

## Do boards pay attention when institutional investor activists “just vote no”?

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### Abstract

We examine “just vote no” campaigns, a recent innovation in low-cost shareholder activist tools whereby activists encourage their fellow shareholders to withhold votes toward a director’s election to express dissatisfaction with management performance or the firm’s corporate governance structure. Grundfest (1993) argues that a substantial withheld vote motivates directors to take immediate action to avoid further embarrassment. We find a variety of supportive evidence, including operating performance improvements and abnormal disciplinary chief executive officer (CEO) turnover, indicating that such campaigns induce boards to take actions in shareholders’ interests. Furthermore, abnormal turnover is robust to controlling for concurrent events and firm- and CEO-specific controls.

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