All Shareholder Votes Are Not Created Equal*

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Keywords: Shareholder Voting, Director Elections, Passive Investing, Shareholder Democracy
JEL Classification: G23, G34, G38, G40

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Abstract

Do firm managers listen more to some shareholders than others? We show that directors facing the same level of dissent are twice as likely to leave the board when the dissent originates from active fund shareholders rather than passive ones. This phenomenon is driven by the stronger disciplinary threat posed by active funds rather than by their informational advantage. Despite the large holdings of the "Big Three" passive asset managers, we find that their votes carry no more weight than those of an average active fund. Our findings highlight that shareholder democracy depends not only on vote outcomes, but also on who casts the votes.

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1. Introduction

The hallmark of democracy is that a poor man's vote carries the same weight as a rich man's vote. Should this principle extend to shareholder democracy – that all shareholder votes are treated equally, regardless of which investor casts them? Shareholders' votes, similar to how citizens elect politicians, shape corporate policies directly through vote tallies. In addition, shareholder votes serve as signals of investor preferences, indirectly shaping corporate policies even when they do not achieve a majority (Levit & Malenko, 2011; Aggarwal, Dahiya, & Prabhala, 2019). Because shareholder votes are not anonymous, management may respond differently depending on who casts the vote, even though all votes count equally in determining the outcome. Understanding the signaling value of shareholder votes and how managers respond to votes by different shareholders is important for analyzing and regulating voting rights and corporate governance.

In this paper, we study the relation between different shareholders' votes and their implications for firm management. We specifically focus on director elections, as they are among the most significant mechanisms by which shareholders influence corporate governance (Cai, Garner, & Walkling, 2009; Fos, Li, & Tsoutsoura, 2018). Unlike most other proposals, the long-term outcomes of director elections – whether a director continues to serve on the board after the election – can be systematically measured, providing a natural laboratory for studying the effects of shareholder votes. Nonetheless, we believe our findings are likely applicable to broader settings, including, for example, environmental, social, and governance (ESG) issues.

Our main finding is that the identity of the investor casting the vote is important for di-

rector retention. A dissenting vote by passive funds in a director's election is associated with a 1.0 percentage point reduction in the probability of the director remaining on the board three years later. In contrast, a dissenting vote coming from an active fund is associated with a decrease of 2.5 percentage points in the retention probability – more than double the rate of its passive counterpart. This discrepancy is robust to a variety of fixed effects: (i) firm fixed effects, which account for firm-specific factors; (ii) year fixed effects, which control for trends affecting all firms; (iii) firm-by-year fixed effects, which absorb all characteristics of the firm at each point in time.

To understand this finding, we first examine whether the observed difference in the sensitivity of director retention to dissenting votes merely reflects different levels of shareholding. Active funds, for example, hold larger positions – either on average or specifically when they cast dissenting votes – and firms may react more strongly to these larger stakes. To test this hypothesis, we first split the sample based on the funds' holding sizes. In every subsample, the baseline pattern persists: board retention is more sensitive to dissenting votes from active shareholders. This pattern also emerges in the subsample of blockholders, where both active and passive shareholders hold substantial positions. Finally, our finding holds in regressions that directly control for investors' holding size, blockholder status, and assets under management. From these findings, we conclude that while firms do take shareholder holding sizes into account, the identity of the dissenting voter also plays a role that is of similar importance to the size of their holdings.

Since the finding cannot be attributed to differences in holding size, what other factors could explain it? We explore two potential mechanisms, which we term the threat channel and the information channel.

- **Threat channel.** Passive funds, constrained by their index-tracking mandates, cannot readily sell shares of firms with which they are dissatisfied. They are also less likely to support activist slates during a future proxy contest (Kakhbod, Loginova, Malenko, & Malenko, 2023; Brav, Jiang, Li, & Pinnington, 2024). As a result, their dissenting votes pose a weaker threat to the management.

- **Information channel.** Passive funds may possess less firm-specific information (Bebchuk & Hirst, 2019; Heath, Macciocchi, Michaely, & Ringgenberg, 2022), and conduct less governance research (Iliev, Kalodimos, & Lowry, 2021). Aware of the lack of information from passive funds' votes, management might choose to be less responsive to them.

We find evidence supporting the threat channel, but not the information channel. First, active shareholders are more likely than passive shareholders to divest from a company after casting a dissenting vote; and among active shareholders, a higher propensity to divest corresponds to greater sensitivity of director turnover to dissenting votes. These findings are consistent with the hypothesis that the discrepancy between passive and active shareholders reflects the greater threat posed by active investors. Furthermore, under the threat channel, the discrepancy in director retention should be smaller for firms with entrenched management, as they are less susceptible to shareholder threats, reducing the potency of dissenting votes from active funds and bringing it closer to that of passive funds. Consistent with this prediction, we find that director retention in entrenched firms shows lower sensitivity to the votes of both active and passive funds – and, importantly, the discrepancy between them disappears.

In contrast, if the results were primarily driven by the information advantage of active funds, we would expect the discrepancy to narrow in more transparent firms or among more informed investors, as the information advantage of active funds would diminish. However, using several measures of firm transparency and shareholder information, we find that the discrepancy remains similar across different levels of transparency and information. Thus, our evidence does not support the information channel.

We run a variety of tests to rule out alternative explanations for our findings. Beyond the differences in holding size, fund size, or blockholder status between passive and active shareholders, which we ruled out, another concern is that active funds may be more likely to engage with companies they vote against. Thus, engagement – rather than the votes per se – could drive greater board reaction. Using the dataset of Heath, Macciocchi, and Ringgenberg (2025), which documents all engagements for eleven large fund families, we find that our main result persists after controlling for both contemporaneous and future engagement. To address any unobserved election-level characteristics not fully captured by firm-by-year fixed effects, we also instrument funds' current votes with their overall management-friendly voting rate from the prior year. Matvos and Ostrovsky (2010) argue that funds' management-friendliness is persistent (satisfying the inclusion restriction) and plausibly exogenous to current election characteristics (satisfying the exclusion restriction). Our finding remains robust using the instrumental variables approach.

In recent years, both regulators and academics have expressed concerns over large index funds wielding outsize power (Coates IV, 2018). Using our framework, we investigate just how powerful the "Big Three" asset managers – Vanguard, BlackRock, and State Street – truly are. Our findings reveal that, despite their larger size, dissenting votes from Big Three

funds carry no greater weight than those of other funds. This outcome is primarily due to the predominantly passive nature of their funds. While the active funds managed by the Big Three carry more weight than other active funds, votes from their passive funds carry no more weight than those from an average active fund. Consequently, concerns about the Big Three exercising excessive power may be overstated, as firms respond less to votes from passive funds, even when those funds belong to a Big Three family.

This paper makes several contributions to the existing literature. Most importantly, our findings challenge standard models of shareholder voting, which generally assume that, in a single-class share structure, each share carries equal voting power. If voting were a one-period game without the possibility of exit, or if shareholder votes were anonymous, the final vote tally would be all that mattered. In practice, however, voting occurs repeatedly, management can identify who voted in which way, and only certain investors can sell their shares and exit.

Our results emphasize that the advisory role of shareholder votes (Levit & Malenko, 2011) is no less significant than final voting outcomes: investors participate in corporate elections not merely to influence outcomes but also to express their opinions so that management can address them later on. In fact, pivotality may not be the primary factor in determining shareholders' voting decisions. This distinction relates to the debate in political science literature between "expressive voting" and "instrumental voting." In that debate, a widely accepted assumption is that people derive an "expressive" or consumption benefit from voting (Fiorina, 1976). An alternative theoretical perspective suggests that people vote for "instrumental" reasons, meaning they believe their vote has a probability of being pivotal. While instrumental voting faces logical challenges when applied to political elections

(Downs, 1957; Riker & Ordeshook, 1968), its relevance to shareholder voting remains an open empirical question, especially since many investors hold significant blocks of shares. Within the shareholder voting literature, some theoretical papers assume instrumental voting (Malenko, Malenko, & Spatt, 2024), while others assume expressive voting (Câmara, Matsusaka, & Shu, 2024). Some empirical papers, such as Aggarwal, Dahiya, and Yilmaz (2023) and Aggarwal, Briscoe-Tran, Erel, and Starks (2024), also speak to the expressive role in voting and find that shareholders vote (and submit proposals) to express dissatisfaction about a firm.

Finally, our papers relate to studies examining shareholder democracy. Matsusaka and Ozbas (2017) and Broccardo, Hart, and Zingales (2022) theoretically demonstrate that empowering shareholders through voting rights can strengthen shareholder democracy. Over the years, the Securities and Exchange Commission (SEC) has introduced several rules to improve the effectiveness of shareholder voting. One particularly relevant rule to our results is the requirement, introduced in 2003, for mutual funds to disclose their votes, effectively enabling firms to respond to these votes. More recently, there have been rulemaking efforts to allow beneficial owners of mutual funds to vote directly through a process known as pass-through voting. While some studies suggest that pass-through voting has a positive effect (Herrmann, McInnis, Monsen, & Starks, 2024), others indicate that its effect might be more nuanced (Malenko & Malenko, 2023). It remains an open question whether this would meaningfully alter firm behavior or whether management would discount retail investors' votes.

2. Data

Our sample includes all votes on uncontested director elections at routine annual meetings of U.S. public firms from 2007 to 2020. ISS Voting Analytics provides mutual fund voting data, details on the final voting outcomes of these elections, and ISS's own recommendations. Glass Lewis recommendations are obtained through a Public Records Law request directed to a large public pension fund (Shu, 2024). We exclude contested elections, using the dataset kindly provided by Brav et al. (2024), as well as any director elections where the director received less than 70% of the final vote. These exclusions, which remove approximately 1.7% of votes from our sample, ensure that no single fund has a meaningful probability of being pivotal. These filters allow us to focus on how management responds to the signaling value of votes; nevertheless, our findings remain robust without these filters (Internet Appendix A1). Our key measure of fund voting is whether a fund voted against a particular director's reelection. We define a dissenting vote as the fund voting "Against," "Abstain," or "Withhold," and a supporting vote as the fund voting "For."

The director information is sourced from Capital IQ's Execucomp dataset. Our primary measure of directors' career outcomes is an indicator variable equal to 1 if the director remains on the firm's board three years after the election. If the firm exits the sample within three years of the election, we exclude that election from the analysis. We match the director dataset with the voting dataset using an algorithm designed to parse names from each election's item description.

Firm characteristics are obtained from the CRSP/Compustat database, while corporate governance qualities are sourced from ISS's Governance dataset. We calculate an entrench-

ment index (E-index), ranging from 0 to 6, where higher values indicate greater entrenchment. The index encompasses information on staggered boards, limits on shareholder bylaw amendments, poison pills, golden parachutes, supermajority requirements for mergers, and supermajority requirements for charter amendments (Bebchuk, Cohen, & Ferrell, 2008). Mutual fund data, including ownership information, is sourced from the CRSP Mutual Fund Database. Both firm and fund characteristics are measured as of the calendar year preceding the year in which the votes were recorded.

For measures regarding informed voting, we examine whether funds viewed firms' proxy statements prior to voting (Iliev et al., 2021) or were located in one of the top 10 Metropolitan Statistical Areas with the highest concentration of funds (Iliev & Lowry, 2014). The first measure is derived from the SEC's Edgar log file. This dataset includes each visitor's partially anonymized IP address, the date and time of the view, and the accession number of the viewed file. We follow the procedure of Matsusaka and Shu (2021): (i) deanonymizing IP addresses using the cipher provided by Chen, Cohen, Gurun, Lou, and Malloy (2020), (ii) mapping the full IP addresses to organization names using linking datasets from MaxMind and the American Registry for Internet Numbers (ARIN), and (iii) matching the CIK-period of report with an annual meeting's CUSIP-meeting date. If there is no record of a fund family in the Edgar log file for a given year, we omit it from the analysis for that year. Finally, to measure firms' information environments, we use the divergence of analysts' earnings forecasts (Diether, Malloy, & Scherbina, 2002). Monthly analysts' forecasts are obtained from I/B/E/S. We calculate monthly divergence as (highest - lowest)/median among the forecasts, and then take the annual average as the measure.

Insert **Table 1** About Here

Table 1 presents summary statistics for our sample. Director departures from boards are relatively common, with 18% of directors leaving within three years of their election. However, dissenting votes by mutual funds are rare, comprising only about 3% of their total votes. This can also be reflected in final vote outcomes, where the average director in the sample receives 96% of the votes in support. In our sample, 46% of votes are cast by passive funds, while 0.2% are from blockholders who own more than 5% of a company's shares. On average, each fund holds 0.17% of shares.

3. Main Results

In this section, we examine the relation between shareholder votes in director elections and the director's future career within the firm. Prior research has shown that dissenting votes can negatively impact a director's career, even when the director secures a supermajority of support or faces no contest in the election (Ertimur, Ferri, & Oesch, 2018; Aggarwal et al., 2019). Our key finding is that the magnitude of this relation depends on the identity of the investors casting the dissenting votes.

We categorize votes based on whether they are cast by active or passive funds. Existing literature suggests that passive funds are less inclined to monitor their portfolio firms (Heath et al., 2022), acquire less information when voting (Iliev et al., 2021), and are more likely to follow proxy advisor recommendations (Iliev & Lowry, 2014; Shu, 2024). Figure 1 illustrates the relation between the probability that a director remains on a board within three years of a vote and the fraction of support he received by active (Panel A) and passive (Panel B)

funds.

Insert **Figure 1** About Here

The figure displays the binned scatter plot illustrating the relation, along with a best-fit line. For votes cast by active funds, there is a strong positive correlation between the probability of a director remaining on the board and the level of support they receive. Specifically, a ten-percentage-point increase in support from active funds increases the probability of remaining on board by approximately 1.1 percentage points. In contrast, a ten-percentage-point increase in support from passive funds raises the probability by only 0.1 percentage points – just one-tenth of the magnitude observed for active funds.

To quantify the magnitude and statistical significance of this discrepancy, we estimate the following equation:

$$\begin{aligned}\text{Director Retention}_{i,j,t} = \beta_{\text{active}} \cdot \text{No}_{i,j,f,t} \cdot \text{Active}_f + \beta_{\text{passive}} \cdot \text{No}_{i,j,f,t} \cdot \text{Passive}_f \\ + \gamma X_{i,j,f,t} + \text{Fixed Effects} + \epsilon_{i,j,f,t} \ . \quad (1)\end{aligned}$$

Each observation represents a fund vote in an election. The dependent variable is an indicator variable that equals 1 if director j remains on the board of firm i three years after their election in year t.[1] For explanatory variables, $\text{No}_{i,j,f,t}$ is a vote-level indicator that equals 1 if fund f votes "Against", "Abstain", or "Withhold", Active_f (or Passive_f) is a fund-level indicator variable that equals 1 if fund f is an active (or passive) fund, $X_{i,j,f,t}$ is a vector of control variables and standalone terms from the interactions. We also include a

[1] We choose vote-level, rather than election-level, regressions as our main analyses because they allow us to control directly for fund characteristics such as holding sizes or blockholder status. Our results remain robust to election-level specifications (Internet Appendix A3) and to alternative retention horizons of one to five years (Internet Appendix A4).

variety of fixed effects. The coefficients β_{active} and β_{passive} capture the relationship between a director's retention and dissent from active and passive shareholders, respectively. The difference, $\beta_{\text{passive}} - \beta_{\text{active}}$, captures the discrepancy in these relationships and is the main focus of this regression analysis. The standard errors are double-clustered at the firm and director levels.[2]

Table 2 reports the regression results. Column 1 presents the OLS estimate without fixed effects. An active fund dissenting in a director's election is associated with a 3.0 percentage point reduction in the likelihood that the director will serve another three years. In contrast, a dissent by a passive fund corresponds to only a 1.6 percentage point decrease. This difference is statistically significant, as indicated at the bottom of the table.

Insert **Table 2** About Here

There are several confounding factors that could drive our results beyond differential corporate responses to active versus passive votes. For example, funds may self-select into companies based on characteristics correlated with managerial responsiveness, and a director's inherent quality could affect both their career outcomes and the differing voting patterns of active and passive funds.

To mitigate these concerns, column 2 includes firm and year fixed effects to control for firm-specific conditions and overall time trends. We also control for proxy advisor recommendations to account for director quality. In column 3, we impose more stringent firm-by-year fixed effects to eliminate any portfolio selection confounding effects. This specification,

[2]Since the explanatory variables (at the vote level) are more granular than the dependent variable (at the election level), it is essential to cluster the standard errors at least at the election level. In our main model, we adopt a more stringent test by clustering at both the firm and director levels to further account for potential correlations in error terms within specific firms or among specific directors.

however, also absorbs much of the variation in funds' dissenting votes – such as poor firm performance – that we want to explore. For subsequent analyses, we report results using the specification in column 2 (firm and year fixed effects), though the results remain qualitatively similar when using firm-by-year fixed effects. Both specifications yield estimates similar to those in column 1, albeit with slightly smaller estimates, suggesting that while firm characteristics and director quality may matter, they do not fully explain the observed discrepancies in director retention. To the extent that proxy advisor recommendations do not capture all unobserved director quality, we also exploit an instrumental variable that is arguably exogenous to director quality (to be discussed in Section 5.2).

We conduct a series of robustness tests on the main results in Table 2. First, we repeat the analysis with a sample that does not exclude elections with 70% support. In close elections, the tally function of the votes becomes more important, as opposed to in non-pivotal elections (the sample used in Table 2), where the advisory role of the votes dominates. As a result, we expect the difference to narrow when we include close elections, in which passive and active funds' vote *count* toward the tally in the same way. Table A1 shows that the difference indeed shrinks but remains robust with the sample that includes elections with less than 70% support. Second, we repeat the analysis with a subsample of fund families with both active and passive funds. We expect the difference to narrow because passive funds in this sample can leverage the threat and information that their sister active funds have. Table A2 shows that the differences narrow but remain economically and statistically significant. Third, we conduct an election-level analysis to avoid over-weighting elections with many funds casting votes. We define active (passive) dissent at the election level as the fraction of active (passive) shareholders' votes that were cast against the director. Table A3 shows that

the difference remains – active dissent predicts director departure more strongly than passive dissent. Fourth, we examine the robustness of the horizon at which we measure director departure. Table A4 shows that the results are robust when director retention is measured 1 through 5 years after the election. Lastly, in Table A5, we control for a comprehensive list of fund-level characteristics and their interactions with funds' voting behavior. The difference in the responsiveness between active and passive funds' votes remains economically and statistically significant.

Another potential confounding factor is the difference in holding sizes between active and passive funds. Active funds often maintain more concentrated, substantial positions (Kacperczyk, Sialm, & Zheng, 2005), and firms may be more responsive to their largest shareholders regardless of whether they are active or passive. In this case, it is the size of the holdings – rather than investor type – that may be the determining factor.

To explore this possibility, we first examine whether the holding sizes of passive and active funds differ. The mean, median, and 95$^{\text{th}}$ percentile holdings for passive funds are 0.17%, 0.18%, and 1.08% of the firm's outstanding shares, respectively. By comparison, the corresponding figures for active funds are 0.16%, 0.14%, and 0.91%. These statistics indicate that passive funds hold slightly larger positions on average.

Insert **Table 3** About Here

To rule out holding size as an alternative explanation, we replicate the analysis of Equation 1 across subsamples defined by fund holding size. Columns 1-3 of Table 2 show that the difference in sensitivity of director retention to dissenting votes persists for low-, medium-, and high-size holdings. Additionally, in columns 4 and 5, we find that the discrepancy is

considerably higher for blockholders – particularly those holding more than 5% – consistent with Edmans (2009), who find that blockholders can discipline managers through exit. These results suggest that active funds' larger holdings alone cannot explain the observed discrepancy.

In Column 6 of Table 2, we add controls for holding size, portfolio weight, and fund size; none of these variables alters our finding that director retention is more sensitive to active shareholders' dissenting votes. The column also reveals a non-monotonic relationship between holdings and the sensitivity of director retention to fund votes. A one-standard-deviation increase in holdings is associated with a reduction in the sensitivity by 0.8 percentage points (0.53×1.6). However, a two-standard-deviation increase — enough to qualify the fund as a blockholder — is associated with a 1.7 percentage point increase in the sensitivity ($2.53 - 0.53 \times 1.6$). We remain agnostic about the reasons for this non-monotonic pattern. A possible explanation is that levels of fund holdings correlate with other fund characteristics. We note that the initial decline in sensitivity with larger holdings is not economically significant: the 90th percentile of fund holdings is only 0.4%. In other words, companies appear to listen primarily to very large shareholders such as blockholders.

4. Mechanism

In this section, we discuss two plausible mechanisms for the observed difference in the sensitivity of director retention to shareholder votes between active and passive shareholders. The first – the threat channel – arises because passive funds' index-tracking mandates prevent them from credibly threatening to exit when they disagree with management. The second

– the information channel – posits that passive funds are less informed than active funds. These two explanations are not mutually exclusive. We find evidence supporting the threat channel and a lack of support for the information channel.

4.1. The Threat Channel

Passive funds must hold a representative sample of an index and cannot divest from individual companies. In contrast, active fund managers can sell shares when they disagree with management, which may drive down the stock price – an outcome undesirable for the board. As a result, boards may pay more attention to the dissenting votes from active shareholders compared to those from passive ones. However, when management is entrenched and directors' tenure is secure, dissenting votes from active funds would carry no more weight than those of passive ones; in such firms, the discrepancy in director-retention to votes sensitivities is likely to diminish.

To test this hypothesis, we re-estimate Equation 1 separately for subsamples of firms classified by managerial entrenchment using the E-Index of Bebchuk et al. (2008). In columns 1-3 of Table 4, firms are categorized as low (E-Index 0-2), moderate (3-4), or high (5-6) entrenchment.

Insert **Table 4** About Here

We observe that the sensitivity to dissenting votes declines as entrenchment increases. More importantly, the discrepancy of the sensitivity between active and passive shareholders is largest in firms with low entrenchment, moderate in those with intermediate entrenchment, and disappears entirely in highly entrenched firms. In column 4, we interact the entrench-

ment index with our key explanatory variable. Again, the result shows that the discrepancy decreases as the E-index increases, ultimately disappearing for firms with an E-index above three. These findings provide suggestive evidence that the threat posed by active shareholders – which managerial entrenchment neutralizes – drives the heightened sensitivity of director retention to their dissenting votes.

To directly test whether active shareholders pose a greater threat to management than passive shareholders, we examine each fund's tendency to divest after casting dissenting votes, where divestment can be either a complete exit from a position or a partial reduction in position size.

$$\text{Exit}_{i,f,t} = \mathbb{1}(\text{Shares}_{i,f,t} > 0 \ \& \ \text{Shares}_{i,f,t+1} = 0)$$

$$\text{Sell}_{i,f,t} = \mathbb{1}(\text{Shares}_{i,f,t} > \text{Shares}_{i,f,t+1})$$

We calculate the average of these two measures for each fund, conditional on casting dissenting votes, and define them as the fund's intensity to exit or sell. Figure 2 shows the distribution of these measures for passive and active shareholders. Active shareholders are significantly more likely than passive shareholders to exit or reduce their positions following dissenting votes. The median frequency of complete exits after dissent is 22 percent for active funds compared to 6 percent for passive funds. The median frequency of position reductions after dissent is 67 percent for active funds compared to 44 percent for passive funds (potentially reflecting index rebalancing).

Insert **Figure 2** About Here

Moreover, we find that passive funds' decisions to exit are unrelated to their dissenting votes. By contrast, there is a positive relation between active funds' exit decisions and their

dissenting votes. Columns 1 and 2 of Table 5 show that an active shareholder's dissenting vote is associated with a two-percentage-point increase in the likelihood that the fund exits its position, statistically significant at the 1% level. No comparable association is present for passive funds.

Insert **Table 5** About Here

Now that we know active funds have a higher intensity to divest (sell or exit) following dissent, does it explain the discrepancy in sensitivity that we observe in Table 2? To answer this question, we re-estimate Equation 1 after classifying active shareholders into bottom, middle, and top terciles based on their propensity to exit following dissenting votes. Column 3 of Table 5 shows that the coefficient for active shareholders in the bottom tercile (-1.79) is significantly smaller than those for the other two terciles, with the difference significant at the 5% level. Column 4 interacts the intensity-to-exit measure with the dissenting votes, and we observe similar patterns. Using intensity to sell (rather than exits) produces qualitatively similar results.

These results highlight the effectiveness of divestment. Socially conscious funds and public pension systems have long pursued divestment campaigns to pressure firms to change policies – such as reducing carbon emissions – that they oppose. Critics argue that divestment is ineffective because other investors simply fill the gap left by the divesting shareholders (Berk & Van Binsbergen, 2025). Our evidence suggests that the threat of divestment in the form of dissenting votes (rather than divestment itself) might effectively pressure firms to change policies through director turnover, even if it does not change firms' cost of capital.

4.2. The Information Channel

Prior research has shown that passive funds conduct less research on corporate governance (Iliev et al., 2021; Heath et al., 2022), rendering their votes less valuable to management for their advisory role. Moreover, because these votes contain lower informational content, they may be less capable of accurately reflecting a fund's true preferences. Both factors may help explain the discrepancy observed in Table 2, where director retention is less sensitive to votes by passive shareholders.

Under this information hypothesis, we would expect the discrepancy to be smaller if the passive shareholders are actually informed, as it brings their information content closer to that of active shareholders. We construct two measures for the information content of each vote. The first measure, specifically related to voting, classifies votes based on whether the investor has viewed the company's proxy statement on the SEC's website prior to voting. Iliev et al. (2021) provide evidence that viewing firms' proxy statements is a reasonable measure for investor information and attention, even though investors may access other sources of information, such as Bloomberg terminal or proxy advisor recommendations. The second measure is at the fund level and considers the geographic location of the mutual fund: we define a fund as more informed if it is located in one of the top 10 Metropolitan Statistical Areas (MSAs) with the highest concentration of funds. These funds face lower costs of acquiring information and are more likely to be informed voters (Iliev & Lowry, 2014).

Insert **Table 6** About Here

In columns 1 and 2 of Table 6, the negative coefficient on "No × Active" echoes our previ-

ous findings: director retention is more strongly (i.e., negatively) associated with dissenting votes from active shareholders. More importantly, the coefficients on the interactions with the indicator variables "Edgar Visit" and "Top 10 MSA" are both statistically insignificant, failing to support the hypothesis that conducting governance research enables passive shareholders to catch up to active funds. Overall, these results indicate a lack of support for the information channel.

Finally, we also examine the differences in firms' information environments. Prior literature shows that firms with high divergence in analysts' forecasts are more complex (Diether et al., 2002). We postulate that in these firms, active investors' informational advantage is more pronounced, prompting greater board attention. If directors indeed assign more informational value to active shareholders' votes – as the information channel suggests – the discrepancy in director-retention sensitivity to dissenting votes between active and passive shareholders should widen in these complex firms. However, in column 3, we fail to find an association between this sensitivity gap and analysts' forecast divergence.[3]

5. Alternative Explanations

Previously, we ruled out the possibility that differences in shareholding, fund size, or blockholder status between active and passive shareholders explain the different sensitivity of director retention to dissenting votes. In this section, we discuss other alternative explana-

[3]As Levit and Malenko (2011) point out, there might also be an interaction effect between the information channel and the threat channel – managers may respond more to the information in shareholder votes if there is also a threat that, if they do not, there will be consequences. As a result, we repeat the analyses in Table 6 in a subsample of firms with low entrenchment and a subsample with funds with high sell intensity after dissent. In these subsamples with higher levels of threat, we still find a lack of support for the information channel.

tions.

5.1. Engagement

One possibility is that active and passive shareholders differ in their engagement activity, particularly after casting dissenting votes. If voting and engagement are complementary – engagement accompanies dissenting votes – then dissenting votes could serve merely as a proxy for engagement, and it may be active funds' engagement (rather than their votes) that prompts a stronger response. Conversely, if voting and engagement are substitutes, our baseline regression would underestimate the difference in firm responsiveness to these shareholders' votes.

Heath et al. (2025) shared their data on engagement by eleven large institutional investor families (including the Big Three passive fund families and seven mid-size and large active institutions). This dataset, collected from institutions' stewardship reports, covers all engagement activities by these families with U.S. publicly traded firms from 2019 to 2023. The engagement measure is defined at the family-firm level because stewardship is performed at the fund-family rather than the individual-fund level. We use an indicator variable equal to 1 if the fund's family engaged with the director's firm in the current or following year.

We find that voting and engagement are either independent or very weak substitutes. The correlation between a fund casting a dissenting vote for a director and its engagement activity at the same firm is small and negative: -0.06 for contemporaneous engagement and -0.05 for engagement in the following year. This small negative correlation holds for both passive and active funds: for passive funds, the correlation with voting no is -0.06 for

contemporaneous engagement and -0.06 for engagement the following year; for active funds, the correlation with voting no is -0.05 and -0.04, respectively.

The near-zero correlation suggests that dissenting votes are not closely related to funds' engagement activity. Additionally, we re-estimate Equation 1 while directly controlling for funds' engagement activity. Table 7 Column 1 shows the results of our baseline estimate for the sample of funds and firms covered by the engagement data. The results are similar to the full sample. In Column 2, we add controls for contemporaneous and following-year engagement, and in Column 3, we further interact these engagement measures with indicators for fund no-voting and for passive versus active fund status. The difference in the responsiveness of director retention to dissenting votes remains almost unchanged across all these specifications.

5.2. Instrumental Variable Approach

Using Equation 1, we showed that the sensitivity of director retention to dissenting votes is greater for active than for passive shareholders. Two variables may raise endogeneity concerns by correlating with other factors: (i) the fund's active-versus-passive identity and (ii) the occurrence of dissenting votes. For the first variable, we have demonstrated that our result is not driven by differences in fund size or by varying levels of engagement with companies. We also document in Internet Appendix A5 that the differential sensitivity persists after controlling for a host of other fund characteristics. To the extent that unobserved characteristics of active shareholders are the true determinants of companies' stronger responses to their votes, such factors would not contradict our main thesis that not all votes

are created equal and that voter identity matters beyond vote outcomes.

The second omitted variable bias stems from the reasons funds cast dissenting votes. Poor firm performance or low director quality, for example, can drive both dissenting votes and director turnover. While the firm-by-year fixed effect in column 3 of Table 2 controls for contemporaneous firm-level factors, it cannot account for why funds vote against specific directors. To mitigate this concern, we instrument each fund's current voting pattern with its historical voting behavior, following Matvos and Ostrovsky (2010). This approach relies on the persistence of "management-friendliness" in voting (inclusion restriction) and is arguably orthogonal to the outcome of the current director election (exclusion restriction). We construct the instrument as follows:

$$\text{Instrument}_{i,f,t} = \frac{\#\text{ of Dissenting Vote}_{f,-i,t-1}}{\#\text{ of Votes}_{f,-i,t-1}}, \tag{2}$$

This instrument measures the fraction of fund f's votes – excluding the focal firm i – that were cast against directors in the prior year. As in Matvos and Ostrovsky (2010), we omit the focal firm to avoid capturing fund-firm-specific dynamics that might violate the exclusion restriction; results are qualitatively similar without this leave-out.[4] We then repeat the analyses in Table 2, instrumenting dissenting votes with this measure.

Insert **Table 8** About Here

In Table 8's column 1, we see that the past "management-friendliness" in a fund's voting pattern strongly predicts its current voting behavior, consistent with Matvos and Ostrovsky (2010) and establishing the inclusion restriction. Column 2 reports the second-stage esti-

[4] In this case, the instrument equals (# of Dissenting Votes$_{f,t-1}$)/(# of Votes$_{f,t-1}$), and is not firm-specific.

mates: dissenting votes by active shareholders are associated with a 1.95 percentage-point increase in director departures, statistically significant at the 5% level. In contrast, dissenting votes by passive shareholders are associated with a decrease – rather than an increase – in director departures and the relationship is only significant at the 10% level. The difference between the effects of active and passive shareholders' dissenting votes is statistically significant at the 5% level.

6. "Big Three" Funds

Passive investing has gained significant popularity over the past two decades. Vanguard, BlackRock, and State Street – collectively known as the "Big Three" funds – have accumulated substantial assets and now collectively own about 20% of publicly traded U.S. firms (Morningstar, 2024). Their considerable ownership stakes have drawn increasing scrutiny from both regulators and academics. One major concern is the substantial influence they wield over corporate governance and decision-making. BlackRock CEO Larry Fink's annual letters to CEOs are widely circulated but have recently faced criticism. In response, Congress passed the INDEX Act, aimed at curbing the power of large index providers. Facing the scrutiny, asset managers have begun offering pass-through voting options for investors.

But just how influential are the "Big Three" funds? To answer this question, we examine the likelihood of a director departing the board when facing dissenting votes from these funds compared to dissenting votes from other shareholders.

Insert **Table 9** About Here

In the first column of Table 9, we observe that dissenting votes from Big Three funds are

more closely associated with director retention than those from other shareholders. However, this difference is not statistically significant at conventional levels; we cannot reject the null hypothesis that votes from funds of the Big Three families carry no greater weight in firm governance.

To better understand this finding, we repeat the analysis of Equation 1, estimating the coefficients separately for Big Three fund families and other institutions and their respective active and passive funds. Two key patterns emerge in columns 2 and 3 of Table 9. First, conditional on fund type (active vs. passive), dissenting votes from the Big Three are more strongly associated with director departures: for active funds, the coefficient is -4.18 for Big Three versus -2.48 for other funds; for passive funds, the coefficients are -2.77 for Big Three and -0.33 for other funds. Second, the coefficient on Big Three passive funds is similar in magnitude to that of a typical active fund, even though the active fund is not from the Big Three family. Column 4 reports joint estimates across all fund categories and confirms this pattern.

These results paint a nuanced picture of the Big Three funds' influence. Since most funds in the Big Three family are passive – 73 percent compared to only 14 percent for non-Big Three funds – it is not a priori clear that their votes would carry greater weight in light of our findings. Perhaps this explains why, in column 1 of Table 9, votes by Big Three funds do not exhibit a significantly stronger association with director retention. In this sense, assertions that the Big Three exercise excessive power may be overstated. Nevertheless, it remains a valid policy question whether it is optimal for the passive arm of the Big Three to wield the same influence as other active funds.

7. Conclusion

This paper investigates how shareholder votes in corporate elections shape corporate policies. We show that the link between director retention and shareholders' dissenting votes is twice as strong when dissenting votes come from active shareholders compared to passive ones. While previous empirical research primarily focuses on how shareholders vote, our findings highlight the importance of the identities of the shareholders casting the votes. Put differently, shareholder votes not only directly affect the voting tally, but also function as an indirect signal of investor preferences. Boards of directors pay attention to these signals and respond differently depending on the type of investor.

Our findings challenge the traditional model that all votes are treated equally in corporate elections. As such, they have implications for the broader literature on how shareholder influence is modeled and the motivations for shareholders to vote in the first place. There is an open question about the beliefs and incentives that drive shareholder voting: do they vote to influence outcomes, to express their opinions, or both?

Understanding these nuanced effects of shareholder voting is crucial for policymakers seeking to regulate and improve shareholder democracy. While the obvious policy is to enfranchise every investor's vote, recent legal scholars have argued against allowing passive funds to vote (Lund, 2017). Our results indicate that, even without new regulations, passive funds' votes are already relatively ignored by firm management. A more recent regulatory push involves allowing beneficial owners to vote in large index funds through pass-through voting, but it remains unclear whether this would meaningfully alter firm behavior or whether management would similarly discount these retail investors' votes.

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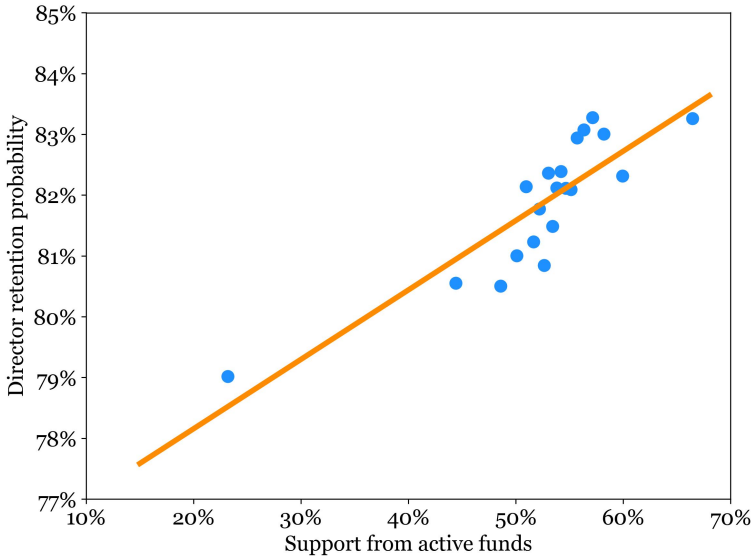
Figure 1. Scatter Plots of Director Retention & Shareholder Votes

The figure displays binned scatter plots illustrating the relationship between a director's probability of remaining on the board three years after an election and the fraction of supporting votes cast by active (Panel A) and passive (Panel B) shareholders. The sample of elections is divided into 20 equal-frequency bins based on vote support, and within each bin we compute the mean retention probability. The straight line in each panel depicts the fitted regression, estimated with firm fixed effects and controlling for the supporting vote of the other shareholder type.

(A) Active Funds



(B) Passive Funds

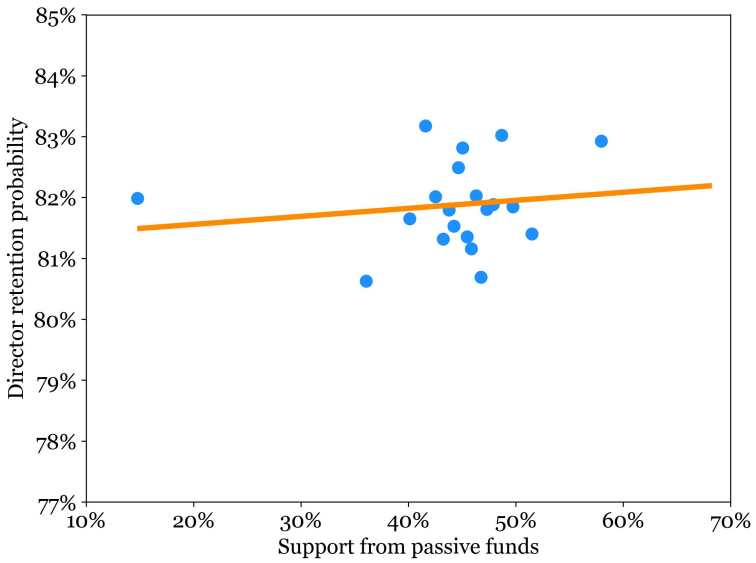
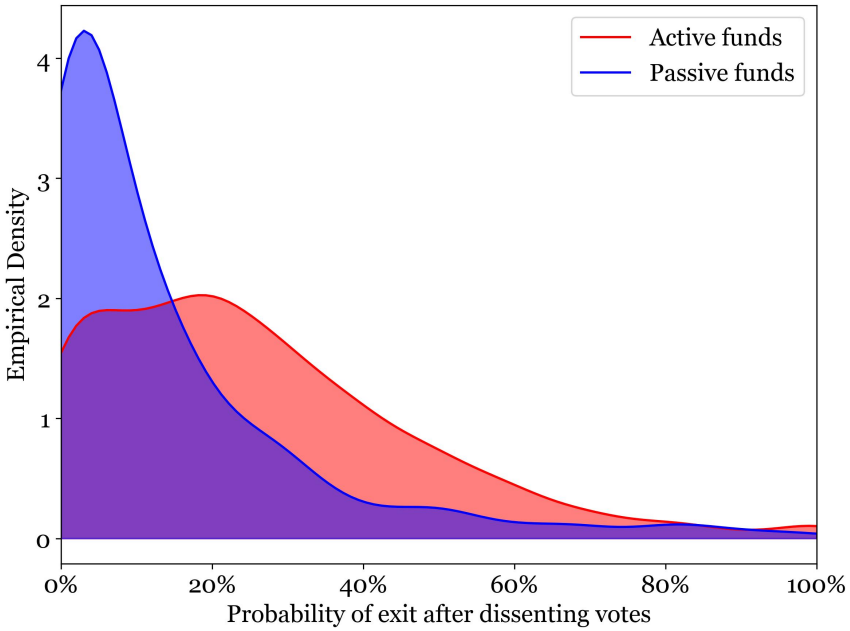


Figure 2. Probability of Divestment After Dissenting Votes

The figure displays empirical density distributions of the intensity to exit (Panel A) and the intensity to sell (Panel B) for active and passive funds. We define these intensities as the fraction of times each fund exits or reduces its positions when casting dissenting votes in director elections.

(A) Intensity of Exit



(B) Intensity of Sell

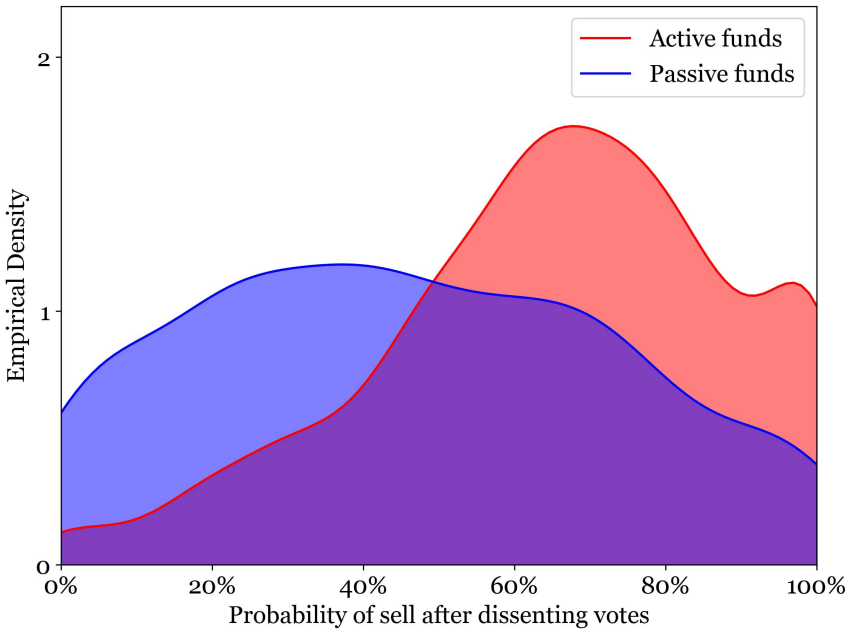


Table 1
Summary Statistics

The table provides summary statistics at the election level (Panel A) and vote level (Panel B). The sample comprises votes from director elections held during routine annual meetings of U.S. public firms from 2007 to 2020, excluding contested elections and those where directors received less than 70% of the final vote. "% Votes in Favor" indicates the fraction of votes supporting the director. "ISS/GL/Mgmt Recommended For" equals 1 if ISS, Glass Lewis, or management recommends voting for the director. "Director Retention" equals 1 if the director remains on the board after a specified period (indicated in parentheses). "Divergence in Analyst Forecasts" is the annual average of monthly forecast divergence, defined as (highest - lowest)/median. "E-Index" is the firm's entrenchment index. "% of Shares Held" is the fraction of outstanding shares held by the fund, multiplied by 100. "Vote No" indicates whether the fund votes against the election. "Blockholder" equals 1 if "% of Shares Held" exceeds 1 or 5. "Visit Edgar" indicates whether the fund accessed the company's proxy statement on the SEC's website. "Top 10 MSA" denotes whether the fund is located in one of the top 10 MSAs by fund concentration. "Belong to Big 3 Family" indicates whether the fund is managed by BlackRock, Vanguard, or State Street.

(A) Election Level Statistics

	Mean	Std	p10	p50	p90	N
% Votes in Favor	0.96	0.05	0.91	0.98	1.00	123,581
= 1 if ISS Recommended For	0.97	0.18	1.00	1.00	1.00	74,941
= 1 if GL Recommended For	0.93	0.26	1.00	1.00	1.00	74,976
= 1 if Mgmt Recommended For	1.00	0.00	1.00	1.00	1.00	123,581
= 1 if Director Retention (1-Year)	0.97	0.17	1.00	1.00	1.00	120,673
= 1 if Director Retention (2-Year)	0.90	0.30	0.00	1.00	1.00	117,707
= 1 if Director Retention (3-Year)	0.82	0.39	0.00	1.00	1.00	114,522
Log(Assets)	8.52	1.76	6.23	8.48	10.86	123,581
Return on Assets	0.13	0.11	0.02	0.12	0.26	115,699
Divergence in Analyst Forecasts	0.40	1.64	0.03	0.09	0.65	55,797
E-Index	2.10	1.09	1.00	2.00	4.00	92,523

(B) Vote Level Statistics

	Mean	Std	p10	p50	p90	N
% of Shares Held	0.17	0.53	0.00	0.02	0.42	13,149,510
Log(AUM)	6.83	2.27	3.77	6.88	9.70	13,149,510
= 1 if Voted No	0.03	0.18	0.00	0.00	0.00	13,149,510
= 1 if Passive Fund	0.46	0.50	0.00	0.00	1.00	13,149,510
= 1 if Blockholder (1% cutoff)	0.04	0.21	0.00	0.00	0.00	13,149,510
= 1 if Blockholder (5% cutoff)	0.002	0.04	0.00	0.00	0.00	13,149,510
= 1 if Visit Edgar	0.16	0.37	0.00	0.00	1.00	6,224,664
= 1 if Top 10 MSA	0.72	0.45	0.00	1.00	1.00	12,627,090
= 1 if Belong to Big 3 Family	0.27	0.44	0.00	0.00	1.00	13,149,510

Table 2
Relationship Between Director Retention & Shareholder Dissenting Votes

The table presents OLS regression estimates of the relationship between director retention three years after election and dissenting votes by active and passive shareholders. Each observation is a fund's vote in an election. The dependent variable equals 1 if the director remains on the firm's board three years after election. No is a vote-level indicator that equals 1 if the fund votes "Against," "Abstain," or "Withhold," and Active is a fund-level indicator that equals 1 if the fund is an active fund. All regressions include non-interaction terms (omitted from the table for brevity). Robust standard errors double-clustered by firm and director are reported in parentheses, where *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. The standard errors for $\hat{\beta}_{\text{active}} - \hat{\beta}_{\text{passive}}$ are calculated using the delta method.

	(1)	(2)	(3)
No × Active	-3.01***	-2.59***	-1.56***
	(0.59)	(0.32)	(0.22)
No × Passive	-1.64***	-1.02***	-0.45
	(0.48)	(0.37)	(0.30)
ISS Against		-3.71**	-3.60**
		(1.58)	(1.77)
GL Against		-3.21***	-3.32***
		(0.97)	(1.02)
Firm FE		Yes	
Year FE		Yes	
Firm × Year FE			Yes
Adj. R-squared	0.000	0.051	0.180
Observations	12,399,447	9,202,567	9,202,567
$\lvert\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}\rvert$	1.36***	1.57***	1.12***
	(0.42)	(0.40)	(0.29)

Table 3
Confounding Effects of Fund Holding Size, AUM, and Blockholder Status

Columns 1 to 3 present OLS estimates examining the relationship between a director's continued presence on a company's board and dissenting votes from active and passive shareholders, with the sample split based on investors' holdings. Columns 4 and 5 provide similar estimates, with votes only from blockholders, defined as investors holding more than 1% or 5% of the company's outstanding shares. Column 6 displays the result from a regression where the explanatory variables include whether a vote is a "no" and its interaction with various factors (e.g., whether the fund is active, whether it is a blockholder, the size of the fund's holdings, and the fund's AUM). In all columns, non-interaction terms and proxy advisor recommendations are included in the regressions but are omitted from the table for brevity. Robust standard errors double-clustered by firm and director are reported in parentheses, where *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	Split sample by "% Shares Held"			Blockholders		Interaction
	Low	Mid	High	$> 1\%$	$> 5\%$	
	(1)	(2)	(3)	(4)	(5)	(6)
No × Active	-3.78***	-2.53***	-1.35***	-2.44***	-7.47**	-1.47***
	(0.34)	(0.41)	(0.41)	(0.85)	(3.41)	(0.36)
No × Passive	-1.03***	-0.95**	-1.32**	-0.96	1.43	
	(0.33)	(0.42)	(0.61)	(1.57)	(9.63)	
No						-1.42***
						(0.52)
No × Blockholder (1%)						-2.50**
						(1.05)
No × Blockholder (5%)						-10.57**
						(4.49)
No × % Shares Held						1.65**
						(0.67)
No × % Portfolio Weight						-0.17
						(0.26)
No × Log(AUM)						0.12
						(0.18)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R-squared	0.051	0.051	0.051	0.064	0.072	0.051
Observations	3,069,962	3,067,736	3,064,869	329,603	11,481	9,202,567

Table 4
Firm Entrenchment and Sensitivity of Director Retention to Votes

Column 1 presents OLS estimates that examine the relation between a director's retention and dissenting votes from active and passive shareholders by different levels of entrenchment of the firm management. In column 2, the regression omits the "No × Passive" term, estimates the difference between the two groups directly (with the "No × Active" term), and interacts this difference with E-Index. In all columns, non-interaction terms and proxy advisor recommendations are included in the regressions but are omitted from the table for brevity. Robust standard errors double-clustered by firm and director are reported in parentheses, where *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)
No × Active	-3.18***	-1.83***	-0.76	-3.21***
	(0.52)	(0.49)	(0.48)	(1.14)
No × Passive	-1.83***	-0.86	-0.91	
	(0.65)	(0.56)	(0.89)	
No				-1.19***
				(0.39)
No × Active × E-Index				0.99**
				(0.50)
Sample	E-Index $\in \{0,1,2\}$	E-Index $\in \{3,4\}$	E-Index $\in \{5,6\}$	All
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Adjusted R-squared	0.053	0.074	0.124	0.051
Observations	3,954,670	3,862,359	504,158	8,321,187

Table 5
Fund Divestment After Dissenting Votes

The first two columns present OLS estimates examining the relationship between dissenting votes cast by passive (column 1) or active (column 2) funds and whether these funds exit their positions in the company in the subsequent year. Column 3 estimates the relationship between director retention and dissenting votes by passive and active shareholders, with the latter categorized into the bottom, middle, or top third based on their intensity to exit positions after dissenting votes. Column 4 estimates the relationship between director retention and dissenting votes, including an interaction term with shareholders' intensity to exit after dissenting. The intensity to exit is defined as the fraction of times a fund exits its position in a firm in the year following a dissenting vote. In all columns, non-interaction terms and proxy advisor recommendations are included in the regressions but are omitted from the table for brevity. Robust standard errors double-clustered by firm and director are reported in parentheses, where *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	Exit		Director Retention	
	(1)	(2)	(3)	(4)
No	0.00	0.02***		-1.48***
	(0.00)	(0.00)		(0.31)
No × Passive			-1.03***	
			(0.37)	
No × Active with low exit			-1.79***	
			(0.35)	
No × Active with middle exit			-2.93***	
			(0.35)	
No × Active with high exit			-2.87***	
			(0.49)	
No × Intensity to exit				-2.63**
				(1.25)
Sample	Passive funds	Active funds	All	All
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Adjusted R-squared	0.039	0.030	0.052	0.052
Observations	5,473,916	5,924,223	8,669,573	8,669,573

Table 6
Information Environment and Sensitivity of Director Retention to Votes

This table presents OLS estimates that examine the relationship between a director's continued presence on a company's board and dissenting votes from active and passive shareholders, with three interaction terms. In column 1, the interaction term is an indicator variable equal to 1 if the fund family has accessed the meeting's proxy statements on the SEC website. Fund-years without any access are omitted from the regression. In column 2, the interaction term is an indicator variable representing whether the fund family is located in one of the top 10 MSAs with the highest concentration of funds. In column 3, the interaction term is the dispersion of analyst forecasts for the firm in the year, defined as (highest - lowest) / median. In all columns, non-interaction terms and proxy advisor recommendations are included in the regressions but are omitted from the table for brevity. Robust standard errors double-clustered by firm and director are reported in parentheses, where *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)
No	-0.54	-0.19	-1.53***
	(0.47)	(0.38)	(0.46)
No × Active	-1.39**	-1.78***	-1.38***
	(0.69)	(0.51)	(0.53)
No × Active × Edgar Visit	1.84		
	(1.42)		
No × Active × Top 10 MSA		0.02	
		(0.51)	
No × Active × Analyst Forecast Dispersion			-0.08
			(0.25)
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Adj. R-squared	0.063	0.051	0.053
Observations	3,909,368	8,816,491	5,095,840

Table 7
The Role of Engagement

This table presents the estimates of the main specification in Table 2 column 5, adding data on engagement from Heath et al. (2025). Column 1 reports the baseline estimate in the overlap between our sample and the engagement data. Column 2 reports the same estimate adding controls for contemporaneous and following-year engagement. Column 3 reports the same estimate adding interactions of engagement and following-year engagement with dummy variables for index fund status and with voting no on the focal director. In all columns, non-interaction terms and proxy advisor recommendations are included in the regressions but are omitted from the table for brevity. Robust standard errors double-clustered by firm and director are reported in parentheses, where *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)
No × Active	-2.61***	-2.62***	-2.85***
	(0.91)	(0.92)	(0.92)
No × Passive	-0.55	-0.56	-0.89
	(1.21)	(1.22)	(1.20)
Engaged		-0.09	-0.49
		(0.27)	(0.38)
Engaged_{t+1}		0.03	0.18
		(0.23)	(0.34)
No × Engaged			6.04
			(4.09)
No × Engaged_{t+1}			-2.17
			(3.21)
Passive × Engaged			0.39**
			(0.19)
Passive × Engaged_{t+1}			-0.15
			(0.18)
Observations	632,322	632,322	632,322
R-squared	0.182	0.182	0.182
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
$\lvert\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}\rvert$	2.06**	2.06**	1.96**
SE	0.93	0.93	0.91

Table 8
IV Regression Using "Management-Friendliness" Voting Patterns

This table presents the instrumental variable estimates of the main specification, using funds' prior "management-friendliness" as the instrument. Column 1 shows the first-stage estimates predicting funds' dissenting votes with the fraction of dissenting votes in the previous year, excluding the focal firm. Column 2 reports the second-stage regression, where the dependent variable is director retention. In all columns, non-interaction terms and proxy advisor recommendations are included in the regressions but are omitted from the table for brevity. Robust standard errors double-clustered by firm and director are reported in parentheses, where *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)
	Dissenting Vote	Director Retention
Instrument	0.83***	
	(0.04)	
$\widehat{\text{No}} \times$ Active		-1.95**
		(0.97)
$\widehat{\text{No}} \times$ Passive		1.19*
		(0.66)
Firm FE	Yes	Yes
Year FE	Yes	Yes
Observations	5,228,238	5,228,238
$\lvert\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}\rvert$		3.131**
		(1.436)

Table 9
Comparing Funds From "Big Three" Families With Other Funds

Column 1 presents OLS estimates examining the relationship between a director's continued presence on a company's board and shareholders' dissenting votes, including an interaction term indicating whether the fund belongs to the "Big Three" families (Vanguard, BlackRock, and State Street). Column 2 presents OLS estimates of Equation 1, with the sample divided based on whether the fund is from the Big Three families. Column 4 presents OLS estimates of Equation 1, where the two key variables are interacted with indicator variables representing whether the fund is from the Big Three families. In all columns, non-interaction terms and proxy advisor recommendations are included in the regressions but are omitted from the table for brevity. Robust standard errors double-clustered by firm and director are reported in parentheses, where *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)
No	-1.73***			
	(0.26)			
No × Big Three	-1.01			
	(0.68)			
No × Active		-2.48***	-4.18***	
		(0.34)	(0.94)	
No × Passive		-0.33	-2.77***	
		(0.30)	(0.81)	
No × Active × Big Three				-4.10***
				(0.91)
No × Passive × Big Three				-2.50***
				(0.76)
No × Active × Not Big Three				-2.58***
				(0.34)
No × Passive × Not Big Three				-0.40
				(0.28)
Sample	All	Non-Big-3 Funds	Big-3 Funds	All
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Adj. R-squared	0.051	0.050	0.055	0.051
Observations	9,202,567	6,880,220	2,322,344	9,202,567

Internet Appendix

This appendix presents additional results that supplement the analyses in the main paper.

Table A1
Estimating Equation 1 Using Full Sample of Elections

The table re-estimates the results from Table 2 using the full sample of elections, without excluding those with less than 70% support. Each observation is a fund's vote in an election. The dependent variable equals 1 if the director remains on the firm's board three years after election. No is a vote-level indicator that equals 1 if the fund votes "Against," "Abstain," or "Withhold," and Active is a fund-level indicator that equals 1 if the fund is an active fund. All regressions include non-interaction terms (omitted from the table for brevity). Robust standard errors double-clustered by firm and director are reported in parentheses, where *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. The standard errors for $\hat{\beta}_{\text{active}} - \hat{\beta}_{\text{passive}}$ are calculated using the delta method.

	(1)	(2)	(3)
No × Active	-3.11***	-2.36***	-1.55***
	(0.66)	(0.31)	(0.23)
No × Passive	-2.02***	-1.06***	-0.64**
	(0.51)	(0.37)	(0.30)
ISS Against		-3.95***	-4.40***
		(1.30)	(1.47)
GL Against		-3.29***	-3.47***
		(0.93)	(0.98)
Firm FE		Yes	
Year FE		Yes	
Firm × Year FE			Yes
Adj. R-squared	0.000	0.052	0.181
Observations	12,613,205	9,336,428	9,336,428
$\lvert\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}\rvert$	1.09***	1.30***	0.91***
	(0.41)	(0.38)	(0.29)

Table A2
Estimating Equation 1 Using Subsample of Fund Families with Both Active and Passive Funds

The table re-estimates the results from Table 2 using the subsample of fund families with both active and passive funds. Each observation is a fund's vote in an election. The dependent variable equals 1 if the director remains on the firm's board three years after election. No is a vote-level indicator that equals 1 if the fund votes "Against," "Abstain," or "Withhold," and Active is a fund-level indicator that equals 1 if the fund is an active fund. All regressions include non-interaction terms (omitted from the table for brevity). Robust standard errors double-clustered by firm and director are reported in parentheses, where *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. The standard errors for $\hat{\beta}_{\text{active}} - \hat{\beta}_{\text{passive}}$ are calculated using the delta method.

	(1)	(2)	(3)
No × Active	-3.38***	-2.79***	-1.54***
	(0.78)	(0.58)	(0.40)
No × Passive	-2.49***	-1.71***	-0.69
	(0.75)	(0.63)	(0.58)
ISS Against		-3.42**	-3.56*
		(1.66)	(1.92)
GL Against		-3.60***	-3.76***
		(1.06)	(1.10)
Firm FE		Yes	
Year FE		Yes	
Firm × Year FE			Yes
Adj. R-squared	0.000	0.050	0.173
Observations	5,481,463	4,225,877	4,225,877
$\lvert\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}\rvert$	0.89	1.08*	0.86**
	(0.56)	(0.57)	(0.42)

Table A3
Estimating Equation 1 Using Election-Level Specifications

The table re-estimates the results of Equation 1 aggregated to the election level. Each observation is an election. The dependent variable equals 1 if the director remains on the firm's board three years after election. Active (Passive) Dissent is defined as the fraction of active (passive) shareholders' votes that were cast against the director. Robust standard errors double-clustered by firm and director are reported in parentheses, where *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. The standard errors for $\hat{\beta}_{\text{active}} - \hat{\beta}_{\text{passive}}$ are calculated using the delta method.

	(1)	(2)	(3)
Active Dissent	-5.34***	-4.51**	-1.95
	(1.40)	(2.02)	(2.88)
Passive Dissent	-1.77	-2.32	-1.37
	(1.35)	(1.92)	(2.30)
ISS Against		-1.87	-2.15
		(1.49)	(1.80)
GL Against		-2.25***	-2.02***
		(0.71)	(0.78)
Adj. R-squared	0.000	0.060	0.197
Observations	114,378	71,067	70,535

Table A4
Estimating Equation 1 Using Different Time Horizon for Director Turnover

The table re-estimates the results from Table 2 using different time horizons to calculate director turnover. Each observation is a fund's vote in an election. The dependent variable equals 1 if the director remains on the firm's board three years after election. No is a vote-level indicator that equals 1 if the fund votes "Against," "Abstain," or "Withhold," and Active is a fund-level indicator that equals 1 if the fund is an active fund. All regressions include non-interaction terms (omitted from the table for brevity). Robust standard errors double-clustered by firm and director are reported in parentheses, where *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. The standard errors for $\hat{\beta}_{\text{active}} - \hat{\beta}_{\text{passive}}$ are calculated using the delta method.

	(1)	(2)	(3)	(4)	(5)
Director remains on the board in	1 Year	2 Year	3 Year	4 Year	5 Year
No × Active	-0.41***	-1.80***	-2.59***	-2.74***	-2.09***
	(0.14)	(0.29)	(0.32)	(0.38)	(0.40)
No × Passive	-0.21*	-0.62**	-1.02***	-1.03**	-0.46
	(0.12)	(0.26)	(0.37)	(0.52)	(0.50)
ISS Against	-0.94	-2.20**	-3.71**	-4.35**	-5.23**
	(0.65)	(1.12)	(1.58)	(1.91)	(2.12)
GL Against	0.15	-1.52**	-3.21***	-4.17***	-4.36***
	(0.29)	(0.71)	(0.97)	(1.17)	(1.37)
Firm FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Adjusted R-squared	0.044	0.039	0.051	0.114	0.177
Observations	9,515,012	9,379,409	9,202,567	8,096,762	7,234,113
$\lvert\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}\rvert$	0.20	1.18***	1.57***	1.71***	1.63***
	(0.17)	(0.34)	(0.40)	(0.50)	(0.50)

Table A5
Estimating Equation 1 with Fund-Level Controls

The table re-estimates the results from Table 2 with a variety of fund-level controls. Each observation is a fund's vote in an election. The dependent variable equals 1 if the director remains on the firm's board three years after election. No is a vote-level indicator that equals 1 if the fund votes "Against," "Abstain," or "Withhold," and Active is a fund-level indicator that equals 1 if the fund is an active fund. All regressions include non-interaction terms (omitted from the table for brevity). Robust standard errors double-clustered by firm and director are reported in parentheses, where *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. The standard errors for $\hat{\beta}_{\text{active}} - \hat{\beta}_{\text{passive}}$ are calculated using the delta method.

	(1)	(2)	(3)
No × Active	-2.59***	-5.25***	-3.80***
	(0.32)	(1.39)	(1.00)
No × Passive	-1.02***	-2.86**	-1.95*
	(0.37)	(1.43)	(1.04)
ISS Against	-3.71**	-3.65**	-3.56**
	(1.58)	(1.59)	(1.78)
GL Against	-3.21***	-3.32***	-3.47***
	(0.97)	(0.98)	(1.03)
No × log(AUM)		0.53***	0.55***
		(0.17)	(0.13)
No × Number of Holdings		0.06	-0.01
		(0.25)	(0.17)
No × Last-Year Fund Return		-0.31	-0.25
		(0.35)	(0.25)
No × Expense Ratio		1.60***	1.26***
		(0.36)	(0.27)
No × Portfolio Turnover		0.03	0.00
		(0.16)	(0.11)
No × Percent Equity Holding		-0.01	-0.01
		(0.01)	(0.01)
No × NAV 52-Week Range		0.25	0.39*
		(0.35)	(0.23)
Firm FE	Yes	Yes	
Year FE	Yes	Yes	
Firm × Year FE			Yes
Adj. R-squared	0.052	0.052	0.052
Observations	8,901,117	8,424,040	8,424,027
$\lvert\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}\rvert$	1.57***	2.39***	1.84***
	(0.40)	(0.39)	(0.29)