All Shareholder Votes Are Not Created Equal

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1. Introduction

Shareholders' votes shape corporate policy directly through vote tallies. In addition, they serve as signals of investor preferences, shaping policy even when they are not pivotal (Levit & Malenko, 2011; Aggarwal, Dahiya, & Prabhala, 2019). Because shareholder votes are not anonymous, management may respond differently depending on who casts a given vote, even though all votes count equally in the tally. Indeed, the vast majority of corporate votes are far from pivotal, and even in close votes, management can influence the outcome (Bach & Metzger, 2019). How management responds to votes from different shareholders is therefore a first-order question for corporate governance.

In this paper, we ask whether management responds differently to a dissenting vote depending on which investor casts it. We focus on director elections, which are among the most significant mechanisms by which shareholders influence firm conduct (Cai, Garner, & Walkling, 2009; Fos, Li, & Tsoutsoura, 2018). Unlike most other agenda items, a director election also has a real outcome that can be systematically measured, namely whether the director continues to serve on the board. Director elections thus provide a natural laboratory for studying how management responds to shareholder votes. We believe our findings are likely applicable to broader settings, including, for example, environmental, social, and governance (ESG) issues for which real outcomes are more difficult to measure.

Our main finding is that management's response to dissent depends on which type of fund casts the vote. Our sample covers mutual-fund votes on uncontested director elections at U.S. public firms from 2007 to 2020. In this sample, a dissenting vote by an active fund is associated with a 2.6 percentage-point lower probability that the director remains on the board three years later, more than double the 1.1-point decline for a dissenting vote by a passive fund. We call this difference the influence gap. The same pattern holds at the election level, where a one-standard-deviation increase in active dissent is associated with a

0.96 percentage-point drop in retention, against 0.37 points for the same increase in passive dissent. The gap is robust across specifications, from no fixed effects to firm-by-year fixed effects that compare funds voting on the same board at the same time.

The influence gap is not explained by differences in holding size. Active funds may hold larger or more concentrated positions, and firms may listen more to larger shareholders. In our sample, however, active and passive funds hold similar positions on average. Direct controls for holding size, portfolio weight, blockholder status, and assets under management do not change the gap. The gap also holds in a demanding comparison within fund families, between the votes of active and passive funds that share the family's objectives, resources, stewardship staff, and access to management. The active arm's dissent still outweighs the passive arm's, so the same board at the same annual meeting weighs two votes from the same institution differently. The gap passes a further battery of robustness checks: alternative samples, coarser levels of aggregation, outcome horizons from two to five years, blockholder subsamples, and a comprehensive set of fund and director controls.

To understand what drives the influence gap, we develop a stylized model of the board's replacement decision, building on the governance-through-exit literature (Admati & Pfleiderer, 2009; Edmans, 2009) and the advisory-voting framework of Levit and Malenko (2011). In the model, a fund's dissent sends the board a noisy signal that the director is of poor quality, and dissent from a fund that can sell also raises the threat of a price-depressing exit. The board balances the dissent against the private benefit it draws from keeping the incumbent director. The influence gap is the sum of an information term, reflecting active funds' potential information advantage (Bebchuk & Hirst, 2019; Iliev, Kalodimos, & Lowry, 2021; Heath, Macciocchi, Michaely, & Ringgenberg, 2022), and an exit-threat term, reflecting the fact that active funds can exit while passive funds, bound to their index, cannot.

The model's first prediction beyond the gap itself concerns entrenchment. An entrenched board draws larger private benefits from keeping its directors, so it responds less to dissent

from active and passive funds alike. The larger private benefit also shrinks the influence gap. The data confirm the muted response and the narrower gap. In entrenched firms, dissent from both fund types predicts less director departure. The influence gap also narrows with entrenchment and vanishes in the most entrenched firms.

The model's remaining predictions concern the two channels. The exit-threat channel predicts that the influence gap is larger where management's pay is more sensitive to the share price and where the dissenting fund can exit its position more cheaply. The information channel predicts that dissent from better-informed funds moves the board more.

We find consistent support for the exit-threat channel. The influence gap is larger in firms where management's pay is more sensitive to the share price, measured by its compensation delta, and in firms with more liquid stocks, where a dissatisfied fund can exit cheaply. Beyond the firm level, the same pattern also holds at the level of each fund's own position. An active fund's dissent loses sway as its position becomes more illiquid and harder to unwind. Passive dissent does not move with position illiquidity, because passive funds cannot exit to begin with. Funds' behavior is also consistent with the exit-threat channel. Active funds are more likely to exit a position after dissenting than after supporting a director, and passive funds show no such pattern, so boards have reason to take the threat behind active dissent seriously. The influence gap also widens with a fund's tendency to exit after dissenting, because a threat from a fund with a record of leaving is more credible.

By contrast, we find no support for the information channel. We measure how informed a fund is in three ways: whether the firms it dissents on later underperform (Gao & Huang, 2025), whether its votes deviate from the proxy advisors' recommendations (Iliev & Lowry, 2015), and whether its family viewed the firm's proxy filings before voting (Iliev et al., 2021). None of the three measures amplifies passive dissent, the side where the model isolates the information channel, and none moves the influence gap.

We then explore three alternative explanations for the influence gap. First, active funds

may engage with management more intensely than passive funds, so the board could be responding to the engagement rather than the vote. We control for engagement directly, using records from fund families' stewardship reports (Heath, Macciocchi, & Ringgenberg, 2026), and the gap does not move. Second, active and passive funds may dissent for different reasons, so the board could be responding to the severity of the underlying problem rather than to the fund that flags it. We control for the stated rationale topics that funds disclose, and the gap is unchanged. Finally, unobserved shocks at the firm-year level could drive both active dissent and director departures. Following Matvos and Ostrovsky (2010), we instrument dissent with each fund's dissent rate at its other portfolio firms in prior years. Instrumented active dissent still predicts director departure while instrumented passive dissent does not, so the magnitude of the gap persists. A shock at the focal firm is hard to reconcile with these estimates.

In recent years, both regulators and academics have expressed concerns over large index funds wielding outsized power (Coates, 2018). Motivated by these concerns, we measure how much sway the "Big Three" asset managers (Vanguard, BlackRock, and State Street) hold in director elections. We find that the Big Three's passive funds, for all their assets, do not hold outsized sway. When they dissent, Big Three passive funds hold by far the largest positions in our sample, with a median stake more than twice that of active funds outside the Big Three. Yet the director departure rate after Big Three passive dissent is no higher than after dissent from those active funds. Regressions with controls and fixed effects yield similar results. The Big Three's passive funds sway boards no more than active funds outside the Big Three. The concern that the Big Three wield outsized power through their votes is therefore likely overstated.

Our central contribution is to show that all shareholder votes are not created equal, whereas standard models of shareholder voting assume that every share votes with equal force. We demonstrate that the same vote predicts different real outcomes depending on the

identity of the investor who casts it. In addition, we trace the economic mechanism behind the differential influence. Our framework separates the two reasons a dissenting vote can move the board: what the voter knows and what the voter can do. In our empirical setting, boards respond to what the voter can do, not to what the voter knows. Together, these results imply that the vote tally, which academic research and regulation typically focus on, is an incomplete measure of shareholder voice. The tally counts dissent but does not weigh it. As ownership migrates from active to passive funds, the same tally represents less and less exit pressure, and the disciplinary force of shareholder voting may erode with no visible change in voting outcomes. In the age of passive investing, board accountability depends not only on how many shareholders dissent, but also on how many of them can walk away.

1.1. Related Literature

Our paper first speaks to the literature on the advisory role of shareholder votes. In the advisory-voting framework of Levit and Malenko (2011), a non-binding vote moves management because it conveys the voter's view, so votes matter even when they are not pivotal. Our results add that management weighs this advice by the identity of the voter who gives it. The advisory role also connects to the debate in political science between "expressive" and "instrumental" voting. Expressive voters derive a consumption benefit from the act of voting itself (Fiorina, 1976), while instrumental voters believe their vote has a probability of being pivotal. Instrumental voting faces logical challenges in political elections (Downs, 1957; Riker & Ordeshook, 1968), but its relevance to shareholder voting remains an open question, because 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). Empirically, Aggarwal, Dahiya, and Yilmaz (2023) and Aggarwal, Briscoe-Tran, Erel, and

Starks (2024) find that shareholders vote, and submit proposals, to express dissatisfaction with company policies or preferences over directors unrelated to quality. The dissent in our sample is consistent with this expressive pattern. When shareholders dissent, they vote against the recommendation of Institutional Shareholder Services (ISS) roughly 64% of the time and against that of Glass Lewis (GL) 71% of the time. Because the proxy advisors recommend supporting the vast majority of directors, most dissent opposes a director whom the advisors judged acceptable, so it does not simply echo the advisors' director-specific assessments. Beyond the vote, shareholders can also advise management directly, through private engagement (Kakhbod, Loginova, Malenko, & Malenko, 2023). Section 6 shows that the influence gap does not reflect correlated engagement.

Our results also speak to the literature on governance through exit (Admati & Pfleiderer, 2009; Edmans, 2009; Edmans & Manso, 2011; Edmans, Goldstein, & Jiang, 2012). In that literature, the threat that an informed blockholder sells disciplines management, and the threat works in expectation, without a sale taking place (Bond, Edmans, & Goldstein, 2012). Empirically, the threat is strongest in liquid stocks, where a dissatisfied holder can leave cheaply (Edmans, Fang, & Zur, 2013; Bharath, Jayaraman, & Nagar, 2013). Broccardo, Hart, and Zingales (2022) compare exit and voice as governance strategies for dissatisfied investors. We show that the two are intertwined, because the threat of exit sets the weight of the vote itself. The same dissent moves the board more when a credible exit stands behind it.

Our paper also speaks to the literature on passive ownership and corporate governance. Passive funds conduct less governance research than active funds (Iliev et al., 2021), follow proxy advisor recommendations more closely (Iliev & Lowry, 2015; Shu, 2024), and monitor their portfolio firms less (Heath et al., 2022), although their large stakes could support stronger oversight (Bebchuk & Hirst, 2019). This literature studies what passive funds do with their governance tools. We study how much one central tool, the vote, accomplishes,

and we find that management discounts the passive vote itself. The rise of passive ownership therefore changes governance not only through how passive funds vote, but also through how much their votes count.

Finally, our paper speaks to the debate on shareholder democracy and voting policy. Matsusaka and Ozbas (2017) show theoretically that shareholder empowerment cuts both ways: approval rights protect shareholders from value-reducing management proposals, while proposal rights can let an activist minority extract concessions that reduce shareholder wealth. The Securities and Exchange Commission (SEC) has introduced several rules to make shareholder voting more effective. The most relevant rule for our tests is the 2003 requirement that mutual funds disclose their votes. Because fund votes are public, management can see which fund casts each vote, which is the response we measure. A more recent rulemaking effort, pass-through voting, would let the beneficial owners of mutual funds vote directly. Some studies suggest that pass-through voting has a positive effect (Herrmann, McInnis, Monsen, & Starks, 2024), while others indicate that its effect is more nuanced (Malenko & Malenko, 2023). It remains an open question whether pass-through voting would meaningfully alter firm behavior or whether management would discount retail investors' votes.

2. A Model of Exit Threat and Information

Our central finding, established in Section 4, is that director retention responds about twice as strongly to dissent from active funds as to dissent from passive funds. This influence gap has more than one potential explanation. We develop a stylized model of the board's replacement decision to isolate what each subsequent empirical test identifies and to understand why a null in certain tests is informative. The model builds on two economic channels rooted in two strands of literature. First, it builds on governance through exit (Admati & Pflei-

derer, 2009; Edmans, 2009; Edmans & Manso, 2011), in which the threat that an informed blockholder sells disciplines the board. Second, it builds on the advisory-voting framework of Levit and Malenko (2011), in which a non-binding vote moves the board because it carries information. These two economic forces both widen the influence gap in the same direction, so the gap itself cannot distinguish them, and we derive the moments that can.[1]

Setup. A director has unknown quality $\theta \in \{L, H\}$, with prior $\Pr(\theta = H) = \frac{1}{2}$. Two funds hold the firm, an active fund a and a passive fund p. Fund $i \in \{a, p\}$ observes a private signal $s_i \in \{L, H\}$ about θ with symmetric precision $\Pr(s_i = H \mid \theta = H) = \Pr(s_i = L \mid \theta = L) = p_i \in [\frac{1}{2}, 1]$ and votes sincerely. That is, the fund votes to support the director's election when its signal is H and withholds support when its signal is L. We assume the active fund's signal to be at least as precise as the passive fund's, $p_a \geq p_p$, throughout. After observing a fund's vote, the board chooses an action $A \in \{0, 1\}$, where $A = 1$ keeps the director and $A = 0$ replaces the director with a fresh draw of average quality $\frac{1}{2}$. The value of the firm under the board's action is

$$u \;=\; A\,\theta \;+\; (1 - A)\,\frac{1}{2},$$

and each fund's position pays this value, so each fund wants the action that maximizes expected firm value given its information. The board's payoff is $u + A\,b + \lambda P$: it shares the firm value u with investors, it collects a private benefit b of keeping the director with b following a uniform distribution on $[0, B]$, and it places weight $\lambda \geq 0$ on the short-term share price P. The price term P captures only the price movement that the funds' trading induces around the board's decision. The fundamental value u already enters the payoff directly, so λ scales the board's exposure to the expected exit-induced price drop and nothing else. The scale $B > 0$ measures the board's entrenchment: a more entrenched board draws larger private benefits from keeping its incumbent directors. We assume B is large enough that the

[1] We thank Andrey Malenko for suggesting the framework and predictions.

replacement cutoffs derived below lie inside the support of b.

Only the active fund can sell; the passive fund must hold its index position. Building on Edmans (2009), we model an exit as moving the share price through two components that differ in their persistence. The first component, $\Delta \geq 0$, is the announcement effect of the exit: the information that an informed blockholder has left the firm, which the market impounds once the exit becomes known and which does not revert. The second component, $c \geq 0$, is the price impact of pushing the block into the market, and it is the inverse of the stock's liquidity: c is small in a liquid stock and large in an illiquid one. Unlike the announcement effect, the price impact is temporary: prices recover as the market absorbs the block, and the classic block-trading evidence attributes the permanent part of a block-trade price move to information and the transient part to liquidity (Scholes, 1972; Kraus & Stoll, 1972; Holthausen, Leftwich, & Mayers, 1990). The two components, therefore, fall on different parties. The fund sells before the exit becomes public, so its sale price reflects the mechanical impact c of its own selling but not the announcement effect Δ, and the later reversion of c cannot help a seller who has already sold. The board faces the opposite exposure: it cares about the share price once the exit is known and the transient pressure has reverted, so it fears the permanent drop Δ but not the transient impact c.

After the board acts in response to voting, the active fund decides whether to stay or exit. Staying pays the active fund its expected value of the firm, $\mathrm{E}[u]$, given the fund's signal and the board's action. Exiting pays $\bar{u} - c$: the fund redeploys its position at a private value $\bar{u}$, drawn uniformly from $[0, \frac{1}{2}]$ and reflecting its outside opportunities, and it bears the impact cost c when it sells.[2] Therefore, the fund exits when $\bar{u} - c > \mathrm{E}[u]$.

[2]The upper bound on $\bar{u}$ has an economic motivation. Because the fund's outside value never exceeds $1/2$ (which is also the expected value of the firm under a replacement director), staying is never worse than exiting whenever the board keeps a director the fund supported or replaces one the fund dissented on. That is, outside opportunities alone never trigger an exit. Every exit therefore follows a dissent the board ignored, and the draw of $\bar{u}$ determines which ignored dissents end in an actual sale. Any cap at or below $1/2$ preserves this property. We use the largest such value, which makes the threat of exit as strong as the property allows.

Equilibrium. Consider first a supportive vote, $s_i = H$. The board's posterior about the director's quality updates to $\Pr(\theta = H \mid s_i = H) = p_i \geq \frac{1}{2}$, so the director's expected quality is at least as good as the replacement director's. The board keeps the director for every positive b. The active fund's expected value of staying is $\mathrm{E}[u \mid s_a = H, \text{keep}] = p_a \geq \frac{1}{2}$, while exiting pays at most $\bar{u} - c \leq \frac{1}{2}$, so the fund never exits. Therefore, nothing happens after a supportive vote, and all of the action in the model comes after dissent.

Now consider dissent. After a dissent, the board's posterior that the director is of high quality is $\Pr(\theta = H \mid s_i = L) = 1 - p_i$ by Bayes' rule, so a more precise dissent makes the board more certain the director is of low quality. After a passive fund dissents, no exit is possible, so the board keeps the director if and only if

$$\underbrace{(1 - p_p)}_{\mathrm{E}[u \,|\, \text{keep director}]} + b \;\geq\; \underbrace{\frac{1}{2}}_{\mathrm{E}[u \,|\, \text{replace director}]} \qquad \Longleftrightarrow \qquad b \;\geq\; p_p - \frac{1}{2}. \tag{1}$$

Integrating over $b \sim U[0, B]$ gives the replacement probability after a passive dissent,

$$\Pr(\text{replace} \mid \text{passive dissent}) \;=\; \frac{2p_p - 1}{2B}. \tag{2}$$

A more entrenched board, with a larger B, is less likely to act on any given dissent.

After an active fund dissents, the exit stage matters. If the board replaces the director, the active fund's expected value of staying is $\mathrm{E}[u \mid \text{replace}] = \frac{1}{2}$, again at least the highest possible exit payoff, so it does not exit. If the board keeps the director, the active fund's expected value of staying is $\mathrm{E}[u \mid s_a = L, \text{keep}] = 1 - p_a$. Therefore, the active fund exits when $\bar{u} - c > 1 - p_a$. Integrating over $\bar{u}$, we obtain the probability of exit as

$$\Pr(\text{exit} \mid \text{keep after active dissent}) \;=\; \max\{\, 2p_a - 1 - 2c,\; 0 \,\}. \tag{3}$$

Two features of Equation (3) drive what follows. A more precise fund is more pessimistic after its own dissent, so it exits more readily. And a larger price impact c makes the exit costlier to the fund, so illiquidity discourages the exit. Once $c \geq p_a - \frac{1}{2}$, the probability of exit equals zero and the active fund never exits at all. For the subsequent part of the

model, we discuss the interior case with $c < p_a - \frac{1}{2}$. When the price impact cost exceeds the threshold, the threat term is always zero, and active dissent moves the board only through its information, like a passive dissent but with precision p_a.

Keeping an active-dissented director, therefore, exposes the board to an expected price drop equal to the probability of the exit times the magnitude of the price drop, $(2p_a - 1 - 2c) \times \Delta$, which the board weighs by λ. As a result, the board keeps the active-dissented director if and only if the value of keeping the incumbent is at least that of a randomly drawn replacement, i.e., $(1 - p_a) + b - \lambda\,\Delta\,(2p_a - 1 - 2c) \geq \frac{1}{2}$. Integrating over b gives the replacement probability after an active dissent,

$$\Pr(\text{replace} \mid \text{active dissent}) \;=\; \frac{(2p_a - 1) \;+\; 2\lambda\,\Delta\,(2p_a - 1 - 2c)}{2B}. \tag{4}$$

Note that the board responds to the expected drop, not to a realized sale: the threat moves the board's decision even when no sale ever takes place (Admati & Pfleiderer, 2009; Bond et al., 2012).

The influence gap. Differencing Equations (4) and (2) yields the influence gap, the central object of the paper,

$$\underbrace{\Pr(\text{replace} \mid a) - \Pr(\text{replace} \mid p)}_{\text{influence gap}} \;=\; \underbrace{\frac{p_a - p_p}{B}}_{\text{information}} \;+\; \underbrace{\frac{\lambda\,\Delta\,(2p_a - 1 - 2c)}{B}}_{\text{exit threat}}. \tag{5}$$

The first term is the precision, or information, channel: a more precise active vote moves the board's posterior further toward replacement. The second term is the exit-threat channel, which is a product of three objects: the board's price weight λ, the permanent price drop Δ, and the probability that the exit actually happens. Either channel alone produces the main empirical fact. With equal precision, $p_a = p_p = p$, and a live exit threat ($\lambda > 0$, $\Delta > 0$, and $c < p - \frac{1}{2}$), the gap is $\lambda\Delta(2p - 1 - 2c)/B > 0$: the board reacts more to active dissent only because the active fund can sell. With a precision advantage, $p_a > p_p$, and no threat, $\lambda = 0$,

the gap is $(p_a - p_p)/B > 0$: the board reacts more to active dissent only because the active vote is better informed. The size of the gap, therefore, cannot distinguish the channels. The two terms are also entangled: the threat term rises with p_a, because a more precise fund both moves the board's beliefs more and exits more readily after being ignored. Separating the channels needs variation that shifts one term while holding the other fixed, or a moment the threat cannot touch, which is what the tests below supply.

Predictions. The model delivers four predictions, each mapped to a test in the paper. We state the predictions as conditionals and leave their adjudication to the data.

Prediction 1 (The influence gap). Both terms in Equation (5) are nonnegative, so active dissent predicts weakly more director removal than passive dissent under any mix of the two channels. This prediction is the paper's main empirical finding. Table 2 tests and establishes it.

Prediction 2 (Entrenchment). Entrenchment enters the model as the scale B of the board's private benefit. A larger B weakens the board's response to dissent from either fund type (see Equations (2) and (4)). The gap is negatively correlated with entrenchment as shown in Equation (5). The entrenchment analysis in Section 4.2 and Table 4 test both implications.

Prediction 3 (Exit threat). The threat term moves with two primitives that leave the information term untouched. First, it rises with λ ($\partial\,\text{Gap}/\partial\lambda = \Delta\,(2p_a - 1 - 2c)/B \geq 0$), so boards more exposed to the share price should respond more to active dissent. We measure λ by management's Core and Guay (2002) compensation delta and test this comparative static in Table 5. Second, the threat falls with the price impact c, that is, it rises with liquidity ($\partial\,\text{Gap}/\partial c = -2\lambda\Delta/B \leq 0$). This is because high price impact makes the exit costlier to the fund, so the exit that carries the threat becomes less likely. The gap should therefore be larger in liquid stocks. Liquidity is central to blockholder governance in theory (Maug,

1998; Edmans, 2009), and the empirical literature on funds' exit finds that the exit threat disciplines management where a dissatisfied holder can actually leave (Edmans et al., 2013; Bharath et al., 2013). Tables 6 and 7 test whether the gap is driven by the exit threat.

Prediction 4 (Information). The information channel affects the influence gap through the funds' signal precision. The two fund types, however, give tests of very different quality. A passive fund's precision moves only the board's posterior updating ($\partial \Pr(\text{replace} \mid p)/\partial p_p = 1/B$), because passive funds cannot exit. Therefore, the relation between the board's response to passive dissent and the fund's precision is a clean test of the information channel. An active fund's precision moves the board's posterior updating in the same way, but it also makes the fund itself more ready to exit after being ignored ($\partial \Pr(\text{replace} \mid a)/\partial p_a = (1 + 2\lambda\Delta)/B$). A more precise active fund therefore sways the board through the information channel and the exit-threat channel at once. As a result, tests based on changes in active fund precision cannot distinguish between the two channels. Given that the passive funds' precision cleanly tests the information channel, we interact the informativeness measures with passive dissent in Table 9. If passive funds' informativeness amplifies the board's response to their dissent, the result supports the information channel; a null fails to support it.

3. Data

Our sample includes all mutual-fund votes on uncontested director elections at routine annual meetings of U.S. public firms from 2007 to 2020. ISS Voting Analytics provides the fund votes, the final voting outcomes, 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 define a dissenting vote as the fund voting "Against," "Abstain," or "Withhold," and a supporting vote as the fund voting "For."

The sample excludes elections in which a vote could be pivotal. We drop contested elections, using the dataset kindly provided by Brav, Jiang, Li, and Pinnington (2024), and any election in which the director received less than 70% of the final vote. These exclusions remove approximately 1.7% of votes and ensure that no single fund has a meaningful probability of deciding the outcome, so our tests measure how management responds to the signal in a vote rather than to its effect on the tally. Our findings remain robust without these filters (Internet Appendix Table IA.A1).

We classify funds as active or passive using the CRSP Mutual Fund Database, which also provides fund characteristics and ownership stakes. A fund is passive if the CRSP index-fund flag identifies it as a pure index fund in any year of its history, and active otherwise, so enhanced-index and index-based funds are grouped with active funds. The sample includes exchange-traded funds reported in the CRSP Mutual Fund Database.

Director information comes from the ISS directors database. Our primary outcome is an indicator equal to 1 if the director remains on the firm's board three years after the election, and 0 otherwise. The regressions scale the indicator by 100, so coefficients read as percentage points. 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 that parses director names from each election's item description.

Firm characteristics come from the CRSP/Compustat database, and corporate governance characteristics come from ISS's Governance dataset. We calculate the entrenchment index (E-Index) of Bebchuk, Cohen, and Ferrell (2009), which ranges from 0 to 6, counting staggered boards, limits on shareholder bylaw amendments, poison pills, golden parachutes, supermajority requirements for mergers, and supermajority requirements for charter amendments. Both firm and fund characteristics are measured as of the calendar year preceding the year of the vote.

Lastly, we measure whether a fund family viewed the firm's proxy statement before

voting (Iliev et al., 2021), using the SEC's EDGAR server log. The log records 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) deanonymize IP addresses using the cipher provided by Chen, Cohen, Gurun, Lou, and Malloy (2020), (ii) map the full IP addresses to organization names using linking datasets from MaxMind and the American Registry for Internet Numbers (ARIN), and (iii) match each viewed filing to the annual meeting it covers. If a fund family does not appear in the EDGAR log in a given year, we omit it from the analysis for that year.

Insert **Table 1** About Here

Table 1 presents summary statistics for our sample. Director departures are common, while dissent is rare. 18% of directors leave the board within three years of their election, but dissenting votes make up only about 3% of mutual-fund votes, and the average director receives 96% support in the final tally. Passive funds cast 46% of the votes in our sample. The average fund holds 0.17% of the firm's shares, and blockholders owning more than 5% cast just 0.2% of the votes.

3.1. Background on Shareholder Voting and Director Exit

Shareholders can remove a director directly. Delaware General Corporation Law § 141(k)[3] grants shareholders the right to remove unclassified directors, with or without cause, by a simple majority vote. The Delaware Court of Chancery strictly protects this right and invalidates charter or bylaw provisions that restrict removal to "for cause" on annually elected boards (Weinstein, Richter, & Epstein, 2017). For classified boards, removal is restricted to "for cause." Under cumulative voting, a director cannot be removed without cause if the

[3] https://delcode.delaware.gov/title8/c001/sc04/

votes cast against removal would have sufficed to elect the director cumulatively. For-cause removals are extremely rare because of the burdensome process requirements, including specific notice, hearings, and corporate-funded proxy defenses, established in *Campbell v. Loew's, Inc., 134 A.2d 852 (Del. Ch.)* (1957).

Shareholders can also push directors off the board through the annual reelection vote, and the board retains discretion at every step. For directors elected under a majority rule, a director who fails to win majority support must tender a resignation, but the remaining board, protected by the business judgment rule, may reject the resignation and retain the "zombie director" (*City of Westland Police & Fire Ret. Sys. v. Axcelis Techs., Inc., 1 A.3d 281 (Del.)*, 2010). Many directors are instead elected under a plurality standard, in which the candidates with the most "For" votes win the available seats, so an uncontested director needs only a single "For" vote to be elected. To bridge the two standards, many firms have adopted a "plurality plus" rule. The legal standard remains plurality, but a director who receives more "Withhold" than "For" votes must tender a resignation, which the board's nominating and governance committee then accepts or rejects (Ertimur, Ferri, & Oesch, 2015). Because removal is rarely automatic under any of these standards, the decision to retain or replace a director rests largely with the board. This discretion is what allows the board to weigh dissent by the identity of the fund casting it.

4. The Active–Passive Influence Gap

In this section, we examine the relation between shareholder votes in director elections and the director's future career within the firm. 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 (Aggarwal et al., 2019), although boards often respond to dissent by addressing the underlying issue rather than by removing the director (Ertimur, Ferri, &

Oesch, 2018). 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, 2015; Shu, 2024). Figure 1 illustrates the relation between the probability that a director remains on the board three years after a vote and the fraction of the election's vote shares cast in their support 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. In Panel A, there is a strong positive correlation between the probability of a director remaining on the board and support from active funds. Specifically, a ten-percentage-point increase in support from active funds is associated with an approximately 1.0 percentage-point higher probability of remaining on the board. In contrast, the same increase in support from passive funds is associated with an increase of only 0.03 percentage points, so the relation for passive funds is essentially flat.

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

$$\begin{aligned}\text{Director Retention}_{i,j,t} = \beta_{\text{active}} \cdot \text{No}_{i,j,f,t} \cdot \text{Active}_f + \beta_{\text{passive}} \cdot \text{No}_{i,j,f,t} \cdot \text{Passive}_f \\ + \gamma X_{i,j,f,t} + \text{Fixed Effects} + \epsilon_{i,j,f,t} \, . \quad (6)\end{aligned}$$

Each observation represents a fund vote in an election. The dependent variable is an indicator equal to 1 if director j remains on the board of firm i three years after their

election in year t, and 0 otherwise, scaled by 100 so that coefficients read as percentage points. 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. Because every fund is either active or passive, X omits the redundant terms: the standalone dissent indicator is replaced by its two type interactions, and the fund-type main effect enters once, as the passive-fund indicator, with active funds the omitted category. Each dissent coefficient therefore compares dissenting with supporting votes cast by the same fund type. We also include a 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, $\beta_{\text{passive}} - \beta_{\text{active}}$, is the influence gap between active and passive dissent and is the main focus of this regression analysis. The standard errors are double-clustered at the firm and director levels.[4]

The model predicts that dissent from an active fund is associated with weakly more director removal than dissent from a passive fund (Prediction 1), because both terms of the influence gap in Equation (5) are nonnegative.

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

[4]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.

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. As a first robustness check, column 3 imposes the more stringent firm-by-year fixed effects to eliminate any portfolio selection confounding effects. This specification, however, also absorbs much of the variation in funds' dissenting votes that we want to explore, such as dissent driven by poor firm performance. 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, though somewhat smaller, so firm characteristics and director quality do not fully explain the influence gap.[5]

The magnitude of these coefficients calls for a note of interpretation. A coefficient of -2.6 does not mean that one fund's vote moves a director's retention probability by 2.6 percentage points. Roughly one hundred funds vote in the average election, so per-vote effects of this size could not aggregate linearly. Moreover, our sample is constructed so that no single vote is pivotal. Rather, dissent is correlated across funds within an election because common triggers, such as poor performance or a proxy advisor recommendation, move many funds at once. As a result, a given fund's dissenting vote marks an election in which a bloc of the same type of funds dissents. When an active fund dissents, 27 percent of the other active

[5]Columns 4 through 6 report the within-family version of the comparison, with fund-family fixed effects and a smaller sample of fund families that run both active and passive funds, which we discuss in detail in Section 4.1 among other robustness checks. 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 6.3).

funds voting in the same election also dissent, compared with 2.5 percent when it supports the director. The vote-level coefficient, therefore, measures the association between director retention and the composition of dissent, scaled by this conditional bloc size, rather than the marginal effect of any single vote.[6]

In economic terms, a one-standard-deviation increase in the fraction of active funds voting against the director is associated with a 0.96 percentage-point drop in the director's retention probability. That drop is more than double the 0.37 points for a one-standard-deviation increase in the passive fraction.[7] We nonetheless keep the fund vote as the unit of analysis throughout the paper, for two reasons. First, the model is written at the vote level: the board observes a single fund's dissent and weighs it by the type of fund casting it, so the influence gap is a statement about a single vote. Second, the empirical tests need each vote to carry the identity of the fund that casts it. The main specification distinguishes votes by the type of fund casting them and controls for fund characteristics such as holding size. The mechanism tests go further and include interactions between dissent and additional characteristics of the voting fund. Aggregating to the election level reduces each election to two dissent fractions and discards the fund-level information that these tests require.

[6] A back-of-the-envelope calculation confirms the scaling. Because retention is the same for every vote cast in an election, the vote-level coefficient compares elections in which a given active fund dissents with elections in which it supports the director. Two inputs turn that comparison into a number. First, retention falls with the fraction of each fund type voting no: in column 2 of Internet Appendix Table IA.A3, the slopes are -7.6 (SE $= 1.8$) on the active fraction and -3.4 (SE $= 1.8$) on the passive fraction, with firm and year fixed effects. Second, an active fund's dissenting vote marks elections with more dissent of both types: relative to the elections in which it supports the director, the dissent rate of the other active (passive) funds is 24.5 (17.7) percentage points higher, because common triggers move both fund types. Multiplying the slopes by the shifts gives $-7.6 \times 0.245 - 3.4 \times 0.177 = -2.5$, close to the -2.6 estimated in Table 2.

[7] Both magnitudes come from column 2 of Internet Appendix Table IA.A3. The slope on the active dissent fraction is -7.56 (SE $= 1.76$), and the fraction's standard deviation is 12.7 percentage points, so the magnitude is $7.56 \times 0.127 = 0.96$ percentage points. The slope on the passive dissent fraction is -3.36 (SE $=$ 1.83), and the fraction's standard deviation is 11.0 percentage points, so the magnitude is $3.36 \times 0.110 = 0.37$ percentage points.

4.1. Robustness: Within-Family Estimates and Holding Size

This subsection shows that the influence gap in Table 2 survives three sets of checks. First, we compare the votes of the active and passive arms of the same fund family. Second, we control for the size of the fund's holdings in the firm. Third, we summarize a battery of further checks from Internet Appendix Section IA.A: alternative samples, different levels of aggregation, outcome horizons, fund- and director-level controls, and blockholder subsamples.

The within-family comparison holds the institution itself fixed and demands a great deal from the data: the gap must now appear between two arms of the same family voting on the same director in the same annual meeting. Many fund families operate active and passive funds side by side, and the two arms share the family's research, stewardship staff, and access to firm management. Comparing the votes of the same family's active and passive arms on the same director further nets out family-level differences in information, preferences, and voting style. The comparison now asks only whether the board weighs the active arm's vote differently from the passive arm's.

We keep the family-director pairs in which the same family's active and passive arms both cast a vote, and we add fund-family fixed effects. Columns 4 through 6 of Table 2 report the estimates. With firm, year, and fund-family fixed effects, the active funds' dissent outweighs the passive funds' by 1.1 percentage points (column 4, significant at the 10% level). Tightening to firm-by-year and fund-family fixed effects, dissent from a family's active arm is associated with a 1.6 percentage-point lower retention probability, and dissent from the same family's passive arm with a 0.8-point decline. The difference of 0.8 percentage points is statistically significant at the 10% level (column 5). Column 6 replaces the additive fixed effects with a separate fixed effect for each family-meeting pair, so the gap must now appear within a single family's votes at a single annual meeting, across the directors on that meeting's slate. Dissent from the family's active arm is associated with a 2.3 percentage-

point lower retention probability, and dissent from its passive arm with a 1.3-point decline. The difference of 1.0 percentage points is significant at the 5% level (column 6). The gap is smaller than in the full sample, as expected once family-level differences are removed, but it persists when the same fund family casts the active and passive votes. That is, the same board at the same annual meeting responds differently to votes cast by the same fund family depending on the fund's active or passive identity.

A natural concern is that the gap reflects holding size rather than investor type. Active funds often maintain larger and more concentrated positions (Kacperczyk, Sialm, & Zheng, 2005), and firms may be more responsive to their largest shareholders regardless of whether they are active or passive.

To explore this possibility, we first examine whether the holding sizes of passive and active funds differ. Across the fund votes in our sample, the mean, median, and 95$^{\text{th}}$ percentile holdings for passive funds are 16.7, 1.7, and 99.1 basis points of the firm's outstanding shares, respectively. By comparison, the corresponding figures for active funds are 17.0, 1.4, and 83.4 basis points. In other words, passive funds hold positions of similar size on average, and only slightly larger at the median and in the upper tail.

Insert **Table 3** About Here

Next, we show that holding size does not explain the influence gap. Columns 1-3 of Table 3 split the sample into holding-size terciles, so that active and passive funds are compared at similar holding sizes. The gap is 2.7 percentage points in the low tercile and 1.4 in the mid tercile. Although in the top tercile the active and passive coefficients converge (-1.45 versus -1.38) and the gap closes, it re-emerges among blockholders. Internet Appendix Table IA.A7 shows that active dissent predicts removal both above the 1% ownership threshold (-2.41, SE $= 0.85$) and above the 5% threshold (-6.85, SE $= 3.38$). Passive dissent predicts removal

in neither subsample (−1.26, SE = 1.56, and 1.44, SE = 9.63). The implied gap is therefore positive but not statistically significant (1.15, SE = 1.66, above 1%; 8.29, SE = 10.22, above 5%), because the delta-method standard error of the difference is dominated by the imprecise passive coefficient.

In column 4 of Table 3, we rerun the baseline adding direct controls for holding size, portfolio weight, and fund size. None of these variables alters the finding that director retention responds more 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 reaction by 0.8 percentage points (0.53 × 1.55). However, a two-standard-deviation increase (enough to qualify the fund as a blockholder) is associated with a 0.8 percentage-point *increase* in the sensitivity (2.45 - 2 × 0.53 × 1.55). 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.

We also conduct a series of further robustness checks in the Internet Appendix. First, we restore the elections below 70% support that the baseline excludes, in which active and passive votes count toward the tally in the same way; the gap narrows, as the advisory logic predicts, but remains significant (Internet Appendix Table IA.A1). Second, we repeat the analysis at coarser levels of aggregation. At the fund-family level the gap is 1.8 percentage points (standard error 0.3; Table IA.A2); at the election level the roughly two-to-one active–passive pattern holds, though the difference loses precision because aggregation discards the within-election contrasts that identify the gap most sharply (Table IA.A3). Third, the gap is absent at the one-year horizon and is present and robust at horizons of two through five years (Table IA.A4). The one-year null reflects the annual nomination cycle: a board that drops a director acts at a subsequent annual slate, so the vote's effect on retention appears from the

second year onward. Fourth, the gap survives a comprehensive set of fund characteristics interacted with dissent (Table IA.A5) and triple interactions with director characteristics (Table IA.A6).

4.2. Entrenchment and the Influence Gap

This subsection tests Prediction 2 by re-estimating Equation (6) across firms with different levels of managerial entrenchment, measured by the E-Index of Bebchuk et al. (2009). The model predicts that dissent from either fund type predicts retention less in entrenched firms, because the entrenchment scale B divides each type's response (Equations (2) and (4)). It also predicts that the influence gap itself should narrow, because B divides both terms of the gap in Equation (5). In Table 4, firms are categorized as low (E-Index 0-1), moderate (2-3), or high (4-6) entrenchment.

Insert **Table 4** About Here

We see that the sensitivity of director retention to shareholder dissent declines as entrenchment increases: the coefficient on No $\times$ Active falls from -3.18 (SE $= 0.52$) in the low-entrenchment group to -1.07 (SE $= 0.88$) in the high-entrenchment group. At the same time, the active–passive gap narrows in step, from 1.34 percentage points (SE $= 0.62$) at low entrenchment to 0.98 (SE $= 0.58$) at moderate entrenchment and 0.38 (SE $= 0.87$) in the most entrenched firms. The gap is thus largest where the board is most exposed to shareholder discipline and disappears where the board is most insulated.

5. Economic Mechanism

In this section, we examine our two candidate mechanisms for the influence gap. The threat channel arises because passive funds cannot credibly threaten to exit when they disagree

with management. The information channel posits that passive funds are less informed than active funds. These two explanations are not mutually exclusive. Each channel corresponds to a term in Equation (5) of the model in Section 2, and we organize the evidence below around the predictions the model assigns to each. Overall, we find evidence supporting the threat channel and a lack of support for the information channel.

5.1. The Exit-Threat Channel

Passive funds must replicate their benchmark index and cannot unilaterally divest from an individual company. In contrast, active fund managers can sell shares when they disagree with management, which could drive down the stock price. As a result, boards may pay more attention to the dissenting votes from active shareholders than to those from passive ones. The model predicts that the influence gap is larger where management is more exposed to the share price and where the fund's exit is cheap enough to be credible (Prediction 3). Importantly, both comparative statics shift the threat term of the influence gap in Equation (5) while leaving the information term unchanged. We test the first with management's compensation delta and the second with stock liquidity, measured both for the firm's stock and for each fund's own position. If the gap widens with management's price exposure and with the stock's liquidity, the results support the threat channel; nulls would fail to support it.

5.1.1. Management's Price Exposure

The first cross-sectional test uses management's compensation delta, the empirical counterpart of the price-sensitivity parameter λ in the model of Section 2. The threat of exit disciplines management to the extent that they are exposed to the share price, so the influence gap should be larger where λ is higher (Admati & Pfleiderer, 2009; Edmans, 2009). We proxy λ by the Core and Guay (2002) delta: the change in the dollar value of an executive's

stock and option holdings for a one-percent change in the share price, built from Execucomp holdings and CRSP prices. Table 5 shows the result. We sort firms into terciles of the chief executive's delta, measured the fiscal year before the meeting. In this section's interaction tables, the gap appears as the coefficient on No × Active, so a more negative coefficient means a wider gap. The gap is near zero in low-delta firms and −1.8 percentage points in high-delta firms, and the high-minus-low difference is significant at the 5% level. Using the firm's average-executive delta in Panel B yields the same pattern: the gap is near zero in the low tercile, −1.5 percentage points in the high tercile, and the high-minus-low difference of −1.6 (SE = 0.8) is also significant at the 5% level.[8]

Insert **Table 5** About Here

5.1.2. The Fund's Exit Cost

The second cross-sectional test uses stock liquidity, the inverse of the price impact c in the model. In the model, the price impact of the sale is a cost borne by the exiting fund itself, so illiquidity discourages the exit. Exit disciplines a board only where a dissatisfied holder can leave cheaply, so the influence gap should be larger in more liquid stocks (Edmans, 2009; Edmans et al., 2013; Bharath et al., 2013). We measure liquidity by two intraday spreads from the Trade and Quote (TAQ) data, the time-weighted percent quoted spread and the percent effective spread, each averaged over the firm-year before the meeting.

Insert **Table 6** About Here

As predicted, the gap is larger in more liquid stocks. Table 6 sorts firms into within-year liquidity terciles. With the quoted spread, from the most to the least liquid tercile, the gap

[8]Delta and firm size are correlated, so Internet Appendix Table IA.D1 double-sorts on firm size and delta (3×3). Each delta-tercile regression adds within-year size-tercile indicators and their interactions with No. The estimates are essentially unchanged.

is −2.1 points (SE = 0.5), −0.3 points (SE = 0.5), and 0.5 points (SE = 0.5). The difference between the most and least liquid terciles, −2.5 points (SE = 0.7), is also significant at the 1% level. Sorting the firms by effective spread yields a qualitatively similar pattern.[9]

We next measure the cost of exit at the level of each fund's own position. The threat that backs a dissenting vote is the prospect that the dissenting fund itself sells, and the cost of that sale depends on the fund's own position, not only on the stock. Therefore, we proxy each fund's cost of exit with its Position Illiquidity, measured as the fund's stake in the firm divided by the stock's annual trading volume. The larger the position relative to the stock's trading volume, the costlier it is to unwind, and the less credible the fund's threat of exit. We interact the dissent indicator with Position Illiquidity, split by fund type, with firm fixed effects always included, so the comparison is across funds within the same firm. A more illiquid position is also a larger holding, so every column controls for the fund's Holding Size directly. We expect the sway of an active fund's dissent to fall as its position becomes more illiquid, because the exit threat loses credibility (the interaction should be positive). We expect the sway of a passive fund's dissent not to move, because passive funds cannot exit to begin with, so illiquidity does not matter for them (the interaction should be insignificant). As a result, the influence gap should shrink as positions become more illiquid.

Insert **Table 7** About Here

Table 7 shows this pattern. The active-side interaction is 0.99 (SE = 0.18), so one standard deviation of Position Illiquidity costs active dissent about as much sway as the entire influence gap (−0.97 in the same column). The passive-side interaction is small and insignificant (−0.16, SE = 0.15). The difference between the two interactions, reported at the bottom of the table, is 1.15 (SE = 0.19) and significant at the 1% level, so the

[9]Liquidity and firm size are highly correlated, so Internet Appendix Table IA.D2 double-sorts on firm size and liquidity (3×3). Each liquidity-tercile regression adds within-year size-tercile indicators and their interactions with No. The estimates are essentially unchanged.

gap shrinks as positions become more illiquid. The contrast survives fund fixed effects in column 3, so the same fund's dissent sways the board more at its liquid positions than at its locked-in ones. Blockholder positions are among the hardest to unwind, and blockholders can influence firms through channels other than their votes. The estimates are unchanged when we exclude blockholder positions (Internet Appendix Table IA.D3). An illiquid position strips the credible exit threat from an active fund's dissent, and it takes nothing from passive dissent, which never carried that threat. Together, the firm-level sorts and the position-level contrast support the threat channel.

5.1.3. The Fund's Exit Tendency

For the exit threat to explain the gap, two conditions must hold in the data, although they are not direct predictions of the model. First, active funds must exit more often after a dissenting vote than after a supporting vote, and passive funds must not. Second, dissent from the active funds that are more ready to exit must move the board more, because a threat from a fund known to exit is more credible. The gap should then widen with a fund's exit tendency after dissent. We test each condition in turn.

We first confirm that active funds exit more after dissenting, while passive funds do not. We define an indicator for fund f exiting its position in firm i after year t:

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

A fund's exit tendency is the average of this indicator over its dissenting votes up to the year before the annual meeting. A fund's votes enter the analysis once its exit tendency is estimated from dissents in at least two years, to measure a persistent trait rather than a single year's circumstances. Results are qualitatively similar with other screens or with no screen.

Insert **Table 8** About Here

Table 8 compares exit rates after a dissenting vote with the "base rate" of exit after a supporting vote. Column 1 shows that an active fund's dissenting vote is associated with a two-percentage-point increase in the likelihood that it exits its position, significant at the 1% level, and column 2 shows no such relation for passive funds. These two columns establish the first condition.

Next, we confirm the second condition, that the gap widens with a fund's exit tendency. Column 3 of Table 8 sorts active funds into terciles of the exit tendency. Active funds that divest the least sway the board the least: dissent from the bottom tercile lowers retention by 2.26 percentage points (SE = 0.35), against 3.09 (SE = 0.38) and 2.81 (SE = 0.44) for the middle and top terciles. Column 4 interacts the dissent indicator with the fund's exit tendency; the interaction is −2.82 (SE = 1.22), so dissent from a fund with a greater tendency to leave moves the board more. Using the tendency to sell rather than to exit gives similar results (Internet Appendix Table IA.D4).

Active funds' exit tendencies vary widely, and this variation is what makes a fund's historic exit record informative about the threat behind its dissent. Across active funds, the tendency has a mean of 28 percent, a standard deviation of 30 percentage points, and an interquartile range from 1 percent to 42 percent. That is, a 25th-percentile active fund essentially never exits after dissent, whereas a 75th-percentile fund exits nearly half the time. If exit rates after dissent sat within a few points of one another, a fund's history could not separate one dissent's threat from the other. Only when the variation is large does the exit history tell the board which dissents carry a real prospect of a sale. A high historical exit tendency raises the board's *perceived* probability that the fund will leave after a dissent, so the fund's threatened exit carries more weight. As a result, the exit threat moves the board in expectation, and a dissent need not be followed by an actual sale. Consistent with this reasoning, the model's threat term in Equation (5) is the probability of exit times the price drop an exit would cause, so what restrains the board is its belief that a dissatisfied holder

would sell. A credible threat can work precisely by not having to be carried out (Admati & Pfleiderer, 2009; Edmans, 2009; Edmans & Manso, 2011; Bond et al., 2012).

Overall, the data support the exit-threat channel as an explanation of the influence gap that we document. More subtly, our findings highlight the importance of the threat of exit. 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 exit that lies behind dissenting votes, rather than divestment itself, can help pressure firms to respond (as revealed in director turnover) even if it does not change firms' cost of capital.

5.2. The Information Channel

Under the information channel, boards weigh active fund dissent more heavily because active fund votes are more informed about the director. Indeed, passive funds conduct less research and are more prone to robo-vote at their portfolio companies (Iliev et al., 2021; Heath et al., 2022), so their votes may carry less information about the director. A change in an active fund's precision, however, moves the board's posterior updating and also makes the fund itself more ready to exit, so it moves the board's response through the information channel and the exit-threat channel together. A change in a passive fund's precision moves only the board's posterior updating, because passive funds cannot exit, so it moves the board's response through the information channel alone (Prediction 4). Accordingly, we interact our informativeness measures with passive dissent. If informativeness amplifies the board's response to passive dissent, the result supports the information channel; a null fails to support it. We find a lack of support for the information channel.

We use three measures to proxy for a fund's signal precision: its Vote Alpha, which captures what its votes predict; its ISS Deviation, which captures how independently it votes; and its EDGAR Visit, which captures whether it researches the firm. A fund's Vote Alpha, which we adapt from Gao and Huang (2025), is the average 12-month post-meeting abnormal return of the firms whose directors the fund supported, minus the same average for the firms it dissented on, computed over the fund's voting history through the prior year. By this measure, funds that dissent on firms that later underperform are considered informed. The ISS Deviation is the fund's share of trailing five-year votes cast against the ISS recommendation (Iliev & Lowry, 2015), residualized within year on the fund's dissent rate. We residualize because ISS recommends supporting the vast majority of directors, so a fund's deviation rate and its dissent rate are nearly the same variable (correlation 0.91). The EDGAR Visit is an indicator that the fund family accessed the meeting's proxy statement on the SEC's EDGAR website (Iliev et al., 2021). The EDGAR sample keeps fund families in years with at least one visit and covers 2007 through 2016, the years with SEC server logs. Fund families accessed the statement for 18 percent of the votes in this sample.

Insert **Table 9** About Here

Table 9 shows that informativeness changes neither the board's response nor the gap. The Vote Alpha interaction with passive dissent is near zero (-0.12, SE $= 0.23$). The ISS Deviation interaction is insignificant (0.30, SE $= 0.20$), and the EDGAR Visit interaction is insignificant as well (-0.32, SE $= 0.88$). The No $\times$ Active row reports the gap itself, and it barely moves when any interaction enters. The gap is -0.86 in both Vote Alpha columns, -0.98 and -0.91 in the ISS Deviation columns, and -1.22 and -1.21 in the EDGAR Visit columns. Passive funds' informativeness does not amplify the board's response to their dissent, and this null fails to support the information channel.

Overall, we find a lack of support for the information channel: the heightened sensitivity of director retention to active dissent does not reflect superior information in active funds' votes.[10]

6. Alternative Explanations

In this section, we address three alternative explanations for the influence gap. First, active funds may engage with management more intensely than passive funds, so the board could be responding to the engagement rather than the vote. We control for engagement directly, using stewardship-report records of which firms each fund family contacted, and the gap does not move. Second, active and passive funds may dissent for different reasons, so the board could be responding to the severity of the underlying problem rather than to the fund that flags it. We control for the rationale topics that dissenting funds disclose, and the gap does not move. Third, an unobserved shock at the firm could drive both active dissent and director departures. We instrument dissent with each fund's dissent rate at its other portfolio firms in prior years. Instrumented active dissent still moves the board, instrumented passive dissent does not, and the magnitude of the gap persists. Internet Appendix Section IA.C reports the tables and further details.

[10]Each measure in Table 9 captures a dimension of informed voting that prior work documents: independent voting relative to the proxy advisor (Iliev & Lowry, 2015), research on the firm's filings (Iliev et al., 2021), and a record of votes that the market later validates (Gao & Huang, 2025). Uniform nulls across the three are therefore unlikely to reflect measurement noise. In addition, Internet Appendix Section IA.B reports a set of checks on the information channel that lies outside the model's predictions and does not use the informativeness proxies. If the gap is driven by active votes being better informed, the directors that active funds dissent on should actually be worse, ex post, than the directors passive funds dissent on. Measuring ex-post quality by whether the firm later restates its financials or the director loses a seat on another board, we find that the directors active funds dissent on are no worse than those passive funds dissent on (Tables IA.B1 through IA.B3).

6.1. Correlated Engagement

Funds can influence firms through channels other than the vote, and the most direct such channel is private engagement. If active funds engage more intensely than passive funds, the director turnover we attribute to the vote could be a response to the engagement instead. The influence gap would then measure the intensity of active funds' engagement, not the force of their dissent.

We control for engagement directly. Heath et al. (2026) collect the engagement records of eleven large institutional investor families from their annual stewardship reports, covering 2019 through 2023. The eleven families include the "Big Three" passive managers, Northern Trust, also majority passive, and seven mid-size and large active institutions. We merge these records with our votes, and the votes cast by the eleven families form the engagement sample. Within the engagement sample, we re-estimate the baseline regression, first adding indicators for engagement in the meeting year and in the following year, and then interacting engagement with fund type and with the vote (Internet Appendix Table IA.C1).

Engagement does not explain the gap. Voting and engagement are close to independent in the first place, with a correlation between dissenting and engaging of about -0.05 for both fund types. The influence gap is 1.87 (SE = 0.91) in the engagement sample, both with and without the engagement controls, and 1.74 (SE = 0.90) with the full interactions. A dissenting vote from an active fund moves the board even where no engagement accompanies it.

6.2. Differing Rationales

Active and passive funds may dissent for different reasons. Active funds may vote against directors mainly after severe managerial failures, such as poor financial performance. Passive funds may instead dissent over milder governance concerns, such as board diversity. The

influence gap would then measure the severity of the underlying problem, not the identity of the fund that flags it.

We control for the stated reason for dissent. Diligent collects the text rationales that funds disclose when they vote against a management recommendation (Michaely, Rubio, & Yi, 2023). We cluster the rationales into ten topics with K-Means on TF-IDF vectors. A large language model then collapses the ten into six meta-rationales: Auditor, Board Diversity, Board Independence, Disclosure, Executive Compensation, and Shareholder Rights. We then re-estimate the baseline regression controlling for the rationale topics, so active and passive dissents are compared holding the disclosed topic composition fixed (Internet Appendix Table IA.C2).

The gap is not about the stated reason. The two fund types share the same broad priorities, with board diversity and board independence the most common topics for both, although active funds cite executive compensation, disclosure quality, and auditor tenure relatively more often (Internet Appendix Figure IA.C1). The influence gap is 1.53 (SE = 0.40) without the rationale controls and 1.67 (SE = 0.40) with them. Holding the disclosed topics fixed, the board treats an active fund's dissent as the stronger signal.

6.3. Unobserved Shocks

An unobserved shock could drive both active dissent and director departures. If active funds learn of a corporate crisis that our data do not capture, they may vote against the directors while the crisis itself pushes the directors out. The influence gap would then mean that active funds anticipate director departures better than passive funds, rather than cause them.

We instrument dissent with each fund's tendency to vote against management elsewhere. Following Matvos and Ostrovsky (2010), the instrument is the fund's *Dissent Tendency*, its

dissent rate at its *other* portfolio firms over all prior years:

$$\text{Dissent Tendency}_{i,f,t} = \frac{\text{Dissenting Votes}_{f,-i,<t}}{\text{Total Votes}_{f,-i,<t}}, \tag{7}$$

where the subscript $-i$ denotes the fund's votes at all portfolio firms other than firm i and $< t$ denotes all years before the meeting. A fund's votes enter the analysis once this rate is estimated from at least twenty prior votes. The instrument is plausibly exogenous. The confounding variable is a contemporaneous shock at the focal firm, and the instrument uses only votes at other firms in prior years, so the shock cannot move the instrument.

We estimate the two-stage least squares specification on an election-level panel, so that the two endogenous variables, active dissent and passive dissent, are instrumented jointly in a single equation. A vote-level panel cannot support this joint estimation, because each vote carries the dissent of one fund of one type, so no observation contains both margins. By contrast, each observation of the election panel contains the fraction of active funds dissenting, the fraction of passive funds dissenting, and the one retention outcome that responds to both. These two dissent fractions are the endogenous variables, and each is instrumented by the corresponding average Dissent Tendency: Equation (7), defined at the fund level, averaged across the active (passive) funds voting in the election. For the instrument, averaging across the funds within an election discards no useful variation, because retention is decided once per election, so within-election differences in Dissent Tendency across funds have no outcome variation to explain. The identifying variation is across elections: some elections draw funds that dissent often elsewhere, others draw funds that rarely do, and the focal election's instrumented dissent fractions shift with the mix of funds it draws.

The instrumented active dissent fraction still moves the board, the instrumented passive dissent fraction does not, and the magnitude of the gap persists. Table IA.C3 reports the estimates. The first stages are strong and clean. The average Dissent Tendency of the election's active funds predicts the active dissent fraction nearly one for one (0.99, SE = 0.04):

active funds that dissent one percentage point more elsewhere dissent about one percentage point more at the focal election. The average Dissent Tendency of the passive funds predicts the passive dissent fraction almost as strongly (0.80, SE = 0.12). Neither group's tendency predicts the other group's fraction, so the two instruments separate the two margins, and the joint Kleibergen–Paap F is 22.7. In the second stage, the instrumented active dissent fraction predicts director departure: the coefficient is −12.84 (SE = 5.88), significant at the 5% level, against an OLS coefficient of −8.47 (SE = 1.67). That is, a ten-percentage-point increase in the active dissent fraction lowers the director's retention probability by 1.3 percentage points. The coefficient on the instrumented passive dissent fraction is near zero, with a very wide standard error (−0.35, SE = 28.10). The imprecision reflects the homogeneity of passive voting: passive funds dissent at nearly the same rate wherever they hold, so one election's passive contingent looks like any other's, and the average Dissent Tendency varies too little across elections to identify the passive response. The gap between the instrumented coefficients is therefore large, but it inherits its wide standard error from the passive estimate. These estimates are hard to reconcile with a contemporaneous shock at the focal firm, because the instruments are built entirely from votes at other firms in prior years.

7. "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") have accumulated substantial assets and collectively own over 20% of publicly traded U.S. firms (Bebchuk & Hirst, 2022). 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. Facing this scrutiny, asset managers have begun

offering pass-through voting options for investors.

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 10** About Here

The raw director departure rates already show that the Big Three's influence does not scale with their holdings. Table 10 tabulates the median holding size and the director departure rate after a dissenting vote for four fund categories: active versus passive funds, within and outside the Big Three families. Big Three passive funds hold by far the largest positions, with a median of 2.62 basis points of shares outstanding. Yet the departure rate after their dissent (21.22%) is no higher than after dissent from non-Big Three active funds (21.37%), whose median position is less than half as large (1.29 basis points). The raw rates have no controls, and holdings differ systematically across the categories, so we conduct the formal test with controls and fixed effects in Table 11.

Insert **Table 11** About Here

The regression estimates confirm that the Big Three's passive funds, for all their assets, do not hold outsized sway. Columns 1 and 2 of Table 11 repeat the analysis of Equation (6) separately for Big Three and non-Big Three fund families. Dissent from a Big Three passive fund predicts a 2.77 percentage-point lower likelihood that the director stays on the board (column 1), close to the 2.48 points for an active fund outside the Big Three (column 2). The regression estimates thus mirror the raw departure rates of Table 10. Within each fund type, the Big Three's dissent does move the board more, with coefficients of -4.23 against -2.48 for active funds and -2.77 against -0.38 for passive funds. Passive funds

cannot exit regardless of family size, so this within-type premium most plausibly reflects the families' scale, visibility, and other actions the Big Three can take that smaller families cannot.[11] Column 3 pools the four categories, and the interaction estimates are close to their split-sample counterparts. In the pooled specification, Big Three passive dissent and non-Big Three active dissent again move the board by nearly the same amount (-2.53 and -2.56 percentage points). The bottom row of Table 11 attaches a standard error to this comparison: the difference between the two interactions is 0.03 percentage points with a standard error of 0.76, statistically indistinguishable from zero.

Despite their large and growing assets, the Big Three's passive funds are no more influential in director elections than ordinary active funds outside the Big Three. Therefore, the concern that the Big Three wield outsized power through their votes is likely overstated.

8. Conclusion

A dissenting vote moves the board about twice as much when an active fund casts it, and this influence gap tracks the credibility of exit. The gap is largest where management's pay is tied to the stock price, where the stock is liquid, and where the dissenting fund's own position is easy to unwind. Dissent also counts for more when it comes from funds with a record of leaving after they dissent. The information channel finds no comparable support. The directors that active funds dissent on turn out no worse than those passive funds dissent on, and measures of a passive fund's voting skill do not amplify its dissent.

Boards, in short, read votes as well as count them. A vote is a signal, and the sender's identity, specifically whether the sender can credibly threaten to walk away, determines the

[11] For example, although a Big Three passive fund cannot sell its position, the family can campaign publicly against firms it views as unresponsive, as in State Street's "Fearless Girl" campaign. These campaigns move firm behavior at scale (Gormley, Gupta, Matsa, Mortal, & Yang, 2023; Azar, Duro, Kadach, & Ormazabal, 2021), so the prospect of being publicly targeted carries a cost, whether through the stock price or through directors' reputations. In the model's terms, these campaigns give the family a price-depressing action analogous to exit, even though its passive funds cannot exit per se.

signal's weight. The benchmark in which every share carries equal weight fails in the data, even among sophisticated institutions voting on the same director at the same meeting. Even the Big Three's passive funds, among the largest shareholders of most U.S. firms, sway boards no more than an ordinary active fund.

The composition of ownership therefore matters for governance, beyond each actor's holding size. As assets migrate from active to passive funds, the disciplinary force of the shareholder franchise weakens, even while passive institutions' stakes grow. Proposals to restrain passive funds' voting power (Lund, 2017) aim to limit a power that boards already discount. Whether the newer push for pass-through voting, which lets beneficial owners of index funds vote directly, would change firm behavior or meet the same discount remains unclear. Whether and when shareholders vote to influence outcomes, send a signal, or both also remains an open question.

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Figure 1. Scatter Plots of Director Retention and 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 support from active (Panel A) and passive (Panel B) funds. The horizontal axis is the share-weighted fraction of all fund votes cast in the election that are supporting votes from that panel's fund type. The sample of elections is divided into 20 equal-frequency bins of this support measure, and each dot is the mean retention probability in a bin. Both the binned means and the fitted line are computed after absorbing firm fixed effects and controlling for the other type's support measure. The slopes therefore measure retention against this support measure, a different object from the vote-level coefficients in Table 2.

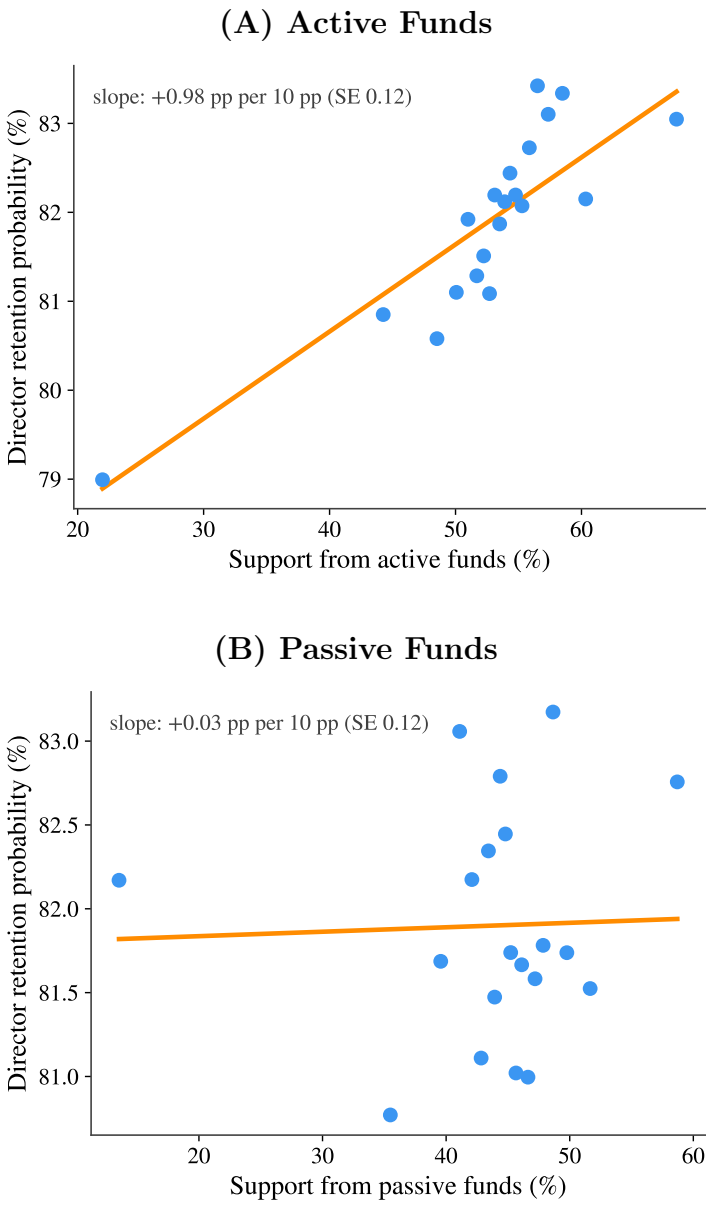


Table 1
Summary Statistics

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). "E-Index" is the firm's entrenchment index. "% of Shares Held" is the fraction of outstanding shares held by the fund, multiplied by 100. "Voted No" indicates whether the fund votes against the director. "Blockholder" equals 1 if "% of Shares Held" exceeds 1 or 5. "EDGAR Visit" indicates whether the fund family accessed the company's proxy statement on the SEC's EDGAR website. "Big Three 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	125,540
= 1 if ISS Recommended For	0.97	0.18	1.00	1.00	1.00	75,751
= 1 if GL Recommended For	0.93	0.26	1.00	1.00	1.00	75,751
= 1 if Mgmt Recommended For	1.00	0.00	1.00	1.00	1.00	125,540
= 1 if Director Retention (1-Year)	0.97	0.17	1.00	1.00	1.00	122,613
= 1 if Director Retention (2-Year)	0.90	0.30	0.00	1.00	1.00	119,622
= 1 if Director Retention (3-Year)	0.82	0.39	0.00	1.00	1.00	116,355
Log(Assets)	8.52	1.76	6.23	8.48	10.86	124,048
Return on Assets	0.13	0.11	0.02	0.12	0.25	116,166
E-Index	2.11	1.09	1.00	2.00	4.00	93,975

(B) Vote Level Statistics

	Mean	Std	p10	p50	p90	N
% of Shares Held	0.17	0.53	0.00	0.02	0.42	13,243,935
Log(AUM)	6.83	2.27	3.77	6.88	9.70	13,243,935
= 1 if Voted No	0.03	0.18	0.00	0.00	0.00	13,243,935
= 1 if Passive Fund	0.46	0.50	0.00	0.00	1.00	13,243,935
= 1 if Blockholder (1% cutoff)	0.04	0.21	0.00	0.00	0.00	13,243,935
= 1 if Blockholder (5% cutoff)	0.002	0.04	0.00	0.00	0.00	13,243,935
= 1 if EDGAR Visit	0.18	0.38	0.00	0.00	1.00	5,801,776
= 1 if Big Three Family	0.27	0.44	0.00	0.00	1.00	13,243,935

Table 2
Relationship Between Director Retention and 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 sample excludes contested elections and elections in which the director received less than 70% of the final vote (Section 3). The dependent variable equals 100 if the director remains on the firm's board three years after election and 0 otherwise. Columns 1 to 3 use the full sample. Columns 4 to 6 restrict the sample to family-director pairs in which the same fund family casts both an active-fund and a passive-fund vote on the director. Columns 4 and 5 add fund-family fixed effects, and column 6 includes a separate fixed effect for each fund-family-by-meeting pair. 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 $|\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}|$ are calculated using the delta method.

	Full sample			Within fund family		
	(1)	(2)	(3)	(4)	(5)	(6)
No × Active	-2.98***	-2.58***	-1.57***	-2.82***	-1.58***	-2.27***
	(0.59)	(0.32)	(0.23)	(0.60)	(0.44)	(0.67)
No × Passive	-1.63***	-1.05***	-0.49	-1.76***	-0.79	-1.30
	(0.48)	(0.37)	(0.31)	(0.64)	(0.60)	(0.83)
ISS Against		-3.56**	-3.37*	-3.25**	-3.19*	-2.97
		(1.54)	(1.72)	(1.60)	(1.84)	(1.86)
GL Against		-3.02***	-3.12***	-3.30***	-3.42***	-3.34***
		(0.97)	(1.02)	(1.03)	(1.08)	(1.08)
Firm FE		Yes		Yes		
Year FE		Yes		Yes		
Firm × Year FE			Yes		Yes	
Fund Family FE				Yes	Yes	
Family × Meeting FE						Yes
Adjusted R^2	0.000	0.051	0.179	0.050	0.174	0.161
Observations	12,455,781	9,237,891	9,237,891	3,964,635	3,964,635	3,964,635
$\lvert\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}\rvert$	1.35***	1.53***	1.07***	1.06*	0.79*	0.97**
	(0.42)	(0.40)	(0.29)	(0.56)	(0.41)	(0.45)

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. Column 4 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). Estimates for the subsamples of blockholders holding more than 1% or 5% of shares are in Internet Appendix Table IA.A7. 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 "% of Shares Held"			Interaction
	Low	Mid	High	
	(1)	(2)	(3)	(4)
No × Active	-3.72***	-2.48***	-1.45***	-1.48***
	(0.34)	(0.41)	(0.42)	(0.35)
No × Passive	-0.99***	-1.09**	-1.38**	
	(0.33)	(0.42)	(0.60)	
No				-1.35**
				(0.53)
No × Blockholder (1%)				-2.45**
				(1.05)
No × Blockholder (5%)				-9.89**
				(4.46)
No × % Shares Held				1.55**
				(0.67)
No × % Portfolio Weight				-0.09
				(0.26)
No × Log(AUM)				0.08
				(0.18)
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Adjusted R^2	0.051	0.050	0.050	0.051
Observations	3,081,800	3,079,515	3,076,576	9,079,915

Table 4
Firm Entrenchment and Sensitivity of Director Retention to Votes

Columns 1 to 3 present OLS estimates that examine the relation between a director's retention and dissenting votes from active and passive shareholders, for subsamples of firms with low (E-Index 0 or 1), moderate (2 or 3), and high (4 to 6) managerial entrenchment. 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. The standard errors for $|\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}|$ are calculated using the delta method.

	(1)	(2)	(3)
Entrenchment:	Low	Moderate	High
No × Active	-3.18***	-1.82***	-1.07
	(0.52)	(0.49)	(0.88)
No × Passive	-1.83***	-0.84	-1.45
	(0.65)	(0.56)	(0.91)
$\lvert\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}\rvert$	1.34**	0.98*	0.38
	(0.62)	(0.58)	(0.87)
Sample	E-Index $\in \{0,1\}$	E-Index $\in \{2,3\}$	E-Index $\in \{4,5,6\}$
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Adjusted R^2	0.052	0.073	0.120
Observations	3,954,660	3,876,558	524,548

Table 5
Management Compensation Delta and the Active–Passive Influence Gap

Within each tercile of management's compensation delta, our empirical proxy for the price-sensitivity parameter λ, we estimate, at the fund-vote level,

$$\text{Retention}_{i,j,f,t} = \beta \left(\text{No}_{i,j,f,t} \times \text{Active}_f\right) + \beta_1 \,\text{No}_{i,j,f,t} + \beta_2 \,\text{Active}_f + \mu_i + \tau_t + \varepsilon_{i,j,f,t},$$

where $\text{Retention}_{i,j,f,t}$ equals 100 if director j at firm i remains on the board three years after the year-t election and 0 otherwise, fund f casts the vote, No and Active indicate a dissenting vote and an active fund, and μ_i and τ_t are firm and year fixed effects. The table reports β, the coefficient on the No $\times$ Active interaction. We proxy λ by the Core and Guay (2002) delta: the change in the dollar value of an executive's stock and option holdings for a one-percent change in the share price, in thousands of dollars. It is the sum of a stock term and a Black–Scholes option term computed from the option holdings reported in Execucomp; prices, returns, and dividends are from CRSP. Panel A uses the chief executive's delta and Panel B the average delta of the firm's named executives, each measured in the fiscal year before the meeting; firms are sorted into within-year terciles. Terciles are formed at the firm level, so the number of fund votes differs across columns; high-delta firms are larger and attract more fund votes. High − Low is the difference between the high-delta and low-delta estimates of β. Standard errors double-clustered by firm and director are in parentheses, and *, **, and *** denote significance at the 10%, 5%, and 1% levels.

	Low Delta	Mid Delta	High Delta
	(1)	(2)	(3)
Panel A: CEO Delta			
No × Active	-0.17	-0.49	-1.84***
	(0.60)	(0.51)	(0.58)
Main Effects	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Adjusted R^2	0.108	0.095	0.061
Observations	2,168,381	3,382,944	5,746,351
High − Low		-1.66**	
		(0.84)	
Panel B: Average-Executive Delta			
No × Active	0.08	-0.77*	-1.50***
	(0.60)	(0.45)	(0.51)
Main Effects	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Adjusted R^2	0.105	0.088	0.057
Observations	2,149,042	3,685,544	6,434,308
High − Low		-1.58**	
		(0.79)	

Table 6
Stock Liquidity and the Active–Passive Influence Gap

Within each tercile of stock liquidity, we estimate, at the fund-vote level,

$$\text{Retention}_{i,j,f,t} = \beta \left(\text{No}_{i,j,f,t} \times \text{Active}_f\right) + \beta_1 \,\text{No}_{i,j,f,t} + \beta_2 \,\text{Active}_f + \mu_i + \tau_t + \varepsilon_{i,j,f,t},$$

where $\text{Retention}_{i,j,f,t}$ equals 100 if director j at firm i remains on the board three years after the year-t election and 0 otherwise, fund f casts the vote, No and Active indicate a dissenting vote and an active fund, and μ_i and τ_t are firm and year fixed effects. The table reports β, the coefficient on the No $\times$ Active interaction. Liquidity is measured by intraday spreads from the WRDS Intraday Indicators, computed from the Trade and Quote (TAQ) data: Panel A uses the time-weighted percent quoted spread and Panel B the percent effective spread, the Lee–Ready dollar effective spread divided by the share price. Each spread is averaged to the firm-year over the fiscal year before the meeting; we splice the Monthly TAQ series, available through 2014, to the Daily TAQ series, available from 2015, and because the two are not comparable in level, only the within-year rank of the spread enters. A lower spread means a more liquid stock, so we label the terciles by liquidity: column (3), High liquidity, collects the lowest-spread firms, and column (1), Low liquidity, the highest-spread firms. Firms in the voting sample are sorted into within-year terciles of the spread. Terciles are formed at the firm level, so the number of fund votes differs across columns; liquid firms are larger and attract more fund votes. High − Low is the difference between the high-liquidity and low-liquidity estimates of β. Standard errors double-clustered by firm and director are in parentheses, and *, **, and *** denote significance at the 10%, 5%, and 1% levels.

	Low liquidity (1)	Mid liquidity (2)	High liquidity (3)
Panel A: Quoted spread			
No × Active	0.47	-0.28	-2.08***
	(0.48)	(0.52)	(0.49)
Main Effects	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Adjusted R^2	0.107	0.090	0.048
Observations	1,408,326	2,593,670	7,223,997
High − Low		-2.55***	
		(0.68)	
Panel B: Effective spread			
No × Active	0.36	-0.31	-2.04***
	(0.48)	(0.67)	(0.48)
Main Effects	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Adjusted R^2	0.111	0.096	0.049
Observations	1,455,837	2,682,791	7,075,038
High − Low		-2.40***	
		(0.67)	

Table 7
Position Illiquidity and the Active–Passive Influence Gap

This table reports OLS estimates of the relationship between director retention and dissenting votes by active and passive shareholders, interacted with the illiquidity of the fund's position in the firm. Each observation is a fund's vote in an election. The dependent variable equals 100 if the director remains on the firm's board three years after election and 0 otherwise. The Position Illiquidity is the fraction of the firm's shares the fund holds divided by the stock's share turnover, the volume traded over the calendar year divided by shares outstanding, measured from CRSP in the year before the meeting. The ratio is winsorized at the 1st and 99th percentiles, logged, and standardized. The Holding Size is the fraction of the firm's shares the fund holds, winsorized, logged, and standardized, and enters as a level control. Passive is the omitted fund type, and the Active main effect is absorbed by the fund fixed effects in column 3. All regressions include the 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 error for the bottom-row difference between the active and passive interactions is calculated using the delta method.

	(1)	(2)	(3)
No	-2.60***	-1.69***	-1.84***
	(0.41)	(0.34)	(0.37)
No × Active (influence gap)	-1.30***	-0.97***	-1.10***
	(0.38)	(0.26)	(0.28)
No × Position Illiquidity × Active	1.18***	0.99***	1.04***
	(0.27)	(0.18)	(0.20)
No × Position Illiquidity × Passive	-0.17	-0.16	-0.07
	(0.20)	(0.15)	(0.16)
Holding Size	0.82	0.02	0.02
	(1.92)	(0.02)	(0.03)
Main effects	Yes	Yes	Yes
Firm FE	Yes		
Year FE	Yes		
Firm × Year FE		Yes	Yes
Fund FE			Yes
Adjusted R^2	0.053	0.199	0.199
Observations	11,331,433	11,331,430	11,331,413
No × Position Illiquidity: Active − Passive	1.34***	1.15***	1.11***
	(0.26)	(0.19)	(0.19)

Table 8
Divestment After Dissenting Votes and Fund Threat

The first two columns present OLS estimates examining the relationship between dissenting votes cast by active (column 1) or passive (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 exit tendency after dissenting votes. Column 4 estimates the relationship between director retention and dissenting votes, including an interaction term with shareholders' exit tendency after dissenting. The exit tendency is defined as the fraction of a fund's dissenting votes that are followed by an exit in the next year, averaged over the fund's history up to the year before the annual meeting. Exit in columns 1 and 2 is a 0/1 indicator; director retention in columns 3 and 4 is scaled 0–100 as in Table 2. 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	0.02***	0.00		-1.63***
	(0.00)	(0.00)		(0.34)
No × Passive			-1.19***	
			(0.39)	
No × Active with low exit tendency			-2.26***	
			(0.35)	
No × Active with middle exit tendency			-3.09***	
			(0.38)	
No × Active with high exit tendency			-2.81***	
			(0.44)	
No × Exit tendency				-2.82**
				(1.22)
Sample	Active funds	Passive funds	All	All
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Adjusted R^2	0.029	0.040	0.054	0.054
Observations	5,325,628	5,250,132	7,970,955	7,970,955

Table 9
Voting Informativeness and the Active–Passive Influence Gap

The table presents OLS regression estimates of the relationship between director retention three years after election and dissenting votes by active and passive shareholders, interacted with measures of the fund's voting informativeness. Each observation is a fund's vote in an election. The dependent variable equals 100 if the director remains on the firm's board three years after election and 0 otherwise. Columns 1, 3, and 5 report the baseline specification, and columns 2, 4, and 6 add the interaction of passive dissent with an informativeness measure, together with the measure's main effect for passive funds. The interactions use passive dissent because Prediction 4 of the model in Section 2 prescribes the passive-side test. A passive fund's precision moves only the information term of the influence gap, while an active fund's precision moves both the information and the exit-threat terms, so an interaction with active dissent cannot separate the channels. Vote Alpha and ISS Deviation enter standardized; EDGAR Visit enters as a demeaned indicator. Each baseline is estimated on the same sample as its adjacent interaction column, the sample in which that column's informativeness measure is available. Passive is the omitted fund type, so the coefficient on No is the response to dissent from a passive fund and the coefficient on No × Active is the influence gap. In column 2 the measure is Vote Alpha: the average abnormal stock return following the fund's supporting votes minus that following its dissenting votes, following Gao and Huang (2025). In column 4 the measure is ISS Deviation: how often the fund votes against the ISS recommendation, residualized within year on how often the fund dissents at all. In column 6 the measure is EDGAR Visit: an indicator that the fund family accessed the meeting's proxy statement on the SEC's EDGAR website. Fund-family years without any EDGAR access are omitted, and the EDGAR sample covers 2007 through 2016, the years with SEC server logs. Section 5.2 defines the measures in detail. All regressions include firm and year fixed effects; non-interaction terms are included but 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.

	Vote Alpha sample		ISS Deviation sample		EDGAR Visit sample	
	(1)	(2)	(3)	(4)	(5)	(6)
No	-2.48***	-2.48***	-2.52***	-2.60***	-2.50***	-2.51***
	(0.40)	(0.40)	(0.40)	(0.43)	(0.46)	(0.46)
No × Active	-0.86**	-0.86**	-0.98***	-0.91**	-1.22**	-1.21**
	(0.34)	(0.34)	(0.37)	(0.36)	(0.53)	(0.52)
No × Passive × Vote Alpha		-0.12				
		(0.23)				
No × Passive × ISS Deviation				0.30		
				(0.20)		
No × Passive × EDGAR Visit						-0.32
						(0.88)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.059	0.059	0.056	0.056	0.067	0.067
Observations	7,749,456	7,749,456	10,004,750	10,004,750	5,400,758	5,400,758

Table 10
Influence of the "Big Three": Raw Departure Rates

This table presents the median fund holding size, in basis points of the firm's shares outstanding, and the associated director departure rate for four mutually exclusive categories of institutional investors: active versus passive (index) funds, and those within the "Big Three" fund families (BlackRock, Vanguard, and State Street) versus all other families. The sample is restricted to instances where a fund casts a dissenting vote against a director nominee. Director departure is defined as the director failing to remain on the board over the three-year period following the vote. Standard errors of the departure rates are in parentheses.

Fund Category	**Median Holding Size (bp)**	**Director Departure Rate**	**Number of Dissenting Votes**
Active Funds, Big Three	0.68	22.48% (0.37%)	13,408
Active Funds, Not Big Three	1.29	21.37% (0.09%)	224,696
Passive Funds, Big Three	2.62	21.22% (0.16%)	72,047
Passive Funds, Not Big Three	0.57	19.94% (0.11%)	138,731

Table 11
Influence of the "Big Three": Regression Estimates

This table presents OLS estimates of Equation (6) by Big Three membership, where the "Big Three" are the BlackRock, Vanguard, and State Street fund families. Column 1 restricts the sample to funds in the Big Three families, column 2 to funds outside them, and column 3 pools all funds and interacts the key variables with indicators for Big Three membership. The bottom row reports the difference between the No × Passive × Big Three and No × Active × Not Big Three coefficients, with standard error from the pooled regression's variance matrix. 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	-4.23***	-2.48***	
	(0.93)	(0.33)	
No × Passive	-2.77***	-0.38	
	(0.81)	(0.30)	
No × Active × Big Three			-4.17***
			(0.91)
No × Passive × Big Three			-2.53***
			(0.75)
No × Active × Not Big Three			-2.56***
			(0.34)
No × Passive × Not Big Three			-0.43
			(0.28)
Sample	Big Three	Not Big Three	All
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Adjusted R^2	0.055	0.050	0.051
Observations	2,329,356	6,908,532	9,237,891
Big Three Passive − Not Big Three Active			0.03
			(0.76)

Internet Appendix

This Internet Appendix presents robustness tests and supplementary results for "All Shareholder Votes Are Not Created Equal." Section IA.A shows that the active–passive influence gap of Table 2 is robust to alternative samples, levels of aggregation, outcome horizons, controls, and subsamples. Section IA.B reports the additional information-channel tests, Section IA.C the alternative-explanation tests, including the distribution of disclosed voting rationales and the instrumental-variable estimates, and Section IA.D additional tables and figures.

Contents

IA.A. Robustness of the Main Result

The seven tables in this section establish that the influence gap of Table 2 is not an artifact of any single design choice. Each table changes one element of the baseline design and re-estimates the gap. The gap survives every change.

Table IA.A1 restores the elections below 70% support that the baseline excludes, where the two types' votes count toward the tally identically and the advisory framework predicts a smaller gap: the gap shrinks from 1.53 (SE = 0.40) to 1.04 (SE = 0.36) but remains significant.

Table IA.A2 aggregates votes to the fund-family level, so that families running many funds are not over-weighted: the gap is 1.81 (SE = 0.28).

Table IA.A3 aggregates to the election level, with dissent measured as the fraction of each type's funds voting against the director: the results are qualitatively similar, with a large coefficient on active dissent, a small coefficient on passive dissent, and a gap that remains wide in every specification.

Table IA.A4 varies the retention horizon from one to five years: the gap is absent at one year (0.16, SE = 0.17), as the annual nomination cycle predicts, and is robust from two through five years (1.14 to 1.60, each significant at the 1% level).

Table IA.A5 interacts dissent with fund characteristics (fund size, expense ratio, portfolio turnover), so that the active–passive distinction does not proxy for another fund trait: the gap is 2.37 (SE = 0.39).

Table IA.A6 adds triple interactions with director characteristics (age, governance-committee membership, board-chair status): none is significant, and the gap persists.

Table IA.A7 restricts the sample to blockholders (above 1% or 5% of shares): active dissent predicts removal in both subsamples (-2.41, SE = 0.85; -6.85, SE = 3.38), passive dissent in neither, and the implied gaps are positive but imprecise.

Table IA.A1
Main-Result Robustness: All Elections

The table re-estimates the results from Table 2 on the full set of elections, without excluding those with less than 70% support. 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 $|\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}|$ are calculated using the delta method.

	(1)	(2)	(3)
No × Active	-3.08***	-2.32***	-1.47***
	(0.66)	(0.29)	(0.22)
No × Passive	-2.00***	-1.28***	-0.70**
	(0.50)	(0.35)	(0.28)
ISS Against		-3.97***	-4.25***
		(1.21)	(1.44)
GL Against		-3.10***	-3.29***
		(0.93)	(0.98)
Firm FE		Yes	
Year FE		Yes	
Firm × Year FE			Yes
Adjusted R^2	0.000	0.053	0.184
Observations	12,670,467	9,452,577	9,452,575
$\lvert\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}\rvert$	1.07***	1.04***	0.77***
	(0.41)	(0.36)	(0.26)

Table IA.A2
Main-Result Robustness: Fund-Family Aggregation

The table re-estimates the results from Table 2 with votes aggregated to the fund-family level. Each observation is a fund family's active or passive vote in an election. No equals 1 if at least one of the family's funds of that type voted "Against," "Abstain," or "Withhold." 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 $|\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}|$ are calculated using the delta method.

	(1)	(2)	(3)
No × Active	-2.95***	-2.62***	-1.80***
	(0.47)	(0.25)	(0.18)
No × Passive	-1.30***	-0.81***	-0.39**
	(0.39)	(0.22)	(0.17)
ISS Against		-3.28**	-3.06*
		(1.46)	(1.64)
GL Against		-2.83***	-2.81***
		(0.90)	(0.94)
Firm FE		Yes	
Year FE		Yes	
Firm × Year FE			Yes
Adjusted R^2	0.000	0.052	0.182
Observations	4,947,305	3,594,844	3,594,844
$\lvert\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}\rvert$	1.65***	1.81***	1.41***
	(0.29)	(0.28)	(0.19)

Table IA.A3
Main-Result Robustness: Election-Level Aggregation

The table re-estimates the results of Equation (6) aggregated to the election level. Each observation is an election. The dependent variable equals 100 if the director remains on the firm's board three years after election and 0 otherwise. Active (Passive) Dissent is the fraction of active (passive) funds voting against the director: the number of active (passive) funds voting against, divided by the number of active (passive) funds casting votes. 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 $|\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}|$ are calculated using the delta method.

	(1)	(2)	(3)
Active Dissent	-7.43***	-7.56***	-9.28***
	(1.67)	(1.76)	(2.14)
Passive Dissent	0.39	-3.36*	-1.91
	(1.80)	(1.83)	(2.13)
Firm FE		Yes	
Year FE		Yes	
Firm × Year FE			Yes
Adjusted R^2	0.001	0.046	0.078
Observations	115,327	115,292	114,061
$\lvert\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}\rvert$	7.82**	4.20	7.37**
	(3.06)	(3.12)	(3.76)

Table IA.A4
Main-Result Robustness: One- to Five-Year Horizons

The table re-estimates the results from Table 2 using different time horizons for director retention. Each observation is a fund's vote in an election. The dependent variable equals 100 if the director remains on the firm's board h years after the election and 0 otherwise, where the horizon h varies from one to five years across columns. 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 $|\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}|$ are calculated using the delta method.

	(1)	(2)	(3)	(4)	(5)
Director remains on the board in	1 Year	2 Years	3 Years	4 Years	5 Years
No × Active	-0.42***	-1.79***	-2.58***	-2.65***	-1.96***
	(0.14)	(0.28)	(0.32)	(0.38)	(0.40)
No × Passive	-0.26**	-0.65**	-1.05***	-1.05**	-0.48
	(0.12)	(0.26)	(0.37)	(0.52)	(0.50)
ISS Against	-1.05	-2.09*	-3.56**	-3.81**	-4.63**
	(0.64)	(1.09)	(1.54)	(1.93)	(2.13)
GL Against	0.17	-1.40**	-3.02***	-3.83***	-4.03***
	(0.29)	(0.71)	(0.97)	(1.19)	(1.38)
Firm FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.044	0.039	0.051	0.114	0.177
Observations	9,553,028	9,417,337	9,237,891	8,126,895	7,260,070
$\lvert\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}\rvert$	0.16	1.14***	1.53***	1.60***	1.48***
	(0.17)	(0.34)	(0.40)	(0.50)	(0.51)

Table IA.A5
Main-Result Robustness: Fund-Characteristic Controls

The table re-estimates the results from Table 2 adding a comprehensive set of fund-level controls interacted with the dissent indicator. Each observation is a fund's vote in an election. The dependent variable equals 100 if the director remains on the firm's board three years after election and 0 otherwise. Column 1 includes firm and year fixed effects; column 2 includes firm-by-year fixed effects. 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. The standard errors for $|\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}|$ are calculated using the delta method.

	(1)	(2)
No × Active	-5.36***	-3.91***
	(1.39)	(1.02)
No × Passive	-2.98**	-2.08**
	(1.43)	(1.06)
ISS Against	-3.52**	-3.33*
	(1.55)	(1.72)
GL Against	-3.10***	-3.22***
	(0.97)	(1.03)
No × log(AUM)	0.48***	0.50***
	(0.18)	(0.13)
No × Number of Holdings	0.05	0.00
	(0.26)	(0.19)
No × Last-Year Fund Return	-0.34	-0.26
	(0.36)	(0.26)
No × Expense Ratio	1.65***	1.32***
	(0.35)	(0.28)
No × Portfolio Turnover	0.04	0.00
	(0.16)	(0.11)
No × Percent Equity Holding	-0.00	-0.00
	(0.01)	(0.01)
No × NAV 52-Week Range	0.24	0.37
	(0.35)	(0.23)
Firm FE	Yes	
Year FE	Yes	
Firm × Year FE		Yes
Adjusted R^2	0.052	0.178
Observations	8,514,774	8,514,774
$\lvert\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}\rvert$	2.37***	1.82***
	(0.39)	(0.29)

Table IA.A6
Main-Result Robustness: Director-Characteristic Controls

The table presents OLS regression estimates of the relationship between director retention three years after election and dissenting votes, interacted with director characteristics. Column 1 shows the baseline model. Columns 2 through 4 interact the dissenting vote indicators with a specific director-level characteristic: Age, Governance Committee Membership, and Chairman status. Age is the director's age in decades, centered at the sample mean of 63 years. All specifications include the full set of interactions and only display the interactions of interest: the double interaction between voting no and passive fund indicator, which captures the influence gap, and the triple interaction, which captures whether the gap varies across different types of directors. The dependent variable equals 100 if the director remains on the firm's board three years after election and 0 otherwise. All regressions include separate firm and year fixed effects. 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 × Passive	1.53***	1.39***	1.96***	1.63***
	(0.40)	(0.42)	(0.64)	(0.43)
No × Passive × Age		0.65		
		(0.71)		
No × Passive × Gov. Cmte.			-1.20	
			(0.87)	
No × Passive × Board Chair				-1.31
				(1.68)
ISS Against	-3.56**	-1.86	-2.82*	-2.84*
	(1.54)	(1.51)	(1.60)	(1.61)
GL Against	-3.02***	-1.92*	-3.62***	-3.67***
	(0.97)	(1.06)	(1.09)	(1.09)
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Adjusted R^2	0.051	0.104	0.054	0.054
Observations	9,237,891	8,054,398	8,054,735	8,054,735

Table IA.A7
Main-Result Robustness: Blockholder Subsamples

The table presents OLS estimates of Equation (6) using only votes cast by blockholders, defined as funds holding more than 1% (column 1) or more than 5% (column 2) of the company's outstanding shares. 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. The standard errors for $|\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}|$ are calculated using the delta method.

	Blockholder > 1%	Blockholder > 5%
	(1)	(2)
No × Active	-2.41***	-6.85**
	(0.85)	(3.38)
No × Passive	-1.26	1.44
	(1.56)	(9.63)
Firm FE	Yes	Yes
Year FE	Yes	Yes
Adjusted R^2	0.064	0.071
Observations	330,570	11,560
$\lvert\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}\rvert$	1.15	8.29
	(1.66)	(10.22)

IA.B. Additional Information-Channel Tests

This section reports additional tests of the information channel in Section 5.2, which lie outside the model's predictions.

Tables IA.B1 through IA.B3 test whether the directors that active funds dissent on are actually worse, ex post, than the directors passive funds dissent on, as they should be if active votes are better informed. We measure ex-post quality by whether the firm later restates its financials and whether the director loses a seat on another board, and neither shows a difference. The differences-in-differences relative to supporting votes are −0.1 percentage points (SE = 0.7) for restatements and +0.7 (SE = 0.9) for lost seats (Table IA.B1).

Table IA.B1
Realized Director Quality: Restatements and Lost Board Seats

This table reports the share of dissenting votes followed within three years by an adverse outcome, a financial restatement by the firm (Restatement) or the director losing a seat on another board (Lost Other Seat), after active- and passive-fund dissents. The row "Net of base rate" is the difference-in-differences relative to supporting votes, which removes differences in the firms each fund type holds. Standard errors clustered by firm and director are reported in parentheses.

Adverse outcome within 3 years (%)	Restatement	Lost Other Seat
After active-fund dissent	15.7	39.8
After passive-fund dissent	16.2	40.3
Difference (active − passive)	−0.5 (0.7)	−0.5 (0.9)
Net of base rate (diff-in-diff)	−0.1 (0.7)	+0.7 (0.9)
Active dissents (N)	238,104	74,438
Passive dissents (N)	210,778	60,246

The raw comparison could still reflect the different firms the two fund types hold and dissent on. Table IA.B2 therefore repeats the test within fund families whose active and passive arms vote on opposite sides of the same election, so the firm, the director, and the information the family holds in common across its two arms are all held fixed. Among these disagreements, the directors the active arm dissents on are no more likely to suffer either outcome (−1.87, SE = 3.04, for restatements; −3.72, SE = 3.49, for lost seats).

Table IA.B2
Realized Director Quality: Within-Family Disagreements

This table repeats the forecasting comparison of Table IA.B1 within fund families whose active and passive arms vote on opposite sides of the same election, so that family-level information is held fixed. The coefficient, from a linear regression with firm and year fixed effects, is on an indicator that the active arm was the dissenting side. Under the information channel the coefficient should be positive. Standard errors clustered by firm and director are reported in parentheses.

	Restatement	Lost Other Seat
Active arm dissents	−1.87 (3.04)	−3.72 (3.49)
Mean of dep. var. (%)	15.5	38.6
Disagreement dissents (N)	5,676	2,196

A diffuse outcome could also hide an edge where responsibility is concentrated, so Table IA.B3 looks at dissents on the audit-committee chair, where a financial-reporting edge should be easiest to see. The restatement rates are identical for the two fund types, and the triple interaction is 0.9 percentage points (SE = 0.8), so the edge fails to appear where it should be clearest. Across all three comparisons, the directors active funds dissent on look no worse than those passive funds dissent on, consistent with the lack of support for the information channel in Section 5.2.

Table IA.B3
Realized Director Quality: The Audit-Committee Chair

This table reports the restatement rate after a dissent on the audit-committee chair, who is responsible for financial-reporting oversight, versus after a dissent on other directors, by fund type. The triple interaction is the coefficient on dissent × active × audit chair, from a linear regression with firm and year fixed effects, in percentage points. Standard errors clustered by firm and director are reported in parentheses.

Restatement rate after a dissent (%)	Active	Passive	Difference
Dissent on the audit-committee chair	13.13	13.08	+0.05 (1.09)
Dissent on other directors	13.92	14.98	−1.07 (0.66)
Triple: dissent × active × audit chair		+0.92 (0.80)	

IA.C. Alternative Explanations

This section reports the tests behind Section 6: the engagement controls, the voting-rationale evidence, and the instrumental-variable estimates.

Table IA.C1 reports the engagement controls. The engagement records of Heath et al. (2026) are collected from the annual stewardship reports of eleven large institutional investor families between 2019 and 2023: the "Big Three" passive managers, Northern Trust, also majority passive, and seven mid-size and large active institutions. The records identify the firms each family's stewardship team contacted, so engagement is observed at the family-firm-year level. Voting and engagement are close to independent in the engagement sample, with a correlation between dissenting and engaging of about -0.05 for both fund types. Column 1 estimates the baseline regression in the engagement sample with firm and year fixed effects, and the influence gap is 1.87 (SE = 0.91). Column 2 adds indicators for engagement in the meeting year and in the following year, and the gap stays at 1.87 (SE = 0.92). Column 3 interacts engagement with the vote and with fund type, and the gap is 1.74 (SE = 0.90).

Table IA.C1
Alternative Explanations: Engagement Controls

This table re-estimates the main specification of Table 2 column 2 in the engagement sample, the votes cast by the eleven fund families covered by the engagement data of Heath et al. (2026). Column 1 reports the baseline estimate in the engagement sample, column 2 adds controls for contemporaneous and following-year engagement, and column 3 adds interactions of engagement and following-year engagement with 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 for brevity. The standard errors for $|\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}|$ are calculated using the delta method. 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	-2.83***	-2.84***	-3.09***
	(0.91)	(0.92)	(0.93)
No × Passive	-0.96	-0.97	-1.35
	(1.22)	(1.23)	(1.21)
Engaged		-0.10	-0.51
		(0.27)	(0.38)
Engaged_{t+1}		0.03	0.17
		(0.23)	(0.34)
No × Engaged			6.20
			(4.09)
No × Engaged_{t+1}			-1.86
			(3.21)
Passive × Engaged			0.39**
			(0.19)
Passive × Engaged_{t+1}			-0.14
			(0.18)
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Adjusted R^2	0.180	0.180	0.180
Observations	635,885	635,885	635,885
$\lvert\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}\rvert$	1.87**	1.87**	1.74*
	(0.91)	(0.92)	(0.90)

Table IA.C2 and Figure IA.C1 report the voting-rationale evidence. Some funds disclose a text rationale when they vote against management, and Diligent collects these disclosures (Michaely et al., 2023). We cluster the rationales into ten topics with K-Means on TF-IDF

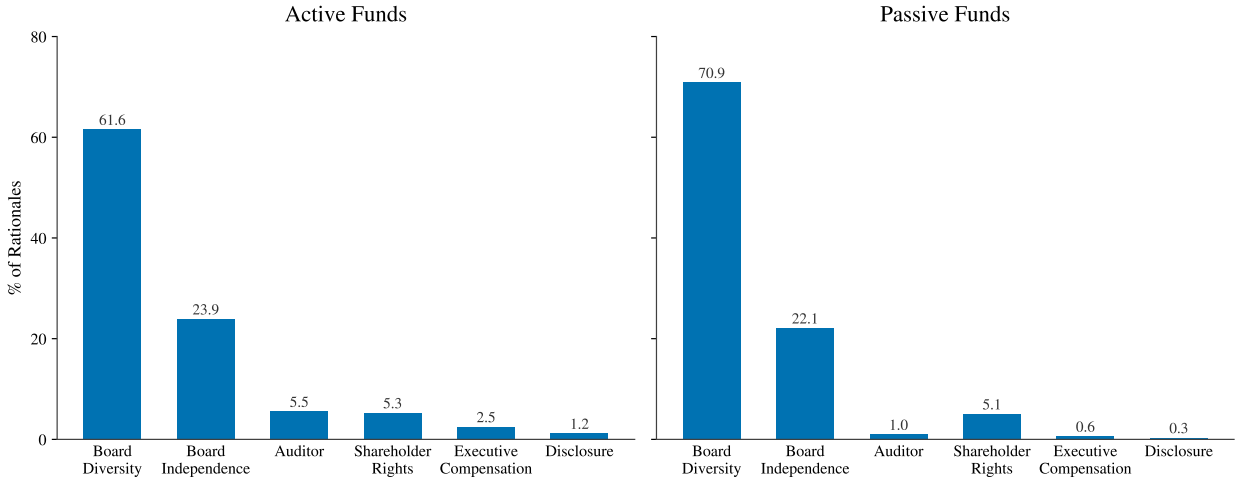
vectors, and a large language model (Gemini 3.1 Pro) reads the top terms of each cluster and collapses the ten into six meta-rationales: Auditor, Board Diversity, Board Independence, Disclosure, Executive Compensation, and Shareholder Rights. Figure IA.C1 shows the distribution of topics by fund type. The two fund types share the same broad priorities, with board diversity and board independence the most common topics for both, while active funds cite executive compensation, disclosure quality, and auditor tenure relatively more often. Column 1 of Table IA.C2 reports the baseline on the estimation sample, and column 2 adds the six topic indicators as controls. The influence gap is 1.53 (SE = 0.40) without the controls and 1.67 (SE = 0.40) with them.

Table IA.C2
Alternative Explanations: Voting-Rationale Controls

This table re-estimates the main result controlling for the disclosed rationales of dissenting votes from Diligent, grouped into six meta-rationale topics (Section 6.2). Column 1 reports the baseline estimate on the estimation sample and column 2 adds the six topic indicators as controls (coefficients untabulated). Rationale disclosure is voluntary, and the topic indicators equal zero for votes without a disclosed rationale. In all columns, non-interaction terms and proxy advisor recommendations are included in the regressions but are omitted for brevity. The standard errors for $|\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}|$ are calculated using the delta method. 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) Base	(2) With Rationales
No × Active	-2.58***	-2.57***
	(0.32)	(0.32)
No × Passive	-1.05***	-0.90**
	(0.37)	(0.35)
Rationale topic controls		Yes
Firm FE	Yes	Yes
Year FE	Yes	Yes
Observations	9,237,891	9,237,891
$\lvert\widehat{\beta}_{\text{Active}} - \widehat{\beta}_{\text{Passive}}\rvert$	1.53***	1.67***
	(0.40)	(0.40)

Figure IA.C1. Distribution of Voting Rationales for Active and Passive Funds
The figure displays the frequency of voting rationale categories for active and passive funds. These rationales are collected from Diligent for dissenting votes cast in director elections. We categorize these qualitative disclosures using a two-step approach: first, we apply the K-Means clustering algorithm on TF-IDF vectorized rationale text to identify ten recurring topics based on word frequency; second, we use a Large Language Model (Gemini 3.1 Pro) to analyze the top terms in each cluster and collapse them into six conceptually distinct "meta-rationales": Auditor, Board Diversity, Board Independence, Disclosure, Executive Compensation, and Shareholder Rights. The bar charts present the relative frequency of each meta-rationale among active and passive funds.



A remaining concern for the baseline estimates is an unobserved contemporaneous shock that drives both active dissent and director departures. Table IA.C3 addresses this concern with two-stage least squares, instrumenting each election's active and passive dissent fractions with the funds' Dissent Tendency at their other portfolio firms. Section 6.3 presents the design and the estimates in full.

Table IA.C3
Instrumental-Variable Estimates: Election-Level Dissent and Director Retention

This table estimates the relation between director retention and dissent at the election level, by ordinary least squares (column 1) and two-stage least squares (column 4), with the first-stage regressions in columns 2 and 3. Each observation is a director election. The dependent variable in columns 1 and 4 equals 100 if the director remains on the firm's board three years after the election and 0 otherwise. Active (Passive) Dissent is the fraction of active (passive) funds voting against the director. The instrument for Active (Passive) Dissent is the average, across the active (passive) funds voting in the election, of the fund's dissent rate at its other portfolio firms over all prior years; a fund's votes enter the election averages when this rate is estimated from at least twenty prior votes. The Kleibergen–Paap F is the rank-based weak-instrument statistic for the two first stages, computed with the same double clustering as the standard errors. 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)
	OLS	First Stage		2SLS
Dep. variable	Retention	Active Dissent	Passive Dissent	Retention
Active Dissent	-8.47***			-12.84**
	(1.67)			(5.88)
Passive Dissent	-2.48			-0.35
	(1.69)			(28.10)
Instrument (Active)		0.99***	-0.00	
		(0.04)	(0.04)	
Instrument (Passive)		-0.05	0.80***	
		(0.11)	(0.12)	
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
First-stage F		641.0	47.1	
Kleibergen–Paap F				22.7
Adjusted R^2	0.046	0.286	0.222	
Observations	107,760	107,760	107,760	107,760

IA.D. Additional Tables and Figures

This section collects additional tables and figures that do not fit the preceding sections. Tables IA.D1 and IA.D2 repeat the delta and liquidity sorts of Tables 5 and 6 controlling for firm size within each tercile, and the estimates are essentially unchanged. Table IA.D3 repeats the position-illiquidity test of Table 7 excluding blockholders, and the estimates are unchanged. Table IA.D4 repeats the divestment test of Table 8 with the tendency to sell in place of the tendency to exit, and the estimates are similar.

Table IA.D1
Management Compensation Delta and the Active–Passive Influence Gap: Controlling for Firm Size

This table repeats the delta sort of Table 5 controlling for firm size within each delta tercile. Each vote is assigned to a within-year tercile of firm size, the log of the firm's market equity in December of the year before the meeting, from CRSP; the size terciles are computed over all votes in the estimation sample, so each size tercile holds an equal number of votes. Within each delta tercile we estimate, at the fund-vote level,

$$\begin{aligned}\text{Retention}_{i,j,f,t} = \beta\left(\text{No}_{i,j,f,t} \times \text{Active}_f\right) + \beta_1 \text{No}_{i,j,f,t} + \beta_2 \text{Active}_f \\ + \textstyle\sum_{k=2}^{3}\left(\gamma_k \text{No}_{i,j,f,t} \times S^k_{i,t} + \delta_k S^k_{i,t}\right) + \mu_i + \tau_t + \varepsilon_{i,j,f,t},\end{aligned}$$

where $S^k_{i,t}$ equals 1 if firm i is in size tercile k in year t (the smallest tercile is the omitted category), $\text{Retention}_{i,j,f,t}$ equals 100 if director j at firm i remains on the board three years after the year-t election and 0 otherwise, and μ_i and τ_t are firm and year fixed effects. The table reports β, the interaction coefficients γ_2 and γ_3, and the size-tercile indicator coefficients δ_2 and δ_3. The sample requires December market equity, so the vote counts are about 9% smaller than in Table 5. High − Low is the difference between the high-delta and low-delta estimates of β. Standard errors double-clustered by firm and director are in parentheses, and *, **, and *** denote significance at the 10%, 5%, and 1% levels.

	Low Delta (1)	Mid Delta (2)	High Delta (3)
Panel A: CEO Delta			
No × Active	-0.17	-0.23	-1.94***
	(0.66)	(0.50)	(0.60)
No × Size tercile 2	1.16	0.82	-3.07**
	(2.98)	(1.45)	(1.50)
No × Size tercile 3	-1.21	-5.33**	-1.94
	(3.05)	(2.46)	(1.35)
Size tercile 2	-0.53	-0.02	0.87
	(3.27)	(1.55)	(1.56)
Size tercile 3	-8.83	-0.33	0.92
	(9.64)	(3.41)	(2.37)
Main Effects	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Adjusted R^2	0.114	0.096	0.058
Observations	1,888,757	3,040,034	5,325,305
High − Low		-1.77**	
		(0.90)	

Table IA.D1
Management Compensation Delta and the Active–Passive Influence Gap: Controlling for Firm Size (Continued)

	Low Delta (1)	Mid Delta (2)	High Delta (3)
Panel B: Average-Executive Delta			
No × Active	0.22	-0.72	-1.46***
	(0.64)	(0.45)	(0.53)
No × Size tercile 2	3.46	0.61	-2.11
	(2.58)	(1.28)	(1.44)
No × Size tercile 3	-7.95*	-2.84	-1.96
	(4.73)	(1.80)	(1.32)
Size tercile 2	-0.96	-0.52	-0.09
	(3.32)	(1.30)	(1.38)
Size tercile 3	-23.92**	-0.52	-0.61
	(10.01)	(3.79)	(2.07)
Main Effects	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Adjusted R^2	0.110	0.090	0.054
Observations	1,901,621	3,291,630	5,981,251
High − Low		-1.68**	
		(0.83)	

Table IA.D2
Stock Liquidity and the Active–Passive Influence Gap: Controlling for Firm Size

This table repeats the liquidity sort of Table 6 controlling for firm size within each liquidity tercile. Each vote is assigned to a within-year tercile of firm size, the log of the firm's market equity in December of the year before the meeting, from CRSP; the size terciles are computed over all votes in the estimation sample, so each size tercile holds an equal number of votes. Within each liquidity tercile we estimate, at the fund-vote level,

$$\begin{aligned}\text{Retention}_{i,j,f,t} = \beta\left(\text{No}_{i,j,f,t} \times \text{Active}_f\right) + \beta_1 \text{No}_{i,j,f,t} + \beta_2 \text{Active}_f \\ + \textstyle\sum_{k=2}^{3}\left(\gamma_k \text{No}_{i,j,f,t} \times S^k_{i,t} + \delta_k S^k_{i,t}\right) + \mu_i + \tau_t + \varepsilon_{i,j,f,t},\end{aligned}$$

where $S^k_{i,t}$ equals 1 if firm i is in size tercile k in year t (the smallest tercile is the omitted category), $\text{Retention}_{i,j,f,t}$ equals 100 if director j at firm i remains on the board three years after the year-t election and 0 otherwise, and μ_i and τ_t are firm and year fixed effects. The table reports β, the interaction coefficients γ_2 and γ_3, and the size-tercile indicator coefficients δ_2 and δ_3. The sample requires December market equity, which removes fewer than 0.1% of the votes of Table 6. High − Low is the difference between the high-liquidity and low-liquidity estimates of β. Standard errors double-clustered by firm and director are in parentheses, and *, **, and *** denote significance at the 10%, 5%, and 1% levels.

	Low liquidity (1)	Mid liquidity (2)	High liquidity (3)
Panel A: Quoted spread			
No × Active	0.53	-0.32	-1.69***
	(0.48)	(0.52)	(0.41)
No × Size tercile 2	5.38**	0.84	-2.24
	(2.57)	(1.58)	(1.39)
No × Size tercile 3	-4.71	1.37	-3.94**
	(4.01)	(3.53)	(1.59)
Size tercile 2	3.73	1.46	-0.34
	(3.18)	(1.34)	(1.37)
Size tercile 3	-0.93	5.50	-2.76
	(3.64)	(3.98)	(2.05)
Main Effects	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Adjusted R^2	0.107	0.091	0.048
Observations	1,408,112	2,592,064	7,219,321
High − Low		-2.21***	
		(0.63)	

Table IA.D2
Stock Liquidity and the Active–Passive Influence Gap: Controlling for Firm Size (Continued)

	Low liquidity (1)	Mid liquidity (2)	High liquidity (3)
Panel B: Effective spread			
No × Active	0.42	-0.27	-1.64***
	(0.46)	(0.66)	(0.40)
No × Size tercile 2	3.39	-1.06	-0.73
	(3.09)	(1.81)	(1.41)
No × Size tercile 3	-0.29	-0.91	-2.72*
	(6.67)	(2.62)	(1.61)
Size tercile 2	0.96	0.61	-0.37
	(2.89)	(1.38)	(1.24)
Size tercile 3	1.37	-3.02	-2.22
	(4.42)	(7.02)	(1.99)
Main Effects	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Adjusted R^2	0.111	0.096	0.049
Observations	1,455,623	2,681,185	7,073,316
High − Low		-2.06***	
		(0.61)	

Table IA.D3
Position Illiquidity and the Active–Passive Influence Gap: Excluding Blockholder Positions

This table repeats the specifications of Table 7 excluding blockholder positions, defined as positions above one percent of the firm's shares. Position Illiquidity and Holding Size are re-winsorized and re-standardized within the subsample. All regressions include the 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 error for the bottom-row difference between the active and passive interactions is calculated using the delta method.

	(1)	(2)	(3)
No	-2.58***	-1.69***	-1.85***
	(0.41)	(0.33)	(0.36)
No × Active (influence gap)	-1.36***	-1.03***	-1.16***
	(0.39)	(0.26)	(0.28)
No × Position Illiquidity × Active	1.21***	0.98***	1.02***
	(0.26)	(0.18)	(0.19)
No × Position Illiquidity × Passive	-0.17	-0.17	-0.08
	(0.19)	(0.15)	(0.16)
Holding Size	0.92	-0.01	-0.00
	(1.85)	(0.03)	(0.03)
Main effects	Yes	Yes	Yes
Firm FE	Yes		
Year FE	Yes		
Firm × Year FE		Yes	Yes
Fund FE			Yes
Adjusted R^2	0.053	0.198	0.197
Observations	10,844,538	10,844,534	10,844,518
No × Position Illiquidity: Active − Passive	1.38***	1.14***	1.10***
	(0.26)	(0.18)	(0.19)

Table IA.D4
Divestment After Dissenting Votes: The Tendency to Sell

This table repeats the analysis of Table 8 with the tendency to sell in place of the tendency to exit. The first two columns present OLS estimates of the relationship between dissenting votes cast by active (column 1) or passive (column 2) funds and the fraction of the position the fund sells in the subsequent year, with a full exit counted as selling the entire position. Column 3 estimates the relationship between director retention and dissenting votes, with active funds categorized into the bottom, middle, or top third based on their tendency to sell. Column 4 estimates the relationship between director retention and dissenting votes, including an interaction term with the fund's tendency to sell. The tendency to sell is the fraction sold averaged over the fund's dissenting votes. Fraction sold in columns 1 and 2 runs from 0 to 1; director retention in columns 3 and 4 is scaled 0–100 as in Table 2. Columns 3 and 4 include the non-interaction terms and proxy advisor recommendations, 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.

	Fraction Sold		Director Retention	
	(1)	(2)	(3)	(4)
No	0.012***	-0.001		-1.18***
	(0.003)	(0.002)		(0.37)
No × Passive			-1.19***	
			(0.39)	
No × Active with low sell tendency			-1.90***	
			(0.32)	
No × Active with middle sell tendency			-3.27***	
			(0.37)	
No × Active with high sell tendency			-3.03***	
			(0.47)	
No × Sell tendency				-3.65***
				(1.00)
Sample	Active funds	Passive funds	All	All
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Adjusted R^2	0.029	0.046	0.054	0.054
Observations	5,325,628	5,250,132	7,970,955	7,970,955

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