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1. Introduction

Recent research shows that shareholders are increasingly getting more active in engaging towards suggesting new proposals that their organizations could implement. Shareholder activism is a fairly new as well as vibrant area of study. It has developed into an institutional force which is considered to be very dynamic (Goranova & Ryan, 2014). Especially in the United States, investors are increasingly influencing companies through shareholder activism (Benton, 2017). Activists aim to affect managers of the target corporations. This thesis will only consider shareholder activism in terms of shareholder proposals.

Simply speaking, the process is as follows; shareholder activists propose a number of proposals to be voted upon (each shareholder can propose only one each year), those which reach a greater than 50% vote are consequently passed, however only the chief executive officer (CEO) then decides whether the proposals will be implemented.

Antecedents of shareholder activism on the level of the firm were what most empirical studies had their emphasis on, as well as the shareholder activism's results usually using the framework of agency theory (Goranova & Ryan, 2014). Based on this view, corporations that are underperforming and large in size are those which are greatly targeted by activists, because, these firms are seen as more disposed to the agency problems (Goranova & Ryan, 2014). These issues may be possibly resolved when the activists have greater monitoring over the companies (Goranova & Ryan, 2014).

The underperforming companies have to deal with greater pressure to endorse changes related to the governance of their companies (Ertimur, Ferri & Stubben, 2010). And for larger companies, if they tend to ignore shareholder proposals, the costs for doing so may be much higher as compared to smaller companies due to their greater visibility (Ertimur, Ferri & Stubben, 2010).

Lately, researchers were more attentive to the study of antecedents which are associated with corporate governance (Goranova & Ryan, 2014). These include the board independence, executive ownership's level, and compensation of the CEO (Ryan, Buchholtz & Kolb, 2010). This proposes that the aspects specific to the CEO have a significant role in determining the shareholder activism's antecedents.

A number of researches identified significant outcomes of shareholder activism and analyze the antecedents on the companies' level, but how CEOs' characteristics on their individual level appeal to shareholder activism is still unanswered, even though research has shown that CEOs have become more responsive to shareholder proposals (Ertimur, Ferri & Stubben, 2010).

Based on the sample from the S&P 1500 index, in 1997, only 16.1% of shareholder proposals were implemented, as compared to the substantial rise of this value in 2004 to as much as 40% (Ertimur, Ferri & Stubben, 2010). Empirical studies have not focused on what characteristics of CEOs shape their decisions so far.

As shown by recent studies, the CEO effect has gotten stronger (Quigley & Hambrick, 2015). There has been a vivid rise in the attributions of the significance of corporations' CEOs. CEOs are found to have important influence on outcomes and actions of firms (Quigley & Hambrick, 2015). Furthermore, past studies hypothesized that CEOs ought to have a significant role in appealing to proposals of the shareholders (Goranova, Abouk, Nystrom & Soofi, 2016).

It is interesting and important to study whether and how the CEO specific characteristics affect number of proposals being proposed on annual meetings and their rate of implementation, because it can help activists to predict if their demands have a chance in succeeding. It was made clear that activists examine and select companies and CEOs dependent on their levels of responsiveness to shareholder proposals (ISS, 2006).

Thus, my study picks up on these theorized aspects and analyzes the individual level, to observe how specific CEO characteristics affect the selection procedure of finding the right targets for activism and how conditional on receiving a proposal these characteristics affect the implementation outcomes of the shareholder proposals.

The firm-level aspects which signal the necessity for alteration are not the only factors which shareholder activists should consider, but they should also screen for signals which show if the company is likely to respond to the proposals. The process of screening for target companies would then be composed of two steps; first activists would search for firms where change is needed (e.g. underperforming and large companies), secondly, they would assess how likely the company would be willing to accept change.

Based on this, this thesis argues that CEO characteristics will also be one of the signals that shareholders will take into account. More specifically, I want to look at generalist CEOs. The generalist characteristic of CEOs particularly interests me, because, this trait can show the activists how responsive the CEOs would be to their demands.

Shareholder activism is forecasted to rise, it takes lots of time and money, it builds risks and costs for the activists, thus then it is best for the activists to carefully evaluate the characteristics of the firm as well as the CEO and identify whether they are more or less favorable for the success of the activism (Tilly, 1978). Through this process the activists can classify which companies are better targets as compared to others and act accordingly.

The purpose of this research is to be able to show whether the rate of shareholder activism in corporations and the status of implementing their proposals is influenced and affected by having a generalist CEO. Therefore, the two research questions, one for each section of area of study and analysis were designed accordingly: (1) *Do shareholders propose more proposals, the more generalist a CEO is?* (2) *Do more generalist CEOs implement more shareholder proposals?* I chose to examine the generalist trait through the ‘General Ability Index’ (GAI).

However, even though the main effect of the second analytical component that will be studied in this thesis is that when CEOs are more generalist they implement more proposals, I believe that it also depends on interaction effects such as the CEO's tenure, managerial discretion, and compensation. These interaction effects will be tested in order to see what traits of the CEO effect the relationship between generalist CEOs and the status of implementation of shareholder proposals.

This thesis firstly introduces the theory and background information on shareholder activism, shareholder proposals and their implementation, the general ability index and how shareholder activism is affected by generalist CEOs. Next, hypotheses are developed about generalist CEOs and the proposal rate as well as the implementation of shareholder proposals.

The development of the hypotheses suggests that the more generalist a CEO is, the more proposals the shareholders will propose and the more proposals the CEO will implement. Further on, an analysis of the statistical results will be discussed. At last, conclusions will be made as well as opportunities for possible research in the future.

2. Literature Review

Several studies are found to be relevant for this paper. They examine the main concepts of shareholder activism and its antecedents, shareholder proposals and their status of implementation, and the general human capital of CEOs. The findings from past research are summarized and further analyzed in greater detail.

2.1 Shareholder Activism

First of all, it is important to identify what is meant under shareholder activism. It can be explained as a method through which organization's actions can be influenced by shareholders via

using their rights as owners. Even though corporations are not run by shareholders, they can influence the management and board of directors most commonly through formally suggested proposals which are then voted on at an annual meeting of the corporation (Investopedia, 2017).

Goranova and Ryan (2014) defined shareholder activism as “actions taken by shareholders with the explicit intention of influencing corporations’ policies and practices, rather than as latent intentions implicit in ownership stakes or trading behaviour” (p. 1232).

“Shareholder activism through corporate governance proposals is a prominent avenue for investors to voice their concerns in corporate governance matters” and try to influence the behavior of the organization (Benton, 2017, p.262). It may directly influence the company’s creation of value for their shareholders, as for instance when the shareholder activists try to pursued a company to give value back to the investors via a ‘stock buyback’ (Benton, 2017, p.264).

Recent research shows that shareholders are increasingly getting more active in engaging towards suggesting new proposals that their organizations could implement (Rusli, 2010). There are several diverse views that these studies portray. On one hand, it is argued that shareholder activists are positioned at the center of the companies and direct the key actions (Duhigg, 2007).

However, on the other hand, others possess a completely different view on activism. These are generally earlier observers, and they believe that it wastes time for the management and the company’s finances (Cane, 1985). In modern organizations, the balance of power was altered by the social movement of shareholder activism (Kahan & Rock, 2010; Davis & Thompson, 1994).

Prior research on the different and conflicting viewpoints of shareholder activism addresses these issues and diversifies between two key streams; “the financial activism stream” and the “stakeholder-centered social activism stream” (Goranova & Ryan, 2014, p.1231).

The 'financial stream' holds the primacy of the shareholders and "treats activism that deviates from concerns with shareholder value or governance as irrelevant or frivolous" (Goranova & Ryan, 2014, p.1231; Gillan & Starks, 2007). The 'social stream', on the other hand, concentrates on social matters being put into notice by the shareholder activists in the yearly meetings of the shareholders and the corporate board (Vogel, 2004).

As Goranova and Ryan (2014) explained, that the roots of the 'financial stream' trace back to the development of 'agency theory' as the central viewpoint on business control beginning in the 1980s and continuing forwards. Whereas, the social stream is viewed as an ideological successor of the 'civil rights movement' from the 1960s (Reid & Toffel, 2009).

The financial activism is found in literature to be centered around the concerns of activist about shareholder value (Greenwood & Schor, 2009), governance matters as for example salary of the executives (Cai & Walking, 2011), rights of the shareholders (Bizjak & Marquette, 1998), and boards of directors (Ertimur, Ferri & Stubben, 2010).

On the contrary, the social activism deals with the effect of the activism on wider business outcomes and issues of the stakeholders (e.g. the company's environmental impact) (Lee & Lounsbury, 2011), the social performance of the corporation (David, Bloom & Hillman, 2007), and political action (Clark & Crawford, 2012).

Activists can bring up financial as well as social matters (O'Rourke, 2003) concerning stakeholders' and shareholders' concern for the environmental, social as well as economic performance (Goranova & Ryan, 2014).

The driving forces of shareholder activism can be divided into three parts: firm, environmental and activist characteristics (Ryan & Schneider, 2002). Performance of the firm and firm size are two most highly tested triggers of shareholder activism, and they are classified under the *firm level antecedents*. These antecedents have been widely studied by scholars through empirical research.

Larger firms are what activists typically focus on (Cai & Walking, 2011). Companies that are underperforming and large in size are found to be more attractive as targets for proposals (Ertimur, Ferri & Muslu, 2011).

In regards to the financial activism perspective, through targeting bigger companies, shareholder activists may develop greater value, because these firms are more challenging to monitor efficiently for shareholders. Thus, they are more disposed to agency problems (Del Guercio & Hawkins, 1999).

The social activism perspective offers a different explanation to why shareholder activists are more attracted to bigger companies, suggesting that these firms have greater visibility (Rehbein, Waddock & Graves, 2004).

However, it is not that evident if underperforming and larger companies also have greater responsiveness and are more open to the demands of the shareholder activists. It is essential to move further on from these two aspects during the process of selecting targets for their activism.

The level of ownership of the executives is an antecedent which is oriented at the corporation's governance, and is also widely studied. Managers with higher holdings of shares are considered to a greater extent to bear the aftereffect of their decisions and actions (Faleye, 2004). Therefore, shareholder activists are not so likely to target corporations with greater managerial ownership (Goranova & Ryan, 2014).

Boards which are more independent, which are not absolutely only committed to the CEO, can be found to constrain agency issues as well as give greater objectivity to interests of the shareholders (Desai, Kroll & Wright, 2005). Moreover, companies who have boards with greater independence are found to draw attention to more shareholder activism (Ertimur, Ferri & Muslu, 2011).

The *environmental antecedents* can also be considered when analyzing driving forces for shareholder activism. The growth of the empowerment movement of the shareholders and shareholder activism emphasizes the significance of the activism for individual corporations, for their managers as well as for the surrounding or environment on the macro level (Goranova & Ryan, 2014).

The trends of the environment have influenced shareholder activism both directly and indirectly. Directly through affecting how easy or difficult it is to participate in the activism and its legitimacy. Moreover, the environment afflicted shareholder activism indirectly through influencing the business managers' behavior (Goranova & Ryan, 2014).

The *activist level antecedents* can be described as drivers for shareholder activism being the activists' own characteristics. Shareholders who have a superior reputation and importance to the managers of the corporation or those who are able to acquire/win support of other shareholders can have higher willingness to participate in activism (Gifford, 2010). This is because, they predict higher returns on the investments of their activism.

One of the main assumptions of the literature on activism is that managerial deficits are addressed through shareholder activism (Greenwood & Schor, 2009). Most of the research on financial activism sees managers as mainly inactive members who disregard attempts of the activists except if they are bound to fully or at least partially produce their demands (Goranova & Ryan, 2014).

Other more recent research shows that activism is an intensifying procedure (Gantchev, 2013). Activists' monetary investment rises as the activists change from "more cooperative, private activism to more confrontational, public methods" (Goranova & Ryan, 2014, p.1246).

On the other hand, the research on social activism claims that for diverse behaviours of the managers, from reactive via interactive positions which create the significance of dialogue (Neubaum & Zahra, 2006; Logsdon & Van Buren, 2008; Sikavica & Hillman, 2008), to a

proactive position, in which the managers form their settings by co-opting the shareholders that are already existing (Westphal & Bednar, 2008).

It is widely argued that shareholder activism can make managers of the companies more responsible towards the investors (Bebchuk, 2005). On the other hand, several other researchers are critics of this statement, arguing that managerial autonomy is dishonored as well as degraded through activism and that through activism incentives are refocused to shareholder gains which are only short-term and to narrow-minded strategies (e.g. Zhang & Gimeno, 2016; Stout, 2012).

The complicated nature of shareholder activism can be understood through diverse heterogeneous factors, thus it creates plenty methodological as well as theoretical challenges for researchers on activism.

There are several sorts of shareholder activism such as “private backchannel negotiations, campaigns to replace the board or CEO, and shareholder proposals” (Benton, 2017, p.264). The most common type of investor activism is called the ‘shareholder sponsored proposal’ (Benton, 2017, p.262).

Shareholder proposals are intended to provoke backing from investors when voted upon as well as guide managers towards what the investors would like to see (Benton, 2017). Through shareholder proposals an investor introduces a proposal which could be incorporated into the corporation’s yearly proxy materials and consequently shareholders would vote on it at their yearly meeting (Benton, 2017). If the SEC (‘Securities and Exchange Commission’) does not exclude or withdraw the proposal, it is incorporated in the proxy materials of the company, the boards’ statement of their view is also included there, consequently, at the yearly meeting of the shareholders the proposal will be voted upon by them (Ertimur, Ferri & Stubben, 2010). The shareholder proposals will be the form of shareholder activism that will be further studied for the purpose of this thesis.

2.2 Shareholder Proposals and their Implementation

Shareholder's proposals are a notable external mechanism of corporations designed to encourage interests of the shareholders and trigger mechanisms which are internal that connect the interests of the shareholders with incentives of the corporate management (Aguilera, Desender, Bednar & Lee, 2015).

The proposals focus on diverse governance issues of corporations, such as rules regarding executive pay, director elections, voting rights of shareholders, and the board structure (Brav, Jiang, Partnoy & Thomas, 2008).

Ertimur, Ferri and Stubben (2010) divided proposals of shareholders into five diverse groupings dependent on their subject matter: rights of shareholders, the board, executive pay, defense and others. Moreover, they divided them into further five groupings depending on their proponents: public pension, individuals, religious, unions and others (Ertimur, Ferri & Stubben, 2010).

From the set of content-related proposals, proposals based on 'shareholder rights' have as much as 45% implementation rate, which is the highest value from the content-related proposals (Ertimur, Ferri & Stubben, 2010). Whereas, in regards to the proponent group, proposals that are submitted by 'other shareholders groups' have the highest implementation rate, 42% (Ertimur, Ferri & Stubben, 2010).

The activism tactic of shareholder proposals is mainly confrontational and public (Benton, 2017). It is open to almost all investors no matter how big their ownership stake is (Benton, 2017). This activism method has lately received substantial attention in research. This is because, the proposals can be used by diverse investors and they can propose a great variety of matters. Moreover, recently, there has been a substantial increase in the likelihood of implementing shareholder proposals, especially those that are majority-vote (Ertimur, Ferri & Stubben, 2010).

Through shareholder proposals, even borderline investors, with low ownership stakes, can publicly target corporations with governance issues and have power to influence the board and corporate management. They can leverage penalties for reputation in order to pressure them (Benton, 2017).

Typically, an investor proposes a proposal that should be incorporated into the corporation's yearly proxy statement and that is voted upon in the yearly meeting of the company (Benton, 2017). In order to be able to submit one proposal, the investor has to own market value worth \$2,000 or at least 1% of the firm's outstanding stock (Benton, 2017). These criteria have to be fulfilled for a minimum of one year (Benton, 2017). The proposal has to be accompanied with a supporting statement up to 500 words before the actual company's yearly meeting of the shareholders takes place (Ertimur, Ferri & Stubben, 2010).

All of these criteria are set and have to be followed under the "Rule 14a-8 of the Securities Exchange Act of 1934" (Ertimur, Ferri & Stubben, 2010, p.55). Furthermore, all of the shareholders have to vote on the specific matter.

The percentage of shareholder proposals which are dropped out after their initial filling counts up to 20% (Bauer et al., 2015). In order for a proposal to be present on the company's proxy statement it has to satisfy particular legal requirements (Benton, 2017). If it satisfies the requirements, then a supporting declaration is made by the sponsoring investor (Benton, 2017). Consequently, the board responds with a corresponding statement (Benton, 2017). These statements are written with the actual proposal in the company's proxy statements in that certain year (Benton, 2017).

Almost all the time the board of directors recommends to vote not in favour of the proposals (Benton, 2017). At last, the proposals are voted upon by the investors at the yearly companies' meetings or through email (Benton, 2017). To determine whether a proposal passed, each company has a particular threshold on their voting system (Benton, 2017).

Most often, for a proposal to pass it must exceed 50% of the shareholder votes, not including nonparticipations (Benton, 2017). But, various companies use diverse thresholds for voting to identify the status of a proposal; whether it passed or not (Benton, 2017).

Furthermore, it has to be taken into account that if at the company's yearly meeting a shareholder's proposal passes a majority vote, the implementation of it is not guaranteed as the CEO does not have a legal obligation to do so. The votes on shareholder proposals are almost always only recommendations, thus the CEO is not obliged to implement a passed proposal (Benton, 2017). Although, implementing a proposal is a valuable sign of the CEO's responsiveness to demands of the shareholders (Ertimur, Ferri & Stubben, 2010).

From the proposals which are related to governance as little as around 30% pass, only 31.1% of these are then implemented, and from those that are not accepted, 3.2% are implemented (Ertimur, Ferri & Stubben, 2010). It is becoming more and more common for organizations to implement proposals of shareholders which got a majority vote (Thomas & Cotter, 2007).

Proposals that previously got at a minimum one majority-vote are increasingly likely to be adopted (34.2% as opposed to 22.9%) (Ertimur, Ferri & Stubben, 2010). Moreover, it has been shown that as voting support for a proposal increases, the implementation rate of that proposal increases too (Ertimur, Ferri & Stubben, 2010).

However, still based on these low values, evaluation of the CEOs' trends to positive responsiveness is important for the activists, so that the shareholders can have a better understanding which factors play a role when CEOs decide which they will implement and which not. This will create more success for the activists of their campaigns.

Ertimur, Ferri and Stubben (2010) did a study on 620 majority-vote proposals between the years 1997 and 2004, with their sample coming from the S&P 1500 index. They only studied the majority-vote proposals, because, the non-majority-vote proposals are found to be negligible in terms of the rate of their implementation.

They examined the CEOs' responsiveness to activism initiated by the shareholders through studying the causes as well as outcomes of their choices in implementing shareholder proposals that have been reinforced by a majority vote at the yearly meetings of the company. These proposals are important in regards to examining the responsiveness of the CEO to shareholders of the firm and its consequences, because they point out a strong conflict between the two actors, the CEO and the shareholders, which is unresolved. (Ertimur, Ferri & Stubben, 2010)

The scholars found out that the key determinants of the rate of implementation are pressure from the shareholders and the type of proposed proposals (Ertimur, Ferri & Stubben, 2010). The probability of a proposal being implanted rises with the level of pressure from the shareholders. It was also found that proposals submitted or supported by more powerful shareholder in terms of having greater ownership or being part of an union meaning that they would be more able to apply pressure, have a greater chance of being implemented (Ertimur, Ferri & Stubben, 2010).

Moreover, peers of companies who have lately implemented a comparable shareholder proposal drive those companies to also implement them (Ertimur, Ferri & Stubben, 2010). The fact that these peers adopted the specific proposal is frequently mentioned in the supporting statements of the shareholders. At last, CEOs were found to implement more proposals that are of higher quality (Ertimur, Ferri & Stubben, 2010).

Pressure from the shareholders increases if the particular proposal has strong support from the voters (Ertimur, Ferri & Stubben, 2010). This creates a more powerful implementation campaign which can appeal to stronger coverage from the press. Furthermore, through this, the costs for CEOs for ignoring and not implementing this particular proposal escalate (Ertimur, Ferri & Stubben, 2010). The second main aspect promoting pressure from the shareholders is the power

of the specific shareholders who initiated the proposal and voted for it (e.g. Smith, 1996; Prevost & Rao, 2000).

Furthermore, managers as well as members of the board are in danger of penalties for their reputation if they constantly do not respond positively to proposals of the shareholders (Benton, 2017). They also risk activism in the future, negative reactions of the stock market, and in extreme cases their dismissal (Benton, 2017).

Consequently, recently, companies tend to be more and more open to the proposals of the shareholder due to the enlarger primacy of the shareholders (Benton, 2017). In the past, shareholder proposals have been interpreted as a not so strong mechanism to initiate reforms in the governance of the corporations (Bebchuk, 2005; Black, 1990). The proposals were denied and ignored by the company once they were submitted and also when they were supposed to vote for them (Ertimur, Ferri & Stubben, 2010). Till the end of the 1990s, only a very small number of shareholder proposals got a majority vote (Ertimur, Ferri & Stubben, 2010).

However, there has been gradual change in this point of view, which can be seen through increasing decisions to accept majority vote shareholder proposals (Ertimur, Ferri & Stubben, 2010). Moreover, it was found out that CEOs who implement proposals of shareholders have a 1/5 decrease in the probability of their seat on the board being lost and additional directorships (Ertimur, Ferri & Stubben, 2010).

But, as corporations differ in why they are being targeted by shareholder activism, they also vary in if the proposals will be implemented. Between the years 1996 and 2005, a research on shareholder activism found that those managers who are more entrenched tend to implement not so likely shareholder proposals (Renneboog & Szilagyi, 2011). This suggests that there is great diversity in the responsiveness of the board to activism. But, other research on the outcomes of implementation is rather inconsistent (Benton, 2017).

As shown by recent research, the CEO effect has gotten stronger (Quigley & Hambrick, 2015). As Quigley and Hambrick (2015) explained that, in recent years there has been “a dramatic increase in attributions of CEO significance” (p. 821). Their conclusions propose that the observed increased effect of the CEOs can be partially clarified by the actual influence of the CEOs getting more significant (Quigley & Hambrick, 2015).

Through several diverse measures of performance, the researchers display that between 1950 and 2009, the individual CEO effects on outcomes of the firms increased significantly (Quigley & Hambrick, 2015). The CEO has a significant role in forming and implementing the strategies of a company, thus he/she holds a major influence on its capabilities (e.g. Hambrick, 2007; Quigley & Hambrick, 2015).

Studies on strategic leadership progressively search for an explanation of in what way the CEO's psychological characteristics affect strategic decisions of the company (Hiller & Hambrick, 2005). For a long period of time, the significance of CEOs' psychological characteristics has been emphasized and it has been advised that CEOs' background characteristics should be used to function as signs underlying these traits (Hambrick & Mason, 1984).

Recent studies have concentrated on evaluating more directly the psychological characteristics of CEOs. The psychological attributes of the CEO that were examined were for instance affectivity (e.g. Delgado-García & De La Fuente-Sabaté, 2010), narcissism (Chatterjee & Hambrick, 2007), charisma (Agle, Nargarajan, Sonnenfeld & Srinivasan, 2006), and personality (Resick, Whitman, Weingarden & Hiller, 2009).

Outcomes from these studies advise that performance of the company, its actions, and the corporate strategies of the company are deeply affected by the attributes of the CEO (Gamache, McNamara, Mannor & Johnson, 2015). Furthermore, these studies suggest that there is great

potential in the study of CEOs' reasons for engaging in particular strategic movements (Gamache et al., 2015).

Thus, as can be seen from the existing literature, it has been widely argued that the CEO level aspects are important predictors of companies' actions. But, interestingly till now researchers did not concentrate too much on the individual level antecedents (what drives someone to implement shareholder proposals or not) of the implementation of shareholder activism.

Accordingly, in my thesis I would like to work on closing this gap in the existing research through examining how individual level factors affect the number of shareholder proposals being proposed as well as the implementation rate of these proposals. More specifically, I will concentrate on the generalist characteristic of the CEOs.

2.3 General Ability Index (GAI)

Several papers have emphasized that the human capital of individuals is an important resource on the individual level that forms performance of companies (Coff & Kryscynski, 2011). Others identified that former work experience of individuals as clues to his/her productivity in the future (Ployhart, Van Iddekinge & MacKenzie, 2011). Most prior research highlighted that firm specific human capital brings competitive advantage to corporations.

However, not that much research has studied general human capital. More specifically, how it effects capabilities and strategies of companies. Human capital which is general as opposed to specific can be explained as the abilities, skills and knowledge of an individual which are not only specific to some certain company, but which may be applicable in diverse companies productively (Becker, 1964).

The key aspect of general human capital is the variety and range of previous work experience of an individual, since if his/her work experience is more varied, then he/she would have possessed more knowledge that could be applicable throughout and beyond industries and companies (e.g. Custódio, Ferreira & Matos, 2013; Chen, Huang & Meyer-Doyle, 2017).

The general human capital of a CEO can be measured through the ‘General Ability Index’ (GAI). This index was created by Custódio, Ferreira and Matos in 2013, and it is composed of five features of the professional career of a CEO. These aspects are the following: “past number of (1) positions, (2) firms, and (3) industries in which a CEO worked; (4) whether the executive held a CEO position at a different company; and (5) whether the CEO worked for a conglomerate firm.” (Custódio, Ferreira & Matos, 2015, p.2-3)

Louis Gerstner is a great model of an executive who is generalist. Once he came to work at IBM, he had a score of GAI at 3.11. This value was counted to be at the highest one percent from the distribution. His/her previous work experiences included six industries, ten companies, and eleven positions. Moreover, he also had a CEO position in the past as well as worked at a conglomerate company. (Custódio, Ferreira & Matos, 2015) The higher the number of GAI is, the higher degree of general skills an individual has (Custódio, Ferreira & Matos, 2015).

There have been a few studies done on CEOs regarding their general human capital. These studies come to a number of conclusions. For example, it was highlighted that companies with more generalist CEOs as opposed to more specialist CEOs, create more patents via M&A (mergers and acquisitions) (Custódio, Ferreira & Matos, 2015).

Results from a different study showed that the more generalist a CEO is, the more likely he/she is to get involved in acquisitions (Chen, Huang & Meyer-Doyle, 2017). CEOs’ knowledge, characteristics, abilities and skills that are composed of a general nature are needed to succeed in acquisitions (Chen, Huang & Meyer-Doyle, 2017). These may be frequently learned as well as moved through industries (Chen, Huang & Meyer-Doyle, 2017).

Furthermore, researchers already found that CEOs who are more generalist drive innovation. This is because they possess abilities which may be applicable somewhere else if failure of the innovation projects occurs (Custódio, Ferreira & Matos, 2015). Moreover, the top management faces considerable risk through innovation, because there exist intrinsic uncertainties once it moves from the theoretical idea to the actual realization of profits (Custódio, Ferreira & Matos, 2015).

Moreover, a CEO who is generalist can advantageously use knowledge from a field far from his/her current firm's domain (Custódio, Ferreira & Matos, 2015). CEOs who experienced work in diverse industries, multiple firms and positions can collect general abilities which are most often useful when a company has to invest in change (Custódio, Ferreira & Matos, 2015). This is why more generalist CEOs foster innovation with great levels of impact and originality (Custódio, Ferreira & Matos, 2015).

It is speculated that CEOs who are generalist have greater chances to exploit those innovative missions, as they are not so responsive to the risks associated with termination (Custódio, Ferreira & Matos, 2015). This is because they had worked in more diverse firms and industries thus build a complex business background as compared to more specialist CEOs; those who have a more focused professional background (Custódio, Ferreira & Matos, 2015).

A generalist CEO can easily transfer between diverse industries, because if he/she does not succeed in one industry it does not imply that he/she might not have the good abilities for another industry (Custódio, Ferreira & Matos, 2015). Therefore, the availability of more varied number of outside opportunities that the CEO who is generalist would have as opposed to a specialist one, would function as a mechanism in the labour market for failure tolerance which can then promote innovation (Custódio, Ferreira & Matos, 2015).

Furthermore, a CEO with high general human capital has gained his/her abilities that can be transferred through industries as well as diverse companies, thus he/she has outside choices which are more attractive (Custódio, Ferreira & Matos, 2015).

Another study has built on the notion of more generalist CEOs being able to cope and manage risk better than their more specialist counterparts. Consequently, the researchers have found that, more generalist CEOs can take higher stages of risk and achieve higher performance of the company (Meyer-Doyle & Schumacher, 2018).

This is because, a generalist CEO will have gained important skills and knowledge, due to their work experience in numerous industries, companies and positions, to deal with risk management and use the obtained skills and knowledge for coping with risk as well as uncertainties (Ployhart, Van Iddekinge & MacKenzie, 2011).

They can use this knowledge to productively solve problems, as they would have obtained better widespread understandings of in what ways choices of strategies influence the risks that a firm faces throughout diverse functional of a company. The CEOs could have observed the actions and consequently the outcomes of the diverse implemented strategies and practices of different companies (Ferreira & Sah, 2012). Moreover, the CEO can develop conclusions to problems and choices which would be more generalizable.

To conclude, it was argued that CEOs decide almost everything in companies. They greatly affect firms' existence. Research shows that there is a strong influence from the side of the CEOs towards the actions and performance of companies. Several traits of CEOs have been widely studied, such as CEOs being overconfident, narcissistic CEOs etc. However, interestingly, researchers have not paid so much attention to generalist CEOs, especially because till recently, the view was that more specialist CEOs bring greater competitive advantage to companies.

I believe that this is one of the key characteristics of a CEO, which should not be neglected. Since the current studies that observed generalist traits of CEOs have already proved

that they drive innovation, can manage risk better, firms that they lead develop more patents, and establish more acquisitions, it would be interesting to also observe if they implement more shareholder proposals as this area of study is becoming more central. Moreover, also observe if the generalist trait of CEOs can be identified as one of the antecedents of shareholder activism.

2.4 The Effect of CEOs' General Human Capital on Shareholder Activism and its Implementation Rate

We know that shareholder activism is important and that it is getting increasingly popular, but, we do not know that much about the implementation of shareholder activism. More specifically, we lack information about the determinants of the rate of implementing shareholder proposals, especially at the individual level; which kinds of CEO are more prone to adopting shareholder proposals.

Shareholders will search for traits of CEOs and observe their actions that imply that they would be more open to implementing their proposals. Previous research did highlight that a CEO having more generalist traits is a vital aspect affecting the strategy of companies (Crossland et al., 2014). Thus, I will further examine the effect of general human capital on the rate of shareholder activism and the rate of its implementation.

The argument of this paper is that generalist CEOs based on their more diverse background, would be more inclined to change, to different opinions, they would be able to manage risk better and would spur innovation ideas, as a consequence they would be more willing to accept shareholder proposals the more generalist they would be. Knowing this, shareholders would target companies with more generalist CEOs on greater scale, as also for them it is waste of their time, money and effort if they know that a particular CEO is not likely to incline to their demands. The hypotheses of this study were formed accordingly.

3. Hypotheses

The first hypothesis will be based on whether shareholders propose more proposals if they know that the company has a more generalist CEO. Furthermore, hypotheses two to five will be centered on how generalist CEOs affect implementation rate of shareholder activism.

Some of these views might be seen as ambiguous, we can look at them from two different points of views, thus in some cases both views are stated and their arguments in favor are explained, however, based on the direction which is more enforced the hypotheses will be formed.

On one hand, for example a generalist CEO can be more trusted by the shareholders due to him being more diversely experienced, more knowledgeable, maybe higher status within his/her colleagues and associates, thus shareholders will not propose more proposals to this kind of CEO. They would think that he/she knows what he/she is doing and does not have to be lectured.

On the other hand, if shareholders know that a CEO is more generalist, they worked in diverse industries and companies, thus, knowing that they should be more open to change, different environments as well as different opinions, then the shareholders are more likely to propose more proposals and put through their demands. The more generalist a CEOs is, the more varied experiences he/she has, thus he/she should not be rigid, however, on the contrary, he/she should be more open-minded.

If shareholders believe that a CEO is not likely to implement proposals, then they would not take the exertion is trying to enforce their ideas as they know that implementation of their proposals is doomed from the start. However, if they believe that they have a chance in their proposals being implemented as the CEO is a generalist one, then they are more likely to propose more of their ideas. I enforce this second point of view as it is also more linked to the existing literature on generalist CEOs. Hypothesis one was formed in this particular direction.

The main effect, Hypothesis 1: *The more generalist a CEO is, the more proposals shareholders will propose.*

One view point can be that more generalist CEOs are less likely to implement shareholder proposals, because they do not have to worry that much about the risk of ending their careers at that specific position, as they possess a more varied corporate experience as opposed to specialist CEOs, thus they may find a different top level position in a different industry (Custódio, Ferreira & Matos, 2015).

As a consequence, they would feel less obliged to meet shareholders' demands as they would not take reputational penalties, for constantly denying shareholder demands, so seriously, as they would still have options in other industries if they would be dismissed from one company.

On the other hand, I find the contrary to be more valuable as a predictor if more generalist CEOs are likely to implement more shareholder proposals. Custódio, Ferreira and Matos (2015) found out that more generalist CEOs promote more innovation. As they explained, implementing innovation brings considerable risk for the CEOs. This is because, there exist intrinsic uncertainties when turning the ideas or models into actual profits.

Furthermore, it has been argued that former work experience that is more varied creates significant general abilities that significantly form capacity for the CEO to cope with risk (Ferreira & Sah, 2012). It is known that implementing shareholder proposals brings risk to the CEO that he/she has to manage and bear. Thus, if the CEO is more generalist, his/her skills of coping with risk are better, and then he/she can afford to take the risk of fulfilling the demands of the investors.

Moreover, in order to implement proposals, CEOs have to feel confident about their abilities of being able to appropriately manage risk associated with these proposals. Through a more varied work experience, the CEO experiences greater forms of diverse risk situations and diverse methods of managing these situations, these can add up to the executive more confidently

implementing the proposed shareholder proposals. This is because, the CEO would feel more prepared to cope with the associated risk factors. The second hypothesis was formed accordingly.

The second main effect, Hypothesis 2: *More generalist CEOs (General Ability Index – GAI measures general managerial skills) are more likely to implement shareholder proposals.*

Interaction effects will also be tested in order to see what individual level aspects of the CEOs effect the relationship between generalist CEOs and shareholder proposals' implementation. Hypotheses 3 through 5 were formed accordingly.

The first tested interaction effect is tenure of the CEO. Previous research explained that tenure of the CEO is a noteworthy determinant of the strategic knowledge and behavior of the top executive (e.g. Hambrick & Fukutomi, 1991; Shen & Cannella, 2002).

Before the CEO worked in diverse industries and companies, but now he/she is in the company too long and gets too adapted, thus he/she becomes less open to change, and rather sticks with the functioning of the corporation as it already is and would not take the shareholder activism into account.

As time goes by, CEOs tend to forget past experiences as new knowledge and experiences would overshadow the older experiences (Wimber et al., 2015). General human capital skills might be significantly influential throughout the early years of the CEO working for a specific company, it gets less influential throughout the later phases.

Moreover, the longer the tenure of a CEO in one company is, the more skewed are his/her management tactics and risk taking, which were found to be better in more general CEOs. One explanation for this is that the top executive develops stronger attachment to the company the longer he/she works there, and would be less inclined to risk his/her position. (Hambrick & Fukutomi, 1991)

Based on these notions, I explore how tenure of the CEO moderates the relationship between generalist CEOs and shareholder implementation. More specifically, I argue that the more generalist a CEO is, the less proposals he/she would implement the longer he/she is in the firm. Therefore, tenure of the CEO is hypothesized to negatively moderate the relationship between generalist CEOs and shareholder implementation.

Hypothesis 3: *The relationship between generalist CEOs and shareholder implementation is negatively moderated by the generalist CEO's tenure.*

Usually the board of directors recommends a vote against the shareholder proposals. In cases when the generalist CEO has low discretion he/she is very controlled and constrained by the forces of the company and the environment (Hambrick & Finkelstein, 1987; Hambrick & Fukutomi, 1991).

It has been argued that the level of power of a CEO as well as his/her impact on a firm can be identified through if the CEO also has the chairman of the board position in addition to the CEO position. Thus, the greater power the generalist CEO has, the more likely he/she is to implement a proposal as when he/she does not have that much power, then the board might outweigh him.

Hypothesis 4: *The relationship between generalist CEOs and shareholder implementation is positively moderated by the generalist CEO's managerial discretion.*

The more compensation a generalist CEO gets, the less likely he/she is to implement proposals as the less likely he/she is to risk his/her position and high compensation. CEOs are more motivated to maximize value of the company, and implementing shareholder proposals brings associated risk, which the CEO wants to eliminate as his/her target is to keep his/her well placed and rewarded position.

Several studies already pointed out that CEO's financial incentives are usually strong moderators, for example it was proved that the larger the CEO's financial incentives are, the stronger driver the CEO's generalist characteristic is in regards to the acquisition behavior of the company (e.g. Chen, Huang & Meyer-Doyle, 2017)

Hypothesis 5: *The relationship between generalist CEOs and shareholder implementation is negatively moderated by the generalist CEO's compensation.*

4. Methodology

The following section of this thesis will describe how the used variables were measured through data collection and analysis.

4.1 Data and Sample

The data for this thesis is divided into two sections, each with their own dataset. First of all, it is focused on shareholder activism in terms of proposals targeting large companies which are publicly traded (the first dataset- 'Proposal'). Data on proposals from shareholders which were used to target companies from the S&P 500 index tests the framework of this study between the years 2006 to 2015. These were the years for which our variables were consistently available. For these years there was data on the number of new proposals of shareholders targeting diverse companies and the General Ability Index for their CEOs.

The dataset just includes observations for firms for which there is data in the database if they got a proposal in a specific year, and how many of them. For all the firm-years which are not in the dataset there is no data if the company got a proposal or not. Moreover, not every company receives a proposal each year. In the dataset were several missing values for the variable of

number of proposals proposed to that company, these missing values meant that no proposal was proposed that firm-year, that is why 0's were put for all these missing values.

Furthermore, the second part of this thesis is focused on CEOs' implementation of the shareholder proposals conditional on receiving a proposal. Firms in sample for the second dataset- 'Implementation', were also chosen according to the S&P 500 index. The data for this sample comes from the years 2007 to 2014. These are the years for which our variables were consistently available.

The S&P 500, 'The Standard & Poor's 500 Index', is an index of the stock market in America, composed of 500 largest firms, which market capitalizations is at the minimum of \$6.1 billion. It is considered by many to be the top representative of the stock market in the United States. (Investopedia, 2018) The S&P 500 was used because of greater availability of data.

At last, the 'Proposal' dataset constituted data for 1777 observations and 334 companies. Not all of the companies from the S&P 500 were targeted with shareholder proposals, and those which were, some of them were not targeted every year throughout the observation window.

The 'Implementation' dataset was composed of 130 observations and 97 companies. This was all the data that I could get in the time frame. Each firm has circa one to two observations, with some exceptions of firms having three to four observations. This data was manually collected as will be further explained. There is no dataset available which would specify if the proposed proposals were at last implemented by the CEO or not, thus this data had to be collected and coded by us.

However not every company clearly states the needed information in their proxy statements, from where I collected the data. Furthermore, even though several companies did mention sections in their proxy statements about their proposals, I could not tell for sure whether it was implemented or not based on the information from the proxy statements, so I had to leave

those observations out. At last, I were left with 130 observations for which the implementation status of their proposals could be clearly identified.

4.2 Research Design

Historical research design was applied through the use of secondary data sources so that evidence from the past throughout several years could be collected. In creating the sample to explore how generalist CEOs affect shareholder activism and its implementation, I had to combine data from several databases. The data sources that were used were ExecuComp, BoardEx, ISS and Compustat. Data from these database were merged together (based on the ticker year grouping as identifiers) in order to obtain the needed dataset.

Only the data for the status of implementation was manually coded and imported into Stata. Data on the implementation status (fully implemented or not implemented) of the shareholder proposals and the year of implementation was collected manually from firms' yearly proxy statements from the SEC's database, which is called EDGAR.

In order to obtain the annual proxy statements of the companies, DEF 14A filing for the selected year was searched for each firm. They were the definite meaning final proxy statements for the given company and year. These proxy statements each had a section dedicated to shareholder proposals. This is the same methodology as Benton (2017) used.

4.3 Measurements

The variables that were used in order to be able to examine the two research questions of this thesis will be further explained in this section. How each variable was measured or calculated and from which database they come from will also be mentioned.

4.3.1 Dependent Variables

The dependent variables are based on (1) the number of shareholder proposals to a given company in a given year and (2) implementation status of the shareholder proposals. Only proposals which were offered for voting and were consequently not excluded from the companies' proxy statements are included in this dataset. The second analytic variable focusses on whether the company implemented a shareholder proposal. These are proposals which already must have passed a vote of the shareholders.

Shareholder activism was measured as the number of proposals proposed by the shareholders being submitted to a company in a given year (year, t-1) (variable= *prop_new*). The data for this variable is taken from the 'Institutional Shareholder Services' (ISS) database. ISS gathers data on proposals of shareholders, other corporate practices of governance matters as well as memberships of the board for all of the companies in the S&P 500 index plus some additional firms (Benton, 2017).

The second dependent variable, the status of the implementation of the proposals (variable= *Implementation_Status*), had to be hand coded (0, 1- not implemented, implemented) from the filings of the firms. As already mentioned, this was obtained from the database called the SEC EDGAR, because, there is no data on the implementation status of the shareholder proposals in the ISS database.

I followed Benton's (2017) research methodology in order to code this data. To obtain the needed data, I had to read through whole proxy statements of the specific firms and years and search for where it could be written whether the proposal was or was not implemented.

This process took a lot of time as it was not specifically written in the companies' proxy statements, that yes, this proposal was implemented or that no, it was not implemented. Most of the text in the proxy statements just had to be read and clues had to be searched for to be able to

identify the status of the implementation. The information in the proxy statements on the specific proposals could be found there up to 2 consecutive years after a proposal had passed. Thus, I had to look at $t + 1$ or in some cases plus 2 to see the status of whether it was or was not implemented.

A positive implementation status for those passed shareholder proposals, based on the particular relevant criteria that each firm has, was coded if the company accepted the specific proposal or if the proposal was sponsored by the management which would mean that it would be put into effect. Some cases were not so clear, so those observations had to be left out. Only those cases which could be clearly identified as either fully implemented or not implemented were included.

4.3.2 Independent Variable

The independent variable is the general ability of a CEO (variable= *GeneralAbility*); the level of general human capital of the CEO. I follow prior literature on how to measure the general human capital of CEOs. It is measured through the General Ability Index (GAI) that was created by Custódio, Ferreira and Matos (2013). As already mentioned, it is calculated through the five features of the professional career of a CEO. The values for this variable were taken from the BoardEx database.

How general the human capital of a CEO is, is measured through GAI which is based on his/her work experience throughout their life in companies that are publicly traded not counting their present CEO position. More general abilities can be assigned to a CEO who operated in diverse areas of organizations, for a number of companies, in diverse industries, in a company which is conglomerate, or who formerly had a CEO position.

As Custódio, Ferreira and Matos (2015) explained, “the GAI of CEO i in year t is defined as: $GAI_{i,t} = 0.268 X1_{i,t} + 0.312 X2_{i,t} + 0.309 X3_{i,t} + 0.218 X4_{i,t} + 0.153 X5_{i,t}$ ” (p. 9). Here, $X1$ represents how many diverse positions a CEO already had, $X2$ represents how many companies

the CEO operated in, X3 represents how many industries the CEO operated in, X4 represents a dummy variable (the dummy variable is one if the CEO was also a CEO before at a different company), and X5 represents another dummy variable (this dummy variable is one if the CEO operated in a company that was multi-divisional, meaning a firm that operates in one or more corporate segments) (Custódio, Ferreira & Matos, 2015)

It is a standardized measure, and the interpretation of it is that the higher the value of GAI a CEO has, the more generalist he/she is; the larger the diversity of previous work experience of the CEO. GAI does not change once the CEO enters the firm at the CEO position throughout the years he/she is at that position. Thus, it can be said that it is a time-invariant variable when the CEO enters each new firm.

4.3.3 Interaction Effects

In regards to the second analyzed section of this thesis, based on the ‘Implementation’ dataset, the three following interaction effects were also tested as it is expected that they influence the strength of the relationship between the independent, General Ability, and dependent, implementation status of the proposals, variables.

The first tested interaction term was tenure of the CEO (variable= *Tenure*). Tenure was a new variable, generated manually from the ExecuComp database, and then it was merged with the prepared ‘Implementation’ dataset. It was calculated as the number of years the individual worked for the firm before actually operating as the CEO of that specific firm (Hambrick & Fukutomi, 1991).

The second tested interaction term was the managerial discretion of the CEO (variable= *COB*). This variable was also obtained from the ExecuComp database. The managerial discretion was measured through if the CEO is also chairman of the board (COB), meaning chairman of the control mechanism. Implying that, more discretion equals more power for the CEO.

The last interaction term that was tested was compensation of the CEO (variable=*CEO_Compensation*). This variable was also taken from the ExecuComp database. The most widely used compensation measure is as follows: total compensation of a CEO is calculated as “Salary + Bonus + Other Annual + Restricted Stock Grants + LTIP Payouts + All Other + Value of Option Grants” (Takming, 2008, p. 13), unit are in thousands.

4.3.4 Control Variables

The models of analysis also include a number of control variables that are thought to influence shareholder activism and its implementation. I also tried to include more different control variables as well as less control variables, however, controlling for these final combinations was found to be most relevant.

For the ‘Proposal’ dataset, I chose the following control variables because they are related to the CEO, I also took the firm size variable and two variables related to the board: *CEO_Age*, *CEO_Ownership*, *CEO_Compensation*, *InsiderOutsider*, *COB*, *FirmSize*, *board_size* and *board_independence*. Other company related control variables were not chosen due to the structure of the fixed effects panel regression which assigns different intercepts for each different company. As a panel regression creates one variable for each company and it may be highly correlated with firm describing variables.

In regards to the ‘Implementation’ dataset, I am most interested in CEO privileges and his/her power over the company, thus I chose control variables mostly connected to the CEO. The CEO specific variables are: *CEO_Ownership*, *CEO_Compensation*, *COB* and *Tenure*. Moreover also the three following controls were added: *FirmSize*, *board_size* and *board_independence*.

The control variable *CEO_Age*, is age of the CEO in years, taken from the ExecuComp database. A control variable of the CEO equity holdings’ value was included, the *CEO_Ownership*. It is measured through how many shares, in one fiscal year, were owned by the

CEO multiplied by end of this year's closing stock price. Values for this variable were also taken from the ExecuComp database.

A control for compensation of the CEO was included, *CEO_Compensation*. Its calculation was already mentioned above and it was obtained from the ExecuComp database. Another control variable was if the CEO was an Insider or an Outsider- taken from the company or from somewhere else, *InsiderOutsider*. This variable was taken from the BoardEx database.

I also controlled for the structural power of the CEO, through identifying if the CEO is also chairman of the board, *COB*. These values were taken from ExecuComp. Moreover, firm size has been shown as a strong driver of shareholder activism (Goranova & Ryan, 2014). Thus, controlling for firm size, *FirmSize*, was also incorporated. It is measured as the log of the total value of assets. The values were gathered from the Compustat database. Tenure of the CEO, *Tenure*, was also a control variable for this study. As already mentioned, tenure was manually generated from the ExecuComp database.

Further on, I controlled for two governance characteristics, the size of the board, *board_size*, and for independence of the board, *board_independence*. Both of the controls were taken from the BoardEx database. Board size is the total number of board members. And board independence is calculated through the ratio of how many board members are independent; number of independent board members over the total number of board members. An independent board member is a member who is linked to the company just through the sitting fees and does not possess any other relationship to the firm or other related individuals.

4.4 Model and Statistical Analysis

The analysis of this thesis is divided into two parts of activism: (1) generalist CEOs being targeted by shareholder activism (using the 'Proposal' dataset) and (2) generalist CEOs' decision

on implementing shareholder proposals which passed the vote of the shareholders (using the 'Implementation' dataset).

In this study, to test the first hypothesis, I used panel data, for the 'Proposal' dataset, this can also be referred to as longitudinal data; conduct of entities is examined over time. Through the 'xtset' command in Stata, data was declared to be panel, based on ticker, panel variable, and year, time variable.

Due to the fact that I worked with data across time, thus the fixed effects model was used further on, so that the effect of variables that differ overtime could be analyzed. More specifically, fixed effects linear regression was used, through the 'xtreg' command in Stata. Through 'xtreg', regression models are fitted to panel data. The 'fe' choice marks the model to be a fixed effects one. I ran one of these kinds of regressions which included the dependent variable, independent variable and the control variables. For comparison, I also did a random effects linear regression, with the 're' option to the 'xtreg' command.

On the other hand, a logistic regression, 'logit' was used for the 'Implementation' dataset. Then, I included the three interaction effects in this model, I multiplied each interaction variable with *GeneralAbility*; in order to create interaction effects, the independent variable has to be multiplied by the interaction variables.

For example, the first interaction effect is tenure of the CEO, thus, *Tenure* was multiplied by *GeneralAbility*. This same way I created the other two interaction terms. Through this, I was able to observe the effect of my chosen three interactions. Each interaction term was separately incorporated in a logistic regression; logit2 to logit4.

5. Results

This sub chapter examines and interprets the results of the statistical data analysis. To be able to conclude if shareholders propose more proposals to a company in a given year the more generalist a CEO is. Moreover, I also want to find conclusions for the second studied section; if more generalist CEOs implement more shareholder proposals, and whether the interaction effects have an influence on it. Furthermore, the influence of the identified control variables is also to be observed.

5.1 The Regression Results

Please see Appendix 3: The Regressions, for all of the outputs of the below analyzed regressions (xtreg1, xtreg2, logit1, logit2, logit3, and logit4).

5.2 Description of the Results

Taking into account the outcomes of the regressions for both parts of my research which constitute the key results, several conclusions could be made, which will be further explained below. The descriptions were divided into the two studied parts of this thesis; the proposal part and the implementation part.

5.2.1 Proposal Part

There are 1777 observations in my final ‘Proposal’ dataset in the time interval of the years 2006 to 2015. Each row in this dataset represents one year of a CEO in one company. The hypothesis which was used for this part was the first hypothesis, and it state that: *The more generalist a CEO is, the more proposals shareholders will propose.*

On this dataset I performed a fixed effects linear regression which does not provide evidence that would support the first hypothesis (p-value= 0.932). Thus, the first hypothesis was found to be statistically not significant.

The fixed effects linear regression was chosen because I expected different conditions at each different company. In the fixed effects there is clearer interpretation of the specific coefficients as compared to the random effects model. In the fixed effects model, I expected that the firm culture and cooperation on board-shareholder-CEO level is not changing over time, at least in the observation window- throughout the 9 years.

For comparison, I would like to mention the results from the random effects model (see Appendix 4: Results Table – The Random Effects Model (Proposal Part)). The significance of the ‘General Ability Index’ is also non-significant in the random effects model (p-value= 0.987).

In the fixed effects model, variables which seem to be related with the dependent variable are the age of the CEO (p-value< 0.001), CEO's compensation (p-value= 0.020), if the CEO is an insider or an outsider (p-value= 0.032), and firm size (p-value= 0.045).

In the random effects model, variables which seem to be related with the dependent variable are also the age of the CEO (p-value= 0.009), if the CEO is an insider or an outsider (p-value= 0.002), and firm size (p-value<0.001). Moreover, contrary to the fixed effects model, in the random effects model, if CEO is also chairman of the board is found to be related with the number of proposed proposals (p-value<0.001), and the independence of the board (p-value=0.041).

Now observing the signs of the coefficients, in both models, the older the CEO is, the less proposals shareholders will propose. A possible explanation for this could be that, in general, older CEOs are more inflexible and rigid.

In the fixed effects model, the more compensation a CEO gets, the less proposals shareholders will propose. Possibly, the greater expert the CEO is, the higher compensation he/she gets, thus shareholders trust him and will not propose that much new proposals as they will not have to do the job for him.

In both the fixed effects and random effects model, if the CEO is an insider, he/she will receive less proposals. The shareholders trust that the CEO knows his/her field and what he/she is doing, consequently they will not want to intervene that much to his/her job.

The firm size variable was also significant in both. Higher firm size in fixed effects decreases the number of proposals. Whereas, in the random effects model, higher firm size increases the number of proposals. The difference of the firm size effect in the two models is most probably due to the presence of the high number group intercepts; adding up to 334. These group intercepts capture high amount of information about the firm size. This is why the signs of the coefficients between the two models can be different.

In the random effects model, the independence of the board negatively influences the number of proposals. The more independent the board is, the fewer proposals will be proposed by the shareholders. Because it would not be worth it, when the board is more independent, then the board can accept the proposals for example, but anyways the CEO might not implement it as he/she will be standing on his/her own independently having his/her own different ideas. The more independent they are, the more difficult it is to push through something. This is different as in the fixed effects model, where the independence of the board is not found to be significant.

Moreover, in the random effects model, if the CEO is also chairman of the board is found to be significant. If the CEO is also chairman of the board it increases the number of shareholder proposals. The explanation for this might be that if he/she is also chairman of the board, then he/she has greater influence over the company, meaning from both sides- the CEO and the board level, and decisions as a whole. Thus, the shareholders might think that if they get it passed with

the board then the CEO will also have a similar view and they would have a greater chance with him.

The proportion of the explained variance is very small, $R\text{-sq} = 0.0802$. This might mean that some of the important variables might have been omitted. Maybe, the fulfillment of the firm's business plan could have been used as a control variable, because when the company's targets were not met in the past, the shareholders would be more inclined to intervene in the business plan.

$\text{Prob} > F$ tests if common predictive ability of all the variables is negligent. The value of the F statistic on 333 and 1434 degrees of freedom is < 0.0001 . This tells us that the used control variables in our model are correlated with the dependent variable, *prop_new*. This test helps us observe if all coefficients are not zero. In this case, I can reject the Null Hypothesis, stating that coefficients for the variables are 0, which suggests that the variables do correlate with *prop_new*, and that at minimum one coefficient is not equal to zero. Moreover, it can be concluded that this model is appropriate.

5.2.2 Implementation Part

In the 'Implementation' dataset there are 130 observations, in the time interval of 2007 to 2014. On this dataset I performed the logistic regression with generalized covariance matrix of residuals. The within group autocorrelation of residuals is admitted. It was chosen because, of the relatively small number of observations. Whereas other types of regressions, like the logistic regression with fixed effects, would need to estimate too many variables.

The first regression, *logit1*, tests the second hypothesis of this thesis: *Generalist CEOs are more likely to implement shareholder proposals*. The second hypothesis is not supported by the data as the $p\text{-value} = 0.526$. It was not significant; there was no evident correlation between implementation status and GAI.

In the set of analyzed control variables, there are no variables which seem to be related with the dependent variable. Furthermore, it cannot be excluded that all coefficients are zero because they are not significant.

The second regression, logit2, tests the third hypothesis which states that: *The relationship between generalist CEOs and shareholder implementation is negatively moderated by the generalist CEO's tenure.*

At first, the first interaction had to be generated. This interaction was developed between the first interaction term, *Tenure*, and the independent variable, *GeneralAbility*. Thus, $\text{Interaction1} = \text{GeneralAbility} * \text{Tenure}$. For Interaction1, the coefficient value is -0.2171919, moreover, Interaction1 has no significant influence on the relationship between the generalist CEOs and implementation status of shareholder proposals (p-value= 0.191).

The fourth hypothesis is tested in the third regression, logit3. This hypothesis states that: *The relationship between generalist CEOs and shareholder implementation is positively moderated by the generalist CEO's managerial discretion.*

The second interaction was created between the second interaction term, managerial discretion (analyzed through whether the CEO was also chairman of the board), and *GeneralAbility*. Therefore, $\text{Interaction2} = \text{GeneralAbility} * \text{COB}$. The coefficient value for Interaction2 is 0.7609312, however, Interaction2 also does not have a significant influence on the dependent variable, the implementation status of shareholder proposals (p-value= 0.103).

The last regression, logit4, tests the fifth hypothesis, which states that: *The relationship between generalist CEOs and shareholder implementation is negatively moderated by the generalist CEO's compensation.* This hypothesis is also found to be not statistically significant.

The third interaction was generated between the third interaction term, compensation of the CEO, and *GeneralAbility*; $\text{Interaction3} = \text{GeneralAbility} * \text{CEO_Compensation}$. The coefficient

value for Interaction3 is 0.0000199, but, Interaction3 does not have a significant effect on the relationship between the generalist CEOs and implementation status of shareholder proposals (p-value= 0.698).

Due to the small number of observations, the dependence of implementation status on CEO's ownership, compensation of the CEO and if the CEO is also chairman of the board cannot be excluded. These variables seem to be well-chosen control variables for the model.

The signs of the coefficients are not changing when including the interaction terms. Ownership has a negative relation; when someone owns a company, he/she does not allow the shareholders to intervene in his/her plans or actions.

Compensation has a positive relation; the more he/she is compensated, the more shareholder proposals he/she implements. He/she wants to hold his/her CEO position, through shareholders voting for him, thus he/she would want to please them.

If the CEO is also chairman of the board has a negative relation; when the CEO has more power/managerial discretion he/she can oppose and not implement the proposals.

5.3 Descriptive and Results Tables

This section will portray the descriptive and results tables for the two studied sections of this thesis. The descriptive tables consist of descriptive statistics and correlations.

5.3.1 Proposal Part

Table 1 portrays the mean, standard deviation, minimum value and maximum value for each variable, as well as the Pearson's correlation coefficients between the studied pairs of variables. The number of observations is 1777 in this case for each variable. The correlations between all of the variables are close to zero, thus I do not have to worry about risk of multicollinearity.

Table 1: Descriptive Table (Proposal Part)

VARIABLES	Mean	Std. Dev.	Min	Max	1	2	3	4	5	6	7	8	9	10
1. prop_new	1.18764	2.198079	0	28	1									
2. GeneralAbility	-0.4439017	1.066911	-2.068311	3.917769	0.0007	1								
3. CEO_Age	55.11017	5.482891	37	74	0.0723	0.1057	1							
4. CEO_Ownership	0.3845856	1.515031	0	29.1	-0.0269	-0.0468	0.0721	1						
5. CEO_Compensation	10633.52	7992.712	0.001	156077.9	0.1702	0.0985	0.0417	-0.1029	1					
6. InsiderOutsider	0.6949438	0.4605606	0	1	-0.087	-0.1443	-0.0276	0.0637	-0.1056	1				
7. COB	0.5859551	0.4926947	0	1	0.1762	0.0584	0.2135	0.0118	0.0714	0.0998	1			
8. FirmSize	9.938389	1.439701	6.360456	14.63305	0.3707	-0.0041	0.1927	-0.1355	0.2866	-0.0406	0.23	1		
9. board_size	13.46958	4.884633	5	56	0.0155	0.1035	-0.0069	-0.0409	0.0424	-0.1074	0.0119	0.0589	1	
10. board_independence	0.8907541	0.0413599	0.6	1	0.0203	0.1013	0.0126	-0.2691	0.0421	-0.0159	0.0796	0.2837	0.1514	1

Table 2 shows the results of the fixed effects model. It portrays the regression and the relationship between number of new proposed proposals from shareholders, the dependent variable, and the independent variable, interaction effects and control variables that are used in the model.

The values on top corresponding to each variable represent the estimated coefficient, whereas, the value below in parentheses represent the standard error. As already mentioned, and as we can see in table 2, only four control variables, age of the CEO, compensation of the CEO, if the CEO is an insider or an outsider, and size of the firm are significant. The number of observations is 1777 and there are 334 investigated firms.

Table 2: Results Table – The Fixed Effects Model (Proposal Part)

VARIABLES	(1) xtreg1 prop_new
GeneralAbility	0.00839 (0.0986)
CEO_Age	-0.0483*** (0.0137)
CEO_Ownership	0.0333 (0.0464)
CEO_Compensation	-1.73e-05** (7.44e-06)
InsiderOutsider	-0.446** (0.208)
COB	0.202 (0.258)
FirmSize	-0.315** (0.157)
board_size	-0.00817 (0.0177)
board_independence	-0.571 (1.964)
Constant	7.965*** (2.239)
Observations	1,777
Number of ticker_number	334
R-squared	0.026

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

5.3.2 Implementation Part

Table 3 reports the mean, standard deviation, minimum value and maximum value for each variable, as well as the Pearson's correlation coefficients between the studied pairs of variables. The number of observations is 130 in this case for each variable. Also in this part, the correlations between all of the variables are close to zero, thus I do not have to worry about risk of multi-collinearity.

Table 3: Descriptive Table (Implementation Part)

VARIABLES	Mean	Std. Dev.	Min	Max	1	2	3	4	5	6	7	8	9	10	11	12
1. Implementation_Status	0.4	0.4917931	0	1	1											
2. GeneralAbility	-0.454364	0.9554685	-2.06831	2.613376	0.0302	1										
3. CEO_Ownership	0.5536385	2.008914	0	20.123	-0.1548	-0.1073	1									
4. CEO_Compensation	9250.721	5732.046	33.273	35890.67	0.1624	0.0219	-0.1238	1								
5. COB	0.6076923	0.4901535	0	1	-0.1479	0.0453	0.0861	0.0709	1							
6. FirmSize	9.925312	1.308646	7.203388	14.44352	0.059	0.0865	-0.194	0.2571	0.2541	1						
7. board_size	12.92586	6.238786	6	56	-0.0827	0.0526	-0.1154	0.0931	0.1134	0.1245	1					
8. board_independence	0.8873886	0.0376157	0.75	0.944444	0.0774	-0.0528	-0.2731	0.002	0.1188	0.1455	0.0489	1				
9. Tenure	2.368421	1.783921	-3	8	-0.0516	0.0348	-0.0852	0.2415	0.0093	0.0329	0.1536	0.0142	1			
10. Interaction1	-1.017237	2.575821	-10.3416	8.380517	0.0001	0.7504	0.0007	-0.1211	-0.0027	0.0438	-0.059	-0.0622	-0.3066	1		
11. Interaction2	-0.255077	0.6973921	-2.06831	2.535749	0.1329	0.653	-0.1727	0.017	-0.295	-0.0331	0.042	-0.1289	-0.0141	0.5119	1	
12. Interaction3	-4084.294	10039.38	-58229.6	24026.58	-0.0174	0.8212	0.004	-0.3673	0.0388	0.0336	-0.0348	-0.0401	-0.0851	0.7469	0.4878	1

Table 4 depicts the results of the 4 logistic regressions. It shows the relationship between status of the implementation, the dependent variable, and the independent variable, interaction effects and control variables that are used in the model. The number of observations is 130. None of the interaction terms were found to be significant as already mentioned in the description of the results section.

Table 4: Results Table (Implementation Part)

VARIABLES	(1) logit1 Implementation_Status	(2) logit2 Implementation_Status	(3) logit3 Implementation_Status	(4) logit4 Implementation_Status
GeneralAbility	0.140 (0.220)	0.597 (0.410)	-0.191 (0.285)	-0.0324 (0.507)
GeneralAbility*Tenure		-0.217 (0.166)		
CEO_Ownership	-1.508* (0.900)	-1.746 (1.063)	-1.580* (0.856)	-1.424 (0.927)
CEO_Compensation	8.97e-05** (4.25e-05)	8.47e-05** (4.31e-05)	9.21e-05** (4.21e-05)	0.000102** (5.08e-05)
COB	-0.977** (0.448)	-1.048** (0.463)	-0.722 (0.483)	-0.976** (0.449)
FirmSize	0.0380 (0.192)	0.0359 (0.202)	0.0424 (0.194)	0.0310 (0.188)
board_size	-0.119 (0.115)	-0.132 (0.0991)	-0.138 (0.0991)	-0.116 (0.115)
board_independence	2.381 (6.165)	2.493 (6.373)	3.857 (6.788)	2.553 (6.106)
Tenure	-0.152 (0.134)	-0.257 (0.166)	-0.151 (0.132)	-0.151 (0.133)
2008.year	-1.786 (1.307)	-1.789 (1.297)	-1.800 (1.302)	-1.791 (1.310)
2009.year	-1.835* (0.953)	-1.846* (0.949)	-1.833* (0.955)	-1.846* (0.957)
2011.year	-2.818** (1.148)	-2.688** (1.151)	-2.987*** (1.117)	-2.877** (1.186)
2012.year	-2.251** (1.062)	-2.293** (1.057)	-2.416** (1.041)	-2.284** (1.077)
2013.year	-1.615 (1.089)	-1.645 (1.042)	-1.602 (1.080)	-1.632 (1.097)
2014.year	-0.770 (1.040)	-0.643 (1.026)	-0.764 (1.020)	-0.770 (1.044)
GeneralAbility*COB			0.761 (0.466)	
GeneralAbility*CEO_Compensation				1.99e-05 (5.11e-05)
Constant	0.926 (5.560)	1.348 (5.571)	-0.284 (6.032)	0.690 (5.465)
Observations	130	130	130	130

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

6. Conclusion and Discussion

This section will give a summary of the findings, discuss its implications and contributions, mention the limitations of this research design, and at last, give suggestions for further research connected to this area of study.

6.1 Summary

Based on the evidence from past literature and existing research on shareholder activism, mainly concerning the firm-level antecedents of shareholder activism, this study builds upon this research and hypothesized notions and examines CEO specific characteristics that could affect shareholder activism and its rate of implementation.

The research gap of this area of study may be filled through analyzing the CEO effects in terms of shareholder proposals and their implementation. Specifically, I concentrated on the individual trait of a CEO of being generalist. Through helping to close this gap, shareholder activists can better evaluate which firms they should target in order to reach success.

In general, contrary to my expectations, my hypotheses cannot be statistically proved, suggesting that even though individual level drivers of shareholder activism are important, the CEO characteristic of being generalist is not one of the antecedents based on the results from my selected sample. As the result, it can be concluded that a relation between generalist CEOs and shareholders proposing more proposals does not exist.

I also find that there is no relation between the CEO being generalist and him/her implementing more shareholder proposals. Furthermore, the chosen interaction effects (CEO's tenure, compensation of the CEO, and if the CEO was also chairman of the board) do not have a significant influence over the relationship between the generalist CEOs and implementation status of shareholder proposals. The interaction terms are not statistically significant. However, all of my

results may be generalized only on the U.S. firms from the S&P 500 index which had the data available for my studied variables.

6.2 Implications and Contributions

The results fit into the literature on shareholder activism, implementation of shareholder proposals and generalist CEOs and several contribution based on this research can be made. This thesis contributes to research regarding shareholder activism, more precisely, literature on proposals of shareholders. The focus is shifted to the individual level of the target selection procedure of shareholder activists as opposed to what has been mainly researched so far, the firm level antecedents.

Furthermore, there is growing literature on the important characteristics of CEOs, and how they significantly affect diverse functions, aspects, strategic decisions of corporations and consequently their performance. Much of this literature has focused on CEO's psychological characteristics such as narcissism, charisma and personality. Specifically, I point out that the general human capital of CEOs might also be an important factor when studying shareholder activism.

This thesis also contributes to strategic research on human capital which before highlighted more beneficial traits of firm specific human capital in competitive advantages of companies. However, more recent studies, but only a few of them, emphasized that general human capital has positive effects on performance of corporations; this is what this thesis builds on. Thus, it helps us better understand how the two diverse forms of human capital influence the performance and strategies of companies.

I also contribute to the research concentrating just on generalist CEOs. More precisely, I extend the existing literature in this area of study, which already did highlight that generalist

CEOs create more patents, do more acquisitions in companies, drive innovation, and are able to manage risk better, through explicating the effect of the CEOs' previous diversity in their careers in regards to level of shareholder activism as well as implementation of their proposals.

Even though that my predictions could not be statistically proven with my models and sample, as also pointed out by other research, drivers of shareholder activism on the individual level are important aspects that should be further studied.

In regards to implications, this study has practical implications mainly for shareholders. As shareholder activists are increasingly becoming more active, they should evaluate companies as well as CEO specific characteristics before proposing a proposal so that they can evaluate if their demands will be considered and applied. Past research has identified several firm level antecedents of shareholder activism, however it has been theorized that CEO specific characteristics are also important in overseeing whether proposals have a chance of being implemented.

6.3 Limitations

There are a few limitations of the research design that was used. First of all, the results can only be applicable for large American companies of the S&P 500 index for years 2006 to 2015 for the 'Proposal' section of this thesis and for years 2007 to 2014 for the 'Implementation' section, which is a relatively short time period. Our results are restricted to this case.

Specific limitations for the 'Proposal' section include that the proportion of explained variance is relatively low, suggesting that important variables may have been omitted.

On the other hand, specific limitations for the 'Implementation' section include that I had a relatively small sample, as there was problem of availability of necessary data. In future

research it may be useful to obtain a larger sample of data if possible. Perhaps, other interaction effects could have been used.

Moreover, more relevant variables could have been considered which may be for example the financial health of the company, because, for instance, if the company would be in a crisis then the CEO would not risk implementing the proposals of shareholders.

6.4 Further Research

Furthermore, this study opens diverse avenues for possible research in the future. Research shows that studying firm effects as well as management or CEO effects in terms of shareholder activism are important factors. Regarding suggestions for further research, even though the generalist trait of CEOs was not found to significantly influence the implementation of shareholder proposals, future research can concentrate on studying other individual level characteristics that could impact the relation of them with implementation status of shareholder proposals.

For example, research in the future can concentrate on further studying other CEO personality traits like their age, gender, nationality, or education that could fill in the research gap that there exists now.

Further research might also consider studying other interaction effects which could influence the relationship between the generalist CEOs and implementation status of shareholder proposals.

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8. Appendix

8.1 Appendix 1: Abstract (in English)

Recent studies show that investors are increasingly influencing companies through shareholder activism. This thesis explores how the generalist trait of a CEO shapes how much shareholders target these companies with proposals and how it affects the implementation status of these proposals. The main argument is that since more generalist CEOs worked in diverse industries and companies, thus they are more open to different environments and change as well as different opinions; they would be willing to accept and implement more shareholder proposal. Knowing this, shareholders would want to target these CEOs more. Using a sample from the S&P 500 between the years 2006 and 2015, I find that there is no relation between the CEOs with a more varied former work experience and them implementing shareholder proposals or shareholders targeting these CEOs more often. Overall, this thesis mainly contributes to research on shareholder activism, implementation of shareholder proposals and generalist CEOs.

8.2 Appendix 2: Abstract (in German)

Kürzlich publizierte wissenschaftliche Studien zeigen, dass Investoren/-innen durch ihren Shareholder-Aktivismus immer öfter Einfluss auf Gesellschaften ausüben. Die vorliegende Masterarbeit untersucht, wie Aktionäre/-innen in das Geschehen einer Gesellschaft eingreifen, wenn sie wissen, dass der/die CEO Generalist/in ist, und wie dieses Wissen die Implementation von Empfehlungen und Vorschlägen dieser Aktionäre/-innen beeinflusst. Die Arbeit setzt sich hauptsächlich damit auseinander, ob ein/e CEO, der/die als Generalist/in in verschiedenen Branchen und Firmen tätig war, unterschiedlichen Umgebungen und Änderungen sowie Meinungen offener gegenübersteht und eher geneigt ist, Vorschläge von Aktionären/-innen zu akzeptieren und umzusetzen. Wenn Aktionäre/-innen dies wissen, steigern sie möglicherweise ihre Eingriffe. Unter Verwendung einer Auswahl von Firmen von S&P 500 aus den Jahren 2006 bis 2015 konnte ich belegen, dass keinerlei Zusammenhang zwischen den CEOs, die Generalisten/-innen sind, und deren Implementierung von Vorschlägen von Aktionären/-innen oder größeren Eingriffen der Aktionäre/-innen in den Gang der Gesellschaft besteht. Die vorliegende Arbeit trägt vor allem zur Forschung über den Aktivismus und die Implementation von Vorschlägen von Aktionären/-innen und die Untersuchung von CEOs als Generalisten/-innen bei.

8.3 Appendix 3: The Regressions

xtreg1 – fixed effects linear regression including dependent variable (*prop_new*), independent variable (*GeneralAbility*), and control variables

Command:

```
xtreg prop_new GeneralAbility CEO_Age CEO_Ownership CEO_Compensation InsiderOutsider
COB FirmSize board_size board_independence , fe
```

Result:

```
Fixed-effects (within) regression              Number of obs   =      1777
Group variable: ticker_num~r                 Number of groups  =       334

R-sq:  within = 0.0259                      Obs per group:  min =        1
        between = 0.1790                      avg   =       5.3
        overall = 0.0802                      max   =      10

corr(u_i, Xb) = -0.6223                     F(9,1434)        =       4.24
                                                Prob > F         =    0.0000
```

prop_new	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
GeneralAbility	.0083866	.0985976	0.09	0.932	-.1850244	.2017976
CEO_Age	-.0482971	.0137072	-3.52	0.000	-.0751855	-.0214087
CEO_Ownership	.0333049	.0464154	0.72	0.473	-.0577444	.1243542
CEO_Compensation	-.0000173	7.44e-06	-2.33	0.020	-.0000319	-2.75e-06
InsiderOutsider	-.4459406	.207707	-2.15	0.032	-.8533828	-.0384984
COB	.2024043	.2580845	0.78	0.433	-.3038593	.7086678
FirmSize	-.3152945	.1574906	-2.00	0.045	-.6242311	-.0063578
board_size	-.0081725	.0177009	-0.46	0.644	-.0428949	.02655
board_independence	-.5711125	1.963797	-0.29	0.771	-4.423336	3.281111
_cons	7.964786	2.238832	3.56	0.000	3.57305	12.35652
sigma_u	1.7609113					
sigma_e	1.5453946					
rho	.56490774	(fraction of variance due to u_i)				
F test that all u_i=0:				F(333, 1434) =	4.57	Prob > F = 0.0000

xtreg2 – random effects linear regression including dependent variable (*prop_new*), independent variable (*GeneralAbility*), and control variables

Command:

```
xtreg prop_new GeneralAbility CEO_Age CEO_Ownership CEO_Compensation InsiderOutsider
COB FirmSize board_size board_independence , re
```

Result:

```
Random-effects GLS regression              Number of obs   =      1777
Group variable: ticker_num~r              Number of groups  =      334

R-sq:  within = 0.0008                    Obs per group: min =        1
       between = 0.2325                      avg       =        5.3
       overall  = 0.1559                      max       =       10

                                           Wald chi2(9)      =    132.63
corr(u_i, X)  = 0 (assumed)                Prob > chi2       =    0.0000
```

prop_new	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
GeneralAbility	.000923	.0561164	0.02	0.987	-.1090631	.1109091
CEO_Age	-.025981	.0099603	-2.61	0.009	-.0455028	-.0064591
CEO_Ownership	.0081309	.0382363	0.21	0.832	-.0668108	.0830726
CEO_Compensation	-4.18e-06	6.39e-06	-0.65	0.513	-.0000167	8.34e-06
InsiderOutsider	-.397638	.1259655	-3.16	0.002	-.6445257	-.1507502
COB	.4819122	.1269049	3.80	0.000	.2331832	.7306412
FirmSize	.4648779	.0493625	9.42	0.000	.3681292	.5616266
board_size	-.0026394	.0119808	-0.22	0.826	-.0261213	.0208425
board_independence	-2.937562	1.435989	-2.05	0.041	-5.752049	-.1230753
_cons	.6105913	1.348555	0.45	0.651	-2.032528	3.25371
sigma_u	.86517107					
sigma_e	1.5453946					
rho	.23862829	(fraction of variance due to u_i)				

logit1 – logistic regression including dependent variable (*Implementation_Status*), independent variable (*GeneralAbility*), and control variables

Command:

```
logit Implementation_Status GeneralAbility CEO_Ownership CEO_Compensation COB FirmSize
board_size board_independence Tenure i.year, vce(cluster ticker)
```

Result:

```
Iteration 0: log pseudolikelihood = -87.491517
Iteration 1: log pseudolikelihood = -74.235846
Iteration 2: log pseudolikelihood = -71.39439
Iteration 3: log pseudolikelihood = -70.139073
Iteration 4: log pseudolikelihood = -70.103948
Iteration 5: log pseudolikelihood = -70.103857
Iteration 6: log pseudolikelihood = -70.103857
```

Logistic regression

Number of obs = 130

Wald chi2(14) = 28.00

Prob > chi2 = 0.0142

Pseudo R2 = 0.1987

Log pseudolikelihood = -70.103857

(Std. Err. adjusted for 97 clusters in ticker)

Implementation_Status	Coef.	Robust Std. Err.	z	P> z	[95% Conf. Interval]	
GeneralAbility	.1397521	.2204375	0.63	0.526	-.2922976	.5718017
CEO_Ownership	-1.507615	.9001995	-1.67	0.094	-3.271974	.2567433
CEO_Compensation	.0000897	.0000425	2.11	0.035	6.45e-06	.0001729
COB	-.9771783	.4480081	-2.18	0.029	-1.855258	-.0990985
FirmSize	.0379515	.1920645	0.20	0.843	-.338488	.414391
board_size	-.1194295	.1154751	-1.03	0.301	-.3457566	.1068975
board_independence	2.381378	6.165465	0.39	0.699	-9.702711	14.46547
Tenure	-.151881	.1344479	-1.13	0.259	-.415394	.111632
year						
2008	-1.785619	1.307349	-1.37	0.172	-4.347976	.7767385
2009	-1.835258	.9527132	-1.93	0.054	-3.702542	.0320254
2011	-2.817596	1.147584	-2.46	0.014	-5.066819	-.568372
2012	-2.25064	1.061543	-2.12	0.034	-4.331227	-.1700539
2013	-1.614952	1.088529	-1.48	0.138	-3.748428	.5185251
2014	-.769859	1.040456	-0.74	0.459	-2.809114	1.269396
_cons	.9258174	5.560435	0.17	0.868	-9.972435	11.82407

logit2 – logistic regression including dependent variable (*Implementation_Status*), independent variable (*GeneralAbility*), *Interaction1* for the moderator *Tenure*, and control variables

The effects of the first interaction term, *Tenure*, on status of the implementation of shareholder proposals.

Command:

`logit Implementation_Status GeneralAbility Interaction1 CEO_Ownership CEO_Compensation COB FirmSize board_size board_independence Tenure i.year, vce(cluster ticker)`

Result:

```
Iteration 0:  log pseudolikelihood = -87.491517
Iteration 1:  log pseudolikelihood = -74.05984
Iteration 2:  log pseudolikelihood = -70.839802
Iteration 3:  log pseudolikelihood = -69.187778
Iteration 4:  log pseudolikelihood = -69.131684
Iteration 5:  log pseudolikelihood = -69.131481
Iteration 6:  log pseudolikelihood = -69.131481
```

```
Logistic regression               Number of obs   =       130
                                Wald chi2(15)      =       29.62
                                Prob > chi2       =       0.0134
Log pseudolikelihood = -69.131481 Pseudo R2       =       0.2098
```

(Std. Err. adjusted for 97 clusters in ticker)

Implementation_Status	Coef.	Robust Std. Err.	z	P> z	[95% Conf. Interval]	
GeneralAbility	.5968984	.4104889	1.45	0.146	-.2076452	1.401442
Interaction1	-.2171919	.1660799	-1.31	0.191	-.5427026	.1083188
CEO_Ownership	-1.746318	1.063404	-1.64	0.101	-3.830552	.3379154
CEO_Compensation	.0000847	.0000431	1.97	0.049	3.19e-07	.0001692
COB	-1.047859	.4632513	-2.26	0.024	-1.955815	-.1399034
FirmSize	.0359284	.2019587	0.18	0.859	-.3599034	.4317602
board_size	-.1320342	.0990988	-1.33	0.183	-.3262642	.0621959
board_independence	2.493131	6.372612	0.39	0.696	-9.996959	14.98322
Tenure	-.2568627	.1661343	-1.55	0.122	-.5824799	.0687546
year						
2008	-1.788748	1.296905	-1.38	0.168	-4.330636	.7531402
2009	-1.846101	.9487976	-1.95	0.052	-3.70571	.0135084
2011	-2.687869	1.150754	-2.34	0.020	-4.943307	-.4324319
2012	-2.293396	1.056898	-2.17	0.030	-4.364877	-.2219148
2013	-1.644813	1.041943	-1.58	0.114	-3.686983	.3973571
2014	-.6431403	1.02598	-0.63	0.531	-2.654024	1.367743
_cons	1.347784	5.571213	0.24	0.809	-9.571593	12.26716

logit3 – logistic regression including dependent variable (*Implementation_Status*), independent variable (*GeneralAbility*), *Interaction2* for the moderator *COB*, and control variables

The effects of the second interaction term, *COB*, on status of the implementation of shareholder proposals.

Command:

`logit Implementation_Status GeneralAbility Interaction2 CEO_Ownership CEO_Compensation COB FirmSize board_size board_independence Tenure i.year, vce(cluster ticker)`

Result:

```
Iteration 0:  log pseudolikelihood = -87.491517
Iteration 1:  log pseudolikelihood = -73.378899
Iteration 2:  log pseudolikelihood = -70.161977
Iteration 3:  log pseudolikelihood = -68.69785
Iteration 4:  log pseudolikelihood = -68.657832
Iteration 5:  log pseudolikelihood = -68.657764
Iteration 6:  log pseudolikelihood = -68.657764
```

```
Logistic regression              Number of obs   =          130
                                Wald chi2(15)       =          31.16
                                Prob > chi2        =          0.0084
Log pseudolikelihood = -68.657764 Pseudo R2       =          0.2153
```

(Std. Err. adjusted for 97 clusters in ticker)

Implementation_Status	Coef.	Robust Std. Err.	z	P> z	[95% Conf. Interval]	
GeneralAbility	-.1910696	.2848402	-0.67	0.502	-.7493462	.367207
Interaction2	.7609312	.4663521	1.63	0.103	-.153102	1.674964
CEO_Ownership	-1.580435	.8560779	-1.85	0.065	-3.258317	.0974467
CEO_Compensation	.0000921	.0000421	2.19	0.029	9.66e-06	.0001746
COB	-.7221125	.4831485	-1.49	0.135	-1.669066	.2248413
FirmSize	.0423853	.194277	0.22	0.827	-.3383907	.4231612
board_size	-.1376876	.0991222	-1.39	0.165	-.3319635	.0565884
board_independence	3.856695	6.78751	0.57	0.570	-9.44658	17.15997
Tenure	-.1513657	.1318579	-1.15	0.251	-.4098024	.1070711
year						
2008	-1.799734	1.30237	-1.38	0.167	-4.352333	.7528642
2009	-1.8326	.9545485	-1.92	0.055	-3.703481	.0382807
2011	-2.986778	1.117415	-2.67	0.008	-5.176871	-.7966847
2012	-2.416107	1.041201	-2.32	0.020	-4.456824	-.3753902
2013	-1.602266	1.079991	-1.48	0.138	-3.719009	.5144769
2014	-.7643692	1.019539	-0.75	0.453	-2.762629	1.233891
_cons	-.2837917	6.03196	-0.05	0.962	-12.10622	11.53863

logit4 – logistic regression including dependent variable (*Implementation_Status*), independent variable (*GeneralAbility*), *Interaction3* for the moderator *CEO_Compensation*, and control variables

The effects of the third interaction term, *CEO_Compensation*, on status of the implementation of shareholder proposals.

Command:

`logit Implementation_Status GeneralAbility Interaction3 CEO_Ownership CEO_Compensation COB FirmSize board_size board_independence Tenure i.year, vce(cluster ticker)`

Result:

```
Iteration 0:  log pseudolikelihood = -87.491517
Iteration 1:  log pseudolikelihood = -73.511416
Iteration 2:  log pseudolikelihood = -71.129623
Iteration 3:  log pseudolikelihood = -70.081643
Iteration 4:  log pseudolikelihood = -70.039766
Iteration 5:  log pseudolikelihood = -70.039611
Iteration 6:  log pseudolikelihood = -70.039611
```

```
Logistic regression                                Number of obs   =          130
                                                    Wald chi2(15)   =          28.98
                                                    Prob > chi2     =          0.0162
Log pseudolikelihood = -70.039611                Pseudo R2      =          0.1995
```

(Std. Err. adjusted for 97 clusters in ticker)

Implementation_Status	Coef.	Robust Std. Err.	z	P> z	[95% Conf. Interval]	
GeneralAbility	-.0323713	.5069204	-0.06	0.949	-1.025917	.9611743
Interaction3	.0000199	.0000511	0.39	0.698	-.0000803	.00012
CEO_Ownership	-1.424344	.9268437	-1.54	0.124	-3.240924	.3922364
CEO_Compensation	.0001022	.0000508	2.01	0.044	2.58e-06	.0002019
COB	-.9756523	.4486709	-2.17	0.030	-1.855031	-.0962734
FirmSize	.0310339	.1882464	0.16	0.869	-.3379222	.39999
board_size	-.1163198	.1150299	-1.01	0.312	-.3417743	.1091347
board_independence	2.552937	6.105773	0.42	0.676	-9.414159	14.52003
Tenure	-.1513975	.1325	-1.14	0.253	-.4110928	.1082978
year						
2008	-1.790891	1.310091	-1.37	0.172	-4.358623	.7768406
2009	-1.846242	.9568636	-1.93	0.054	-3.72166	.0291763
2011	-2.876661	1.186348	-2.42	0.015	-5.20186	-.5514614
2012	-2.28367	1.076933	-2.12	0.034	-4.39442	-.1729198
2013	-1.631685	1.097078	-1.49	0.137	-3.781918	.518549
2014	-.7699545	1.043977	-0.74	0.461	-2.816112	1.276203
_cons	.6902146	5.465471	0.13	0.900	-10.02191	11.40234

8.4 Appendix 4: Results Table – The Random Effects Model (Proposal Part)

VARIABLES	(1) xtreg2 prop_new
GeneralAbility	0.000923 (0.0561)
CEO_Age	-0.0260*** (0.00996)
CEO_Ownership	0.00813 (0.0382)
CEO_Compensation	-4.18e-06 (6.39e-06)
InsiderOutsider	-0.398*** (0.126)
COB	0.482*** (0.127)
FirmSize	0.465*** (0.0494)
board_size	-0.00264 (0.0120)
board_independence	-2.938** (1.436)
Constant	0.611 (1.349)
Observations	1,777
Number of ticker_number	334

Standard errors in parentheses
 *** p<0.01, ** p<0.05, * p<0.1