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Fiduciary responsibility and bank-firm relationships: An analysis of shareholder voting by banks

Thomas H. Payne ^a, James A. Millar ^{b,*}, G. William Glezen ^b

^a *University of Tennessee at Chattanooga, Chattanooga, USA*

^b *College of Business Administration, Department of Finance, University of Arkansas, Fayetteville, AR 72701, USA*

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Abstract

An active market for corporate control has prompted corporate managers to lobby for measures that protect their positions. It has been argued that corporate managements have worked to entrench themselves at the expense of outside shareholders and have pressured institutional investors (including banks) to vote on corporate matters in a manner supportive of managements' proposals. One source of potential pressure arises when bank fiduciaries manage employee savings plans, pension funds, and engage in other fee generating corporate trust activities for firms whose shares they vote. In addition, banks often extend commercial credit to firms whose shares the trust division votes. Finally, director interlock between banks and corporations is likely to bias voting behavior. Fiduciary loyalty may be compromised by bankers' concern that failure to support management can threaten business relationships. The objective of this study is to investigate the effects of conflicting relationships on the voting behavior of banks as fiduciaries. The empirical results indicate that where director interlock and income-related relationships exist, banks tend to vote in favor of management antitakeover proposals; however, where these business relationships do not exist banks tend to vote against such proposals.

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* Corresponding author. Fax: 501-575-7687.

1. Introduction

Legally, institutions acting as fiduciaries must consider the interests of beneficiaries as paramount. Fiduciary agents, including bank trustees, are not to consider self interest or the interest of third parties when making decisions affecting asset value (e.g., shareholder voting). However, management may work to entrench itself at the expense of outside shareholders and may pressure institutional investors to vote in support of its proposals. This study provides an analysis of whether bank voting behavior is consistent with beneficiary interests.¹

Banks often maintain a variety of corporate business associations that may be susceptible to influence by corporate management. When bank trust departments manage employee savings plans and pension funds or the commercial lending department extends credit to firms whose shares the trust department votes, potential conflicts of interest in voting are likely to arise. Such conflicts may arise notwithstanding the fact that separation of commercial operations and trust departments (the Chinese Wall) is a long-standing policy in the banking industry. Director interlock between banks and corporations may also bias voting behavior. This study investigates the effect of these relationships on the proxy voting practices of banks regarding antitakeover proposals. The results indicate that where director interlock and income-related relationships exist, banks tend to vote in favor of management antitakeover proposals; however, where these business relationships do not exist banks tend to vote against such proposals.

2. Background

Jarrow and Leach (1991) note that fiduciaries are confronted with conflicting interests and must determine whether to maximize their own wealth or that of beneficiary shareholders. While public pension funds may aggressively confront management, and many institutional investors neither support nor oppose management, Coffee (1991) notes that some institutional investors (who maintain business relationships with the firm) may be biased in favor of management in matters pertaining to control. The fact that voting is seldom anonymous contributes to the reluctance of institutions with business relations to oppose management. Pound (1988) points out that existing business relationships may influence an institution's voting practices. Brickley et al. (1988, 1994), separate their sample into pressure-

¹ The determination of direct relationships between bank voting behavior and bank characteristics requires actual bank votes, which are not observable. Therefore, our analysis utilizes aggregate voting data from which we infer such relationships.

sensitive, pressure-resistant, and pressure-neutral classifications² and find a positive relation between the percentage of shares held by the pressure-sensitive institutions (as a group) and the percentage of votes cast for antitakeover measures. They suggest that banks, insurance companies, and trust companies as a group “with existing or potential business ties with the firm” are less likely to oppose managers than are other institutional investors. Their study does not address differences in voting behavior within the pressure sensitive group. Brickley et al. (1988) acknowledge this point:

Individual institutions within a category are likely to have different ties with management (for example, a bank that does business with the firm versus one that does not); unfortunately, our data sources do not allow a more refined disaggregation of the sample (Brickley et al., 1988, p. 279).

Van Nuys (1993) used the data for one company to examine the voting behavior of banks and insurance companies and concluded that existing business ties do not convincingly explain voting behavior. We study bank voting behavior in particular and consider director interlock and income generating relationships between the bank and the firm whose shares are voted.

3. Voting outcomes and business relationships

3.1. Overview

Business relationships between banks and management are likely to be associated with voting behavior that is conducive to continuance of the relationships. Consistent with Pound (1988) and Brickley et al. (1988, 1994), voting outcomes (i.e., the dependent variables for these analyses) are measured by the percentage of outstanding shares voted in favor of, and against, proposed antitakeover amendments.

We examine the relation between voting outcome and the percentage of outstanding shares held by banks. In addition, we include as explanatory variables the percentages of outstanding shares held by banks that also (1) derive income from the firm (managing the corporation’s employee benefit plans, acting as the firm’s trustee with regard to the monitoring of indenture agreements, serving as the corporation’s registrar, acting as the corporation’s dividend or transfer agent,

² Insurance companies, banks, and non-bank trust companies are classified as ‘pressure-sensitive’. Public pension funds, mutual funds, endowments, and foundations are regarded by Brickley et al. (1988, 1994) to be ‘pressure resistant’.

or serving the firm in a primary commercial banking capacity), and/or (2) share one or more directors with the firm.

3.2. Hypotheses and data

Hypothesis 1 provides a separate analysis of banks rather than the pressure-sensitive institutions used in Brickley et al. (1988, 1994). Hypotheses 2 and 3 analyze the effects of two specific bank business relations on voting outcomes. Hypothesis 4 examines the voting behavior of banks that do not have business relationships.

The first hypotheses tested is:

Hypothesis 1. The percentage of outstanding shares held by banks is negatively (positively) associated with the percentage of outstanding shares voted for (against) antitakeover proposals.

Fiduciary requirements to act in the interest of beneficiaries should result in opposition to antitakeover proposals that generally reduce wealth.³ Failure to support this hypothesis is consistent with voting behavior detrimental to the beneficiaries. Other hypotheses tested are:

Hypothesis 2. The percentage of shares outstanding held by banks *having a business relationship* with the firms whose shares they vote is positively (negatively) related to the percentage of votes for (against) antitakeover proposals.

Hypothesis 3. The percentage of shares outstanding held by banks *sharing one or more directors* with the firms whose shares they vote is positively (negatively) related to the percentage of votes for (against) antitakeover proposals.

³ Jarrell et al. (1988) conclude that negative returns accrue to shareholders upon approval of supermajority, fair-price, and cumulative voting rights reduction amendments. DeAngelo and Rice (1983) find some support for the conclusion that antitakeover amendments are used as an entrenchment device and not as a tool to extract higher premiums from potential acquirers. Bhagat and Brickley (1984) find statistically significant and negative abnormal returns upon the announcement of an intent to reduce cumulative voting rights. Jarrell and Poulsen (1987) report significant negative abnormal returns associated with supermajority, authorization of preferred stock, and classified board amendments. Bhagat and Jefferis (1991) find significant negative returns for firms adopting entrenched board, fair price, blank check preferred, and antigreenmail antitakeover amendments. They note that there is little variation in wealth effects across the amendments.

To determine whether different amendment types resulted in significantly different outcomes, we divided the sample at the median into two categories representing high and low support (opposition) for the amendments; chi-square tests for independence failed to indicate any significant difference in voting outcomes across the amendment classifications. These findings are consistent with those of Bhagat and Jefferis (1991) who find consistently negative share price reactions to individual amendment classifications.

Banks that maintain commercial or corporate trust relationships with firms are likely to be supportive of management's proposals, as are banks sharing one or more directors with the firm. Management typically can inspect the voting behavior of fiduciaries. Therefore, notwithstanding fiduciary obligation and scrutiny on the part of regulatory agencies, banks are likely to consider the views of management more strongly if these relationships exist. To examine these relationships we test the following hypothesis:

Hypothesis 4. The percentage of outstanding shares held by banks having no major business or director relationship with the firms whose shares they vote is positively (negatively) associated with the magnitude of votes against (for) anti-takeover proposals.

Much research supports the assertion that antitakeover proposals do more to entrench incumbent managers than they do to procure an optimal bid or maximize shareholder wealth. Consequently, it is likely that banks without a business relationship with the firm generally will not support antitakeover proposals.⁴

The sample consists of 145 antitakeover proposals (described in Table 1) voted on by shareholders from 1988 through 1990 for 114 firms.⁵ The number of proposals exceeds the number of firms because more than one such proposal is often included on the agenda. After eliminating outliers, 75 percent of the amendments (observations) were proposed by companies whose stockholders included some banks with income producing relationships. In 43 percent of the observations a bank-firm director interlock existed, and in 42 percent of the observations both income producing relations and bank-firm director interlock existed. Neither relation existed in 24 percent of the observations.

The proposals in the sample were included for firms with information available from the Investor Responsibility Research Center (IRRC), Computer Directions Advisors (CDA), *The Corporate Finance Bluebook*, and *Standard and Poors Register of Corporations, Directors, and Executives*. Percentage voting data are from the Investor Responsibility Research Center's *Shareholder Voting Almanac* (1989–1991) which provides voting results for the 1988–1990 proxy seasons. Aggregate institutional, managerial, and blockholder ownership figures, total assets, and shares outstanding are from CDA's *Compact Disclosure*. Data reporting the number of shares held by banks are from the CDA tapes compiled from

⁴ The results of testing Hypothesis 2 and 3 are not necessarily determinative of the results of Hypothesis 4 since the sum of shares voted for and shares voted against would seldom be equal to shares outstanding because of nonvoting and abstentions.

⁵ Investor Responsibility Research Center data indicated a total of 209 nonbank firms involved in these activities; sample size attrition was due to: (1) the fact that some firms failed to report percentage outcomes to the IRRC and, most typically, (2) comprehensive relationship and ownership data for the firms were not available from one or more of the sources described in this section.

13(f) filings.⁶ Information regarding bank-firm business relationships (inclusive of benefit plan, trustee, transfer agent, and commercial banking services) is from *The Corporate Finance Bluebook*. Finally, director interlock information is from *Standard and Poors Register of Corporations, Directors, and Executives*.

3.3. Research methodology and model

The logistical functional form specification used by Demsetz and Lehn (1985) is employed. The transformation is:

$$LVOTE = \log \frac{\pi_i}{1 - \pi_i}, \quad (1)$$

where π_i is the percentage of outstanding shares voted in favor of (votes for regression) or in opposition to (votes against regression) the antitakeover proposal. The following expression represents the two models used in the analyses:

$$\begin{aligned} LVOTE = & \alpha + (\beta_1 BANKSH)_1 + (\beta_1 NRSH + \beta_2 RELSH + \beta_3 INTSH)_2 \\ & + \gamma_1 MGMT + \gamma_2 INST + \gamma_3 BLOCK + \gamma_4 ASSET + \gamma_5 Y89 \\ & + \gamma_6 Y90 + \gamma_7 VREQ. \end{aligned} \quad (2)$$

The variables in parentheses are not included in the same regression (e.g., the variable BANKSH is included with the control variables in the first regression and NRSH, RELSH, INTSH, and control variables are included in the second). The variables are defined as:

LVOTE	= Logistical transformation of the percentage of outstanding shares voted in favor of (or in opposition to) the antitakeover proposal.
BANKSH	= Percentage of outstanding shares held by banks.
NRSH	= Percentage of outstanding shares held by banks having no director or business related ties with the firm.
RELSH	= Percentage of outstanding shares held by banks deriving income from the firm (benefit plan, trustee, transfer agent, or commercial banking relationship).
INTSH	= Percentage of outstanding shares held by banks having an interlocking directorate with the firm (≥ 1 director).
MGMT	= Percentage of outstanding shares beneficially owned by corporate managers or directors.

⁶ Aggregate bank holdings and holdings of banks identified to have income generating relationships or interlocking directorates are as of March 31st in the year of the vote. Total assets and shares outstanding are from 10Q data corresponding to the same period. Due to the nature of the relationships investigated and the potentially confounding effects of their inclusion, banking firms are not included in the sample of firms whose shares were voted.

Table 1
Antitakeover proposals voted on by shareholders for 114 companies during the years 1988–1990 *

Description of proposal	Instances
<i>Classified board</i> : Directors are elected to staggered terms whereby only a fraction of the board can be replaced in any given year.	36
<i>Eliminate cumulative voting</i> : Shareholders' ability to accumulate votes and cast them for fewer than the total number of directors on the ballot is eliminated.	26
<i>Create blank check preferred, establish dual class stock or otherwise alter voting power</i> : Management is able to issue shares for which it defines voting, conversion, and dividend rights. The stock can be issued to discourage takeovers as a poison pill provision. Dual class stock establishes two categories of stock with different voting rights: shares having greater voting power are often retained by management.	56
<i>Fair price amendment</i> : This amendment requires the prospective acquirer to pay an identical price, typically the highest price paid for shares purchased prior to the tender offer.	18
<i>Eliminate shareholders' right to act by written consent or call special meetings</i> : These provisions act to limit the ability of shareholders to initiate actions which potentially challenge existing management.	20
<i>Reincorporation and / or opting into State Antitakeover Laws</i> : This amendment permits reincorporation to states which have stringent antitakeover legislation – most often Delaware or Pennsylvania. These provisions are typically accompanied by other antitakeover measures. Only those reincorporations into states with more stringent antitakeover laws are included.	11
<i>Supermajority provision</i> : This amendment requires more than a majority of shares to approve mergers and other measures.	9
<i>Eliminate preemptive rights</i> : Preemptive rights provide existing shareholders with a first option on the purchase of newly issued shares.	3

* Note: The total number of proposals (179) exceeds the number of sample votes (145) because the proposals are often grouped for a single vote on the ballot.

INST	= Percentage of outstanding shares held by institutions other than banks or trust operations.
BLOCK	= Percentage of outstanding shares held by non-institutional and non-management blockholders.
ASSET	= Natural log of the total assets of the firm whose shares are voted.
YEAR	= Categorical variable denoting the year of the antitakeover amendment vote (1988–1990).
VREQ	= Dichotomous variable indicating a supermajority voting requirement.

Consistent with Pound (1988) and Brickley et al. (1988, 1994), we control for the percentage of outstanding shares beneficially owned by management (MGMT), the percentage of institutional ownership (INST), the percentage of shares held by other 5 percent blockholders (BLOCK), size as measured by the natural logarithm of assets (ASSET), years included in the study (1988 through 1991), and the presence of a supermajority voting requirement (VREQ).

4. Empirical results

In this section we present the empirical evidence and provide insight into bank voting behavior in general and the effects of director interlock and income generating relationships in particular. Table 2 summarizes the descriptive statistics of the variables used in the study and shows that, on average, approximately 64%

Table 2

Descriptive statistics for variables used in regression analysis of stockholder votes for and against management sponsored antitakeover amendments from 1988 through 1990

Variable ¹	Mean	Standard deviation
<i>Panel A. Means and standard deviations of continuous variables</i>		
VOTE FOR	64.17%	10.19
VOTE AGAINST	14.87%	9.49
BANKSH	10.71%	0.07
NRSH	8.37%	0.06
RELSH	1.81%	0.04
INTSH	0.81%	0.02
MGMT	8.21%	0.12
INST	30.26%	0.16
BLOCK	6.13%	0.12
ASSETS	\$3.370 billion	\$7.478 billion
<i>Panel B. Frequencies of indicator variables</i>		
Years:		
1988 (default)	49	
1989	44	
1990	49	
VREQ	38	

¹ Variable definitions:

VOTE FOR	= Percentage of outstanding shares voted in favor of proposal.
VOTE AGAINST	= Percentage of outstanding shares voted against proposal.
BANKSH	= Percentage of outstanding shares held by banks.
NRSH	= Percentage of outstanding shares held by banks having no director or business related ties with the firm.
RELSH	= Percentage of outstanding shares held by banks deriving income from the firm.
INTSH	= Percentage of outstanding shares held by banks having interlocking directorate with the firm.
MGMT	= Percentage of outstanding shares beneficially owned by corporate managers or directors.
INST	= Percentage of outstanding shares held by institutions other than bank or trust operations.
BLOCK	= Percentage of outstanding shares held by non-institutional and non-management blockholders.
ASSETS	= Total assets of firm whose shares are voted.
YEAR	= Categorical variable denoting the year of the anti-takeover amendment vote (1988–1990).
VREQ	= Dichotomous variable indicating a supermajority voting requirement.

Table 3

Results from regression analysis for 142 (137) proposals voted on in 112 firms during the years 1988–1990 using the logit of the percentage of outstanding shares voted for (against) the proposal as the dependent variable. Independent variables are the percentage of outstanding shares held by banks (BANKSH), the percentage of shares owned by management (MGMT), the percentage of shares held by institutions other than banks (INST), the percentage of shares held by blockholders (BLOCK), total assets (ASSET), years (Y89 and Y90), and voting requirement (VREQ)

Dependent variable: Votes for ($n = 142$)			Votes against ($n = 137$)	
Variable	Parameter estimate	<i>t</i> -statistic	Parameter estimate	<i>t</i> -statistic
Intercept	0.60	1.68	–2.44	–3.72
BANKSH	1.13	2.39 ***	0.70	0.83
MGMT	0.87	3.25 ***	–2.25	–4.73 ***
INST	–1.12	–5.47 ***	2.90	7.63 ***
BLOCK	–0.46	–1.70 **	–0.47	–0.91
ASSET(ln)	0.01	0.29	–0.04	–0.89
Y89	0.02	0.21	0.10	0.70
Y90	–0.10	–1.34 *	0.28	2.03 **
VREQ	0.50	6.90 ***	0.45	3.49 ***
<i>Model description:</i> F -value = 14.34 ($p = 0.0001$); $R^2 = 0.46$; Adjusted $R^2 = 0.43$.			<i>Model description:</i> F -value = 14.53 ($p = 0.0001$); $R^2 = 0.48$; Adjusted $R^2 = 0.44$;	

* significant at the 0.10 level.

** significant at the 0.05 level.

*** significant at the 0.01 level.

of shares outstanding were voted for the antitakeover proposal and 15% were voted against. Of shares held by banks (10.71%), (8.37%) were held by banks with no director or business related ties, 1.81% were held by banks with business relationships, and 0.81% were held by banks with interlocking directors.⁷ Finally, of total shares outstanding, 8.21% were held by management and directors, 30.26% were held by institutions (excluding banks), and 6.13% were held by blockholders.

Table 3 summarizes the results of the regressions including the percentage of shares held by banks (BANKSH) as an independent variable. Both regressions are highly significant with $R^2 = 0.46$ and $F = 14.34$ ($p = 0.0001$) for votes in favor, and $R^2 = 0.48$ and $F = 14.53$ ($p = 0.0001$) for votes against. The coefficient for BANKSH was significantly and positively related to votes for the antitakeover measures. This result supports the proposition that banks vote for antitakeover

⁷ The sum of the percentages of shares held by banks with business relationships, interlocking directors, and no director or business relationship exceeds the percentage of shares held by banks because some banks had both interlocking directors and business relationships.

amendments to the detriment of the beneficial owners of the stock, which is consistent with the conclusions of Brickley et al. (1988, 1994). The coefficient for BANKSH in the votes against is not significant. The control variables MGMT, INST, and VREQ are significant with the expected sign in each regression.⁸ Further, BANKSH was found in a separate regression (not reported herein) to be significantly ($p = 0.01$ level) and positively related to the total percentage of outstanding shares voted. This result is consistent with the assertion that banks, adhering to a strict interpretation of fiduciary responsibility, tend to vote the shares they hold.

Diagnostics indicate that multicollinearity is not a problem.⁹ An analysis of the studentized residuals in the original regressions identified three of the original 145 data points as outliers in the favorable vote regressions. In addition, two of the 139¹⁰ data points in the opposed regressions were similarly identified as outliers.¹¹

Although the votes for regression in Table 3 indicate that banks *systematically* align with management on governance issues, voting practices of banks sharing directors or maintaining a business relationship with the firm may diverge from those which do not. Table 4 summarizes the results from the set of regressions that test this hypothesis. The results of the regressions are highly significant with $R^2 = 0.55$ and $F = 16.12$ ($p = 0.0001$) for votes in favor and $R^2 = 0.49$ and $F = 12.24$ ($p = 0.0001$) for votes against. In the votes for regression, the percentage of outstanding shares held by unassociated banks (no director interlock or business relationship) (NRSH) is not significant. In the votes against regression, the NRSH coefficient is positive and significant at $p = 0.05$. These results indicate that banks without business relationships tend to vote against management. This

⁸ The significant positive coefficient in the for vote for banks and the significant negative coefficient for INST are consistent with a higher proportion of commercial ties within the bank group and the results of the relationship and interlock variables presented in Table 4.

⁹ In general, small tolerance values, or large values of their inverse-variance inflation factors, indicate high levels of multicollinearity. Hair et al. (1992), note that a commonly accepted threshold is a tolerance value of 0.1 corresponding to a variance inflation factor of 10. Each of the variance inflation factors associated with the analysis is less than 1.51.

¹⁰ The difference in the number of total observations in votes for and against is due to the fact that the percentage of votes against was reported in six fewer instances than the percentage of votes for the amendments.

¹¹ These data points were identified based on an iterative process. Only those sample observations where studentized residuals exceeded 3.0 in absolute value are considered outliers. These data points are therefore excluded from the final sample. The regressions also were run including the outliers and the results were not significantly different.

The elimination of the outliers from the analysis significantly reduced heteroskedasticity. White's test was used to verify that heteroskedasticity was not a problem in the final regressions (White, 1980). Also, the results were not driven by the fact that some firms had multiple issues on the ballot; a set of regressions involving the *average* support or opposition to the entrenchment measures for each proposing firm did not result in a change in overall significance levels. Finally, a Shapiro–Wilk test of residuals failed to reject normality (using $p = 0.01$ as the rejection criteria).

Table 4

Results from regression analysis for 142 (137) proposals voted on in 112 firms during the years 1988–1990 using the logit of the percentage of outstanding shares voted for (against) the proposal as the dependent variable. Independent variables are the percentage of outstanding shares held by banks which have a business relationship (RELSH), an interlocking directorate (INTSH), or no relationship (NRSH), the percentage of shares held by management (MGMT), the percentage of shares held by institutions other than banks (INST), the percentage of shares held by blockholders (BLOCK), total assets (ASSET), years (Y89 and Y90), and voting requirement (VREQ)

Dependent variable: Votes for ($n = 142$)			Votes against ($n = 137$)	
Variable	Parameter estimate	<i>t</i> -statistic	Parameter estimate	<i>t</i> -statistic
Intercept	0.55	1.70	–2.42	–3.73
NRSH	–0.17	–0.31	1.72	1.68 * *
RELSH	3.65	4.11 * * *	–2.35	–1.38 *
INTSH	3.05	2.96 * * *	0.77	0.39
MGMT	0.94	3.81 * * *	–2.35	–4.95 * * *
INST	–0.93	–4.81 * * *	2.76	7.08 * * *
BLOCK	–0.20	–0.80	–0.72	–1.36 *
ASSET(ln)	–0.01	–0.34	–0.04	–0.88
Y89	–0.03	–0.33	0.15	1.04
Y90	–0.05	–0.64	0.25	1.78 * *
VREQ	0.47	6.98 * * *	0.47	3.59 * * *
<i>Model description:</i> F -value = 16.12 ($p = 0.0001$); $R^2 = 0.55$; Adjusted $R^2 = 0.52$.			<i>Model Description:</i> F -value = 12.24 ($p = 0.0001$); $R^2 = 0.49$; Adjusted $R^2 = 0.45$.	

* significant at the 0.10 level.

** significant at the 0.05 level.

*** significant at the 0.01 level.

finding is consistent with the results shown for non-bank institutions (INST) in both regressions.

However, the results in Table 4 also indicate a strong propensity for banks having a business relationship with the firm to align with management in control related contests. The significant positive (negative) coefficient for RELSH in the votes for (against) regression indicates that banks tend to vote with the management of firms with which they do business.

Director interlock between banks and firms also is related to the outcome of the vote. The percentage of shares that are held by banks having one or more directors also serving on the board of the firm (INTSH) is significantly ($p = 0.01$) and positively related to the percentage of outstanding shares voted for the anti-takeover measures. This result indicates that incumbent support is higher, on average, when banks share directors with the firm. The coefficient in the regression involving votes against the proposals was not significant for the INTSH variable.

5. Summary and implications

Prior research and anecdotal evidence suggest that some institutions are susceptible to managerial pressure to vote for management proposals – particularly when the institutions maintain income generating relationships with the firms. Brickley et al. (1988, 1994) find associations between the number of shares held by ‘pressure sensitive’ institutions (including banks) and the voting outcome of antitakeover proposals. Their empirical analysis, however, does not separately analyze the voting behavior of banks nor control for specific business relationships.

Contrary to the implications of previous research, this study finds that the voting behavior of banks with and without business relationships differ. Evidence is found supporting the contention that bank-firm relationships are associated with an increase in the percentage of votes cast for management’s proposals. An increased percentage of votes for the proposals is positively associated with the percentage of shares held by banks which provide commercial loans to the firm, manage the firm’s employee benefit plan, and/or serve as the firm’s transfer agent or trustee. Similarly, these relationships are associated with a lower percentage of votes opposing management proposals. The percentage of shares held by banks sharing one or more directors with the firm is positively correlated with the percentage of votes for antitakeover proposals.

The general assertion, then, that firm-bank relationships influence the outcome of the vote has merit. This suggests that heightened scrutiny may be in order in cases where those relationships exist.¹² The evidence in this study does not support the categorical conclusion that banks *en masse* align with management or vote in a manner inconsistent with the maximization of shareholder wealth.

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¹² To the extent that confidential voting actually exists at firms included in our sample, commercial ties are less likely to affect the vote. McGurn (1989) indicates that few firms have adopted confidential voting. Our examination of policies of firms professing to use confidential voting indicates that such policies are easily circumvented.

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