446***
	(-4.16)	(-4.14)
CEO duality	0.028	0.026
	(1.57)	(1.45)
CEO tenure	0.002*	0.002*
	(1.79)	(1.71)
Board size	-0.020***	-0.020***
	(-4.14)	(-4.10)
Ownership concentration	-0.044***	-0.043***
	(-2.92)	(-2.89)
Institutional ownership	-0.130	-0.116
	(-1.18)	(-1.04)
Firm performance	-0.603***	-0.604***
	(-5.53)	(-5.52)
Firm size	0.052**	0.051**
	(2.44)	(2.39)
Leverage	-0.050	-0.051
	(-0.62)	(-0.62)
Discretional accruals	0.077	0.076
	(1.14)	(1.12)
Cash flows	-0.600***	-0.562***
	(-4.40)	(-4.07)
Year FE	Yes	Yes
Firm FE	Yes	Yes
Type of proposal FE	Yes	Yes
Meeting FE	Yes	Yes
Observations	23,247	23,247
R-squared	0.56698	0.56711

DV: Investor dissent
t-statistics in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

To further analyze the preceding results, we differentiated between the family firm and nonfamily firm subsample. In accordance with Table 2, Table 3 shows that for the family firm subsample, a higher dividend than the industry median reduces investor dissent (β = -2.260; p = 0.004). However, for the nonfamily firm subsample, a generous dividend payout does not necessarily influence investor dissent (β = 0.244; p = 0.742).

Table 3. Influence of dividend payout over investors dissent (by subsample)

VARIABLES	(1) Family firm	(2) Nonfamily firm
Dividend payout	-2.260***	0.244
	(-2.89)	(0.33)
PA–Board conflict	1.496***	1.651***
	(39.71)	(53.32)
Board independence	-1.056***	-0.289**
	(-4.31)	(-2.40)
CEO duality	-0.040	0.033*
	(-0.92)	(1.69)
CEO tenure	0.004	0.002
	(1.49)	(1.12)
Board size	0.033**	-0.029***
	(2.28)	(-5.65)
Ownership concentration	-0.077*	-0.037**
	(-1.94)	(-2.26)
Institutional ownership	-0.137	0.137
	(-0.78)	(0.59)
Firm performance	-0.341	-0.675***
	(-1.13)	(-5.77)
Firm size	0.131**	0.045*
	(2.38)	(1.92)
Leverage	-0.225	-0.017
	(-1.14)	(-0.19)
Discretional accruals	-0.003	0.066
	(-0.02)	(0.89)
Cash flows	-0.165	-0.703***
	(-0.48)	(-4.67)
Year FE	Yes	Yes
Firm FE	Yes	Yes
Type of proposal FE	Yes	Yes
Meeting FE	Yes	Yes
Observations	4,088	19,159
R-squared	0.61763	0.55872

DV: Investor dissent
t-statistics in parentheses
*** p < 0.01, ** p < 0.05, * p < 0.1

Table 4 shows the regression model that tests Hypothesis 2. This hypothesis theorizes that in the presence of a PA–Board conflict, the stronger negative effect of dividend payout over investor dissent in family firms (relative to nonfamily firms) is reduced. Consistent with Hypothesis 2, the triple interaction between the variables PA–Board conflict, dividend payout, and family firm is positive and significant ($\beta = 3.726$; $p = 0.030$), indicating that the PA–Board conflict weakens more the stronger negative effect of dividend payout over investor dissent in family firms compared to nonfamily firms.

Table 4. Influence of dividend payout over investor dissent in the face of a PA–Board conflict (full sample)

VARIABLES	(1)
Dividend payout	0.025
	(0.03)
PA–Board conflict	1.675***
	(56.67)
Family firm	0.110*
	(1.76)
Dividend payout x PA–Board conflict	-1.946*
	(-1.67)
Dividend payout x Family firm	-2.160**
	(-2.12)
PA–Board conflict x Family firm	-0.187***
	(-4.81)
PA–Board conflict x Dividend payout x Family firm	3.726**
	(2.16)
Board independence	-0.446***
	(-4.13)
CEO duality	0.026
	(1.45)
CEO tenure	0.002
	(1.62)
Board size	-0.020***
	(-4.08)
Ownership concentration	-0.043***
	(-2.88)
Institutional ownership	-0.105
	(-0.95)
Firm performance	-0.595***
	(-5.44)
Firm size	0.052**
	(2.41)
Leverage	-0.048
	(-0.59)
Discretional accruals	0.076
	(1.12)
Cash flows	-0.571***
	(-4.14)
Year FE	Yes
Firm FE	Yes
Type of proposal FE	Yes
Meeting FE	Yes
Observations	23,247
R-squared	0.56775

DV: Investor dissent
t-statistics in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

For the purpose of clarity, and to further understand the triple interaction displayed in the previous table, we reran our analyses differentiating between the family and nonfamily subsample. Consistent with Hypothesis 2, Table 5 shows that for the subsample of family firms, the coefficient for the interaction between the variables PA–Board conflict and dividend payout is positive and significant (β = 2.479; *p* = 0.049), implying that the PA–Board conflict weakens the negative effect of dividend payout over investor dissent. However, for the subsample of nonfamily firms, Model 2 shows that the coefficient for the interaction between the variables PA–Board conflict and dividend payout is negative and significant (β = -2.119; *p* = 0.072), suggesting that in the face of PA–Board conflict, a high dividend payout reduces investor dissent. Thus, contrary to our expectations, PA–Board conflict seemingly has an effect in nonfamily firms when examining the relationship between dividend payout and investor dissent.[9],[10]

[9] We re-run the analyses using the continuous "family ownership" variable instead of the dummy "family firm" variable. The continuous variable measures the voting power of the family in each of the sample years. This measure is a common proxy used to capture the intensity of the family influence over the firm (Cruz et al., 2014). As expected, in firms with high family ownership, a high dividend payout reduces more investor dissent than in firms with low family ownership. Moreover, in firms with high family ownership, the effect of dividend payout in reducing investor dissent is weakened in the presence of a "PA-Board conflict", while in firms with low family ownership is strengthened. Thus, our conclusions remain unchanged.

[10] The results are not materially affected when we use dividend payout based on the mean value (instead of the median) of all firms in the same two-digit Standard Industrial Classification (SIC).

Table 5. Influence of dividend payout over investor dissent in the face of a PA–Board conflict (by subsample)

VARIABLES	(1) Family firm	(2) Nonfamily firm
Dividend payout	-2.695***	0.357
	(-3.42)	(0.48)
PA–Board conflict	1.499***	1.656***
	(40.11)	(52.86)
Dividend payout x PA–Board conflict	2.479**	-2.119*
	(1.97)	(-1.80)
Board independence	-1.092***	-0.288**
	(-4.42)	(-2.39)
CEO duality	-0.036	0.033*
	(-0.83)	(1.69)
CEO tenure	0.003	0.002
	(1.44)	(1.12)
Board size	0.035**	-0.029***
	(2.43)	(-5.66)
Ownership concentration	-0.075*	-0.038**
	(-1.89)	(-2.29)
Institutional ownership	-0.123	0.138
	(-0.70)	(0.60)
Firm performance	-0.308	-0.675***
	(-1.03)	(-5.78)
Firm size	0.126**	0.045*
	(2.30)	(1.92)
Leverage	-0.261	-0.017
	(-1.32)	(-0.19)
Discretional accruals	-0.032	0.067
	(-0.19)	(0.90)
Cash flows	-0.187	-0.709***
	(-0.54)	(-4.71)
Year FE	Yes	Yes
Firm FE	Yes	Yes
Type of proposal FE	Yes	Yes
Meeting FE	Yes	Yes
Observations	4,088	19,159
R-squared	0.61808	0.55880

DV: Investor dissent
t-statistics in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Robustness checks

We ran further analyses and restricted the set of alternative explanations for our results to ensure the robustness of our findings.[11]

Robustness tests to reduce endogeneity concerns. Although our results are consistent with the hypotheses, we are aware that the observed relation between dividend payout and investor dissent could be biased, as the dividend policy may be endogenously determined. Indeed, the same factors that affect the decision to pay generous dividends may also influence the firm voting outcomes. Ideally, this endogeneity issue could be solved by using an instrumental variable that extracts the exogenous component from dividend payout and is then used for explaining investor dissent. However, addressing this concern through an instrumental variable approach is not always possible. In fact, we found that given that both dividend payout and investor dissent are two measures related to the investor behavior, teasing out the effect of dividend payout from other aspects that could alter investor dissent would be challenging.

Therefore, lacking a powerful instrument that relates to dividend payout but not to investor dissent, we built upon previous studies using dividend payout as an independent variable (Chen et al., 2019) and adopted an alternative approach to reduce endogeneity biases. We particularly employed entropy balancing (Hainmueller, 2012), a recently developed multivariate matching approach that

[11] In our robustness analyses we mainly focus our attention on hypothesis 2 (as hypothesis 2 is driven by hypothesis 1). As hypothesis 2 includes a triple interaction, and triple interactions are sometimes difficult to interpret, we are going to report our results by subsamples (family firms vs nonfamily firms). The regressions are also runed in the full sample using the triple interaction (results available upon request).

allows us to minimize the differences in observable characteristics between the group of firms that pays dividends above the industry median (control group) and the group of firms that pays the same or less dividends than the industry median (treatment group). Through this technique, we matched both groups so that their means and variances would be similar in terms of corporate governance practices (i.e., Board independence, CEO duality, CEO tenure, Board size), firm financials (i.e., firm size, ROA, leverage, discretionary accruals, liquidity, cash flow), ownership structure (i.e., institutional ownership, ownership concentration), industry, and year. After matching both groups and achieving convergence in all the observable variables, we then included the weights obtained from entropy balancing in the regression model that tests Hypothesis 2.

The results of the reran regression are shown in Table 6. The results indicate that in line with Hypothesis 2, when using entropy balancing and minimizing the differences between the two groups, in family firms, the presence of a PA–Board conflict reduces the negative effect of dividend payout over investor dissent (β = 2.802; p = 0.033; see Model 1); by contrast, the results in nonfamily firms are the opposite (β = -2.426; p = 0.052; refer to Model 2). Thus, after using entropy balancing, our conclusions remain unchanged.

Although these results may be less sensitive to endogeneity biases, another concern in the literature (i.e., Cai et al., 2009; Choi et al., 2010; Ertimur et al., 2013; Field & Lowry, 2022; Sauerwald et al., 2018) is that the PA–Board conflict is also endogenously determined. For instance, firm performance and corporate governance practices such as Board independence, CEO tenure, dual CEO, or

Board size (Hillman et al., 2011; Krause et al., 2014) may affect the presence of a PA–Board conflict. These same practices may also influence investor dissent. However, as with the dividend payout variable, a powerful instrumental variable that affects the PA–Board conflict and not investor dissent is very difficult to find.

Thus, as we had done above, to attenuate this endogeneity problem, we also used entropy balancing (Hainmueller, 2012) to account for the observable differences between firms with proposals with a PA–Board conflict and firms with voting proposals without a PA–Board conflict. After running the entropy balance, we once again tested Hypothesis 2. Table 6 shows in its Model 3 that for family firms, the presence of a PA–Board conflict weakens the efficacy of dividend payout in reducing investor dissent ($\beta = 2.346$; $p = 0.034$); by contrast, in nonfamily firms, the PA–Board conflict results in the dividend payout's reduction of investor dissent ($\beta = -2.885$; $p = 0.001$; refer to Model 4). Thus, after using entropy balancing and dampening the differences between firms with proposals with a PA–Board conflict and those without a PA–Board conflict, our conclusions still hold.

Table 6. Entropy balance. Influence of dividend payout over investor dissent in the face of a PA–Board conflict

	Entropy (dividend payout)		Entropy (PA–Board conflict)	
	(1)	(2) Nonfamily	(3)	(4) Nonfamily
VARIABLES	Family firm	firm	Family firm	firm
Dividend payout	-1.701**	-1.552*	-3.777***	-0.322
	(-2.22)	(-1.71)	(-3.23)	(-0.31)
PA–Board conflict	1.476***	1.633***	1.521***	1.919***
	(27.61)	(41.54)	(42.78)	(71.35)
Dividend x PA–Board conflict	2.802**	-2.426*	2.346**	-2.885***
	(2.13)	(-1.94)	(2.11)	(-3.30)
Board independence	-1.738***	-0.382***	-0.456	-0.354**
	(-5.90)	(-2.92)	(-1.36)	(-2.20)
CEO duality	-0.025	0.020	-0.088	0.063**
	(-0.56)	(0.93)	(-1.27)	(2.16)
CEO tenure	0.002	0.001	-0.001	0.002
	(0.98)	(0.44)	(-0.25)	(0.97)
Board size	0.034**	-0.030***	0.044**	-0.023***
	(2.18)	(-5.40)	(2.05)	(-3.58)
Ownership concentration	-0.109**	-0.031	-0.011	-0.079***
	(-2.49)	(-1.61)	(-0.18)	(-3.13)
Institutional ownership	-0.168	-0.066	0.118	0.521*
	(-0.88)	(-0.23)	(0.44)	(1.86)
Firm performance	0.409	-0.674***	0.096	-0.466***
	(1.06)	(-4.80)	(0.22)	(-3.36)
Firm size	0.168***	0.017	0.021	0.021
	(2.74)	(0.64)	(0.34)	(0.71)
Leverage	-0.364*	-0.103	0.062	-0.316**
	(-1.80)	(-0.96)	(0.19)	(-2.54)
Discretional accruals	-0.229	0.078	-0.336	0.261**
	(-1.11)	(0.92)	(-1.22)	(2.37)
Cash flows	-0.404	-0.552***	-0.110	-0.756***
	(-1.02)	(-3.10)	(-0.20)	(-3.72)
Constant	1.643**	2.105***	0.864	1.729***
	(2.11)	(5.37)	(0.98)	(4.14)
Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Type of proposal FE	Yes	Yes	Yes	Yes
Meeting FE	Yes	Yes	Yes	Yes
Entropy balance	Yes	Yes	Yes	Yes
Observations	4,028	18,733	4,003	18,354
R-squared	0.63409	0.58453	0.78886	0.83124

DV: Investor dissent
t-statistics in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Robustness tests to reinforce our theoretical arguments. If our theory is valid, then the weaker negative effect of dividend payout over investor dissent in family firms (relative to nonfamily firms) in the face of a PA–Board conflict should be strengthened in family firms with low performance. Investors in family firms with a low performance are more likely to perceive that the family is pursuing its own goals at the expense of their financial interests in the firm (Martin et al., 2017). Therefore, in the face of a controversial proposal, investor suspicion of the high dividend policy chosen by the Board would increase; hence, investors are less likely to rely on the Board voting recommendation.

To further test this theory, we replicated our analyses considering the firm performance and defined the firm as a high-performing firm when its ROA is above the sample mean; otherwise, we regarded it as a firm with a low performance. Table 7 shows that dividend payout reduces investor dissent in family firms with high and low levels of performance. However, in the face of a PA–Board conflict, the coefficient for the interaction between the variables dividend payout and PA–Board conflict is only positive and significant (β = 14.105; p = 0.000) for family firms with a low performance. This result suggests that investors in family firms with a low firm performance are more likely to suspect that the payout policy implemented by the Board is not a substantive tool for reducing the expropriation risk but is instead a pleasing mechanism for avoiding investor intervention. Hence, investors will reduce their reliance on the informative value of the Board recommendation.

Table 7. Influence of dividend payout over investor dissent in the face of a PA–Board conflict (by performance)

	High performance		Low performance	
VARIABLES	(1) Family firm	(2) Nonfamily firm	(3) Family firm	(4) Nonfamily firm
Dividend payout	-2.654**	-0.313	-12.409***	1.339
	(-2.51)	(-0.34)	(-5.19)	(0.78)
PA–Board conflict	1.621***	1.619***	1.451***	1.680***
	(30.09)	(30.86)	(27.75)	(42.95)
Dividend x PA–Board conflict	-0.610	-2.822*	14.105***	-0.294
	(-0.44)	(-1.72)	(4.87)	(-0.16)
Board independence	-1.969***	-0.397**	-0.574	-0.193
	(-4.29)	(-2.26)	(-1.46)	(-1.07)
CEO duality	-0.055	0.019	-0.063	0.072**
	(-0.92)	(0.64)	(-0.77)	(2.51)
CEO tenure	0.002	-0.001	0.005	-0.000
	(0.75)	(-0.36)	(0.80)	(-0.02)
Board size	0.032*	-0.021***	0.014	-0.038***
	(1.77)	(-2.84)	(0.50)	(-4.71)
Ownership concentration	-0.080	-0.016	-0.008	-0.055**
	(-1.42)	(-0.57)	(-0.12)	(-2.39)
Institutional ownership	0.033	0.363	-0.446	0.145
	(0.14)	(0.80)	(-1.36)	(0.50)
Firm performance	-0.247	-0.408	-0.712	-1.027***
	(-0.44)	(-1.63)	(-1.32)	(-5.77)
Firm size	0.113	-0.035	0.119	0.077**
	(1.24)	(-0.86)	(1.36)	(2.16)
Leverage	-0.305	0.170	-0.645	-0.056
	(-1.15)	(1.38)	(-1.56)	(-0.36)
Discretional accruals	-0.442**	0.053	0.496	0.069
	(-2.04)	(0.48)	(1.52)	(0.59)
Cash flows	-0.604	-0.279	0.349	-1.172***
	(-1.18)	(-1.32)	(0.60)	(-4.58)
Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Type of proposal FE	Yes	Yes	Yes	Yes
Meeting FE	Yes	Yes	Yes	Yes
Observations	2,180	9,065	1,908	10,094
R-squared	0.65995	0.56216	0.61198	0.57604

DV: Investor dissent
t-statistics in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Moreover, if our theory is supported, then the reduced negative effect of dividend payout over investor dissent in family firms (in the presence of a controversial proposal) should be also strengthened if the dividend payout policy is unstable over time. Empirical evidence suggests that firms have incentives to build a reputation for delivering long-term and stable dividends (Chen et al., 2019; DeAngelo & DeAngelo, 2007; Porta et al., 2020), as an unstable dividend policy may generate skepticism among investors. Hence, in our specific context, the presence of a PA–Board conflict would make investors in family firms more likely to express their suspicion of the symbolic nature of the high dividend policy when the firm dividend policy is unstable.

In Table 8, we separately estimate the effect of dividends (and the PA–Board conflict) over investor dissent for family and nonfamily firms with a stable and unstable dividend policy. We classified a firm as a firm with a stable dividend payout when the variability of its dividend payout from one year to another is below the sample median; otherwise, we categorized it as a firm with an unstable dividend payout. As expected, Table 8 shows that dividend payout reduces investor dissent in both family firms with a stable and unstable dividend policy; however, in the face of a PA–Board conflict, this effect is only weakened for family firms with an unstable dividend policy (see Model 3). This result suggests that in family firms, an unstable dividend payout is more likely to increase investor skepticism on the high dividend policy chosen by the Board.

Table 8. Influence of dividend payout over investor dissent in the face of a PA–Board conflict (by dividend payout stability)

VARIABLES	Stable dividend payout (1) Family firm	(2) Nonfamily firm	Unstable dividend payout (3) Family firm	(4) Nonfamily firm
Dividend payout	-13.890**	1.781	-3.428***	1.371
	(-2.07)	(0.85)	(-3.70)	(1.54)
PA–Board conflict	1.559***	1.636***	1.431***	1.667***
	(30.30)	(40.54)	(25.81)	(34.44)
Dividend x PA–Board conflict	3.237	-2.990*	3.495**	-2.246
	(1.34)	(-1.70)	(2.36)	(-1.46)
Board independence	-0.250	-0.340*	-1.847***	-0.387**
	(-0.67)	(-1.89)	(-4.83)	(-2.13)
CEO duality	-0.101	0.080**	0.012	0.040
	(-1.26)	(2.49)	(0.21)	(1.35)
CEO tenure	0.002	0.003	0.003	0.000
	(0.43)	(1.39)	(0.78)	(0.01)
Board size	0.031	-0.026***	0.045*	-0.025***
	(1.48)	(-3.31)	(1.77)	(-3.30)
Ownership concentration	0.024	-0.146***	-0.095	0.037
	(0.40)	(-5.63)	(-1.43)	(1.47)
Institutional ownership	0.256	0.204	-0.445	-0.413
	(0.96)	(0.59)	(-1.49)	(-1.09)
Firm performance	-0.792**	-0.958***	0.282	-0.442**
	(-2.11)	(-5.41)	(0.45)	(-2.51)
Firm size	0.003	0.019	0.090	0.129***
	(0.03)	(0.48)	(0.92)	(3.49)
Leverage	-0.893**	-0.264	-0.123	0.230*
	(-2.55)	(-1.44)	(-0.39)	(1.92)
Discretional accruals	0.691**	0.083	-0.559*	-0.148
	(2.24)	(0.61)	(-1.95)	(-1.43)
Cash flows	-0.789	-1.124***	0.364	-0.518**
	(-1.29)	(-4.37)	(0.69)	(-2.40)
Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Type of proposal FE	Yes	Yes	Yes	Yes
Meeting FE	Yes	Yes	Yes	Yes
Observations	1,989	9,397	2,096	9,762
R-squared	0.64371	0.60188	0.61641	0.54362

DV: Investor dissent
t-statistics in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Given our interest in the investor perspective, in this paper we focus on dividend payout as an overconforming governance practice that listed firms use for increasing the satisfaction of the firm investors (Miller, Le Breton-Miller, et al., 2013; Pindado et al., 2012) and thus for reducing investor dissent (Tanyi et al., 2021). However, an alternative mechanism for disgorging cash to investors (Chen et al., 2019) and therefore for easing investor dissent (Tanyi et al., 2021) is share repurchase. If such is the case, then we should expect our results to remain consistent when using the share repurchase variable instead of the dividend payout one. Following our definition of dividend payout, we measured share repurchase as the ratio of purchases of common and preferred stocks to total assets (Jagannathan et al., 2000). We subsequently measured its deviation from the two-digit Standard Industrial Classification (SIC) share repurchase median.

Contrary to our expectations, Table 9 illustrates that share repurchases do not reduce investor dissent neither for family firms nor nonfamily firms. This result might suggest in line with Chen et al. (2019), that as repurchases do not constitute a commitment to make future payouts, firms are not able to influence, via stock repurchases, the voting decisions of investors. However, Table 9 shows that in the presence of a PA–Board conflict, repurchasing more shares than the industry median increases investor dissent in family firms ($\beta = 3.273$; $p = 0.000$); by contrast, no effect emerges in nonfamily firms. These results are in line with the ones on dividend payouts, suggesting that PAs also play a key role as external monitors when helping investors in family firms to distinguish the substantive nature from the symbolic nature of a high stock repurchase policy.

Table 9. Influence of share repurchase over investor dissent in the face of a PA–Board conflict

VARIABLES	(1) Family firm	(2) Nonfamily firm
Shares repurchase	-0.023	-0.170
	(-0.06)	(-1.05)
PA–Board conflict	1.576***	1.659***
	(41.41)	(52.29)
Shares repurchase x PA–Board conflict	3.273***	0.325
	(4.64)	(0.76)
Board independence	-1.084***	-0.260**
	(-4.27)	(-2.09)
CEO duality	-0.045	0.025
	(-0.95)	(1.22)
CEO tenure	0.003	0.003*
	(1.10)	(1.89)
Board size	0.039***	-0.025***
	(2.62)	(-4.78)
Ownership concentration	-0.069*	-0.039**
	(-1.69)	(-2.32)
Institutional ownership	-0.106	0.223
	(-0.59)	(0.96)
Firm performance	-0.418	-0.653***
	(-1.45)	(-5.44)
Firm size	0.198***	0.055**
	(3.11)	(2.29)
Leverage	-0.191	-0.004
	(-0.92)	(-0.04)
Discretional accruals	0.014	0.073
	(0.09)	(0.95)
Cash flows	-0.530	-0.640***
	(-1.59)	(-4.17)
Year FE	Yes	Yes
Firm FE	Yes	Yes
Type of proposal FE	Yes	Yes
Meeting FE	Yes	Yes
Observations	3,936	18,393
R-squared	0.63081	0.55969

DV: Investor dissent
t-statistics in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Robustness tests to rule out alternative explanations of our results. A potential possible concern is that our findings are merely driven by the concentration of the PA–Board conflict over highly controversial proposals. As mentioned in the previous chapter, the most controversial proposals in our sample are the ones sponsored by shareholders, and by content, those that refer to ESG issues. Although we controlled for the sponsor and type of content in our analyses, we reran our regressions, subtracting from our analyses the shareholder-sponsored proposals and the ESG proposals, respectively. Table 10 shows that after removing both the shareholder proposals (see Models 1 and 2), and the ESG proposals (see Models 3 and 4), our results remain consistent with our initial analyses, suggesting that our analyses are not biased by the most controversial proposals.

Table 10. Influence of dividend payout over investor dissent in the face of a PA–Board conflict (by sponsor and content)

	Removing shareholder proposals		Removing ESG proposals	
VARIABLES	(1) Family firm	(2) Nonfamily firm	(3) Family firm	(4) Nonfamily firm
Dividend payout	-3.096***	0.504	-3.038***	0.207
	(-3.70)	(0.63)	(-3.66)	(0.26)
PA–Board conflict	1.583***	1.999***	1.708***	2.211***
	(40.91)	(59.41)	(47.97)	(100.26)
Dividend x PA–Board conflict	4.839***	3.369	2.876**	1.822
	(3.50)	(1.62)	(2.10)	(1.43)
Board independence	-1.172***	-0.332**	-1.179***	-0.262**
	(-4.53)	(-2.57)	(-4.57)	(-2.04)
CEO duality	-0.067	0.020	-0.047	0.014
	(-1.45)	(0.97)	(-1.02)	(0.66)
CEO tenure	0.006**	0.001	0.004*	0.002
	(2.14)	(0.88)	(1.80)	(1.30)
Board size	0.018	-0.036***	0.028*	-0.034***
	(1.27)	(-6.51)	(1.81)	(-6.18)
Ownership concentration	-0.093**	-0.042**	-0.067	-0.041**
	(-2.20)	(-2.40)	(-1.60)	(-2.36)
Institutional ownership	-0.213	0.277	-0.106	0.313
	(-1.17)	(1.13)	(-0.58)	(1.30)
Firm performance	-0.482	-0.758***	-0.389	-0.693***
	(-1.56)	(-5.91)	(-1.24)	(-5.50)
Firm size	0.100*	0.060**	0.110*	0.047*
	(1.72)	(2.31)	(1.86)	(1.81)
Leverage	-0.323	0.012	-0.302	0.045
	(-1.53)	(0.13)	(-1.42)	(0.47)
Discretional accruals	-0.058	0.063	-0.064	0.116
	(-0.32)	(0.78)	(-0.36)	(1.43)
Cash flows	-0.320	-0.727***	-0.114	-0.684***
	(-0.88)	(-4.45)	(-0.31)	(-4.24)
Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Type of proposal FE	Yes	Yes	Yes	Yes
Meeting FE	Yes	Yes	Yes	Yes
Observations	3,885	18,049	4,004	18,700
R-squared	0.51111	0.31973	0.56121	0.45483

DV: Investor dissent
Robust *t*-statistics in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Additional robustness tests. To provide further support for our results and emphasize the idea that paying a generous dividend is an ineffective device for reducing investor dissent in family firms when there is a controversial proposal, we proxied dividend payout considering the firm deviation by quintile from the dividend payout industry median. The first and fifth quintiles represent the lowest and highest deviation from the dividend payout industry median, respectively. As reported in Table 11, the coefficient between dividend payout and the PA–Board conflict is only significant for the fifth quintile. These results suggest that our analyses hold only for those firms that pay the higher dividends compared to the industry median. This outcome is in line with our theorizing.

Table 11. Influence of dividend payout (by quintile) over investor dissent in the face of a PA–Board conflict

VARIABLES	(1) Family firm	(2) Nonfamily firm
Dividend payout (2nd quintile)	-0.006	-0.011
	(-0.10)	(-0.49)
Dividend payout (3rd quintile)	-0.004	-0.006
	(-0.04)	(-0.16)
Dividend payout (4th quintile)	-0.001	0.009
	(-0.01)	(0.31)
Dividend payout (5th quintile)	-0.099	-0.002
	(-1.55)	(-0.05)
PA–Board conflict	1.417***	1.746***
	(22.81)	(29.40)
Dividend (2nd quintile) x PA–Board conflict	0.091	-0.115*
	(1.08)	(-1.87)
Dividend (3rd quintile) x PA–Board conflict	0.103	0.024
	(0.62)	(0.16)
Dividend (4th quintile) x PA–Board conflict	0.101	-0.093
	(1.38)	(-1.42)
Dividend (5th quintile) x PA–Board conflict	0.192**	-0.155**
	(2.04)	(-2.37)
Board independence	-1.119***	-0.282**
	(-4.38)	(-2.34)
CEO duality	-0.037	0.033
	(-0.81)	(1.64)
CEO tenure	0.003	0.002
	(1.44)	(1.15)
Board size	0.036**	-0.029***
	(2.48)	(-5.65)
Ownership concentration	-0.075*	-0.038**
	(-1.87)	(-2.32)
Institutional ownership	-0.128	0.127
	(-0.73)	(0.55)
Firm performance	-0.385	-0.679***
	(-1.27)	(-5.81)
Firm size	0.135**	0.045*
	(2.41)	(1.90)
Leverage	-0.251	-0.019
	(-1.26)	(-0.21)
Discretional accruals	-0.004	0.069
	(-0.02)	(0.92)
Cash flows	-0.334	-0.707***
	(-0.97)	(-4.69)
Year FE	Yes	Yes
Firm FE	Yes	Yes
Type of proposal FE	Yes	Yes
Meeting FE	Yes	Yes
Observations	4,088	19,159
R-squared	0.61786	0.55895

DV: Investor dissent. *t*-statistics in parentheses *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

It may be the case that firms that do not pay dividends are different from those firms that pay dividends; thereby, our results could be biased. Therefore, we rerun our analyses by controlling for a dummy variable with value 1 if the firm pays dividends and 0 if the firm does not pay dividends. After controlling for this new variable, our results continue to hold.[12]

CONLCUSION AND DISCUSSION

This study advances previous corporate governance research that suggests that PAs have a limited role as external monitors in firms with concentrated ownership (Ertimur et al., 2013; Hitz & Lehmann, 2018; Malenko & Shen, 2016; Sauerwald et al., 2018), particularly when the firm is controlled by family owners (Jimenez & Cruz, 2021). Jimenez and Cruz (2021) suggest that PAs may play a role in listed family firms when investor perceptions of family entrenchment are increased or when they feel that the great monitoring capabilities associated with family owners are reduced. However, our results indicate that PAs may also add a considerable value as external monitors to investors in listed family firms, when helping investors to decide whether the firm overconforming practices are substantive or symbolic in nature.

Our results are robust to alternative model specifications, measures of dividend payouts, and subsample analyses, and they expand our knowledge of the role of PAs in listed firms with concentrated ownership, with a particular focus on

[12] Results available upon request.

listed family firms. The results also provide a new means of understanding investor perceptions over the monitoring role of PAs as external monitors.

Our results contribute to corporate governance studies that examine the heterogeneity of firm governance (Aguilera et al., 2018) and the nature of the costs resulting from nonconformity with good governance practices (Ponomareva et al., 2022). Specifically, we advance the literature that tackles the overconforming practices that firms deviating from global best practices tend to implement to make investors happy and reduce investor dissent (Aguilera et al., 2018; Kuppuswamy et al., 2020; Ponomareva et al., 2022). Furthermore, we adopt a new perspective by focusing on the overconforming practice of paying more dividends than the industry median.

By assessing for the first time the relationship between dividend payout and investor dissent in the family firm context, we make an important contribution to the literature on family firms. Our results reveal that investors in family firms are less likely to express their dissent than investors in nonfamily firms when a high dividend payout is evident. These results suggest that despite the tendency of family firms to deviate from the traditional agency logic when designing their unique governance mechanisms (Federo et al., 2020); Ponomareva & Ahlberg, 2016), dividend payout in listed family firms seems to represent an effective mechanism for reducing investor concerns of expropriation risk. However, paying more dividends than the industry median seems to be ineffective in reducing investor dissent in listed family firms in the face of a PA–Board conflict. This conflict alerts investors that the firm high dividend payout is symbolically

implemented to please investors while allowing family owners to pursue their goals and not necessarily to de facto reduce the risk of expropriation.

This study also offers several practical implications. Our findings urge family firms to undertake substantive actions (rather than merely symbolic ones) to reduce the investors' perceptions of expropriation risk, especially when they expect to encounter a PA–Board conflict; otherwise, their legitimacy would be harmed. Moreover, our findings encourage investors to consider the symbolic versus the substantive nature of dividend payout even before the presence of a PA–Board conflict; on the contrary, their financial interests in the firm may be at risk. Finally, given the key role of PAs in listed family firms with high dividends, PAs should consider improving their recommendations and make them more tailored to the unique governance demands of family firms.

LIMITATIONS AND FUTURE RESEARCH

The contributions of our study to the existing literature should be considered in view of its limitations, which may provide the ground for potential future extensions. We suggest that PAs play a key role in listed family firms when helping investors to distinguish the substantive from the symbolic nature of their overconforming governance practices. We specifically examine dividend payout and share repurchase in our analyses. However, future research may benefit from exploring alternative overconforming practices (i.e., appointment of more independent directors, female independent directors, and so on) to further understand the role of PAs as external firm monitors in listed family firms.

In this study we have adopted multiple identification strategies to mitigate endogeneity concerns. We have also restricted the set of alternative explanations for our results and examined the robustness of our analyses. Nevertheless, researchers should continue to explore complementary tests that further help to establish causality.

Our results in listed family firms seem to be strengthened when the firm is poorly performing and when the firm does not build a reputation for delivering long-term and stable dividends. To further understand the role of PAs as external monitors in listed family firms, future research may benefit from examining in greater detail the particularities of these specific firms.

CHAPTER 3

WHEN DOES THE "PROXY ADVISOR STAMP" ADD FIRM VALUE? AN OWNERSHIP PERSPECTIVE

ABSTRACT

In this paper, we examine the economic value of proxy advisors (PAs), or information intermediaries that provide voting recommendations to institutional investors, by exploring the impact of the "PA stamp" (i.e., when the PA ratifies the Board voting recommendation) over the firm value. We adopt an ownership perspective and theorize that the value of the PA stamp grows as the ownership concentration of the firm increases. We argue that as concentrated firms are more prone to be scrutinized by the market, the PA stamp would improve the legitimacy of their corporate governance practices. Moreover, as concentrated firms have greater information asymmetries, the PA stamp would provide the investment community with further information about these firms. Our analysis of Fortune 1000 firms from 2011 to 2017 indicates that the PA stamp adds value to firms with high ownership concentration. These findings offer a more nuanced understanding of the value of the PA in firms with concentrated ownership and its unique agency dynamics.

INTRODUCTION

In the past two decades, the shareholder voting process has changed due to the rise of proxy advisory firms, or information intermediaries that provide voting recommendations to institutional investors on every voting proposal of a shareholder meeting on a subscription basis (Hayne & Vance, 2019; Malenko & Shen, 2016). Institutional Shareholder Services (ISS), the largest PA in the world, has more than 2,000 institutional clients that vote on more than 12 million voting proposals in 42,000 shareholder meetings around the word (ISS Governance, 2019). Although the reports of proxy advisors (PAs) are only available to their clients, their recommendations are frequently made public either by the media or by the firm or the investor supported by the PA (Malenko et al., 2021). Hence, PAs have substantially transformed the dynamics of the shareholder voting process, as investors receive an additional voting recommendation to the one issued by the Board of Directors.

PAs are often criticized for providing very standardized recommendations based on good governance practices that disregard firm-specific factors (Hayne & Vance, 2019; Iliev & Lowry, 2015). Nonetheless, a broad consensus among corporate governance scholars is that PA recommendations significantly impact voting outcomes (see Copland et al., (2018) for a review). A PA “against” voting recommendation is estimated to increase investor dissent (i.e., investor’s votes against the Board voting advice) between 10% (Choi et al., 2010) and 20% (Larcker et al., 2017). Moreover, Sauerwald et al. (2018) show that when the PA recommends voting differently from the Board (i.e., what we call the PA–Board conflict), investor dissent increases by about 6%. This evidence confirms the

value of PAs as information intermediaries that process information on behalf of institutional investors, thereby reducing the cost of informed voting (Ertimur et al., 2018). Nevertheless, public and scientific debate about the extent to which PAs effectively identify agency problems and thus add value to investors and their firms is ongoing (Alexander et al., 2010; (Calluzzo & Dudley, 2019; Ertimur et al., 2013, 2018; Larcker et al., 2013, 2015; Malenko & Malenko, 2019; Sauerwald et al., 2018).

Empirical evidence of the economic value of PAs is mostly focused on exploring market reactions to the changes in compensation in firms (Ertimur et al., 2013) and firm governance practices (Larcker et al., 2013, 2015) following a PA "against" recommendation. With one exception (Alexander et al., 2010), these studies identify negative (Larcker et al., 2017) or nonsignificant stock reactions (Ertimur et al., 2013, 2018). In explaining these non-findings, Ertimur et al. (2018) argue that "the items on which proxy advisors and voting shareholders focus have little effect on firm value, consistent with the claim that activists misdirect their efforts toward symbolic governance issues" (Kahan & Rock, 2014). Hence, by focusing on controversial voting proposals, previous studies may be wrongly estimating the role of PAs as external firm monitors.

Building upon previous studies that highlight the importance of jointly assessing the effectiveness of external and internal firm monitors (Aguilera et al., 2015; Desender et al., 2013), we contend that the value of PAs should be analyzed relative to the informative value of the Board of Directors. Therefore, we investigate the economic value of PAs by examining the extent to which having

a PA stamp on a voting proposal (i.e., a phenomenon in which the voting recommendations of PAs ratify the Board advice) improves the firm value. We follow recent research investigating the impact of PA recommendations over the firm value measured with Tobin's Q (Calluzzo & Dudley, 2019; Sauerwald et al., 2018), and suggest that the PA stamp will only increase the firm value when the PA recommendation is perceived as sufficiently informative by investors (Calluzzo & Dudley, 2019; Malenko & Malenko, 2019).

As the predictive quality of the PA signal is contingent on the firm ownership structure (Ertimur et al., 2013; Jimenez & Cruz, 2021; Malenko & Shen, 2016; Sauerwald et al., 2018; Hitz & Lehmann, 2018; Calluzzo & Dudley, 2019), we explore the relationship between the PA stamp and the firm value from an ownership perspective. Publicly traded companies in the US are historically viewed as widely held firms with dispersed shareholding; however, this scenario no longer represents the reality (Aggarwal et al., 2022; Bebchuk et al., 2019; Field & Lowry, 2022). Indeed, 21% of the ownership of the 20 largest U.S. listed firms is controlled on average by the five largest institutional investors (Bebchuk et al., 2019). Evidence also shows that the percentage of listed firms controlled by their founders or other entities via dual class shares has more than doubled from 2000 to 2017 (Aggarwal et al., 2022; Field & Lowry, 2022).

Given the increasing concentration of ownership in U.S. listed firms, in this paper we focus on the firm ownership concentration and hypothesize that the value of the PA stamp grows as the ownership concentration of the firm increases. Our assertion is that as the corporate governance needs of highly concentrated firms

are more likely to be questioned by the market (Miller, Le Breton-Miller, et al., 2013; Ponomareva et al., 2022; Witt et al., 2022), the PA stamp would add greater legitimacy to their governance practices compared to those of firms with more dispersed ownership. Additionally, as the information asymmetry problem is more prevalent in firms with high ownership concentration (Ali et al., 2007; Anderson et al., 2009; Byun et al., 2011; Li & Zaiats, 2017; Tinaikar, 2014), the PA stamp would boost the amount of firm insider knowledge available in the market by providing new information about the corporate governance arrangements of firms. We test our hypotheses using Fortune 1000 firms from 2011 to 2017, based on a unique, original, and ample collection of secondary data. We run several analyses to test the robustness of our results.

Through this paper, we seek to make several contributions. Despite the documented influence of PAs over investor votes (Copland et al., 2018), the sparse research exploring the value of the proxy advice is lacking in clarity. Our study contributes to reconciling the existing debate on the economic value of PAs by examining the influence of the PA stamp over the firm value from an ownership perspective. This novel approach focusing on the PA stamp rather than the PA–Board conflict addresses recent concerns suggesting that previous studies may have inadequately assessed the value of PAs via the exploration of controversial proposals (Ertimur et al., 2018). Moreover, by adopting an ownership perspective, we respond to previous calls to assess the value of PAs by considering the informativeness of their signal (Malenko & Malenko, 2019; Calluzzo & Dudley 2019) and hence expand the corporate governance literature examining the firm ownership concentration as a key contingency that influences

the quality of the proxy advice (Jimenez & Cruz, 2021; Sauerwald et al., 2018; Hitz & Lehmann, 2018; Calluzzo & Dudley, 2019).

Our results also enhance the understanding of the unique agency problems of listed firms with concentrated ownership. Our theorizing suggests that corporate governance deviations (Aguilera et al., 2018; Witt et al., 2022;) and information asymmetry concerns (Byun et al., 2011; Li & Zaiats, 2017; Tinaikar, 2014) are more prevalent in firms with high ownership concentration; therefore, the PA stamp is especially beneficial because it signals to the market the greater legitimacy and transparency of the firm. These results also provide support to the role of PAs as information intermediaries (Ertimur et al., 2018) and corporate governance setters (Hayne & Vance, 2019).

Nonetheless, as not all blockholders are the same, our robustness checks indicate that although the PA stamp adds value to firms with an institutional blockholder, it does not add value to firms with a family blockholder. These results are in line with previous studies showing that PAs play a significant role as external monitors in firms with institutional blockholders (Sauerwald et al., 2021), but they only have a limited function in listed family firms (Jimenez & Cruz, 2021).

THEORETICAL BACKGROUND

Proxy advisors and the value of the PA stamp

Proxy advisors are considered as the “de facto standard setters” of corporate governance policies (Hayne & Vance, 2019). The reason is that their voting recommendations are based on standard guidelines that follow the agency logic

of global corporate governance practices (Sauerwald et al., 2018; von Koch et al., 2020; ISS Policy Update, 2021). Consistent with their standardized guidelines, PAs usually ratify the Board voting recommendations (i.e., a phenomenon that we refer to as the PA stamp) when the Board advice is aligned with good governance norms. Multiple examples reflect this evidence. For instance, in 2017, ISS ratified the Board decision of Ford Motor Company to reelect Anthony F. Earley, Jr. as an independent director because “he is not an employee or a current or former officer of the Company” (Ford Proxy Statement, 2017). In 2011, ISS supported the Board recommendation of Comcast to ratify the Executive Officer’s compensation because “it is aligned with the firm performance” (Comcast Proxy Statement, 2017).

Proxy advice is often criticized for its one-size-fits-all approach (Hayne & Vance, 2019); however, PAs also ratify Board recommendations that are not closely aligned with the agency logic of good governance rules. For instance, in 2014, ISS ratified the decision of the Board of Timken to approve the election of John Timken, Jr. (the founder’s son) as a Board director because “he has played an important role in the company’s strategic drive” (Timken Proxy Statement, 2014). Moreover, in 2012, ISS ratified the advice of the Board of Abbott Laboratories to vote against the election of an independent Chair, asserting that “shareholders are best served by the Board’s current leadership structure” (Abbott Laboratories Proxy Statement, 2014).

PA support of the Board recommendation may bring several benefits to the firm and its investors. Given the intensifying pressure of firms to adopt good corporate

governance norms (Aguilera et al., 2018; Ponomareva et al., 2022; Witt et al., 2022), firms are highly concerned with appearing legitimate to avoid extra scrutiny from the investment community (Miller, Le Breton-Miller, et al., 2013). As in most cases, PA recommendations are perceived as legitimate (Hayne & Vance, 2019), the PA stamp would help listed firms to legitimize their governance arrangements and to signal to the market their adherence to the dominant logic of good corporate governance. Empirical evidence suggests that many listed firms indeed change their governance practices in line with the good governance norms contained in PAs voting guidelines to obtain a PA stamp and avoid penalization by PAs (Gow et al., 2013; Hayne & Vance, 2019; Larcker et al., 2017). As one Board director claimed in the study of Hayne & Vance (2019), “The last thing you want to do is to approve something that you think proxy advisors are going to be against.”

Aside from providing legitimacy benefits, the PA stamp may also help with reducing the information asymmetries between the firms and their investors (Sauerwald et al., 2018). Proxy advisory firms serve as information intermediaries that collect large amounts of information on behalf of uninformed investors with small incentives to properly analyze each of the voting proposals of the companies in their portfolios (Iliev & Lowry, 2015). When PAs support the Board voting recommendations, PAs improve the information position of the investor by disseminating and offering additional information about the expected firm performance and their governance practices (Aguilera et al., 2015; Hitz & Lehmann, 2018).

Based on the preceding evidence, a major challenge is to identify the conditions under which having an additional (external) monitor that ratifies the Board voting recommendations adds value in listed firms. In this regard, Malenko & Malenko (2019) and Calluzzo and Dudley (2019) suggest that PA recommendations can only add value to the firm if these recommendations are sufficiently informative. Therefore, building upon previous research that highlights the importance of the firm ownership contingencies when assessing the effectiveness of the PA recommendation (Ertimur et al., 2013; Jimenez & Cruz, 2021; Malenko & Shen, 2016; Sauerwald et al., 2018), we theorize that the ownership structure of the firm would largely influence the predictive quality of the PA stamp.

In the next section, we examine the influence of the PA stamp over the firm value, focusing on the ownership concentration of the firm. The adoption of this ownership perspective is even more relevant because concentrated ownership has become increasing popular among U.S. listed firms in recent years (Aggarwal et al., 2022; Bebchuk et al., 2019; Field & Lowry, 2022).

HYPOTHESIS DEVELOPMENT

The PA stamp in firms with high ownership concentration

Corporate governance research shows that despite the growing pressure to follow good corporate governance norms, many firms do not conform to these best practices (Aguilera et al., 2018; Witt et al., 2022). A major determinant of this governance discretion is the ownership structure of the firm. Several studies claim that firms with high ownership concentration usually deviate more from the

accepted good governance norms (Aguilera et al., 2018; Federo et al., 2020; Ponomareva & Ahlberg, 2016; Witt et al., 2022).

As blockholders hold a substantial part of the firm ownership (Andres, 2008) and tend to be actively involved in the firm as top executive officers or directors (Desender et al., 2013; Choi et al., 2018), they have more incentives and greater power to choose nonconforming governance practices that reflect their needs in the firm. At the same time, blockholders have unique private motivations (Andres, 2008), and the adoption of many good governance norms may compromise them; thus, concentrated owners adhere less to these governance best practices. Consequently, the Boards in these firms, which represent the interests of the firm blockholders (Federo et al., 2020), may be more likely to provide voting recommendations that deviate from the accepted institutional norms of good governance. Empirical evidence indeed shows that firms with concentrated ownership are more likely to have a dual class share structure (Aggarwal et al., 2022) and a classified Board of Directors (Field & Lowry, 2022).

Given their greater governance discretion, the legitimacy of concentrated firms is more likely to be questioned by the market participants (Miller, Le Breton-Miller, et al., 2013; Ponomareva et al., 2022; Witt et al., 2022). In this context of high scrutiny, the PA stamp may be of considerable value to concentrated firms. As PAs promote globally accepted governance practices (Hayne & Vance, 2019), the ratification of the Board recommendation by the proxy advice will signal to the market that the Board is acting as a well-informed monitor that offers legitimate voting advice in the best interest of the firm investors.

Ownership concentration is also associated with higher information asymmetry between concentrated and minority investors (Ali et al., 2007; Anderson et al., 2009; Byun et al., 2011; Li & Zaiats, 2017; Tinaikar, 2012). As concentrated owners have a dominant position in the firm, they usually have an information advantage over minority investors (Choi, 2018; Tinaikar, 2014). However, scholars suggest that although transparency is a key element of investor protection, blockholders have incentives to restrict corporate information to pursue their unique private goals within the firm (Anderson et al., 2009). Empirical evidence likewise indicates that relative to widely dispersed firms, concentrated firms are less likely to voluntarily disclose their corporate governance (Ali et al., 2007) and compensation practices (Tinaikar et al., 2014).

In less transparent environments, such as the ones of highly concentrated firms, the PA stamp would be more likely to contribute to the firm value. Through the ratification of the Board voting recommendations, PAs provide the market with new and useful information about the firm's financials and governance (Aguilera et al., 2015; Hitz & Lehmann, 2018), and in turn, reduce information asymmetries between the firm and its investors. A higher transparency would be especially beneficial for highly concentrated firms because of their greater information asymmetry problems.

The above arguments suggest that overall, the value of the PA stamp grows as the ownership concentration of the firm increases. In concentrated firms, the stamp would add not only greater legitimacy by improving the market perceptions of their governance arrangements but also more transparency by reducing their

higher information asymmetry problems. We formally state our premise as follows:

Hypothesis 1: The value of the PA stamp grows as the ownership concentration of the firm increases.

METHODS

Sample and Data Collection

Our sample is integrated by the list of U.S. publicly held companies belonging to the Fortune 1000 during the period of 2011–2017. Following previous studies (Anderson et al., 2017; Calluzzo & Dudley, 2019; Villalonga & Amit, 2006), we excluded companies from the financial (SIC codes 6020 through 6799) and public administration sectors (9100–9729). We then merged this subsample of firms with the ISS Voting Analytics Database. The database, which covers Russell 3000 firms (including Fortune 1000 firms), provides for each firm and each voting proposal of the shareholder meeting the date of the meeting, a description of the proposal, whether the proposal is sponsored by the Board or shareholders, and recommendations regarding how investors should vote on the proposal from the Board and from ISS. This database also provides the number of shares outstanding, the number of shares voted for/against/abstain, requirements for the proposal to pass, and the final voting outcome (Aggarwal et al., 2014). In the current study, the information offered by this database was aggregated at the firm-year level.

We collected additional information at the firm level from several databases. We gathered firm-specific variables from *Compustat* (financial variables necessary to compute Tobin's Q, ROA, firm size, cash flow from operations, firm leverage, and fiscal month), *ISS Directors* (Board independence and Board size), *Boardex* (CEO duality, CEO tenure), and *Thompson Reuters Ownership* database (percentage of concentrated ownership and institutional investor ownership). Additionally, we manually inspected *ISS Voting Guidelines Annual Updates* to gather firm-year data on one of our instrumental variables (proposals restricted). Our final sample of firms consisted of 2107 firm-year observations across 355 firms.

Dependent variable

Firm value. Following recent studies on PAs (Calluzzo & Dudley, 2019; Sauerwald et al., 2018), we measured firm value with Tobin's Q. This variable is measured at the firm-year level. Tobin's Q is the ratio of the firm's market value to book value (Miller et al., 2007), and it is calculated as follows:

$$\text{Tobin's Q} = \frac{(\text{common shares outstanding} \times \text{calendar year closing price}) + (\text{current liabilities} - \text{current assets}) + (\text{long-term debt}) + (\text{liquidating value of the preferred stock})}{\text{Total assets}}$$

Independent variables

PA stamp. A dummy variable that takes the value of 1 when ISS ratifies the Board voting recommendations of all the voting proposals at the firm-year level and 0 otherwise. This variable is measured at the firm-year level.

Ownership concentration. We measured ownership concentration as a Herfindahl index (Mavruk et al., 2019) The Herfindahl index accounts for the distribution of ownership among blockholders. A low value of the Herfindahl index implies a low ownership concentration. The Herfindahl index is calculated using the total combined ownership of the firm blockholders. This variable is log transformed and multiplied by 10,000.

$$Herfindahl = (\log(block1)^2 + \log(block2)^2 + \log(block3)^2 + \log(block4)^2 + \log(block5)^2 +) \times 10{,}000$$

Control variables

We included several variables to control for other potential determinants of firm performance. We first controlled for *Board independence*. Independent directors are assumed to be effective monitors that increase firm performance (Coles et al., 2008). We measured this variable as the number of directors who have no material relationship with the firm other than the seat board divided by the number of directors on the Board (ISS Directors database). We also included the variable *CEO duality*. CEOs who also chair the Board may weaken board monitoring and hence firm performance (Bhagat & Bolton, 2008). This variable takes the value of 1 if the CEO and Board chair positions are held by the same person and 0 otherwise. Moreover, we controlled for *CEO tenure* by counting the number of years since the CEO has assumed the position. CEOs with a longer tenure may be more entrenched and hence influence the firm performance (Dalton et al., 1998). We also considered *Board size*, defined as the number of directors on the Board, as investors may perceive that larger Boards are less effective because

of collective action problems (Hillman et al., 2011), thereby reducing the firm value.

Furthermore, we included the variable *firm size* because larger firms are exposed to higher expectations,and this aspect might have an impact over the firm Tobin's Q (Berger & Ofek, 1995). We also controlled for the *firm's ROA*. Additionally, we considered the *firm leverage*, calculated as the lagged ratio of total debt to total assets (Trombetta et al., 2014), as firms confronting financial constraints may have a lower firm value. We likewise introduced a control variable for *cash flows from operations* scaled and lagged by total sales. This variable is an indicator of firm value (Nwaeze et al., 2006).

We similarly controlled for *institutional investor ownership*. Previous research has found a positive relationship between firm performance and the proportion of shares held by institutional investors (McConnell & Servaes, 1990). We measured this variable as the ratio of institutional investor ownership to total shares outstanding at the firm-year level. Institutional investors in our sample include banks, insurance companies, mutual funds, investment advisors, pension funds, and endowment funds (Gompers & Metrick, 2001). Finally, we added *year* and *firm* dummy variables to control for any year and firm fixed effects.

Estimation methods

The observed relation between the PA stamp and the firm value can be biased as PAs may be more likely to ratify the Board advice when firm performance prospects appear positive. Therefore, we need variations in the PA stamp that

are not driven by any considerations of firm value. For this purpose, we identified two instrumental variables that could help to extract the exogenous component from the PA stamp and then used it to explain firm value.

Proposals restricted. This instrumental variable measures how restrictive ISS has become about specific voting proposals. Each year, ISS conducts a policy formulation process to produce the voting guidelines that will be used during the upcoming year to issue voting recommendations (ISS Policy Update, 2014). The policy update begins with a review of emerging issues and notable trends across global markets. As part of this process, ISS also examines good corporate governance codes, market regulations, and academic literature and conducts surveys and roundtable discussions (ISS Policy Update, 2021). These updated guidelines can become more restrictive in relation to the previous year voting policies. We manually inspected each annual report of ISS updated policies to determine the presence of more restrictive updates. In the presence of more restrictive policies, the lack of a PA stamp is more likely as the Board advice may not be still adapted to these new guidelines.

The following example illustrates a restrictive update: In 2017, ISS started to recommend investors to vote against the election of those directors who sit on more than five public company boards. Previously, the negative recommendation was only issued if directors held positions in six boards. The annual updated policies that we identified as more restrictive are listed in Figure 1.

Figure 3: Annual updated policies identified as more restrictive

Year	
2017	- Elect a director (management) - Elect a director - Elect directors (opposition slate) - Approve the omnibus stock plan - Amend the stock option plan - Amend the restricted stock plan - Amend the omnibus stock plan - Approve the non-employee director omnibus stock plan - Amend the non-employee director restricted stock plan - Amend the non-employee director omnibus stock plan
2016	- Elect a director (management) - Elect a director - Cast an advisory vote to ratify the named executive officers' compensation
2015	- Elect a director (management) - Elect a director - Elect directors (opposition slate) - Require an independent Board chairperson - Disclose political contributions - GHG emissions - Approve the omnibus stock plan - Approve the stock option plan - Amend the stock option plan - Amend the restricted stock plan - Amend the omnibus stock plan - Amend articles/bylaws/charter-non-routine
2014	- Elect a director (management) - Elect a director - Elect directors (opposition slate) - Assess the human rights risk - Cast an advisory vote to ratify the named executive officers' compensation
2013	- Elect a director (management) - Elect a director - Elect directors (opposition slate) - Disclose political lobbying - Link the executive pay to social criteria - Cast an advisory vote to ratify the named executive officers' compensation - Cast an advisory vote on golden parachutes
2012	- Elect a director (management) - Elect a director

	- Elect directors (opposition slate) - Disclose political contributions - Proxy access - Cast an advisory vote to ratify the named executive officers' compensation - Recycling - Hydraulic fracturing - Facility safety - Adjust/remove the exclusive venue provision - Approve the acquisition or issue shares in connection with the acquisition - Approve/amend the executive incentive bonus plan
2011	- Elect a director (management) - Elect a director - Elect directors (opposition slate) - Link executive pay to social criteria - Provide the right to act by written consent - Increase the authorized common stock - Change the state of incorporation - Approve the stock option plan - Approve the restricted stock plan - Approve the omnibus stock plan - Amend the stock option plan - Amend the restricted stock plan - Amend the omnibus stock plan - Cast an advisory vote to ratify the named executive officers' compensation

We operationalized this variable at the firm-year level. The variable is measured as the number of proposals in the shareholder meeting whose voting guidelines became more restrictive divided by the total number of proposals of the meeting. We ran a two-stage least squares regression model using as instrument the variable *proposals restricted* as well as its interaction with *ownership concentration*.

Fiscal month. ISS appears to identify more deviations from good corporate governance practices when the firm has a non-December fiscal year end (Albuquerque et al., 2019). Hence, during the season in which ISS is busier

(December), its recommendations may be more standardized and hence of lower quality (Albuquerque et al., 2019). In this busy season in which ISS recommendations are of lower quality, the absence of a PA stamp is more likely. To observe month differences, we operationalized this variable as a continuous variable, from 1 to 12 (1 being January and 12 being December). As the continuous variable fiscal month increases, the probability of the lack of a PA-stamp also increases. We ran a two-stage least squares regression model using also as instrument the variable *fiscal month* as well as its interaction with *ownership concentration*.

Results

The descriptive statistics and correlations for all the variables are reported in Table 1. The average percentage of firms that receive a PA stamp in all of their voting proposals at the firm-year level is 57%. As shown in the table, a significant and negative correlation occurs between ownership concentration and firm performance. A negative and significant correlation between ownership concentration and the PA stamp is also evident. Furthermore, a positive and significant correlation occurs between the PA stamp and the firm performance.

Table 3. Descriptives and correlation table

Variables	Mean	Std.Dev.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) Firm value	1.379	.961	1.000													
(2) PA stamp	.571	.495	0.038*	1.000												
(3) Ownership concentration	5.76	.626	-0.034*	-0.129***	1.000											
(4) Board independence	.814	.106	0.041**	0.098***	-0.243***	1.000										
(5) CEO duality	.5	.5	0.056***	-0.072***	0.028	0.233***	1.000									
(6) CEO tenure	6.881	6.773	0.014	-0.072***	0.079***	-0.147***	0.315***	1.000								
(7) Board size	10.131	1.924	0.070***	-0.129***	-0.106***	0.236***	0.074***	-0.038*	1.000							
(8) ROA	.059	.061	0.586***	0.055***	-0.119***	0.012	0.085***	0.023	0.036*	1.000						
(9) Firm size	7.835	1.297	0.070***	-0.280***	-0.210***	0.243***	0.151***	-0.015	0.408***	0.140***	1.000					
(10) Leverage	.232	.151	0.046**	-0.023	0.047**	0.059***	0.042**	-0.030	0.148***	-0.154***	-0.023	1.000				
(11) Cash flows	.113	.06	0.578***	-0.017	-0.130***	-0.026	0.002	0.016	-0.005	0.512***	0.137***	-0.104***	1.000			
(12) Institutional ownership	.93	.106	0.002	0.137***	-0.541***	0.330***	0.041**	-0.051**	0.145***	0.013	0.055***	-0.018	-0.094***	1.000		
(13) Proposals restricted	.756	.126	0.012	0.221***	-0.003	0.005	0.003	-0.018	0.163***	-0.018	0.029	0.015	-0.042**	-0.009	1.000	
(14) Fiscal month	10.102	3.279	-0.033*	-0.026	0.007	0.041**	0.161***	-0.013	0.042**	-0.124***	0.023	0.223***	-0.154***	-0.016	-0.026	1.000

*** p<0.01, ** p<0.05, * p<0.1

Table 2 and 3 show the regression models that test Hypothesis 1. Table 2 displays the results of the first stage of the two-stage least squares regression. The dependent variable in Model 1 is PA stamp; in Model 2, the dependent variable is PA stamp and its interaction with ownership concentration. We used regression models with firm-level fixed effects with standard errors clustered at the firm level. As expected, in Model 1 we found a negative impact of the instrumental variable fiscal month over the dependent variable PA stamp (β = -0.326; p = 0.001). However, contrary to our expectations, the instrumental variable proposals restricted is positive and significant (β = 1.39; p = 0.02). In Model 2, the coefficient for the instrumental variable fiscal month is also negative and significant (β = -2.072; p = 0.001) over the dependent variable PA stamp and its interaction with ownership concentration. The instrumental variable proposals restricted is not significant.

We ran several analyses to test that our instrumental variables are not weak. The reported *F*-statistics are higher than 10 for the two model regressions, suggesting that none of our instruments is weak. Moreover, the Stock–Yogo test shows that the values of interest are lower than the *F*-statistic, indicating that our instrumental variables are not weak and that they have sufficient explanatory power.

Table 2: First stage. Impact of the PA stamp over firm value

Variables	(1) PA Stamp	(2) PA Stamp × Concentration
Proposals restricted	1.396**	3970
	(0.82)	(5.00)
Proposals restricted × Concentration	-0.073	0.283
	(0.14)	(0.87)
Fiscal month	-0.326***	-2.072***
	(0.1)	(0.58)
Fiscal month × Concentration	-0.004	-0.008
	(0.01)	(0.04)
Ownership concentration	0.057	0.224
	(0.14)	(0.83)
Board independence	-0.025	-0.086
	(0.24)	(1.43)
CEO duality	-0.03	-0.193
	(0.04)	(0.22)
CEO tenure	0.000	0.001
	(0.00)	(0.01)
Board size	-0.015	-0.076
	(0.01)	(0.06)
ROA	0.303	1769
	(0.23)	(1.31)
Firm size	0.025	0.185
	(0.05)	(0.29)
Leverage	-0.235	-1450
	(0.18)	(1.04)
Cash flows	0.288	1630
	(0.29)	(1.62)
Institutional ownership	0.052	1259
	(0.24)	(1.57)
Year FE	Yes	Yes
Firm FE	Yes	Yes
Observations	2,107	2,108
Number of clusters	355	355
F-statistic	38.41	40.06

DV Model 1: PA stamp; DV Model 2: PA stamp × Ownership concentration
Robust *z*-statistics in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table 3 shows the results of the second stage in which the dependent variable is *firm value* measured as Tobin's Q. Model 1 displays the control variables. Contrary to our expectations, Model 1 reveals that overall, the PA stamp is not significant over the firm value (β = -0.004; p = 0.996). This result might suggest that the influence of the PA stamp over the firm value should be assessed from an ownership perspective. Consistent with the previous literature (Wang et al., 2015), the table indicates that ownership concentration reduces the firm value (β = -0.060; p = 0.047). Model 2 shows that the coefficient between the variables of interest, PA stamp and ownership concentration, is positive and significant (β = 0.442; p = 0.016). Hence, Hypothesis 1 is supported.

Table 3: Second stage. Impact of the PA stamp over firm value

Variables	(1)	(2)
PA stamp × Ownership concentration		0.442**
		(2.40)
PA stamp	-0.004	-2.550**
	(-0.04)	(-2.41)
Ownership concentration	-0.060**	-0.321***
	(-1.99)	(-2.75)
Board independence	0.256	0.243
	(0.93)	(0.85)
CEO duality	0.056	0.067
	(1.07)	(1.28)
CEO tenure	0.002	0.000
	(0.62)	(0.01)
Board size	0.023*	0.018
	(1.86)	(1.37)
ROA	2.282***	2.263***
	(6.37)	(6.28)
Firm size	-0.306***	-0.322***
	(-3.82)	(-4.07)
Leverage	0.167	0.238
	(0.60)	(0.83)
Cash flows	0.858**	0.862*
	(1.98)	(1.93)
Institutional ownership	-0.371	-0.841**
	(-1.58)	(-2.23)
Year FE	Yes	Yes
Firm FE	Yes	Yes
Observations	2,107	2,107
R-squared	0.21006	0.15887
Number of clusters	355	355

DV: Firm value (Tobin's Q)
Robust *z*-statistics in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Robustness checks

In this section, we present several analyses to validate the robustness of our results and exclude alternative explanations.[13]

Robustness tests using the ownership firm threshold. To further explore our results and given that our ownership concentration variable is a continuous variable, we calculated the threshold level from which the PA stamp starts to improve the firm value.[14] Our calculations indicate that the PA stamp improves the firm value when the value of the ownership concentration variable is above 5.67. Below that level, the PA stamp does not add firm value.

As our ownership concentration variable is measured using the Herfindahl index (i.e., a measure that considers not only the level of ownership concentration but also the ownership distribution among blockholders), and the mean value of this variable is 5.76, our threshold level denotes that the PA stamp improves the firm value when the level of ownership concentration is near and above the mean, but not when it is below.

We reran our analyses by dividing our sample at the ownership threshold level. Model 1 in Table 4 indicates that when the firm ownership concentration is above the threshold level, the PA stamp increases the firm value (β = 0.784; *p* = 0.066). However, as shown in Model 2, when the firm ownership concentration is below the threshold level, the PA stamp does not add any firm value (β = -0.078; *p* =

[13] In the robustness tests of this section, we only display the second stage results. The first stage results are available upon request.

[14] We calculated the ownership threshold level using the following formula (this formula uses the coefficients of Table 3 Model 2): *-2.550+0.442*ownership concentration > 0*

0.757). These results suggest that while the PA stamp adds value in firms with high ownership concentration, it does not add value in firms with widely dispersed ownership.

Table 4. Second stage. Impact of the PA stamp over firm value by threshold

Variables	(1) Above the Threshold	(2) Below the Threshold
PA stamp	-4.758*	0.211
	(-1.83)	(0.16)
PA stamp × Ownership concentration	0.784*	-0.078
	(1.84)	(-0.31)
Ownership concentration	-0.583**	0.027
	(-2.51)	(0.15)
Board independence	-0.172	0.116
	(-0.48)	(0.37)
CEO duality	0.076	-0.030
	(1.37)	(-0.57)
CEO tenure	-0.001	0.003
	(-0.28)	(0.91)
Board size	0.049**	0.005
	(2.24)	(0.29)
ROA	2.211***	1.925***
	(4.03)	(4.09)
Firm size	-0.192	-0.321***
	(-1.59)	(-3.41)
Leverage	0.577	-0.195
	(1.53)	(-0.48)
Cash flows	1.674***	0.393
	(3.05)	(0.66)
Institutional ownership	-0.805	-0.495
	(-1.60)	(-1.16)
Year FE	Yes	Yes
Firm FE	Yes	Yes
Observations	975	1,036
R-squared	0.17342	0.17322
Number of clusters	227	238

DV: Firm value (Tobin's Q)
Robust *z*-statistics in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Robustness tests accounting for different types of blockholders. Corporate governance researchers call for a distinction between blockholders when assessing the ownership concentration of firms (Desender et al., 2013; Sauerwald et al., 2018). The reason is that not all controlling shareholders are the same. Different blockholders have distinct incentives and goals. Therefore, to further explore our results, we reran our analyses considering the ownership concentration of listed firms with one of the two major blockholders of U.S. listed firms, namely family blockholders and institutional investor blockholders.

Approximately one-third of U.S. listed firms are controlled by a family (Gomez-Mejia et al., 2010; Villalonga & Amit, 2006). We classified a listed firm as a family firm if (1) an individual or a family group has at least 5% of the voting power, and (2) at least one member of the family is on the Board of Directors. Most companies that are not defined as family firms have an institutional blockholder in their ownership structure. Thus, we categorized a firm as one controlled by an institutional blockholder if a bank, insurance company, mutual fund, investment advisor, pension fund, or endowment fund (Gompers & Metrick, 2001) owns more than 10% of a listed firm.

Model 1 in Table 5 shows that after controlling for the family voting power, when the main blockholder of the firm is a family blockholder, the PA stamp does not influence the firm value as the ownership concentration of the firm increases (β = 0.018; p = 0.937). By contrast, Model 2 indicates that after controlling for the percentage of institutional ownership, when the major shareholder of the firm is an institutional investor, the interaction between the PA stamp and the firm

ownership concentration is positive and significant (β = 0.745; *p* = 0.002). Hence, in firms with an institutional blockholder, the PA stamp increases the firm value as the firm ownership concentration increases. This suggests that the firm ownership concentration influences the relationship between the PA stamp and the firm value in firms with an institutional blockholder.

These results are in line with previous findings claiming that the value of the PA as an external monitor is greater in firms controlled by institutional investors (Sauerwald et al., 2018). As institutional blockholders are transactional owners (Aguilera & Crespi-Cladera, 2016; Sauerwald et al., 2016) that are usually highly diversified, they often lack the incentives that would allow them to access the insider information of the firm and the behind-the-scenes conversations with Boards (Sauerwald et al., 2016; Sauerwald et al., 2018) that other concentrated owners (i.e., family owners) have. Hence, as these firms have a poor information environment (Hitz & Lehmann, 2018), the PA stamp would be especially beneficial as it would provide new and relevant information about the firm financials and the quality of governance practices.

Consistent with Jimenez and Cruz (2021), the nonsignificant results of family firms may denote that PAs have a limited role in listed family firms. Given the private information and behind-the-scenes channels available to family owners (Becht et al., 2009; Gedajlovic et al., 2004) and their long-term commitment to the firm (Berrone et al., 2012; Gómez-Mejía et al., 2007), family owners may be perceived as dedicated and vigilant controlling shareholders. Therefore, and despite the potential costs associated with family ownership (Villalonga & Amit,

2006), in the presence of these unique relational blockholders (Aguilera & Crespi-Cladera, 2016; Sauerwald et al., 2016), the PA stamp may not necessarily offer any additional benefit to the firm and its investors.

Table 5. Second stage. Impact of the PA stamp over firm value by type of blockholder

VARIABLES	(1) Family blockholder	(2) Institutional blockholder
PA stamp	-0.392	-4.242***
	(-0.31)	(-3.05)
PA stamp x concentration	0.024	0.745***
	(0.11)	(3.05)
Ownership concentration	-0.069	-0.549***
	(-0.66)	(-3.17)
Board independence	-0.128	0.273
	(-0.36)	(0.74)
CEO duality	0.194*	0.053
	(1.92)	(0.97)
CEO tenure	0.006	-0.000
	(1.20)	(-0.09)
Board size	0.008	0.020
	(0.27)	(1.23)
ROA	1.940***	2.361***
	(2.86)	(5.77)
Firm size	-0.182	-0.372***
	(-1.32)	(-3.92)
Leverage	0.565	0.058
	(1.17)	(0.16)
Cash flows	1.894**	0.511
	(2.48)	(0.94)
Institutional ownership	-0.147	-1.832*
	(-0.44)	(-1.82)
Family voting power	-0.348	
	(-0.55)	
Firm FE	Yes	Yes
Year FE	Yes	Yes
Observations	431	1,633
R-squared	0.23593	0.09111
Number of clusters	75	281

Robust z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Robustness tests accounting for different types of voting proposals. Not all voting proposals presented in a shareholder meeting are equally likely to receive a PA stamp. The PA stamp is indeed more likely to occur when the voting item is presented by the firm management and less likely when sponsored by the firm shareholders. As these differences between proposals may be biasing our results, we reran our analyses and assessed at the firm-year level the subsample of voting proposals sponsored by the firm management and by the firm shareholders. As shown in Table 6, the PA stamp increases the firm value in firms with high ownership concentration, but only when the voting proposal is sponsored by the firm management ($\beta = 0.437$; $p = 0.015$). The non-findings over the shareholder voting proposals may be aligned with previous studies suggesting that as these proposals have a significant symbolic component, they have little effect on the firm value (Ertimur et al., 2018; Kahan & Rock, 2014).

Table 6. Second stage. Impact of the PA stamp over firm value by sponsor

Variables	(1) Management	(2) Shareholder
PA stamp	-2.521**	-9.218
	(-2.43)	(-0.58)
PA stamp × Concentration	0.437**	1.326
	(2.43)	(0.46)
Ownership concentration	-0.319***	-0.112
	(-2.79)	(-0.29)
Board independence	0.260	0.484
	(0.91)	(0.49)
CEO duality	0.063	0.091
	(1.22)	(0.60)
CEO tenure	0.000	0.008
	(0.10)	(1.03)
Board size	0.017	-0.020
	(1.37)	(-0.56)
ROA	2.288***	1.810***
	(6.34)	(3.42)
Firm size	-0.328***	-0.472**
	(-4.15)	(-2.00)
Leverage	0.258	-0.748
	(0.92)	(-0.51)
Cash flows	0.823*	1.619
	(1.89)	(0.72)
Institutional ownership	-0.844**	-0.645
	(-2.28)	(-0.41)
Firm FE	Yes	Yes
Year FE	Yes	Yes
Observations	2,138	645
Number of clusters	355	158

DV: Firm value (Tobin's Q)
Robust *z*-statistics in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

The likelihood of a PA stamp may also vary across voting proposals with different contents. The PA stamp is indeed more likely to occur in voting proposals such as the election of the Board directors and the ratification of the executive officer's compensation, and it is less likely to happen in ESG (i.e., environmental, social, and governance) proposals. As our results may be biased by a particular type of

proposal, we followed the process proposed above and reran our analyses by differentiating the three types of voting proposals (i.e., election of directors, compensation, and ESG proposals). As shown in Table 7, the PA stamp improves the firm value in firms with high ownership concentration when the proposals refer to the election of directors (β = 0.363; p = 0.017) and the compensation of executive officers (β = 0.409; p = 0.007), but not when the proposal is related to ESG issues. Similar to the sponsor results, the nonsignificant results of the ESG proposals might indicate that as these proposals are more likely to be symbolic in nature, they do not affect the firm value (Ertimur et al., 2018; Kahan & Rock, 2014).

Table 7. Second stage. Impact of the PA stamp over firm value by content

Variables	(1) Election of Directors	(2) Compensation	(1) ESG
PA stamp	-2.103**	-2.351***	-1.816
	(-2.41)	(-2.67)	(-0.48)
PA stamp × Concentration	0.363**	0.410***	0.394
	(2.39)	(2.69)	(0.59)
Ownership concentration	-0.281***	-0.315***	-0.184*
	(-2.84)	(-3.07)	(-1.66)
Board independence	0.169	0.195	0.249
	(0.60)	(0.65)	(0.34)
CEO duality	0.082	0.081	-0.169
	(1.57)	(1.48)	(-1.35)
CEO tenure	0.001	0.001	-0.003
	(0.25)	(0.20)	(-0.29)
Board size	0.026**	0.023*	0.002
	(2.09)	(1.82)	(0.10)
ROA	2.220***	2.178***	1.114**
	(6.58)	(6.45)	(2.38)
Firm size	-0.508***	-0.505***	-0.824***
	(-5.54)	(-5.31)	(-4.05)
Leverage	0.280	0.235	1.388
	(1.01)	(0.82)	(1.48)
Cash flows	0.977**	0.980**	3.027***
	(2.24)	(2.12)	(2.74)
Institutional ownership	-0.816**	-0.947**	-1.394***
	(-2.51)	(-2.49)	(-2.79)
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Observations	2,106	2,026	327
Number of clusters	355	354	86
R-squared	0.20017	0.19376	0.42842

DV: Firm value (Tobin's Q)
Robust *z*-statistics in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

CONCLUSIONS AND DISCUSSION

This paper provides new insights into the economic value of proxy advisors. Although previous research has shown that PAs have a significant impact on investor votes (Choi et al., 2010; Larcker et al., 2017; Sauerwald et al., 2018), the existing literature exploring the influence of the proxy advice over the firm value is limited and inconclusive. Our research addresses this gap by adopting a unique approach and examining the effect of the PA stamp on firm value from an ownership perspective.

By focusing on the PA stamp rather than the PA "against" recommendation (or the PA–Board conflict), we clarify recent concerns claiming that by exclusively analyzing controversial proposals, the value of the PA may have been inadequately assessed (Ertimur et al., 2018). Furthermore, building upon the literature examining the firm ownership concentration as a key factor that influences the quality of the proxy advice (Calluzzo & Dudley, 2019; Ertimur et al., 2013; Hitz & Lehmann, 2018; Jimenez & Cruz, 2021; Sauerwald et al., 2018), we adopt an ownership perspective; by doing so, we contribute to the research that highlights the importance of evaluating the informativeness of the PA signal to identify whether PAs improve or harm the firm value (Calluzzo & Dudley, 2019; Malenko & Malenko, 2019).

Our results expand the knowledge of the unique agency dynamics of firms with high ownership concentration. By showing that the PA stamp is more beneficial in firms with high ownership concentration, we contribute to the literature that suggests that these firms are less likely to conform with the institutionalized

norms of good governance (Aguilera et al., 2018; Ponomareva et al., 2022; Witt et al., 2022) and are less likely to disclose their information (Byun et al., 2011; Li & Zaiats, 2017; Tinaikar, 2014). For this reason, having a stamp that ratifies their corporate governance and transparency practices is of great value for these firms. These findings contribute to the literature that underscores the role of the PA as an information intermediary that legitimates the corporate governance practices of listed firms (Hayne & Vance, 2019) and reduces the information asymmetries between the firm and its investors (Ertimur et al., 2018).

Responding to calls for a distinction between different types of controlling shareholders when investigating the ownership concentration of firms (Desender et al., 2013; Sauerwald et al., 2018), we also analyze the value of the PA stamp, focusing on the two major shareholders in U.S. listed firms, namely family and institutional blockholders. Our analyses reveal that the value of the PA stamp is different across firms with high ownership concentration. Although the PA stamp indeed adds value to firms with an institutional blockholder, it does not add value to firms with a family blockholder. These results are consistent with previous studies that highlight the different roles of PAs as external monitors in firms with an institutional (Sauerwald et al., 2018) and a family blockholder (Jimenez & Cruz, 2021). Given their poor information environment, the PA stamp may provide an informational advantage in firms with an institutional blockholder. However, such advantage might not necessarily emerge in listed family firms, as family owners are already perceived as long-term and informed shareholders committed to the monitoring of the firm.

This study offers several practical implications. Firms should be aware that depending on their unique firm conditions, the signaling effect of the PA stamp over the market will vary; therefore, the value of the PA stamp will differ across firms. Although the PA stamp may increase the firm value by promoting the legitimacy and transparency of the firm, these benefits are contingent on the firm ownership structure. Our study calls proxy advisory firms to provide more tailored advice; otherwise, their recommendations will have a limited value in listed firms.

LIMITATIONS AND FUTURE RESEARCH

Although our study has made valuable contributions to the existing literature, its limitations need to be acknowledged as they may provide opportunities for future research extensions. Scholars argue that to be granted with the PA stamp, many listed firms change their corporate governance practices in line with PA voting guidelines, even before receiving a PA negative recommendation (Gow et al., 2013; Hayne & Vance, 2019; Larcker et al., 2017). By doing so they avoid the negative consequences of PA scrutiny. However, as these changes are not necessarily perceived by these firms as value-increasing (Hayne & Vance, 2019), they may not be substantive in nature, and therefore, may be implemented symbolically. With our current data, we are unable to observe the changes in firms in response to the PA pressure; hence, future research may considerably benefit from adopting an ownership perspective not only to understand the substantive versus the symbolic nature of these changes but also to examine their different impacts over the firm value.

As we are aware that not all controlling shareholders are the same, in our analyses we differentiated between family and institutional investor blockholders. Our results show that the PA stamp merely improves the firm value when the main shareholder is an institutional shareholder, but not when it is a family blockholder. This interesting result, which is consistent with the idea that PAs play a limited role in listed family firms (Jimenez & Cruz, 2021), should be further explored in future research.

Through this paper, we join the conversation on the economic value of the PA (Calluzzo & Dudley, 2019; Sauerwald et al., 2018) and explore the value of the PA stamp measured with Tobin's Q. However, scholars also highlight the importance of assessing the effectiveness of corporate governance through nonfinancial indicators (Aguilera et al., 2008; Filatotchev et al., 2020). This open-system approach to corporate governance opens an interesting avenue of future research. Future scholars can certainly continue to advance the understanding of the value of the PA as an external firm monitor in listed firms by examining the impact of the PA stamp over nonfinancial firm outcomes (i.e., employee satisfaction, innovation, corporate social responsibility, and so on).

CONCLUSIONS

This doctoral dissertation (*"Do proxy advisors add firm value to investors? An ownership perspective"*) advances the corporate governance conversation on the role of shareholder voting as a mechanism for controlling agency costs (Aguilera et al., 2015; Goranova & Ryan, 2014). Through the examination of the PA–Board relation and its impact over investor dissent and the firm value from an ownership perspective, this thesis provides a more nuanced understanding of the unique agency dynamics of listed firms with a high ownership concentration, with a focus on family firms.

This dissertation makes several contributions to the literature on corporate governance and family firms. In our first study (*"The 'proxy advisor–Board' conflict in listed family firms: Who do investors trust more?"*), we pursue an alternative approach to infer the investor perceptions of agency problems in listed family firms. We respond to recent calls underscoring the importance of assessing agency problems by jointly analyzing external and internal monitors (Aguilera et al., 2015), and investigate for the first time the PA–Board conflict and its influence over investor dissent to reconcile previous conflicting views regarding agency conflicts in listed family firms.

Consistent with previous research (Federo et al., 2020; Ponomareva et al., 2022; Ponomareva & Ahlberg, 2016; Witt et al., 2022), our study shows that the unique governance needs of family firms prompt them to deviate from good corporate governance norms. Consequently, they are more likely than nonfamily firms to have a PA–Board conflict. However, by showing that this greater PA–Board

conflict does not necessarily translate into a higher investor dissent, we advance nascent research suggesting that from an investor perspective, agency problems in family firms may not be as severe as traditionally suggested by the literature on family firms (Aguilera & Crespi-Cladera, 2012; Martin et al., 2017).

Nevertheless, our study indicates that investors in family firms do not constantly follow the Board recommendation in the face of a controversial proposal, as they search for firm cues to evaluate the Board monitoring capabilities, and therefore, assess the Board advice. Our results show that in family firms, having a dual CEO and greater Board independence reduces the investor's reliance on the Board recommendation in the face of a PA–Board conflict; on the contrary, an opposite effect occurs in nonfamily firms. These results clarify the debate around the effectiveness of traditional proxies for Board monitoring (Anderson & Reeb, 2004; Hillman et al., 2011; Krause et al., 2014; Singla et al., 2014) in reducing agency problems; the results also suggest that the Board monitoring capabilities should be examined from an ownership perspective.

In the second study (*"Fooling investor by paying them more dividends? The role of proxy advisors as external monitors in listed family firms"*), we counter previous studies that assert that PAs have a limited role in firms with high ownership concentration (Sauerwald et al., 2018), especially if the firm is family-owned (Jimenez & Cruz, 2021). In this paper we propose alternative circumstances under which PAs serve as effective external monitors of the firm. Particularly, we theorize that PAs play a key role in family firms when helping investors to determine whether the firm´s overconforming governance practices signal a

substantial adherence to good governance or are merely used symbolically to "please" investors and prevent their interference in decision-making. Through the analysis of dividend payout as a corporate governance device used by listed firms to compensate investors for deviating from best practices, and therefore, to reduce investor dissent, we advance the literature highlighting the importance of understanding the nature of the costs that listed firms incur to avoid the negative consequences of nonconformity (Kuppuswamy et al., 2020; Ponomareva et al., 2022).

Our results offer interesting insights and show that listed family firms should be cautious when deciding to pay a generous dividend to their investors. Although a high dividend payout can potentially decrease investor dissent in family firms, the presence of a PA–Board conflict may increase the investor's suspicion of the use of dividend payouts as a device employed by family owners to opportunistically pursue their SEW goals while avoiding the intervention of the investor. In the face of a controversial voting proposal, investors consequently rely less on the informative value of the Board recommendation and tend to increase their dissent. These conclusions represent an important contribution to the literature on family firms; to our knowledge, we are the first ones to analyze the relationship between dividend payout and investor dissent.

Finally, in the third study (*"When does the 'proxy advisor stamp' add firm value? An ownership perspective"*), we explore the economic value of PAs. Although corporate governance scholars generally agree that PAs have a high influence over investor votes (Choi et al., 2010; Ertimur et al., 2013; Sauerwald et al.,

2018), evidence of the impact of the proxy advice over the firm value is limited. We clarify this literature (Calluzzo & Dudley, 2019; Ertimur et al., 2013, 2018) by adopting a novel approach and examining the value of the PA stamp in firms with concentrated ownership. The analysis of the PA stamp rather than the PA–Board conflict is relevant, as previous studies mainly focusing on controversial proposals are ambiguous about the issue of whether PAs add firm value (Ertimur et al., 2018).

Our results showing that the PA stamp merely adds value to firms with high ownership concentration are consistent with the literature exploring firm ownership concentration as a key contingency that determines the informative value of the PA recommendation (Ertimur et al., 2018; Sauerwald et al., 2018). These results also contribute to the understanding of the unique agency dynamics of firms with high ownership concentration. As concentrated firms generate greater suspicion in the market (Aguilera et al., 2018; Ponomareva et al., 2022; Witt et al., 2022), and they have greater information asymmetry problems (Byun et al., 2011; Li & Zaiats, 2017; Tinaikar, 2014); having a PA stamp that ratifies their legitimacy and transparency is of substantial value for these firms.

In this study we also contribute to the literature that claims that not all blockholders are the same (Desender et al., 2013; Sauerwald et al., 2018). Our results suggest that while the PA stamp adds firm value in firms with an institutional blockholder, this stamp does not generate value in firms with a family blockholder. These results are consistent with the evidence that shows that the

value of the PA as an external monitor is not equal in listed firms with institutional (Sauerwald et al., 2018) and family blockholders (Jimenez & Cruz, 2021; Sauerwald et al., 2018). In listed firms with institutional blockholders, the PA plays a key role; by contrast, in listed family firms, the value of the PA as an external monitor is relatively limited.

Overall, this dissertation provides a more nuanced understanding of the role of PAs as external monitors. Through the analysis of PAs in relation to the Board, our study also explains the role of the Board as an internal monitor in the shareholder voting process; most importantly, our study clarifies the agency costs that investors face in listed firms (particularly, in listed family firms). Despite important advancements, this thesis is merely a beginning. As such, it opens multiple avenues for future research.

This doctoral thesis largely examines the influence of the PA (in relation to the Board) over investor dissent and the firm value in firms with high ownership concentration (with a special attention to family firms). However, as mentioned in our studies, PAs also have a high influence over the corporate governance choices of firms, as many of them change their governance practices to avoid receiving a PA against recommendation (Gow et al., 2013; Hayne & Vance, 2019; Larcker et al., 2017). Existing evidence also reveals that firms modify their governance practices in response to a negative PA recommendation (Ertimur et al., 2013, 2018). Given the unavailability of data, this dissertation does not explore these corporate governance changes. Nevertheless, this limitation may offer useful guidelines for future research. Future studies can further investigate

the unique agency dynamics of listed family firms by examining the corporate governance changes adopted by family firms (versus nonfamily firms) in response to a PA–Board conflict and exploring whether these changes are substantive or symbolic in nature.

In this thesis, we analyze the influence of the PA–Board conflict over investor dissent from different angles. Although we have information about the aggregated number of shares that vote “for” or “against” the Board recommendations, we lack detailed data on how each firm investor votes. Future research may benefit from understanding investor votes, as it would provide more detailed evidence of the investor’s voting behavior and increase our understanding of how different types of investors (i.e., long-term versus short-term investors, engaged versus not engaged investors) perceive the unique agency problems of listed family firms.

Our dissertation is exclusively focused on the U.S. context. Nevertheless, PAs offer their services not only in the US but also in other countries in which a large proportion of listed firms are in the hands of a family group. ISS, a US-based proxy advisory firm, may encounter substantial challenges when tailoring its recommendations to unique country conditions. Hence, future research could benefit from an understanding of how our results differ between regions with diverse corporate governance traditions and institutional environments.

Through the analysis of the figure of the PA in relation to the Board, we provide a broader picture of the shareholder voting process, as we are able to examine every proposal put to the vote in the shareholder meeting, considering different contents and sponsors. Although we have explored how our results might be

influenced by the type of proposal, future research may further unpack these differences and evaluate our results by analyzing specific voting proposals in greater detail. The further analysis of the most controversial proposals (i.e., ESG or shareholder-sponsored proposals) would be particularly interesting.

Behind-the-scenes conversations play a significant role in the shareholder voting process (McCahery et al., 2016). McCahery et al. (2016) report that investors frequently engage firms behind scenes through direct discussions with management and the Board of Directors and merely undertake public measures if these negotiations fail. Capturing these behind-the-scenes negotiations through our secondary data is challenging. Future research could use primary data sources (i.e., interviews, surveys) to improve the understanding of investor interventions in firms, particularly family firms.

CONCLUSIONES

La presente tesis doctoral, *"Do proxy advisors add firm value to investors? An ownership perspective"* ("¿Aportan los asesores de voto valor a la empresa para los inversores? Una perspectiva de la propiedad"), avanza en el debate sobre gobernanza corporativa acerca del papel del voto de los accionistas como mecanismo para controlar los costes de agencia (Aguilera et al., 2015; Goranova y Ryan, 2014; Iliev et al., 2015). Concretamente, esta tesis examina, desde la perspectiva de la propiedad, la relación AV-Junta y su impacto sobre la disconformidad de los inversores y el valor de la empresa, para proporcionar una comprensión más matizada de la dinámica de agencia específica de las empresas cotizadas con una elevada concentración de propiedad, con especial atención a las empresas familiares.

Nuestra tesis realiza varias aportaciones a los estudios sobre gobernanza corporativa y empresas familiares. En nuestro primer studio, *"The proxy advisor-Board' conflict in listed family firms: Who do investors trust more?*" ("El conflicto 'asesor de voto-Junta' en las empresas familiares cotizadas: ¿En quién confían más los inversores?", seguimos un enfoque alternativo para inferir las percepciones de los inversores sobre los problemas de agencia en las empresas familiares cotizadas. Respondemos a los recientes llamamientos que destacan la importancia de evaluar los problemas de agencia examinando conjuntamente a los supervisores externos e internos (Aguilera et al., 2015), y examinamos por primera vez el "conflicto AV-Junta" y su influencia sobre la

disconformidad de los inversores, para conciliar las opiniones enfrentadas que existían sobre los conflictos de agencia en las empresas familiares cotizadas.

En consonancia con investigaciones anteriores (Federo et al., 2020; Ponomareva et al., 2016, 2021; Witt et al., 2022), este estudio muestra que las necesidades específicas de gobernanza de las empresas familiares las llevan a incumplir las normas de buen gobierno corporativo. En consecuencia, son más propensas que las empresas no familiares a tener un "conflicto AV-Junta". Sin embargo, al demostrar que este mayor "conflicto AV-Junta" no se traduce necesariamente en una mayor disconformidad de los inversores, avanzamos en una investigación incipiente que indica que, desde la perspectiva de los inversores, los problemas de agencia en las empresas familiares pueden no ser tan graves como sugiere tradicionalmente la literatura académica sobre empresas familiares (Aguilera et al., 2012; Martin et al., 2017).

En cualquier caso, este estudio muestra que los inversores de las empresas familiares no siempre siguen la recomendación de la Junta cuando hay una propuesta polémica, ya que buscan indicios de la empresa para evaluar las capacidades de supervisión de la Junta y, por tanto, evaluar el asesoramiento de este. Nuestros resultados muestran que, mientras que en las empresas familiares tener un consejero delegado dual y una mayor independencia de la Junta reduce la confianza de los inversores en la recomendación de la Junta ante un "conflicto AV-Junta", en las empresas no familiares se produce un efecto contrario. Estos resultados arrojan luz sobre el debate en torno a la eficacia de los asesores de voto tradicionales para la supervisión de la Junta

(Anderson et al., 2004; Hillman et al., 2011; Krause et al., 2014; Singla et al., 2014) a efectos de reducir los problemas de agencia, e indican que la capacidad de supervisión de la Junta debería examinarse siempre desde la perspectiva de la propiedad.

En el segundo estudio, "*Fooling investors by paying them more dividends? The role of proxy advisors in listed family firms*" ("¿Engañar a los inversores pagándoles más dividendos? El papel de los asesores de voto en las empresas familiares cotizadas"), refutamos los estudios anteriores que afirman que los AV desempeñan un papel limitado en las empresas con una elevada concentración de la propiedad (Sauerwald et al., 2018), especialmente si la empresa es familiar (Jiménez et al., 2021), y mostramos circunstancias alternativas en las que los AV sirven como supervisores externos eficaces de la empresa. Concretamente, teorizamos que los AV tienen algo que decir en las empresas familiares cuando ayudan a los inversores a discernir si sus prácticas de gobierno excesivamente ortodoxas señalan una adhesión sustancial al buen gobierno o solo se utilizan simbólicamente para "complacer" a los inversores y evitar su interferencia en la toma de decisiones. Al analizar el reparto de dividendos como un dispositivo de gobernanza corporativa utilizado por las empresas familiares para compensar a los inversores por desviarse de las "mejores prácticas" y, por tanto, para reducir la disconformidad de los inversores, contribuimos a la literatura académica destacando la importancia de comprender la naturaleza de los costes en los que incurren las empresas cotizadas para evitar las consecuencias negativas de la disconformidad (Ponomareva et al., 2022; Kuppuswamy et al., 2020).

Nuestros resultados ofrecen ideas interesantes y muestran que las empresas familiares cotizadas deben ser cautelosas cuando deciden pagar un dividendo generoso a sus inversores. Si bien un pago de dividendos elevado puede mitigar potencialmente la disconformidad de los inversores en las empresas familiares, la presencia de un "conflicto AV-Junta" puede aumentar la desconfianza de los inversores en el uso del pago de dividendos como un dispositivo empleado por los propietarios familiares para perseguir de forma oportunista sus objetivos de SEW evitando la intervención de los inversores. Como consecuencia de ello, ante una propuesta de votación controvertida, los inversores confiarán menos en el valor informativo de la recomendación de la Junta y aumentarán su disconformidad. Estas conclusiones representan una importante contribución a la literatura sobre la empresa familiar, ya que, hasta donde sabemos, somos los primeros en analizar la relación entre el pago de dividendos y la disconformidad de los inversores.

Por último, en el tercer estudio "*When does the 'proxy advisor stamp' add firm value? An ownership perspective*" ("¿Cuándo ofrece valor añadido a la empresa el 'sello del asesor de voto'? Una perspectiva de la propiedad"), exploramos el valor económico del AV. Si bien los estudiosos de la gobernanza corporativa suelen coincidir en la gran influencia que ejercen los AV en el voto de los inversores (Etimur et al., 2013; Sauerwald et al., 2018; Choi et al., 2010), existen pruebas limitadas sobre el impacto del asesoramiento de voto sobre el valor de la empresa. El presente estudio arroja luz sobre esta literatura académica (Ertimur et al., 2013; Ertimur et al., 2018; Calluzzo et al., 2019) al

adoptar un enfoque novedoso y examinar el valor del “sello AV” en empresas de propiedad concentrada. Examinar el “sello AV” en lugar del “conflicto AV-Junta” es relevante dado que los estudios anteriores –centrados principalmente en propuestas controvertidas– no acaban de aclarar si los AV aportan valor a la empresa (Ertimur et al., 2018).

Nuestros resultados, que muestran que el “sello AV” tan solo aporta valor a las empresas con una elevada concentración de la propiedad, están en consonancia con la literatura académica que explora la concentración en la propiedad de una empresa como un factor clave que determina el valor informativo de la recomendación del AV (Sauerwald et al., 2018; Ertimur et al., 2013). Estos resultados también contribuyen a nuestra comprensión de la dinámica específica de las empresas con una elevada concentración de la propiedad. Debido a que las disposiciones de gobernanza corporativa de estas empresas generan mayores suspicacias en el mercado (Aguilera et al., 2018; Witt et al., 2022; Ponomarova et al., 2022), y debido a que los problemas de asimetría en la información son más acusados (Byun et al., 2011; Li & Zaiats, 2017; Tinaikar, 2014), contar con un “sello AV” que ratifique su legitimidad y transparencia es de gran valor para estas empresas.

En línea con los capítulos anteriores, este estudio muestra que existen distintos tipos de propietarios mayoritarios con distintos incentivos y objetivos. De este modo, si bien el “sello AV” aporta valor a la empresa en los casos en los que hay un tenedor de bloque institucional, el sello no aporta valor en empresas con un tenedor de bloque familiar. Estos resultados entran en

consonancia con las pruebas que muestran que el valor del AV como supervisor externo no es el mismo en empresas cotizadas con tenedores de bloque institucionales (Sauerwald et al., 2018) y familiares (Jiménez et al., 2021). Si bien en el caso de los primeros el AV desempeña un papel clave, en el caso de empresas familiares cotizadas su valor como supervisor externo es más limitado.

En general, esta tesis aporta una comprensión más matizada del papel de los AV como supervisores externos. Pero, además, al examinarlos en relación con la Junta, nuestro estudio aclara el papel desempeñado por esta como supervisora interna en el proceso de votación de los accionistas y, lo que es más importante, arroja luz sobre los costes de agencia a los que se enfrentan los inversores en las empresas cotizadas (en particular, en las empresas familiares cotizadas). Sin embargo, a pesar de los importantes avances, esta tesis es solo un comienzo. Y como tal, abre múltiples vías para futuras investigaciones.

Esta tesis doctoral examina principalmente la influencia del AV (en relación con la Junta) sobre la disconformidad de los inversores y el valor de la empresa en compañías con una elevada concentración de la propiedad (con especial atención a las empresas familiares). Sin embargo, la literatura académica existente indica que los AV también ejercen una gran influencia sobre las decisiones de gobernanza corporativa de las empresas, ya que un número considerable de empresas cambian sus prácticas de gobierno tras recibir una recomendación “en contra” del AV (Ertimur et al., 2013; Ertimur et al., 2018).

Dado que nos centramos en la perspectiva del inversor y que no disponemos de datos, esta tesis no examina los cambios en la gobernanza corporativa que se derivan de las recomendaciones del AV. Sin embargo, esta limitación puede ofrecer directrices útiles para futuras investigaciones. Los estudios futuros pueden explorar más a fondo la dinámica de agencia específica de las empresas familiares cotizadas examinando los cambios de gobernanza corporativa adoptados por las empresas familiares (frente a las no familiares) tras un "conflicto AV-Junta", y si estos cambios son de naturaleza sustantiva o simbólica.

En esta tesis examinamos desde distintos ángulos la influencia del "conflicto AV-Junta" sobre la disconformidad de los inversores. Aunque disponemos de información sobre el número agregado de acciones que votan "a favor" o "en contra" de las recomendaciones de la Junta, lamentablemente carecemos de datos detallados sobre cómo vota cada inversor de la empresa. A pesar de que hemos realizado múltiples pruebas para superar esta limitación, las investigaciones futuras podrían beneficiarse de entender los votos de los inversores. Esto nos proporcionaría pruebas más detalladas sobre el comportamiento de voto de los inversores y nos informaría sobre cómo los diferentes tipos de inversores (es decir, inversores a largo plazo frente a inversores a corto plazo, inversores comprometidos frente a inversores no comprometidos) perciben los problemas de agencia específicos de las empresas familiares cotizadas. Comprender estas diferencias nos proporcionaría conocimientos muy valiosos (Bushee, 2001), ya que no todos los inversores tienen los mismos objetivos de inversión.

Nuestra tesis se centra exclusivamente en el contexto estadounidense. Sin embargo, los AV no solo ofrecen sus servicios en Estados Unidos, sino también en otros países en los que una gran proporción de las empresas que cotizan en bolsa están en manos de un grupo familiar. ISS, un asesor de voto con sede en EE. UU., puede enfrentarse a importantes retos a la hora de adaptar sus recomendaciones a las condiciones específicas de cada país. La investigación futura podría beneficiarse, por tanto, de la comprensión de cómo difieren nuestros resultados entre regiones con tradiciones de gobernanza corporativa y entornos institucionales diversos.

Las conversaciones “entre bastidores” desempeñan un papel clave en el proceso de votación de los accionistas (McCahery et al., 2016). De hecho, McCahery et al., (2016) informan de que los inversores suelen interactuar con las empresas entre bastidores mediante conversaciones directas con la dirección y la Junta Directiva, y solo toman medidas públicas en caso de fracasar tales negociaciones. Captar estas negociaciones “entre bastidores” a través de nuestros datos secundarios es todo un reto. Las investigaciones futuras podrían utilizar fuentes de datos primarios (es decir, entrevistas, encuestas, etc.) para comprender mejor las intervenciones de los inversores en la empresa, y en particular en las empresas familiares.

Al analizar la figura del AV en relación con la Junta, proporcionamos una imagen más amplia del proceso de votación de los accionistas, ya que podemos examinar cada propuesta sometida a votación en la junta de

accionistas, considerando diferentes contenidos y patrocinadores. Aunque hemos explorado cómo nuestros resultados pueden verse influidos por el tipo de propuesta, futuras investigaciones podrán desentrañar aún más estas diferencias y examinar nuestros resultados analizando con mayor detalle propuestas de votación específicas. Concretamente, será interesante analizar más a fondo las propuestas más controvertidas, como las ESG o las patrocinadas por los accionistas.

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