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Fad and Fashion in Shareholder Activism: The Landscape of Shareholder Resolutions, 1988–1998

SAMUEL B. GRAVES, KATHLEEN REHBEIN, AND
SANDRA WADDOCK

For some time now, shareholder resolutions have captured the imaginations of activists from outside of corporations who would like to change corporate behavior. Particularly since corporate takeover activity declined in the late 1980s as a way of fostering changes by top management and the board of directors,¹ such resolutions have become a way for outside activists to make demands on management for changes in corporate practices. Changes desired by shareholder activists can range widely. For example, resolutions sometimes cover issues associated with managerial performance or governance.² Other resolutions attempt to obtain shareholder votes on a broad array of social issues in which either social investors or activists are particularly interested; some examples of social issues addressed are human rights issues, refraining from military contracting, and changing executive compensation. Little systematic study of the overall nature and focus of shareholder resolutions has been undertaken, although the 1999 study by Campbell, Gillan, and Niden does explore the outcomes of such resolutions during one year.³

Most recent studies emphasizing shareholder resolutions (or proxies) focus more narrowly within the spectrum of resolutions, for example, on the ethical implications of shareholder resolutions

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on a case-by-case basis,⁴ or the value of shareholder proposals sponsored by public pension funds.⁵ One interesting study, for instance, focuses on whether such resolutions, which typically address specific issues of interest to the submitter or activist group, are “all bark and no bite.” That study provided evidence that resolutions related to rescission of poison pills are more likely when the pill will harm shareholders.⁶

Donoher and Greening assessed trends in social policy with respect to shareholder proposals and the relationship of activism to governance and social performance. Although only a preliminary study of seventy-six companies, Donoher and Greening did find a relationship between the types of resolutions filed and the company’s governance and social performance.⁷

Despite the proliferation of recent studies on shareholder resolutions, there are few studies that assess the overall landscape of shareholder resolutions, that is, whether resolutions increase or decrease annually in number (although there is a commonly held view of steady increase in interest). In particular, no general study of the issues being addressed by shareholder resolutions over time has been done. A fundamental question underlying the present study is, Do social issues addressed by shareholder resolutions shift with the shifting winds of public opinion?

The public issue life cycle suggests that issues will rise and fall with shifting times.⁸ Because shareholder activists raise social issues quite deliberately and focus on specific target companies, the life cycle perspective suggests that as the issues of the times shift, so might the focus and corporate targets of shareholder resolutions. Little longitudinal empirical work exists to substantiate the life cycle path followed by issues, such as those embedded within shareholder resolutions. If the life cycle model of issue evolution is accurate,⁹ then we could expect that some issues would emerge, while others would decline as activist attention shifted over time.

Most models of issue life cycles suggest that there are stages of development. Post, for example, suggests a four-stage model.¹⁰ Issues arise in a “gap” between public expectations and corporate performance, followed by a stage of political controversy as the issue is politicized. The next stage involves legislative action, followed by litigation or, as Mahon suggests,¹¹ coping by the companies affected by the law. But not all issues follow a life cycle associated with resolution in the public policy domain.¹² Some are

resolved through negotiation or cooperation outside of the public policy domain (as, notably, are many of the shareholder resolutions that are withdrawn). A more general model of issue emergence includes four stages: emergence, interpretation, positioning, and resolution.¹³

In addition, Bigelow et al. suggest that issues can follow different patterns of evolution.¹⁴ These patterns are termed normal (the normal life cycle curve), unidirectional (issues are stopped, interrupted, or skip to a new stage because a crisis occurs), and recursive (either enduring or cyclical). Knowing that issues develop in different ways can help managers and corporate boards of directors figure out how to cope with those issues better and respond less reactively and perhaps more proactively to these resolutions when they are received.

While the life cycle concept has received much attention in the business-in-society field, there are few empirical studies of what actual issue life cycles are. Much of the work on the issue life cycle is predominantly conceptual rather than empirical.¹⁵ The empirical work that does exist tends to be case based, as is, for example, the study of Finnish and Canadian forestry companies by Näsi, Näsi, and Zyglidopoulos.¹⁶

To fill this gap in the literature, this descriptive paper explores the nature and focus of shareholder resolutions over an eleven-year period from 1988 to 1998, seeking patterns in the evolution of attention to issues. We also address targets of the resolutions to some extent, that is, which corporations have been major targets of social policy shareholder resolutions as tracked by the IRRC, the Investor Responsibility Research Center, and for what issues they have been targeted.

METHODS

Shareholder resolutions for the eleven-year period from 1988 to 1998 were collected from the Investor Responsibility Research Center and, to reduce the complexity of the data, coded into twenty-seven categories by general topic.

Data are from the Investor Responsibility Research Center (IRRC) for the period 1988–1998.¹⁷ IRRC annually tracks all the social policy shareholder resolutions filed. The filed resolutions

include all of the resolutions that were voted on, withdrawn, or omitted, so they provide a full array of corporate targets, even those who took action on the resolutions. Social policy resolutions are withdrawn when the targeted corporation is willing to negotiate. Often, the withdrawals signal the biggest success for the shareholder activists. Although a withdrawal does not mean a company is willing to concede on an issue, it does indicate a firm's willingness to discuss the issue. For example, with respect to the CERES principles, several firms have indicated they are willing to appoint high-ranking officials to deal with shareholder proponents and members of the CERES coalitions. The data set also includes shareholder resolutions that were omitted. The SEC oversees resolution filings and basically acts as a referee between social activists and corporations.

The Interfaith Center on Corporate Responsibility's religious and institutional members file over half of the social policy shareholder resolutions annually. Other activists are the religious shareholders, labor unions, social investing funds, public pension funds, and unaffiliated individuals. For each resolution, the topic code, target company, and year of the resolution were generated. Because this study is descriptive and because the entire population of shareholder resolutions for large corporations is tracked by IRRRC in any given year, we supply raw numbers rather than statistical tests, though trends are noted within figures presented below.

Some 2,966 proxies were gathered in total, of which twenty-two had missing data. Data include company, Company Cusip number (an identifier year), and a coding of proxy type, all of which were put into an Excel spreadsheet, where they could be sorted and analyzed, as discussed below.

SHAREHOLDER RESOLUTIONS FROM 1988 TO 1998

Shareholder resolutions for the period 1988–1998 were collapsed into 27 general categories related to specific issues, such as diversity, environment, and political action, and then arrayed by issue by year (see Table 1), plus a miscellaneous category containing 25 resolutions. During the eleven-year period 1988–1998, some 2,944 proxies, sorted into the 27 categories, were recorded by the IRRRC and included in the present analysis. The original sample

contained 2,966 resolutions; however, 22 resolutions were eliminated because of missing data.

Topics addressed by shareholder resolutions vary widely. As Table 1 suggests, by far the most popular categories are South Africa (542 resolutions) and environment (483) (which would be the most common if the energy category [100] were combined with environment). Human rights (289) and diversity (253) are the next most popular targets of shareholder activism on social policy concerns, followed by labor issues (198) and military contracting (173). Clumping together in terms of overall popularity are issues of governance (101), corporate political action (101), and energy (100), followed closely by concerns about banking and insurance (92).

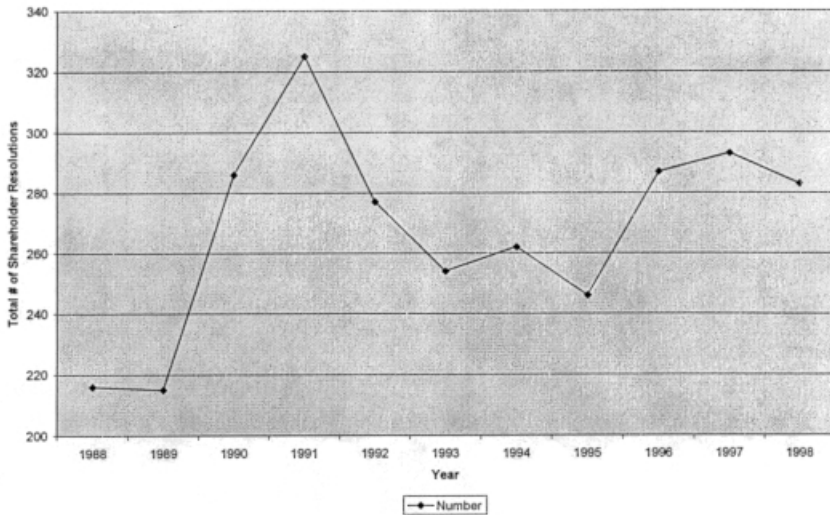
Other issues receive considerably less attention, in part because interest in them started later than interest in the more popular arenas or because interest diminished considerably during the period of study. The issues of abortion/contraception (69), compensation (58), animal rights (55), charitable contributions (47), and health (47) received considerably less attention than did issues noted above. Domestic poverty (32) experienced a three-year surge and then disappeared as a target of activism (apparently one of the fads of shareholder activism). The remaining issues in the list tend to be highly focused and overall receive fewer than 25 shareholder resolutions and only sporadic or consistently low attention during the study period. These issues include media (24), infant formula (16), alcohol (10), dairy (5), negative images (5), food safety (4), firearms (3), farming (2), and gambling (1), with the remaining 25 grouped into a miscellaneous category.

As can be seen in Table 1, and graphically in Figure 1, the number of resolutions submitted rose from about 215 at the start of the study in 1988 to about 285 by the end of the period, 1998. There seems to have been a jump in shareholder activism starting around 1990, with different years experiencing different levels of activity, depending on the issues that have emerged during the time period with a sustained overall higher level of activity than in earlier years (see Figure 1). At the end of the 1980s resolutions hovered around 215 per year, but in 1990 that number rose dramatically to the high 200s, where it has remained (with the exception of 1991, which saw 326 resolutions with surges showing up in the environment, labor, military, and domestic poverty categories). The 1991 spike can be attributed to surges in the number of resolutions in

TABLE 1 Shareholder Resolution Issues by Year, 1988–1998

ISSUES Within Proxies	Total #	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	Mean
South Africa	542	87	109	116	87	75	41	22	5	0	0	0	49.3
Environment	483	6	3	46	78	63	60	54	28	30	62	53	43.9
Human Rights	289	23	29	32	32	28	22	28	26	28	18	23	26.3
Diversity	253	50	13	10	14	11	13	20	32	25	42	23	23
Tobacco	209	2	2	6	16	14	17	23	36	41	31	21	19
Labor	198	0	1	2	13	15	23	34	25	34	24	27	18
Military	173	18	20	14	23	20	24	14	7	13	11	9	15.7
Governance	101	0	0	0	0	0	2	15	21	32	14	17	9.18
Political Action	101	1	11	5	2	3	2	12	12	21	15	17	9.18
Energy	100	13	7	14	8	7	12	4	8	10	8	9	9.09
Banking/Insurance	92	6	3	10	7	4	13	5	13	12	9	10	8.36
Abortion/Contraception	69	0	0	0	5	13	4	2	3	19	23	0	6.27
Compensation	58	0	0	0	0	0	0	0	8	7	20	23	5.27
Animal Rights	55	7	13	12	9	6	3	2	0	2	0	1	5
Charitable Contributions	47	0	0	0	1	1	3	3	2	3	6	28	4.27
Health	47	0	0	0	4	5	9	16	7	0	0	6	4.27
Domestic Poverty	32	0	0	9	18	5	0	0	0	0	0	0	2.91
Miscellaneous	25	0	0	1	3	3	0	0	5	4	3	6	2.27
Media	24	2	3	0	0	0	3	1	4	2	5	4	2.18
Infant Formula	16	1	1	3	4	2	1	1	2	1	0	0	1.45
Alcohol	10	0	0	0	1	1	1	3	1	1	1	1	0.91
Dairy	5	0	0	0	0	1	1	1	1	1	0	0	0.45
Negative Images	5	0	0	0	0	0	0	0	0	0	0	5	0.45
Food Safety	4	0	0	4	0	0	0	0	0	0	0	0	0.36
Firearms	3	0	0	0	0	0	0	2	0	1	0	0	0.27
Farming	2	0	0	2	0	0	0	0	0	0	0	0	0.18
Gambling	1	0	0	0	0	0	0	0	0	0	1	0	0.1
TOTAL BY YEAR	2944	216	215	286	325	277	254	262	246	287	293	283	2944

FIGURE 1 Total Number of Shareholder Resolutions per Year, 1988–1998



environment, human rights, domestic poverty, and abortion/contraception, and to a small extent military and tobacco categories, some of which were sustained during later years.

Also between 1988 and 1998, as Table 2 shows, some 82 companies were subject to ten or more shareholder resolutions on varying topics, while a total of 432 companies received at least one shareholder resolution. This data will be discussed in greater detail below.

The Fads and Fashions in Shareholder Resolutions

Like other issues in management, such as organizational structure,¹⁸ the interests of shareholder activists are subject to their time and societal context, that is, to the fads and fashions of social policy and the changing public policy agenda. Many scholars have noted that the social issues with which managers must contend shift over time, are subject to shifts in the broader society in which organizations are located.¹⁹ Additionally, shareholder activists annually pick the issues on which they will focus, as well as the companies that

TABLE 2 Major Companies Targeted for Shareholder Resolutions (Top Ten Categories), 1988–1998

Company Name	Total #	South Africa	Envt	HumRt	Diversity	Tobacco	Labr Rght	Military	Gov	Pol. Actn	Energ
General Electric	80	5	12	4	4		9	10		6	13
General Motors	62	14	6	11	2		8	8		4	
Philip Morris	55		2	1		37					
Exxon	43	4	18	6	5	1	1			3	
Chevron	41	14	13	4	2	1	2			2	1
Dupont De Nemours	40	4	14	4	2		4		2	2	3
Pepsico	38	5	6	9		4	1			3	
Texaco	38	11	5	8	8	1			3	1	
IBM	36	6	2	3	9	1	1		1	3	
Bristol-Meyers Squibb	32	7	4		1						
United Technologies	31	11	2	7			2	7		1	
Citicorp	29	8	1		3	1		1	1	2	
GTE	29	2	7	1	5		2	9			
Johnson & Johnson	29	5	1		2		9				
3M	28	6	2	6	1	5	1			1	
Ford Motor	27	3	4	8	1		4	1		2	
Boeing	25	5	1	6	1		1	9			
Loews	25	1			3	19				1	
Mobil	25	4	5	8	2	3	1			1	
American Brands	24	1		7	4	11					
Chase Manhattan	24	5	1	1	1						
Morgan (J.P.)	23	6		2	1					3	
AlliedSignal	22	2	5	1	1		9	4			
American Express	22	5	9		2		1			2	
American Home Products	22	5		4	2		1			1	
Atlantic Richfield	21		9	6	2	1	1			2	
McDonnell Douglas	21			5				10		2	
Westinghouse Electric	21	5	7	1		1		3			
Gillette	20	9	1		1						

TABLE 2 (CONT.) Major Companies Targeted for Shareholder Resolutions (Top Ten Categories), 1988–1998

Company Name	Total #	South Africa	Envt	HumRt	Diversity	Tobacco	Labr Right	Military	Gov	Pol. Actn	Energ
Raytheon	20	7	5					8			
Baker Hughes	19	6		11	1				1		
McDonald's	19		7	2	1	2				1	
Merck	19	6	2		1		2			2	
Unocal	19		7	8	1	1					
Xerox	19	3	2	8						1	
Time Warner	18	1	2		3	7			1		
Union Carbide	18	6	11		1						
Abbott Laboratories	17	5	2				1				
Eastman Kodak	17	2	6		4	3					
Wal-Mart Stores	17		1	1	6	2	3	1	1		
Kimberly-Clark	16	6	5		1	4					
UST, Inc.	16					14	1				
American Cyanamio	15	11	3		1						
Chrysler	15		5		1		7				
Tenneco	15	10	3	1						1	
Bankers Trust New York	14	2	1							2	
Caterpillar Tractor	14	9	1	2	1						
Chemical Bank	14	5		1			1			2	
Coopers Industries	14	3	5				4		1		
Dow Chemical	14	4	4	1			2				
Ingersoll Rand	14	11							1		
International Paper	14	5	9								
Unisys	14	6		1				3		1	
Aetna Life & Casualty	13		1		2	3	1			1	
Colgate-Palmolive	13	5	1		1						
Disney (Walt)	13		1	1	2	1	2				

TABLE 2 (CONT.) Major Companies Targeted for Shareholder Resolutions (Top Ten Categories), 1988–1998

Company Name	Total #	South Africa	Envt	HumRt	Diversity	Tobacco	Labr Rght	Military	Gov	Pol Actn	Energ
Dun & Bradstreet	13	2	10	1							
Kmart	13		1		3	1	1	1			
Schering-Plough	13	6			1					1	
Union Pacific	13		5		2		2				1
Amoco	12		8	2	1		1				
Lockheed Martin	12		3	3				5		1	
Union Camp	12	4	5			2					
Dresser Industries	11	10			1						
Gannett	11		1			7	2				
Grace (W.R.)	11	2	2				5		2		
Interpublic Group	11	4		6	1						
Motorola	11	2	1	1			1	5			
Northern States Power	11		1								10
Pfizer	11	5			1	1				1	
Phillips Petroleum	11		7		2	1	1				
Procter & Gamble	11	1	6				1				
Texas Instruments	11	2	3					6			
Union Electric	11										11
Upjohn	11	5			1						
American International Group	10		1		4	2			3		
Cracker Barrel	10				6				1		
Dillard's	10				4		4		1		
Donnelly (R.R.) & Sons	10		3		2		3	3			
Florida Progress	10		1								9
Honeywell	10	3		1				6			
Lilly (Eli)	10	3	1		1						

become targets, though little empirical work has been done to determine what issues and targets are determined and how these shift over time.

Topics addressed by shareholder activists range widely and vary greatly in the intensity of attention they receive, as measured by number of resolutions on a given subject during any given year or total resolutions over time (see Table 1). During the period of the study, the most prominent topics, those with close to 200 (including one with 198 resolutions, where a natural break occurs), in decreasing order of frequency were: South Africa (542), environment (483), human rights (289), diversity (253), tobacco (209), and labor (198). The next most prominent group of resolutions (receiving between 92 and 173 resolutions) were: military (173), governance (101), political action (101), energy (100), and banking/insurance (92).

Less prominent but still quite numerous were resolutions regarding abortion/contraception (69), compensation (58), animal rights (55), charitable contributions (47), health (47), domestic poverty (32), media (24), and a miscellaneous category (25). Much more focused and specifically targeted were several other issues that received fewer than 20 resolutions over the study period: infant formula (16), alcohol (10), dairy (5), negative images (5), food safety (4), firearms (3), farming (2), and gambling (1).

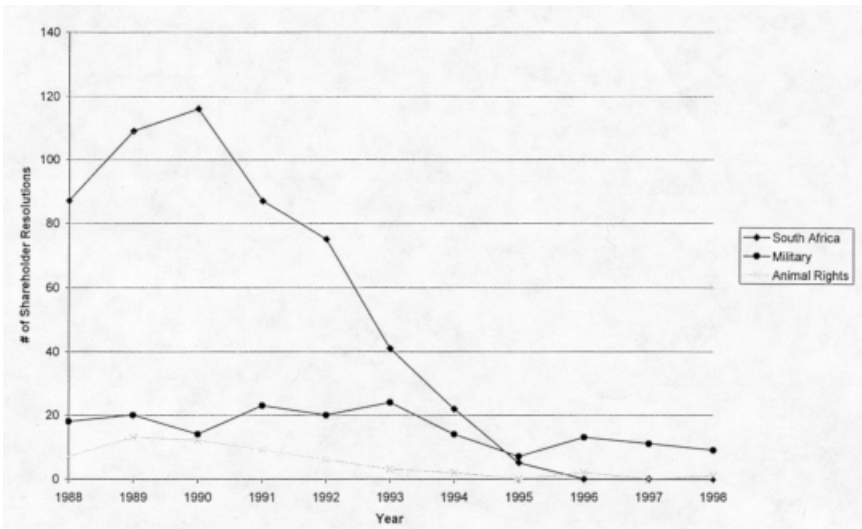
Table 1 provides the number of resolutions by issue for each year of the study in decreasing order of occurrence and provides dramatic evidence of the ebbing and flowing of issues of interest to shareholder activists over time. Taking the top priority issues during the study period, we can witness the emergence and decline of specific issues of interest to shareholder activists over time, as well as several for which there is steady interest over the course of the period of study. This ebb and flow becomes particularly noticeable in the graphs presented in Figures 1–4, as well as in the data in Table 1. We will explore these trends in more depth and identify the specific issues below.

Out-of-fashion issues. A prime example of an issue going out of fashion (largely because it was resolved) is activist attention to corporate involvement in South Africa, which was already a reasonably “hot” issue (actually, the most targeted issue of all during the study) with 87 resolutions in 1988. South Africa resolutions grew to a peak

of activity two years later in 1990. After 1990, there was a dramatic fall-off and steady decline (from 87 to 75 to 41 to 22 to 5) and complete disappearance of the issue after 1995, with the fall of the Apartheid system (see Figure 2).

The only other shareholder resolution categories in which there is a similar notable diminishment of activist interest are animal rights and, to a lesser extent, military contracting, both of which experienced declines in the 1988–1998 period. Both of these categories generated less intense interest than did South Africa, as noted in the number of resolutions per year, probably because many fewer companies are engaged in animal testing and military contracting to start with than were involved in South Africa. At the start of the study, activists were issuing about 9 or 10 resolutions a year related to animal rights and about 20 on military contracting. The military category ranges from a low of 7 in 1995 and 9 in 1998 to a high of 24 in 1993 and 23 in 1991, with a mean of 16, but also stays at a relatively consistent level of activity throughout the study period. By the end of the eleven-year time period, there were either zero or only 1 or 2 resolutions on animal rights, while the number of military-related resolutions annually was cut about in half.

FIGURE 2 Issues Falling Out of Fashion

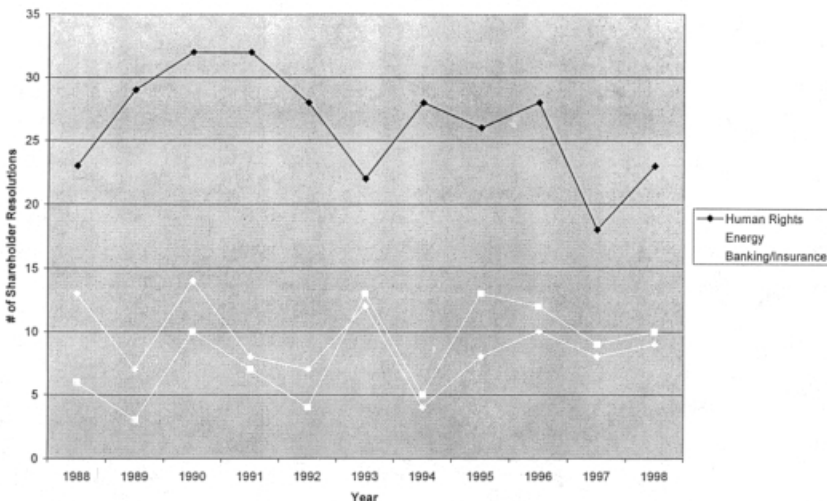


These trends indicate either issue resolution, as in the case of South Africa, or general diminishment of interest in the other two cases.

Old stand-by issues. Unlike issues in decline, some issues appear to maintain a steady amount of activist attention over time. Three issues seem to exhibit little or no change in direction of interest, as evidenced in Figure 3 and Table 1, human rights, energy, and banking/insurance, though there is a slight downward trend in interest in the human rights issue over time. Human rights resolutions range from a low of 18 in 1997 to a high of 32 in 1990, with a mean of 26 for the entire period. Banking/insurance follows a similar pattern of consistent, but relatively low-level interest over the study period. And the number of resolutions directed at energy issues ranges from a high of 14 in 1990 to a low of 4 in 1994, generally consistent but overall evidencing a relatively low level of interest.

Fad and fashion: the emerging issues. Another whole set of issues emerged rather dramatically over the time period of the study (see Figure 4). Emerging issues for shareholder activism during

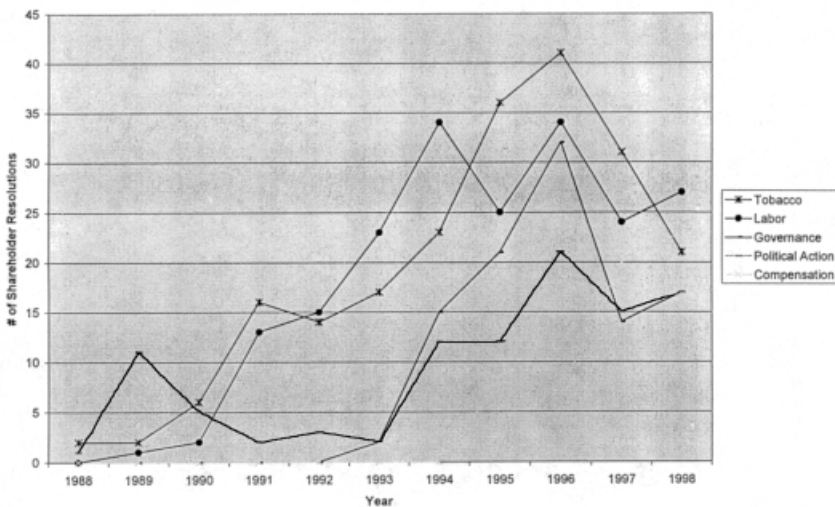
FIGURE 3 Issues of Relatively Consistent Interest over Time



1988–1998 include tobacco, labor, governance, political action, abortion/contraception (which, interestingly, dropped out of notice altogether in the last year of the study), and compensation.

Labor, for example, emerges slowly as an issue of interest in 1989 and 1990 (with 1 and 2 resolutions, respectively). This issue gains momentum in 1991 and 1992 with 13 and 15 resolutions, and then maintains relatively steady-state interest at quite a high level after that period, ranging between 34 and 23 resolutions per year. The issue of governance is not addressed at all until 1993 (with 2 resolutions) and then receives relatively consistent attention thereafter, spiking abruptly with 32 in 1996, vs. a consistent range between 14 and 21 otherwise. Tobacco experiences a similar dramatic rise over most of the time period of the study, falling off considerably in the last two years. There is a similar pattern of emergence of attention to the issue of compensation in 1995 (8, followed by 7 resolutions), with a jump in attention in 1997 and 1998 to 20 and 23 resolutions.

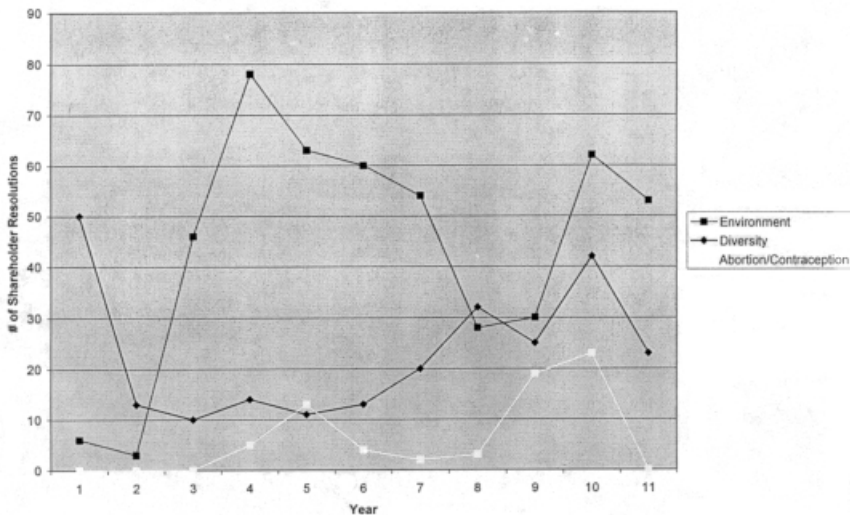
FIGURE 4 Emerging Issues



Waxing and waning issues. Shareholder activism related to environment and diversity show quite different patterns than seen with other issues (see Figure 5). The environment category shows a dramatic jump in 1990 (from 6 in 1988 and only 3 in 1989 to 46 resolutions in 1990). This jump was followed by four years of relatively strong attention (1991–1994), where the number of resolutions ranges from 78 at the peak in 1991, just after the twentieth anniversary of Earth Day, to a low of 54 in 1994. Then there is a fall-off again in 1995 to only 28 resolutions for two years, before a renewal takes place during the ensuing two years, 1997 and 1998 when 62 and 53 resolutions were delivered, respectively. Note that this rise and fall of issues closely paralleled what Mahon and Waddock suggested would be the case for public issues of this nature where resolution is difficult to fully achieve.²⁰

The diversity issue shows a similarly variable pattern, albeit an inverse one. Interest in diversity starts out at a high level of interest in 1988 with 50 resolutions and dropping in 1989 to 13 and remaining at a low level until 1994. Then there is increased attention by activists to environment for the next six years, maintaining a relatively steady state of interest over that period.

FIGURE 5 Waxing and Waning Issues



The issue of abortion emerges abruptly into activist attention in 1991 (5 resolutions, followed by 13 the next year, dropping off to 4, 2, and 3 in ensuing years). Then there is a sharp rise in attention to this issue in 1996 and 1997 (19 and 23 resolutions, respectively), followed by a complete drop-off of interest in 1998 (no resolutions). This is the most notable example of what looks like a “fad” in shareholder activism of the major focal topics.

Fad, Fashion, and Corporate Targets

Companies get targeted by shareholder activists for different issues as well as for different levels of activist attention, as Table 2 makes clear. The “winner” in terms of total number of shareholder resolutions targeted at it during the study period is General Electric with a total of 80 resolutions, followed by General Motors with 62, and Philip Morris with 55 (see Table 2).

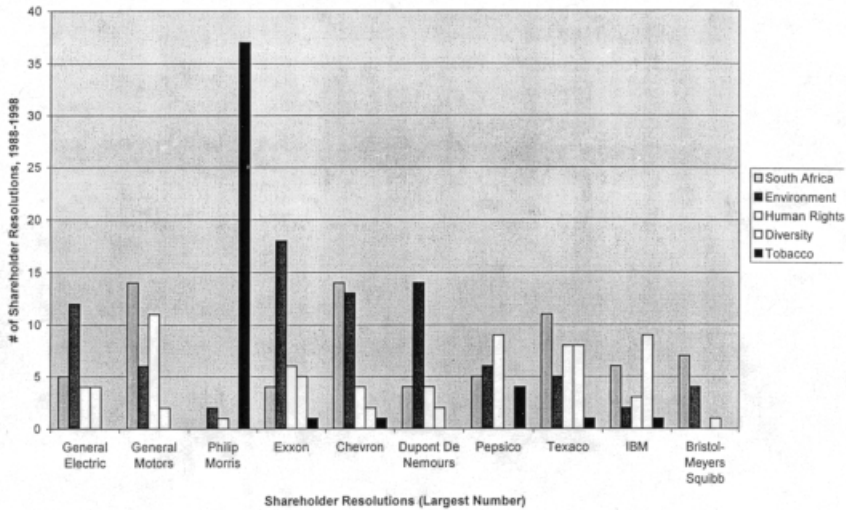
Figure 5 graphically displays the top ten corporate targets for shareholder resolutions, with the number of resolutions each received on the top five most popular issues addressed by shareholder resolutions during the period of the study (South Africa, environment, human rights, diversity, and tobacco). Figure 6 presents the next five resolution issues for the same set of companies (labor, military, governance, political action, and energy). (Note that scales differ between these two charts.)

Unlike Philip Morris, which receives 37 of its total of 55 resolutions related to its primary product, tobacco (Figure 5), resolutions targeted at other companies tend to be spread out over a variety of issues. GE and GM, for example, receive resolutions on a quite diverse set of topics, including South Africa (5 and 15, respectively), environment (12 and 6), human relations (4 and 11), labor (9 and 8), military contracting (10 and 8), and political action (6 and 4) (the most common categories).

Clearly, Philip Morris, at 37 resolutions, is targeted as the largest tobacco company, since RJR was privately held during that period of time and American Brands, a smaller company, received only 11 tobacco-related resolutions. Notably, Loews also received a high proportion of tobacco-related resolutions (19), followed by UST (14), and American Brands (11).

Companies targeted on environmental issues (see Figure 6, Table 2) include GE (12 with another 13 on energy), Exxon (18),

FIGURE 6 Company Targets for Top Five Most Common Shareholder Resolutions



Chevron, Dupont (14, plus 3 on energy). Companies not in the top ten targets overall but that were targeted at relatively high levels specifically for environment-related resolutions were Union Carbide (11), International Paper (9), American Express (9), Atlantic Richfield (9), and Amoco (8). Three companies were targeted, other than those noted above, for energy issues, including Northern States Power (10), Union Electric (11), and Florida Progress (9), all utilities. All of these companies are energy companies (oil and gas), large manufacturers, or chemical manufacturers, with the exception of American Express. Notably, the large auto companies did not receive as many resolutions on energy issues as did these other companies.

Corporate involvement in South Africa (or rather, divestiture) is the issue that pushed forward much of the social activism associated with shareholder resolutions. Several of the largest target companies were targeted on this specific issue, including General Motors (14), Chevron (14), Texaco (11), United Technologies (11), American Cyanamid (11), Ingersoll Rand (11), Tenneco (10), and Dresser Industries (10).

Only a couple of companies of those listed in Table 2 received more than 10 shareholder resolutions related to human rights. These were General Motors (11) (in the top ten targets), and Baker Hughes (11) and Dun & Bradstreet. Resolutions on human rights are otherwise spread across a diverse array of companies over time, as are resolutions related to diversity, where no individual company receives more than 6 during the study period. The somewhat related labor issue is more targeted, with several companies receiving 8 or 9 resolutions, including GE (9), GM (8), J&J (9), and AlliedSignal (9), while the rest of the companies received few or no labor-related resolutions.

Financial institutions or companies with large financial operations (GM and GE), not surprisingly, are the sole targets of the banking/insurance-related resolutions. Main targets include Citicorp (11), Chase Manhattan (13), J.P. Morgan (9), Bankers Trust of New York (8), and Chemical Bank (5). A similar highly targeted pattern exists within the military category: GE (10), GM (8), United Technologies (7), GTE (9), Boeing (9), McDonnell Douglas (10), Raytheon (8), Lockheed Martin (5), Motorola (5), Texas Instruments (6), and Honeywell (6), all well-known defense contractors, receive by far the bulk of resolutions on this issue.

FAD AND FASHION: SHIFTING SOCIAL ISSUES

Public issues come and go and so it seems does interest in specific arenas of shareholder activism. Using an extensive database of all of the social policy shareholder resolutions for the period 1988–1998, this paper has presented preliminary evidence not only on the nature and targets of activism, but also on the evolutionary patterns of issues over time. The data presented in Table 1 and in Figures 2–5 suggest that issues can follow different patterns over time, as scholars suggest.²¹ As the title of this paper, *Fad and Fashion*, indicates, some issues arise (and die) abruptly, while others remain of substantial interest without being resolved or disappearing over relatively long periods of time. As Kingdon suggests, it is not always clear why or how, even in retrospect, some issues come to the fore or “drift” out of public view at a given point in time.²²

Some of the reasons issues come into fashion and fade away potentially have to do with the shifting external regulatory

environment, while others are more internal. For example, Rule 14a-(c), the so-called Cracker Barrel standard passed in 1992, gave companies considerably more discretion with shareholder proposals that dealt with employment practices than they originally had.²³ The Investor Responsibility Research Center (IRRC) itself suggests that staff decisions affect the types of resolutions generated, as well as corporate targets.²⁴ In addition, IRRC notes that the SEC was more procorporate and antiactivist during the early 1990s because of Bush appointees, a situation that shifted direction during the Clinton administration. Internal factors that create likely targets include activists' perceptions of corporate governance and the company's social performance, as well as a willingness of the corporations to protect activist issues.

Several different life cycle patterns can be seen in the shareholder resolution data. Some issues last for relatively long periods of time at consistent levels of interest. Other issues emerge from activists apparently having little or no interest into high levels of interest and activity, which is sustained for a period of time. Still others follow the traditional pattern of emergence, interpretation, positioning, and resolution (or at least disinterest) identified by Barbara Bigelow and her colleagues in 1993. As noted above, they characterized issues either as following a normal life cycle or as being unidirectional (that is, stopped somehow in their development) or recursive. The empirical data presented above provides some support for these "ideal type" patterns. In Figure 2, for example, we can see the end stage of "normal" issue evolution, where interest in the arena first increases then steadily diminishes over time. A similar gestalt exists for the Figure 4 Emerging Issues, most of which can be seen rising steadily in a normal life cycle curve, followed by diminishing (although not completely diminished) interest in most cases. Corporate targets of issues following these patterns should be aware of the need to respond appropriately to the activism when interest is high and, as interest diminishes, know that these are no longer the hot topics on which activists will focus. Possibly, this lessening of interest over time occurs as issues begin to be dealt with satisfactorily for the activists and corporate managers.

Figure 3 shows issues that could be viewed as recursive, either cyclical in the amount of interest associated with them or simply enduring because the problems refuse to go away, or keep

recurring.²⁵ Such issues very likely will continue to be the subject of shareholder resolutions over time, so corporate leaders need to be prepared to cope with associated resolutions.

Issues that wax and wane in the intensity of shareholder activist interest can be seen in Figure 5. Indeed, the abortion/contraception issue seems to be one that has quite literally “stopped” by the end of the time period,²⁶ as no resolutions on this topic were presented in the last year of the study. The issues of environment and diversity may be following the “interrupted” pattern, as interest in them rises and falls over time with no particular predictable pattern associated. Since these are somewhat “perennial” issues, company executives can expect them to continue to resurface periodically.

The shifting landscape of shareholder activism documented by this study has several possible implications for managers and boards of directors. For example, the life cycle analysis provides a tool that may be helpful to boards of directors and corporate leaders in predicting the ways in which different issues are likely to evolve and whether or not their company is likely to become a target. Even for companies not currently subjected to shareholder resolutions, there is probably a degree of usefulness in watching the trends in shareholder activism as they may predict future areas of legislative or regulatory action that will affect all companies in an industry.

NOTES

1. See, e.g., Jonathan M. Karpoff, Paul H. Malatesta, and Ralph A. Walking, Corporate Governance and Shareholder Initiatives: Empirical Evidence, *Journal of Financial Economics* 42(3) (1996):365–95.

2. See Karpoff et al., Corporate Governance; Andrew K. Prevost and Ramesh P. Rao, Of What Value Are Shareholder Proposals Sponsored by Public Pension Funds? *Journal of Business* 73(2) (2000):177–204; and John M. Bizjak and Christopher J. Marquette, Are Shareholder Proposals All Bark and No Bite? Evidence from Shareholder Resolutions to Rescind Poison Pills, *Journal of Financial & Quantitative Analysis* 33(4) (1998): 499–521.

3. Cynthia J. Campbell, Stuart L. Gillan, and Cathy M. Niden, Current Perspectives on Shareholder Proposals: Lessons from the 1997 Proxy Season, *Financial Management* 28(1) (1999):89–98.

4. See, e.g., Douglas M. McCabe, Global Labor and Worksite Standards: A Strategic Ethical Analysis of Shareholder Employee Relations Resolutions, *Journal of Business Ethics* 23 (2000):101–10.

5. Prevost and Rao, Of What Value Are Shareholder Proposals?

6. Bizjak and Marquette, Are Shareholder Proposals All Bark and No Bite?

7. William J. Donohoe, and Daniel W. Greening, Corporate Governance, Shareholder Proposals, and Social Performance: Organizational Response to Environmental Change and Stakeholder Pressure, Proceedings of the International Association of Business and Society (IABS), Kailua-Kona, HI, 1998, 135–40.

8. R. W. Cobb and C. D. Elder, *Participation in American Politics: The Dynamics of Agenda Building* (Baltimore, MD: Johns Hopkins University Press, 1972); Lee E. Preston and James E. Post, *Private Management and Public Policy* (New York: Prentice-Hall, 1975); R. Eyestone, *From Social Issues to Social Policy* (Chicago: University of Illinois Press, 1978); J. W. Kingdon, *Agendas, Alternatives, and Public Policies* (Boston: Little, Brown, 1984); S. Hilgartner and C. L. Bosk, The Rise and Fall of Social Problems: A Public Arenas Model, *American Journal of Sociology* 94(1) (1988):53–78; and John F. Mahon and Sandra A. Waddock, Strategic Issues Management: An Integration of Issue Life Cycle Perspectives, *Business and Society* 31(1) (1992):19–32.

9. See Barbara Bigelow, Liam Fahey, and John Mahon, A Typology of Issue Evolution, *Business and Society* 32(1) (1993):18–29; Mahon and Waddock, Strategic Issues Management.

10. J. E. Post, *Corporate Behavior and Social Change* (Reston, VA: Reston, 1978).

11. John F. Mahon, Corporate Political Strategy, *Business in the Contemporary World* 2 (1989):50–62.

12. Bigelow et al., A Typology of Issue Evolution; Mahon and Waddock, Strategic Issues Management.

13. Barbara Bigelow, Liam Fahey, and John F. Mahon, Political Strategy and Issues Evolution: A Framework for Analysis and Action, in *Contemporary Issues in Business Ethics and Politics*, ed. K. Paul, 1–26 (Lewiston, NY: Edwin Mellen Press, 1991); Bigelow et al., A Typology of Issue Evolution.

14. Bigelow et al., A Typology of Issue Evolution.

15. See, e.g., *Ibid.*; Mahon and Waddock, Strategic Issues Management; and Preston and Post, *Private Management and Public Policy*.

16. Juha Näsi, Salme Näsi, and Stelios Zyglidopoulos, The Evolution of Corporate Social Responsiveness: An Exploratory Study of Finnish and Canadian Forestry Companies, *Business and Society* 36(3) (1997): 296–321.

17. Investor Responsibility Research Center (IRRC), *Social Policy Shareholder Resolutions in 1998: Issues, Votes, and Views of Institutional Investors* (Washington, DC: IRRC's Social Issues Service).

18. See, e.g., H. Mintzberg, Organization Design: Fashion or Fit? *Harvard Business Review* (January–February 1981):103–16; Hugh M. O'Neill, Richard W. Pouders, and Ann K. Buchholtz, Patterns in the Diffusion of Strategies Across Organizations: Insights from the Innovation Diffusion Literature, *Academy of Management Review* 23(1) (1998):98–114.

19. See, e.g., Cobb and Elder, *Participation in American Politics*; Preston and Post, *Private Management and Public Policy*; Eyestone, *From Social Issues to Social Policy*; Kingdon, *Agendas, Alternatives, and Public Policies*; Hilgartner and Bosk, *The Rise and Fall of Social Problems*; and Mahon and Waddock, *Strategic Issues Management*.

20. Mahon and Waddock, *Strategic Issues Management*.

21. E.g., *Ibid.*; Bigelow et al., A Typology of Issue Evolution.

22. Kingdon, *Agendas, Alternatives, and Public Policy*.

23. Donohue and Greening, *Corporate Governance*.

24. IRRC, *Social Policy Shareholder Resolutions*.

25. Bigelow et al., A Typology of Issue Evolution.

26. *Ibid.*