

Proxy Contest, Board Reelection, and Managerial Turnover—Yes, the Proxy Contest Outcome Matters[†]

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In a previous study based on a matched sample analysis, it is found that in Taiwan top management turnover rate for the listed firms in the presence of a proxy contest is much higher than the ones without a proxy contest. In other words, the hypothesis of job security has gained empirical support. Taking account of the proxy contest outcomes, the present study extends the sample years, i.e. 1994–1999, to further examine the impact of proxy contest on managerial turnover. In conformity with expectations, the major empirical findings can be summarized as follows: the highest turnover rate of top management is observed in the firms of which the dissidents win majority seats; the second highest turnover rate is observed in the firms of which the dissidents win some seats; whereas the lowest turnover rate is observed in the firms of which the dissidents win no seats. Empirical findings of this kind provide further support to the view that proxy contest has played an effective monitoring role in disciplining incumbent management. Copyright © 2004 John Wiley & Sons, Ltd.

ISSUE, OBJECTIVE, AND OUTLINES

In the seminal papers addressed to ‘the theory of the firm’, it has been argued that the market for corporate control is an important monitor of corporate management (see, for example, Manne, 1965; Alchian and Demsetz, 1972; Jensen and Ruback, 1983). On the empirical front, the findings concerning the impact of proxy contests on top management turnover, however, are mixed

(see, for example, Dodd and Warner, 1983; DeAngelo and DeAngelo, 1989; Ikenberry and Lakonishok, 1993; Mulherin and Poulsen, 1998). Nonetheless, it can never be overemphasized that, in cases a positive impact is found, the evidence so presented should best be viewed as ‘tentative’ instead of ‘conclusive’. The rationale goes as follows: because managerial turnover rate for firms with similar features and yet without proxy contest has not been systematically compared, there is no way of knowing the definite impact arising from proxy contest on managerial turnover in the absence of a reference group. In other words, the leaving of top managers may reflect nothing but a normal turnover. Huang and Yen (1996), therefore, investigate top management turnover for listed companies in Taiwan with proxy contests during the period 1984–1991, using listed companies in Taiwan without

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proxy contests during the same period as the matched group, and find that top management turnover is closely related to the occurrence of proxy contests.

The current paper extends empirical literature in this area in several ways. First, the paper analyzes proxy contests in a non-US setting and thereby provides guidance for many countries without an active takeover market. Second, the paper covers a time period more recent than the extant empirical literature and judges the effect of the disciplinary role of proxy contests in comparison with a reference group of firms. Third, the paper further examines the impact of proxy contests on top management turnover by taking account of the outcomes of proxy contests.

The structure of the balance of this paper is as follows. The next section delineates data source and sampling procedure. The following section describes the empirical methodology. In the penultimate section, empirical findings are presented and discussed. Finally, the last section concludes the paper.

DATA SOURCE AND SAMPLING PROCEDURE

Our sample is composed of the publicly traded corporations which are listed on the Taiwan Stock Exchange (TAIEX) and which have held board reelections during the period from January 1, 1994 through December 31, 1999. The year 1994 is chosen as the starting year because ever since that year the library of the Institute of Securities and Futures Markets Development Foundation has compiled the annual reports of the shareholders' general meetings in general and the names of the directors in particular for the listed companies in Taiwan. As for choosing the year 1999 as the ending year, it is dictated by data availability and manageability. For two reasons, the present study considers only TAIEX-listed firms: In the first place, because the listed companies in Taiwan are subject to regulation and scrutiny by the Taiwanese Securities & Exchange Commission and Taiwan Stock Exchange Corporation, they are required to disclose financial data and release important managerial information to the investors. In addition to the benefit of constructing a more or less homogeneous group, such practice

also facilitates greatly the collecting of the necessary data. In the second place, important pieces of information of the listed corporations are rather widely reported and/or commented by mass media so that the outcomes of board reelection and sometimes its associated managerial turnover can be double-checked by relevant newspaper reporting.

Specifically, the empirical data are compiled from various sources as follows:

- (1) Corporations carrying board reelections during the sample period are identified from the business sections of six prominent newspapers,¹ in view of the shareholders' meetings are generally reported in those newspapers in advent of the upcoming meetings. In addition, the supplementary information about the dates of the reelections is collected from the Annual Reports of the sample firms compiled by the Institute of Securities & Futures Markets Development Foundation (ISFMDF).
- (2) Corporations in which proxy contest are involved in the board reelection are identified from the proxy solicitation statements printed in the above-mentioned six prominent newspapers, as required by the proxy guidelines issued by the Taiwan Securities & Exchange Commission. The information is double-checked with the Annual Reports of the sample firms compiled by the Institute of Securities & Futures Markets Development Foundation (ISFMDF) and the database of Taiwan Economic Journal (TEJ).
- (3) The lists of the board members and the top managers of the sample firms are collected from the prospectuses of respective companies and from the Annual Reports of the sample firms compiled by the Institute of Securities & Futures Markets Development Foundation (ISFMDF); and the supplementary information on board members and top managers is collected from *Directory of Corporate Executives* published by the China Credit Bureau every other year.

Four general guidelines are applied to exclude unusable cases. The reasons of exclusion from the sample are summarized in Table 1.

- (1) Cases in which only the reelection of supervisors is involved, because the proxy contests

Table 1. Reasons for Companies Excluded from the Sample

Name of the firms	Reasons
Tateh Agricultural	Incomplete directory.
Sun Home Leather	Public trading ceased under the directive issued on April 15, 1996.
Tai Yu Products	Public trading ceased under the directive issued on December 24, 1998.
China Steel	Too short a time span to trace down changes in board members or top managers.
Tachung Iron Corp.	Public trading ceased under the directive issued on February 6, 1999.
Kao Hsing Chang Iron & Steel	Incomplete directory.
CBS Engineering Corp.	Too short a time span to trace down changes in board members or top managers.
Top Construction & Development Corp.	Incomplete directory.
Tong Lung Metal Ind.	Going through reorganization proceedings.

Sources: 1. The prospectuses of the sample firms.

2. The Annual Reports of the sample firms compiled by ISFMDF.

3. Supplementary information retrieved from the database of the TEJ.

Table 2. Summary Statistics of Proxy Contests and Board Seats

	1994	1995	1996	1997	1998	1999	Total
Number of proxy contest	26	13	9	13	13	8	82
Number of board members won by dissidents	121	64	24	42	53	30	334
Number of board members to be reelected	337	160	93	154	149	66	959

Sources: Same as Table 1.

are primarily aimed at winning seats on the board of directors.

- (2) Cases in which the purpose of the reelection is only to replace vacant board seats prior to expiration date of the term.²
- (3) Abnormal cases such as those of firms that are either sold or liquidated, that go through reorganization or bankruptcy proceedings, and that cease public trading, and those privatized state-owned enterprises that cover too short a period to trace down changes in board members or top managers.
- (4) Cases in which the directory of board members or top managers is incomplete.

During our sample period, there are 91 proxy contests. After subtracting nine unusable cases as listed in Table 1, the sample size is brought down to 82. (For the final sample used in our empirical analysis, please see Appendix A.) Associated with the 82 proxy contests under investigation, 334 out of the total 959 seats are won by the dissident groups, the percentage amounts to approximately 35%. The characteristics of the sample are summarized in Table 2. Nonetheless, it has to be pointed out that the occurrence of proxy contests is not evenly distributed over the sample years. Specifically, out of the total 82 cases, there are 26

cases taking place in the single year of 1994, accounting for about one-third of the total sample, which seem to reflect anticipation that proxy rules are going to be amended and tightened in the coming years. Moreover, that 121 board seats out of 337 reelected seats are won by the dissident groups in that single year accounts for more than one third of the total seats won by the dissident groups over the sample period. Indeed, when more stringent proxy rules are passed in 1996 and enforced in 1997, the number of proxy contests falls from 48 for the period 1994–1996 to 34 for the period 1997–1999. And, the number of seats to be reelected falls from 590 for the period 1994–1996 to 369 for the period 1997–1999.

The final sample of 82 proxy contests is further partitioned into three mutually exclusive categories: the group in which ‘dissidents win majority seats’, and which is composed of the firms of which 50% or more directors have been replaced in the board reelection (21 cases),³ the group in which ‘dissidents win some seats’, and which is composed of the firms of which the change of the number of board members is greater than zero, but less than 50% in the board reelection (52 cases),⁴ finally the group in which ‘dissidents win no seats’, and which is composed of the firms of which not a single member of the board has been replaced in the

Table 3. Sample Grouping on the Basis of Proxy Contest Outcomes

	Dissidents win majority seats	Dissidents win some seats	Dissidents win no seats
1994	Oceanic Beverage; China Chemical; Taih Yang Enterprise; Advantetek Enterprise; K. P. T.; Feng Hsin Iron & Steel; Pao-Ku; The Medium Business Bank of Taitung	Taiwan Cement; Ve Wong; Lien Hwa Ind.; Kwong Fong Industries; Hong Ho Precision Textile; Teco Elec. & Mach.; Taiwan Fluorescent; Pacific Electric Wire & Cable; China Electric Manufacture; Federal Corporation; Ambassador Hotel; Chang Hwa Bank; First Bank; Chung-Kuo Insurance; Pan Overseas; Feng Tay Enterprise	Tecom; Hua Nan Bank
1995	Shin Yen Ind.; Associated Transport; The Medium Business Bank of Kaohsiung; Taichung Business Bank	Wei Chuan Food; Taiwan Taffira Fabric; Cheng Loong; Chung Hwa Pulp; Kuei Hung Industrial; Chuntex Electronic; Macronix International; The Farmers Bank of China; Tidehold Development Co.	
1996	Taiwan Pineapple; Pony & Goldenway Corp.; Pao Shiang Ind.	Carniva; Shihlin Elec. & Eng.; Long Chen Paper; Elitegroup Computer System; Taiwan Secom	The Medium Business Bank of Tainan
1997	Pao-Ku	Ve Wong; China Chemical; Chung Shing Textile; Chung Hsin Elec. & Mach.; Ambassador Hotel; Chang Hwa Bank; First Bank; Hua Nan Bank; The Medium Business Bank of Taitung; Chiao Tung Bank	Lien Hwa Ind.; Hong Yi Fiber Ind.
1998	Wei Chuan Food; Taichung Business Bank	Chung Hwa Pulp; Kuei Hung Industrial; United Micro Electronics; Macronix International; First International Computer; TNC Industrial; CDB; CSB	China General Plastics; Chung Hwa Chemical; Lee Chang Yung Chemical
1999	Taiwan Fertilizer; Chief Construction; China Container Terminal	Asustek Computer Inc.; I.C.B.C.; Taiwan Fire & Marine Insurance; Taiwan Life Insurance	Acelon Chemicals & Fiber
Total	21	52	9

Sources: Six prominent business newspapers; supplemented by the Annual Reports of the sample firms compiled by the ISFMDF, and the database of TEJ.

board reelection (9 cases). The sample firms grouped into three mutually exclusive categories are summarized in Table 3.

EMPIRICAL METHODOLOGY

In the present study, managerial turnover is the variable of paramount concern. Therefore, in the ensuing empirical analysis, the pattern of the cumulative turnover rate of top managers in three mutually exclusive groups is documented and compared with each other for three consecutive years: the very year in which the board reelection takes place, the first year after the board reelection, and the second year after the board reelection, in view of board members being reelected every three years. In other words, the newly elected directors are legally capable of changing the top

executive at board's meetings in these three consecutive years following the reelection; presumably, the differences in managerial turnover observed among the three groups in those three years can be attributed to the outcomes of proxy contests. In operational terms, the extent of managerial turnover is measured by the annual turnover rate of top managers,⁵ P , which is defined as

$$P = \frac{\text{Change of the number of top managers in a group}}{\text{Total numbers of top managers of the said group}}$$

Based on P 's of top managers associated with the above-mentioned three mutually exclusive groups, the paired testing hypotheses are accordingly established as follows:

H_{10} : The cumulative managerial turnover rate of the firms of which 'dissidents win majority

seats' is equal to its counterpart of the firms of which 'dissidents win some seats'.

- H_{1a} : The cumulative managerial turnover rate of the firms of which 'dissidents win majority seats' is greater than its counterpart of the firms of which 'dissidents win some seats'.
- H_{2o} : The cumulative managerial turnover rate of the firms of which 'dissidents win majority seats' is equal to its counterpart of the firms of which 'dissidents win no seats'.
- H_{2a} : The cumulative managerial turnover rate of the firms of which 'dissidents win majority seats' is greater than its counterpart of the firms of which 'dissidents win no seats'.
- H_{3o} : The cumulative managerial turnover rate of the firms of which 'dissidents win some seats' is equal to its counterpart of the firms of which 'dissidents win no seats'.
- H_{3a} : The cumulative managerial turnover rate of the firms of which 'dissidents win some seats' is greater than its counterpart of the firms of which 'dissidents win no seats'.

In view of the nature of the three above-stated alternative hypotheses, the authors apply a one-tailed t -test to ascertain whether the managerial turnover rates differ from each other. Let P_i and P_j denote the sample mean of the managerial turnover rates under comparison, the test statistic can be defined as

$$t = \frac{p_i - p_j}{\sqrt{\bar{p}\bar{q}\left(\frac{1}{n_i} + \frac{1}{n_j}\right)}}$$

where $\bar{p} = \frac{n_i p_i + n_j p_j}{n_i + n_j}$,

$\bar{q} = 1 - \bar{p}$,

$d.f. = n_i + n_j - 2$

and n_i, n_j refer to the sample size of the two groups under comparison, respectively.

EMPIRICAL FINDINGS

As mentioned above, Huang and Yen (1996) find that top management turnover is closely related to the occurrence of proxy contests. For reference, their major findings are reproduced in Table 4.

The managerial turnover rates of the three groups of firms with proxy contest, classified on the basis of board reelection outcomes, are summarized in Table 5. The figures are cumulative managerial turnover rates for the 3-year period following board reelections, in view of the board of directors being reelected every 3 years. According to Table 5, for example, the cumulative turnover rate in the second year following the board reelections for incumbent top managers in the 'dissidents win majority seats' group runs about 76.47% which is higher than those of the other two groups of firms: 46.98% for the 'dissidents win some seats' group, and 14.29% for the 'dissidents win no seats' group. Clearly, the descriptive statistics demonstrate that proxy contest outcomes as well as its occurrence has exerted perceptible influences on managerial turnover. As to whether the observed differences in managerial turnover rates across groups reach a statistic significance, it remains to be tested.

To proceed, the authors perform a one-tailed t -test on the paired differences in the three subgroup sample means. The test results are presented in Table 6. Table 6 shows that the null hypotheses of no difference in managerial turnover rates among three groups with different proxy contest outcomes are rejected at the 0.05 significance level for three observation years. Specifically, the null hypothesis that there is no difference in managerial

Table 4. The Impact of Proxy Contests (1984–1991) on Management Turnover Rates

Cumulative turnover rates	Firms with proxy contests (%)	Firms without proxy contests (%)	t -statistic for the difference in means
As of the very year of reelection	28.12	15.49	4.354 ^a
As of the first year after reelection	42.97	25.82	5.125 ^a
As of the second year after reelection	56.75	34.38	5.348 ^a

Source: Huang and Yen (1996), *Managerial and Decision Economics*, Vol. 17, p. 556.

^aSignificant at the 0.01 significance level.

Table 5. Cumulative Managerial Turnovers under Various Proxy Contest Outcomes

	Cumulative turnover rates	Dissidents win majority seats	Dissidents win some seats	Dissidents win no seats
1994	Number of the firms	8	16	2
	As of the very year of reelection	9/18	19/59	0/5
	As of the first year after reelection	12/18	29/59	0/5
	As of the second year after reelection	15/18	31/59	1/5
1995	Number of the firms	4	9	0
	As of the very year of reelection	6/10	4/24	n.a.
	As of the first year after reelection	7/10	6/24	n.a.
	As of the second year after reelection	8/10	10/24	n.a.
1996	Number of the firms	3	5	1
	As of the very year of reelection	3/7	3/27	0/3
	As of the first year after reelection	3/7	5/27	0/3
	As of the second year after reelection	3/7	8/27	1/3
1997	Number of the firms	1	10	2
	As of the very year of reelection	0/1	10/39	0/6
	As of the first year after reelection	0/1	19/39	0/6
	As of the second year after reelection	0/1	21/39	0/6
1998	Number of the firms	2	8	3
	As of the very year of reelection	3/7	4/27	1/6
	As of the first year after reelection	3/7	7/27	1/6
	As of the second year after reelection	3/7	7/27	1/6
1999	Number of the firms	3	4	1
	As of the very year of reelection	8/11	0/14	0/3
Total	Number of the firms	21	52	9
	As of the very year of reelection	29/54	40/190	1/23
	As of the first year after reelection	22/43	66/176	1/20
	As of the second year after reelection	26/36	70/149	2/14

Sources: Annual Reports of the sample firms compiled by the ISFMDF; and, *Directory of Corporate Executives* published by the China Credit Bureau.

Table 6. A Summary of *t*-statistics for Testing the Impact of Various Proxy Contest Outcomes on Managerial Turnover

Cumulative turnover rates	Dissidents win majority seats vs. Dissidents win some seats	Dissidents win some seats vs. Dissidents win no seats	Dissidents win majority seats vs. Dissidents win no seats
As of the year of reelection	2.74 ^b	1.19	2.54 ^b
As of the first year after reelection	1.07	1.92 ^a	2.40 ^b
As of the second year after reelection	1.96 ^a	1.83 ^a	2.92 ^b

^aSignificant at the 0.05 significance level.

^bSignificant at the 0.01 significance level.

turnover between the 'dissidents win majority seats' group and the 'dissidents win no seats' group is rejected in 7 out of 9 cells at the 0.05 significance level for all the three observation years. In the very year of reelection, we also find that the managerial turnover rate of the 'dissidents win majority seats' group is higher than either one of the other two groups, and this finding falls in line with our anticipation that once the dissidents are able to obtain a majority of the seats, they tend to replace the incumbent management at the

earliest possible time. For the group in which 'dissidents win some seats', job security of the incumbent top managers is not immediately threatened. Yet, the minds of the incumbent top managers may not be at ease. As we can see from Table 6, the cumulative rate of managerial turnover increases substantially in the following two years. All told, the empirical findings above reported support the view that the outcomes of proxy contests systematically affect the job security of the incumbent top managers. In other words,

they lend further support to the view that proxy contest has played an effective role in disciplining top managers.

SOME CORROBORATIVE EVIDENCE

Although it seems justifiable to adopt a trinomial categorization, i.e. winning majority seats, winning some seats, and winning no seats to characterize outcomes of board reelection. It is of interest to see whether a systematically different pattern in managerial turnover rate is observed if the percentage change of board member is used instead and other possible influential factors are also controlled for. Specifically, the authors examine whether the composition of the board affects the association between cumulative managerial turnover rates (CMT) and various proxy contest outcomes. For this purpose, a multivariate ordinary least squares (OLS) regression is used to test the association between the dependent variable, ‘the cumulative managerial turnover’, and the pivotal independent variable of ‘percentage change in board members (PCB)’. In addition to the pivotal independent variable, two control variables are also included in the model: one is the ratio of director-manager (RDM), representing the percentage that a director also takes a top managerial position; the other is a dummy variable to take care of whether Chairman of the Board and the CEO are assumed by the same person. The multivariate regression model runs as follows:

$$CMT_i = \alpha + \beta_1 * PCB_i + \beta_2 * RDM_i + \beta_3 * DCC_i$$

where, *i* is the *i*th firm in the sample; CMT the

cumulative managerial turnover rate as of the second year after reelection (*Y*₃), as defined above; PCB the percentage change in board members, defined in a way similar to *P*; RDM the ratio of director-manager, which is defined as the number of director-manager’s being divided by total number of directors in each sample firm; and DCC a dummy variable, taking the numerical value of 1, if the Chairman of the Board and CEO are of the same person; taking the numerical value of 0, otherwise.

OLS regression results for the total 82 sample firms are presented in Table 7. The *F*-value of 19.89 of the model is significant at the 0.01 significance level, and the adjusted *R*² is 41.17%. Both values suggest that the model explains variation in the cumulative managerial turnover rate as of the second year after reelection fairly well.

The regression coefficient for PCB is 0.842, which is both positive and statistically significant (*t*=6.11), suggesting that a higher PCB is associated with a higher cumulative managerial turnover rate. The regression coefficients for RDM and DCC are -0.132 and -0.116, respectively. Both coefficients are negative, but not statistically significant at 0.10 significance level. In other words, in the presence of a higher ratio of director-manager’s, or for that matter, if the Chairman of the Board also carries the title of CEO, the associated cumulative managerial turnover rate is somewhat lower. Nonetheless, both variables fail to reach statistical significance. If the variables of ‘RDM’ and ‘DCC’ are left out, and the cumulative managerial turnover rate as of the second year after reelection is replaced by the

Table 7. OLS Regression Results for Cumulative Managerial Turnover (N=82)

	Regression 1	Regression 2(a)	Regression 2(b)	Regression 2(c)
Independent variables	Dependent variable (Y3)	Dependent variable (Y3)	Dependent variable (Y1)	Dependent variable (Y2)
Intercept	0.250*** (2.72)	0.125*** (2.24)	-0.013 (-0.25)	0.029 (0.56)
PCB	0.842*** (6.11)	0.944*** (7.42)	0.856*** (7.12)	1.023*** (8.76)
RDM	-0.132 (-1.27)			
DCC	-0.116 (-1.44)			
Adj. <i>R</i> ²	41.17	40.01	37.99	48.32
<i>F</i> -value	19.89	55.03	50.63	76.73

Notes: 1. The symbol ‘**’ denotes the coefficient is significant at the 0.05 significance level.
2. The symbol ‘***’ denotes the coefficient is significant at the 0.01 significance level.

corresponding figures as of the very year of board reelection, or, the first year after board reelection, the coefficients for PCB as reported in Regression 2(b) and Regression 2(c) in Table 7 are 0.856 ($t=7.12$) and 1.023 ($t=8.76$) respectively, hence, suggesting the empirical results as reported in Regression 2(a) in Table 7 are quite robust, regardless of which year figure of the cumulative managerial turnover is used. On balance, it is the variable of 'outcomes of board reelection'—be it measured in a discrete fashion (majority, minority, or none) or in a continuous fashion (percentage of board seats won by the dissident group)—that exerts the largest influences on 'managerial turnover'. The supplementary empirical findings above reported should increase our confidence in the major test.

CONCLUSIONS

Modern theory of firm posits that market for corporate control is conducive to a more effective management of resources. Corporate control can be effected through merger, tender offer, or proxy contest, and sometimes the elements of all three kinds are involved. In a previous study based on a matched sample analysis, Huang and Yen (1996) find in Taiwan that top management turnover rate for the listed companies in the presence of a proxy contest is much higher than the ones without a proxy contest. In other words the hypothesis of managerial job security has gained empirical support. In view that the proxy contest remains the predominant mechanism for obtaining corporate control in Taiwan, the present study is motivated to further examine the impact of proxy contest on the managerial turnover taking account of proxy contest outcomes. Because the board has the authority to appoint and/or to fire top managers, it is hypothesized in the present study that, for the listed companies in the presence of proxy contests, managerial turnover is closely tied to the degree of board changes pending the outcomes of the board reelection.

In conformity with expectations, the turnover rate of top management falls in a descending order for the three mutually exclusive categories of grouped sub-samples: the highest for the one with majority seats won by the dissidents; the second highest for the one with some seats won by the

dissidents; and, the lowest for the one with no seat won by the dissidents. In a multivariate regression, of which a continuous variable representing the percentage change of the board is used instead and two control variables are also in presence, the authors obtain similar empirical results. Empirical findings of this kind provide further support to the view that proxy contest has played an effective monitoring role in disciplining incumbent management.

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APPENDIX A

A List of the Sample Firms

Years	Number of sample	Name of sample firms
1994	26	Taiwan Cement; Ve Wong; Oceanic Beverage; Lien Hwa Ind.; China Chemical; Kwong Fong Industries; Taih Yang Enterprise; Advancetek Enterprise; Hong Ho Precision Textile; Teco Elec. & Mach.; Taiwan Fluorescent; Pacific Electric Wire & Cable; China Electric Manufacture; K. P. T.; Feng Hsin Iron & Steel; Federal Corporation; Tecom; Pao-Ku; Ambassador Hotel; Chang Hwa Bank; First Bank; Hua Nan Bank; The Medium Business Bank of Taitung; Chung-Kuo Insurance; Pan Overseas; Feng Tay Enterprise
1995	13	Wei Chuan Food; Shin Yen Ind.; Taiwan Taffrta Fabric; Cheng Loong; Chung Hwa Pulp; Kuei Hung Industrial; Chuntex Electronic; Macronix International; Associated Transport; The Medium Business Bank of Kaohsiung; Taichung Business Bank; The Farmers Bank of China; Tidehold Development Co.
1996	9	Taiwan Pineapple; Pony & Goldenway Corp.; Carniva; Shihlin Elec. & Eng.; Long Chen Paper; Elitegroup Computer System; Pao Shiang Ind.; The Medium Business Bank of Tainan; Taiwan Secom
1997	13	Ve Wong; Lien Hwa Ind.; China Chemical; Chung Shing Textile; Hong Yi Fiber Ind.; Chung Hsin Elec. & Mach.;

		Pao-Ku; Ambassador Hotel; Chang Hwa Bank; First Bank; Hua Nan Bank; The Medium Business Bank of Taitung; Chiao Tung Bank
1998	13	Wei Chuan Food; China General Plastics; Chung Hwa Chemical; Lee Chang Yung Chemical; Chung Hwa Pulp; Kuei Hung Industrial; United Micro Electronics; Macronix International; First International Computer; TNC Industrial; CDB; Taichung Business Bank; CSB;
1999	8	Acelon Chemicals & Fiber; Taiwan Fertilizer; Asustek Computer Inc.; Chief Construction; China Container Terminal; I.C.B.C.; Taiwan Fire & Marine Insurance; Taiwan Life Insurance

Sources: Six prominent business newspapers; the Annual Reports of the sample firms compiled by the ISFMDF; and, the database of TEJ.

NOTES

1. The authors collected the reelection date from six newspapers, including United Daily News, China Times, Economic Daily, Industry and Commerce Times, China Evening News, and Fortune News
2. There are various causes of replacement elections for board directors, such as death, resignation, and insufficient share ownership to remain legally eligible to maintain a directorship. Inclusion of these cases would contaminate our empirical results.
3. In the case of Taiwan, staggering board is not allowed. As a consequence, the dissident group which wins 50% of the reelected seats of directors automatically becomes the majority group of the board of directors. It is the very reason that winning 50% seats, winning some seats, and winning no seats—instead of a continuous variable—are used to characterize the outcomes of board reelection in the primary empirical analysis. The authors are indebted to an anonymous referee for calling this issue to their attention.
4. In the case of Taiwan, it goes for the cumulative voting. As a result, a dissident group failing to win majority seats is still possible to win minority seats. The authors are again indebted to the same anonymous referee for calling this issue to their attention.
5. Included in 'top managers' are the persons with the title of CEO, president, executive vice-president, senior vice-president, or vice-president.

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