

Report to International Travel Fund

Traveler: Jie Cai, Assistant Professor, Department of Finance

Destinations : Beijing, China and Singapore

Duration: July 3 – 8, 2010 and July 14-17, 2010

Purpose: Conference presentations (2) and discussion (2)

Conferences: 2010 China International Conference in Finance, Beijing, China

2010 Financial Management Association Asia Meeting, Singapore

I left from New York in the afternoon of July 3, 2010, arriving at Beijing, China in the evening of July 4, 2010. I attended the China International Conference in Finance (CICF) during July 5- 7, 2010 and presented my paper titled “Democracy or Disruption: An empirical analysis of majority elections for directors” only Just 6. This paper is co-authored with Professors Jacqueline Garner and Ralph Walkling, both from Drexel University as well. In this study, we examine the voting process of electing board of directors in U.S. public firms. Until recently, most U.S. companies have plurality voting standard that the candidate receiving the highest votes become elected to the board. Since the vast majority of the board elections are uncontested, i.e. there is only one candidate for each open board seat, a candidate can be elected even if the majority of the shareholders vote against her. The majority voting standard requires director candidates to receive at least 50% supporting vote to be elected. In the last a few years, over two thirds of the S&P 500 companies have adopted this standard. In this study, we examine how such dramatic change in director elections affects the companies and shareholders. We examine the companies that receive shareholder proposal for adopting majority voting standard as well as

those companies that actually adopt such standard. Our study provides important evidence for the ongoing debate of whether majority voting should be mandated for all U.S. public firms. The paper was well received by the audience. The discussant was Teodora Paligorova from Bank of Canada. She gave us useful comments and suggestions.

I discussed a paper by Hsiang-Hsuan Chih, Hsiang-Lin Chih, Yu-Ting Huang from National Dong Hwa University and National Taipei University in Taiwan. The authors examine the relation between a firm's "socially responsible" behavior and its financial performance. I made some suggestions about their measure of financial performance and the endogeneity issues in the study.

I arrived at Singapore on the evening of July 14, 2010. I presented the majority voting paper described above on July 15, My discussant was Ron Masulis from Vanderbilt University. Ron gave us gave some very helpful comments about the "big picture" scope of the paper. We also received useful comments from the audience as well. I discussed a paper titled "Asking Directors about Their Dual Roles" by Renee Adams from University of Queensland on the same day. She conducted a survey of Swedish CEOs and directors about their perception of a director's advising and monitoring roles. My comments on her paper focus on the value implications of directors monitoring and advising roles.

I conclude my conference activity on July 17, 2010.