Who monitors the monitors? An examination of listed companies in an emerging market context

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Received: 29 March 2022 / Accepted: 20 October 2022 / Published online: 3 November 2022 © The Author(s), under exclusive licence to Springer Nature Limited 2022

Abstract

The growing number of corporate scandals globally highlights the importance of effective corporate governance mechanisms. Many of the corporate governance frameworks that are rooted in the agency theory advocate the election of independent non-executive directors, an independent chairperson, and a lead independent director. Shareholder voting on the election or re-election of directors (hereafter referred to as ‘director re-elections’) has been largely unexplored in South Africa—a country widely recognised as a pioneer in the corporate governance field and yet marred by several corporate scandals in recent years. In this study, an unbalanced panel data set was thus constructed comprising voting outcomes and board-level characteristics of companies listed on the Johannesburg Stock Exchange from 2014 to 2020. Significant positive relationships were noted between shareholder voting opposition to director re-elections and both board size and board tenure. Shareholders who cast opposing votes mainly did so because of their concerns about the lack of director independence, at board, committee, and nominee level. The findings of this study were explained in the context of the agency, stakeholder, stewardship, and resource dependence theories. It is recommended that nomination committees use more robust selection criteria for directors. Shareholders are also encouraged to vote more actively on director re-elections to monitor these monitors.

Keywords Shareholder voting opposition · Director re-elections · Independent directors · Board tenure · Board size · South Africa

Introduction

‘But who will monitor the monitor?’.

This question posed by Alchian and Demsetz (1972: 782) highlights the inherent difficulty in monitoring managers’ behaviour in publicly listed companies. Researchers around the globe have attempted to answer this question by examining the efficacy of corporate governance mechanisms which are designed to align managers’ interests to those of shareholders (Gulati et al. 2020; Aguilera et al. 2015; Walsh and Seward 1990). The rising occurrence of corporate scandals in both developed and developing countries suggests that the current corporate governance mechanisms are insufficient, resulting in substantial losses for shareholders and stakeholders alike (Holtzblatt et al. 2020; Kuang and Lee 2017; Sorensen and Miller 2017; Petra 2006).

Ordinary shareholders1 not only act as capital providers to public companies, but also operate in the ‘middle ground’ between companies’ internal and external corporate monitoring mechanisms (Gantchev 2013). Whereas internal corporate monitoring mechanisms centre on a board composition, financial audits, and performance-linked managerial incentives, external mechanisms include an active market for corporate control, legislation and stock exchange listing requirements (Bonazzi and Islam 2007).

Ordinary shareholders can improve corporate governance efficacy through enhanced monitoring and activism (Cundill et al. 2018; Denes et al. 2017; Filatotchev and Dotsenko

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1 All references to shareholders in this article are to ordinary shareholders, that is, common stockholders.
The theoretical grounding of the study will be presented in the last section. Scholars and practitioners regard the presence of independent non-executive directors (INEDs) at companies as a critical internal governance mechanism (Institute of Directors South Africa (IoDSA) 2016; Renneboog and Szilagyi 2011; Bates and Hennessey 2010).

Limited research has been undertaken on the topic of shareholder voting on director re-elections in emerging markets. For this reason, this study investigated shareholder voting opposition towards the re-election of board-nominated directors at companies listed on the Johannesburg Stock Exchange (JSE) over the period 2014 to 2020. South Africa represents an interesting context given that several corporate scandals occurred in the country over recent years despite the presence of detailed corporate governance guidelines for listed companies.¹

Two research objectives were formulated for this study. The first was to identify the reasons that shareholders voted against director re-elections during the research period. The second objective was to empirically examine the relationships between shareholder voting opposition and the following board-level characteristics: the percentage INEDs, the independence status of the chairperson, the presence of a lead independent director, board tenure, the extent to which directors served on multiple boards, and board size. These selected board-level characteristics were identified from the extant literature and represent proxies for the well-documented information asymmetries that occur between shareholders and managers (Certo et al. 2003; Myers and Majluf 1984).

To achieve the two research objectives, a unique and comprehensive data set was constructed comprising secondary data collected from Bloomberg, Proxy Insight, and the integrated reports of the sampled companies. The panel regression results show that shareholder voting opposition, as measured by the percentage against-votes cast towards director re-election resolutions, had a significant positive relationship with board size and board tenure. Unless companies pay more attention to shareholders’ concerns, they are likely to experience greater opposition at the ballot box in the future. Furthermore, shareholder dissent that is expressed in public could severely tarnish the reputation of individual directors and could have an adverse effect on the targeted companies’ cost of capital (Aggarwal et al. 2019; Lel and Miller 2015; Zhu 2014).

The theoretical grounding of the study will be presented in the following section. Thereafter, the monitoring role of shareholders will be described, and the selected board-level characteristics will be discussed. Next, details are provided on the population, sample and methods that were used to collect and analyse the data. The research implications and recommendations for shareholder activists, proxy advisors, nomination committees, directors, and corporate governance scholars are presented in the last section.

Theoretical grounding

In line with other corporate governance scholars who predominantly view board monitoring mechanisms through an agency lens (Daily et al. 2003), this study also used the agency theory to identify and operationalise the variables. This theory assumes that the absence of a well-developed market for corporate control results in information asymmetries, moral hazards, and incomplete contracts (Bonazzi and Islam 2007; Fama 1980; Jensen and Meckling 1976).

Corporate governance mechanisms that are based on the agency theory thus emphasise the monitoring and incentivising of certain managerial behaviours (Denis 2001; Shleifer and Vishny 1997). Particular importance is attached to the monitoring role that INEDs perform at board and board committee level (IoDSA 2016; Neville et al. 2019; Aguilera et al. 2015; Goranova and Ryan 2014; Bonazzi and Islam 2007). The responsibility of shareholders to monitor the efficacy of these directors and oppose the re-election of those who perform poorly is emphasised in this article.

Eisenhardt (1989: 57) investigated the shortcomings of the agency theory and concluded that it is an empirically valid model ‘particularly when coupled with complementary perspectives’. To this end, the stakeholder, stewardship, and resource dependence theories were also considered in the current study. Corporate governance studies underpinned by these divergent theories yield different perspectives on the roles of corporate leaders in sustainable wealth creation.

¹ Prominent corporate scandals include the collapse of the multinational furniture retailer Steinhoff International Holdings N.V. after the company inflated its profits and assets (Naudé et al. 2018), the over-statement of equity at Tongaat Hulett Ltd., and alleged instances of corruption at VBS Mutual Bank (Pty) Ltd. and EOH Holdings Ltd. (Business Insider South Africa 2020). The local Competition Commission also fined 15 construction companies following collusive tendering on the construction of stadiums for the 2010 Soccer World Cup.
Freeman (1984), for example, stressed that the interests of other stakeholders, and not only shareholders as postulated by the agency theory, warrant attention. Stakeholders include all persons, parties, and organisations that have a legitimate claim on a company. A growing number of scholars recognise that environmental, social and corporate governance (ESG) policies and practices substantially affect how stakeholders perceive companies (Moyo et al. 2020; Russo and Perrini 2010). The directors of these companies can accordingly be held responsible for broader stakeholder concerns.

In contrast to the agency theory, the stewardship theory regards agents as trustees who are more focussed on shared rather than individual goals (Schillemans and Bjurstrøm 2020; Davis et al. 1997). If agents share principals’ goals, there is arguably no need for opportunistic behaviour by agents. Schillemans and Bjurstrøm (2020) explained that the fundamental distinction between the agency and stewardship theories is their descriptions of human motivation. As stewards are theoretically driven by, amongst others, self-realisation and respect (Davis et al. 1997), the foundational conflict among agents and principals according to the agency theory is supposed to diminish (Caers et al. 2006). The growing evidence of corporate scandals, however, suggests otherwise (Hail et al. 2018).

The resource dependence theory centres on the roles that directors play in obtaining key resources through their networks (Hillman et al. 2000; Salancik and Pfeffer 1978). Resource dependence theorists focus on the appointment of independent, well-connected directors (Hillman et al. 2000; Johnson et al. 1996). Yet multibordered directors might reduce their boards’ monitoring effectiveness owing to significant time constraints associated with these directors serving in multiple positions simultaneously (Orol 2016; Ahn et al. 2010). The following two sections explain the South African context and the role of shareholders in monitoring the elected monitors.

The South African context

Two years before South Africa’s first democratic election in 1994, the IoDSA requested former Supreme Court judge Mervyn King to chair a committee to develop corporate governance guidelines for South African companies. The first King report on corporate governance followed and was named after judge King. The publication of this report resulted in South Africa becoming a global corporate governance pioneer (Van Zyl and Mans-Kemp 2020).

The King report on corporate governance contains a set of guidelines detailing the appropriate operation and governance structures of South African companies. Four versions of the King report were published between 1994 and 2016. The latest version, the King IV report, comprises 17 principles accompanied by 208 recommended practices. Pertaining to this report’s authoritative status, companies are expected to apply the principles and practices on an apply-and-explain basis. Companies are accordingly required to indicate how they have applied the King IV principles and explain their reasons for deviating from these principles. Although the report is non-legislative, several of the King IV recommendations are included in the JSE listing requirements. It follows that King IV can thus be deemed a form of soft law (Davids and Kitcat 2020; IoDSA 2016).

The IoDSA (2016) outlines that the term ‘director independence’ refers to an INED’s unfettered, objective judgement. Furthermore, an independent director should not have interests, associations, positions, or relationships that may bias or influence their decision-making. The practice of classifying a director as an INED has evolved from a list of disqualifying criteria, as suggested in King III, to a more practical approach that focuses on the perception of independence, as suggested in King IV (Deloitte 2017). The perception of independence means that directors can be classified as independent if an informed third party perceives them as independent (IoDSA 2016).

The South African Companies Act (No. 71 of 2008; hereafter referred to as the Companies Act) states that any two shareholders may propose an ordinary resolution on any matter on which they may exercise their voting rights (Government Gazette 2009). Shareholder support is crucial to passing a shareholder-initiated resolution, as this type of resolution is typically opposed by a company’s management team (Gillan and Starks 2007).

Although South African shareholders are legally permitted to file resolutions, few do so (Viviers and Smit 2015). The Companies Act further stipulates that director re-elections require a majority vote for the resolution to pass. In this voting system, ‘no-votes’ and abstained votes can affect the outcome (Government Gazette 2009). As will be explained in the following section, shareholders have only recently begun to engage with JSE-listed companies on corporate governance-related topics.

Shareholder monitoring as a control mechanism

Shareholders can employ Hirschman’s (1970) model of choices (exit, loyalty, and voice) to monitor agents’ behaviour (Denes et al. 2017; Filatotchev and Dotsenko 2015). Dissident shareholders can sell their shares (exit) or show their loyalty by maintaining their shareholding. They can also communicate with the boards and managers of investee companies by using a range of public and private voice mechanisms (voice) (Goranova et al. 2017; Bootsm 2013). Private voice mechanisms include negotiating with managers and directors behind closed doors or writing letters and emails to them (Goranova and Ryan 2014). Public voice
mechanisms include stimulating discussions in the media on areas of concern, asking questions at shareholder meetings, filing shareholder resolutions, and voting on resolutions (Hooghiemstra et al. 2015; Bates and Hennessy 2010). Voting on director re-elections are therefore primary events through which shareholders can bring about changes to the boards of investee companies (Aggarwal et al. 2019). Shareholders may oppose the re-election of specific directors or the entire board to show their discontent about individual and collective performance (Bebchuk 2007).

Investors holding shares in JSE-listed companies have traditionally been apathetic towards their investments (Viviers and Els 2017; Rademeyer and Holtzhausen 2004). Those shareholders who have engaged with leaders of South African investee companies have mostly done so behind closed doors (Mans-Kemp and Van Zyl 2021; Yamahaki and Frynas 2016). A key reason for this preference relates to the relatively small size of the JSE and the concomitant desire to maintain amicable relations (Viviers and Smit 2015).

As private negotiations are typically confidential, it is difficult for outsiders to determine the effectiveness of this shareholder activism mechanism (Dimson et al. 2015). Viviers and Mans-Kemp (2020), however, determined that a large institutional investor has been successful in transforming the policies and practices of selected JSE-listed companies. Since the publication of King IV in 2016, there has been a notable rise in the use of public voice mechanisms in South Africa (Viviers et al. 2019). In the current study, focus is thus placed on a well-established public voice mechanism, namely shareholder voting on director re-election resolutions.

International scholars who investigated shareholder voting mainly attended to the voting on executive remuneration (commonly referred to as ‘say-on-pay’ voting) (Ertimur et al. 2015; Ferri and Maber 2013; Conyon and Sadler 2010) and uncontested director elections (Aggarwal et al. 2019; Ertimur et al. 2018; Choi et al. 2013). Other authors have also noted that the failure of internal monitoring mechanisms results in heightened external monitoring endeavours by shareholders, including voting (Aguilera et al. 2015; Healy 2002; Walsh and Seward 1990).

Limited academic research has been conducted on votes cast by investors of JSE-listed companies. An exception, however, was outlined by Viviers and Smit (2015) who examined the extent to which institutional investors used proxy voting. The authors reported that the sampled companies’ remuneration policies and director re-elections elicited the most voting opposition. Corporate governance failures at JSE-listed companies suggest that shareholders have neglected the monitoring of their appointed monitors (i.e. directors). In the following section, details are provided on selected board-level characteristics to enhance sound corporate governance.

Board-level characteristics eliciting shareholder dissent

Bebchuk (2007) noted that board-level characteristics can contribute to shareholder dissent as shareholders are unable to directly observe board monitoring activities and discussions during board meetings. Information asymmetries thus exist between the directors’ actual contributions and the shareholders’ knowledge thereof. Shareholders may thus question and engage with investee companies on a board’s independence, tenure, size and interlocking.

Board independence

Although all directors should contribute towards the advisory function of a board, the monitoring duty primarily resides with INEDs (Le Mire 2016; Wang et al. 2015). Corporate governance frameworks globally either require or encourage companies to appoint INEDs based on an agency perspective (Naciti 2019; Bebchuk and Hamdani 2017; IoDSA 2016; Bathala and Rao 1995).

Drawing from the agency theory, Fama and Jensen (1983) argued that INEDs should monitor and discipline managers. Companies with more INEDs on their boards should thus theoretically elicit less shareholder dissent (Gutiérrez and Saéz 2013; Hillman et al. 2011; Ertimur et al. 2010). Yet mixed results have been reported on this topic. Whereas Ertimur et al. (2011) and Judge et al. (2010) noted a positive relationship between board independence and shareholder activism, Renneboog and Szilagyi (2011) and Bates and Hennessey (2010) found that boards with a lower level of independence are more likely to elicit voting dissent. This inconclusive evidence resulted in the formulation of the following null hypothesis:

\[ H_{01} \text{ There is no relationship between shareholder voting opposition to the re-election of directors and the percentage INEDs serving on a board} \]

Chairperson classification

A chief executive officer (CEO) who also serves as the board chairperson decreases the independence of the board from an agency perspective. Such joint leadership positions can jeopardise board monitoring attempts and result in higher agency costs (Tuggle et al. 2010). Shareholders are thus expected to show their dissent to CEO role duality at the ballot box from an agency point of view (Aggarwal et al. 2019; Hillman et al. 2009). Yet Renneboog and Scilagyi (2011) found limited proxy-based activism at companies where CEO role duality was present. The discussed resource dependence and stewardship theories might partly explain this finding as scholars show that such role duality results in
improvements in the organisational effectiveness and financial performance of companies (Mandato and Devine 2020; Krause et al. 2014).

According to agency logic, the chairperson’s key role is to counterbalance the CEO (Krause et al. 2014; Bathala and Rao 1995). King IV likewise recommends that the chairperson of the board should be an INED (IoDSA 2016). The absence of an independent chairperson may have a negative impact on the monitoring capacity of INEDs and may increase executives’ power over the board. Shareholders’ views on the independence classification of the chairperson, based on their opposition to the re-election of directors, was captured in the following null hypothesis:

$H_0^2$ There is no relationship between shareholder voting opposition to the re-election of directors and the presence of an independent chairperson

**The presence of a lead INED**

In instances where a board’s chairperson is not an INED, King IV suggests that a lead independent director should be appointed (IoDSA 2016). This person should act as a mediator between the board and the chairperson. Furthermore, this lead director should deal with shareholders’ concerns. The lead INED should also act as the chair if the board’s chair is found to have a conflict of interest (IoDSA 2016). According to King IV (IoDSA 2016), the presence of a lead independent director strengthens the independence of a board. The need for this role is especially pronounced if the board’s chairperson is not classified as an independent director. The third null hypothesis was formulated to investigate shareholder voting in this regard:

$H_0^3$ There is no relationship between shareholder voting opposition to the re-election of directors and the presence of a lead INED

**Board tenure**

Board tenure reflects the collective tenure of board members and has been used by institutional investors and proxy advisors as a proxy for board independence (Natesan and Du Plessis 2018; Katz and McIntosh 2014). Board tenure and board refreshment are important considerations when nomination committees reflect on a board’s composition (Wu 2004). Directors with longer tenures are known to have more experience, are more committed, and have better decision-making abilities than those with shorter tenures (Li and Wahid 2018; Golden and Zajac 2001). However, there seems to be a trade-off between these characteristics and the monitoring ability of INEDs (Katz and McIntosh 2014; Hillman et al. 2011; Canavan et al. 2004; Vafeas 2003).

Agency logic proposes that a director’s independence is compromised when he/she serves on the same board for several years. A long tenure may result in an INED becoming more aligned to or affiliated with the companies’ executives, which may reduce the INED’s monitoring ability (Hermelin and Weisbach 1998). King IV recommends that directors should not be classified as independent when they have served on a board for longer than nine years following their first election (IoDSA 2016). To allow a director to continue serving on a board in an independent capacity after this term limit has been reached, a company should provide a reason for classifying such a director as independent. The following null hypothesis was thus formulated:

$H_0^4$ There is no relationship between shareholder voting opposition to the re-election of directors and the board tenure.

**Director multiboardedness**

Directors can serve on more than one board concurrently. In such instances, reference is made to multiboarded or interlocked directors. There are two opposing views on this corporate practice, namely the busyness and experience hypotheses (Harris and Shimizu 2004). Critics’ views of multiboarded directors align with the busyness hypothesis, which argues that effective monitoring declines when independent directors serve on more boards concurrently (Williams et al. 2016; Clements et al. 2015). Directors who are over-extended might not be able to prepare properly for scheduled board meetings thereby impeding their ability to ask critical questions.

The experience hypothesis alternatively proposes that multiboarded directors are not only better positioned to gain external experience, but they also have access to multiple resources (Clements et al. 2015). This hypothesis therefore relates to the resource dependence theory. King IV recommends that a director should not hold more than five non-executive directorships (positions concurrently (IoDSA 2016). This recommendation is included in the JSE listing requirements (Natesan and Du Plessis 2018). Against this background, the fifth null hypothesis was formulated as follows:

$H_0^5$ There is no relationship between shareholder voting opposition to the re-election of directors and the presence of multiboarded directors

**Board size**

The size of a board captures the number of directors serving on a company’s board. The agency and resource dependence theories are predominantly used when scholars reflect
on an ‘optimal’ board size (Wang et al. 2018; Muchemwa et al. 2016). According to agency logic, small boards are preferred, as large boards are costly to monitor and incentivise considerations (Natesan and Du Plessis 2018). In contrast, the resource dependence lens suggests that larger boards are beneficial, as each additional director broadens access to resources and social networks (Hillman et al. 2011).

The ‘optimal’ board size is a subjective topic when accounting for unique corporate circumstances. King IV accordingly states that a company’s board size should be determined by the company and its board members (IoDSA 2016). However, renowned corporate scandals have raised awareness on the ability of large boards to effectively monitor management (Healy and Palepu 2003). The following null hypothesis was consequently formulated:

\[ H_0: \text{There is no relationship between shareholder voting opposition to the re-election of directors and board size} \]

Research design and methodology

Details regarding the population and sample are presented next, followed by an overview of the methods that were used to collect and analyse the required secondary data.

Population and sample

Whereas the population included all companies that were listed on the JSE between 2014 and 2020, the sample only comprised companies that were included in the Proxy Insight database (Table 1). The London-based Proxy Insight (2021) has collated shareholder voting and engagement data for listed companies worldwide, including South Africa, since 2014. As far as could be ascertained, this study used the largest shareholder voting data set for listed South African companies to date.

Table 1 shows that the number of JSE-listed companies declined from 380 to 331 over the period under investigation.

| Year | Number of JSE-listed companies | Number of sampled companies | Percentage of population |
|------|--------------------------------|----------------------------|--------------------------|
| 2014 | 380                            | 59                         | 16%                      |
| 2015 | 382                            | 180                        | 47%                      |
| 2016 | 376                            | 160                        | 43%                      |
| 2017 | 366                            | 169                        | 46%                      |
| 2018 | 360                            | 171                        | 48%                      |
| 2019 | 343                            | 164                        | 48%                      |
| 2020 | 331                            | 149                        | 45%                      |

Source: World Federation of Exchanges (2021)

To reduce survivorship bias, companies that delisted or were suspended during the research period were included in the sample for as long as they remained in the Proxy Insight database. The relatively small percentage of sampled companies in 2014 can be ascribed to Proxy Insight only starting to collate JSE-voting data in that year. The considered companies represented all 11 sectors of the Global Industry Classification Standard.

Data collection

Shareholder voting opposition represented the dependent variable of this study. It was measured as the average percentage of votes cast against director re-election resolutions in a specific year. Data on this variable were downloaded from the Proxy Insight database. Owing to a skewed distribution, the dependent variable had to be log-transformed.

Data on the six board-level independent variables were obtained from the Bloomberg database and the respective companies’ integrated reports. As indicated earlier, these variables were identified in the extant literature. The percentage INEDs reflects the proportion of directors who were classified as independent in each sampled company’s integrated report. A dummy variable was created to indicate whether the chairperson was classified as an INED. If the chairperson was an INED, a value of ‘1’ was allocated, otherwise a value of ‘0’ was recorded. King IV furthermore recommends that JSE-listed companies should appoint a lead INED (IoDSA 2016). A dummy variable was thus also created for this variable by recording a ‘1’ if a lead INED was present; otherwise, a ‘0’ was allocated.

Board tenure indicates the average number of years that the directors served on each sampled company’s board as reported in the companies’ integrated reports. Multiboardedness was measured by taking the total number of external board positions into account, namely the positions that each sampled company’s directors held at other JSE-listed companies per annum and dividing it by the size of each considered board per annum. Board size indicates the total number of directors serving on each sampled company’s board annually.

Three control variables were considered. Through cross-listing, companies can diversify their shareholder base but may need to abide by more corporate governance regulations (Kim et al. 2021; Bancel and Mittoo 2009). The cross-listed variable was measured by using a dummy variable of ‘1’ if a sampled company was listed on more than one stock exchange, whereas a ‘0’ was allocated if a company was only listed in South Africa. Cross-listing information was collected from the integrated reports of each company. To account for company size (Jegadeesh et al. 2004), market capitalisation was calculated using the closing share price for the last trading day of the year, multiplied by the number
of outstanding ordinary shares per sampled company as reported by Bloomberg. The variable was measured in rand and was log-transformed.

Market-based financial performance measures are linked to market developments and are arguably less subject to managerial manipulation than accounting-based metrics (Rezaee and Fogarty 2020). The total share return (TSR) measure was therefore included to account for the percentage gain or loss to shareholders, which was measured by using the share price at the end of a one-year period minus the share price at the beginning of the period. Dividends are also typically included. This measure is a valuable metric to compare peers (Rezaee and Fogarty 2020). Bloomberg computes the TSR by incorporating an adjusted share price that accounts for corporate actions such as dividend payments and stock splits.

Data analysis

Trends in the dependent and independent variables were investigated by computing one-way analyses of variance (ANOVAs) and Fisher’s least significant difference (LSD) tests. The nature and significance of the hypothesised relationships were explored by conducting mixed-model ANOVAs. Given the panel nature of the collected data, autocorrelation was addressed through the selected ANOVA model. Pertaining to multicollinearity, the calculated variance inflation factors (VIFs) were smaller than five.

The factual independence of directors as opposed to the perceived independence of directors might have influenced the consistency and reliability of the sampled companies’ classification of independent directors. Therefore, content analysis was conducted on the reasons provided by shareholders for opposing the re-election of certain directors. Using an iterative process, numerical codes were assigned to shareholders’ objections to board-nominated directors who received five per cent or more against-votes in a specific year. The five per cent yardstick was chosen to reflect meaningful shareholder voting opposition. Six rounds of refinement resulted in 22 codes being used in the content analysis. The names of individual directors, shareholders or companies are not reported in the following section.

Results and discussion

The descriptive statistics for the percentage against-votes to the re-election of directors are provided in Table 2.

The mean percentage against-votes rose from 2.24 per cent to 3.72 per cent over the research period. This observed increase was statistically significant (F 6, 821: 3.41; $p < 0.01$) and may be indicative of shareholders becoming more vocal. One of the foundational concepts of King IV is that of shareholder activism (IoDSA 2016). Shareholders are accordingly encouraged to vote on resolutions tabled at shareholder meetings.

However, for the overall period under investigation, less than four per cent of shareholders were opposed to director re-elections. Some of the sampled companies did not receive any objection to their director re-election resolutions in certain years. Similar findings were reported by Viviers and Smit (2015) in South Africa and De Groot et al. (2021) and Subramanian (2017) in the USA. The technology industry received the highest average percentage against-votes (mean 6.12%). Details on the representation of INEDs on the boards of the sampled companies are presented in Table 3.

A significant rising trend is noted in the percentage INEDs (F 6,821: 14.72; $p < 0.01$). In line with the agency theory, INEDs should be appointed to optimise a board’s monitoring role (Kapoor and Goel 2019; Daily 1995). King IV likewise recommends that the majority of a board’s members should be INEDs (IoDSA 2016). The mean value over the entire research period (57.59%) indicates that, on average, the sampled companies complied with King IV in this regard.

Most of the sampled companies (64%) had an independent board chairperson. However, it is disconcerting that more than a third of the observed companies did not show compliance with the King III and IV requirement to appoint an independent board chairperson (IoDSA 2016; 2009). Furthermore, more than half (52%) of the sampled companies did not have a lead independent director. A director’s factual independence discussed in King III evolved to a more perceptual view of a director’s independence in King IV (Deloitte 2017). The perceptual approach allows nomination committees to reflect on each director’s independence classification, without stringently
applying the nine-year rule. This approach consequently leaves a gap for companies to classify some non-executive directors with lengthy tenures as independent. Most of the justifications offered in such cases centre on the experience that these directors bring to the boardroom—an argument deeply rooted in the resource dependence theory. Table 4 contains the descriptive statistics on board tenure.

The mean board tenure increased notably between 2014 and 2020. King IV suggests that a board should establish arrangements for the staggered, periodic rotation of its directors. Through refreshment, a board can invigorate its capabilities by introducing directors with new perspectives and expertise whilst retaining important skills, knowledge, and experience (IoDSA 2020; 2016). Huang and Hilary (2018) claimed that board tenure captures the trade-off between knowledge accumulation and independence. According to Pozen and Hamacher (2015), shorter-tenured boards may face less governance complications when compared to longer-tenured boards, but this may come at the cost of the boards’ monitoring and advising capabilities (Hwang and Kim 2009).

Board tenure could have been affected by the aftermath of the Coronavirus pandemic. As technology-savvy companies have outperformed their peers since the advent of the pandemic (Payraudeau et al. 2021), nomination committees are expected to increasingly source nominees with appropriate digital skills. When nominating directors, nomination committees should therefore balance board refreshment by considering younger director candidates whilst at the same time acknowledging the important roles that experienced, longer-tenured directors play (Rosenblum and Nili 2019).

For most of the years under consideration, the average number of directors holding external board positions concurrently was three. Several directors held more than one position in the same industry. From a resource dependence view, external board seats may be beneficial for accessing external resources through connections with other companies (Hillman et al. 2000). Furthermore, by holding external board positions in the same industry, directors gain industry-specific knowledge. Multiple board positions at similar companies may, however, lead to a potential conflict of interest and directors who become too busy to effectively fulfil their responsibilities (Cossin and Lu 2017).

The sampled companies furthermore comprised 11 board members on average. A quarter of the observed companies

| Year | Mean | Median | Maximum value | Minimum value | Standard deviation |
|------|------|--------|---------------|---------------|--------------------|
| 2014 | 52.50 | 50.00  | 81.82         | 16.67         | 14.03              |
| 2015 | 55.11 | 56.13  | 85.71         | 18.18         | 13.01              |
| 2016 | 55.40 | 55.56  | 85.71         | 13.33         | 14.52              |
| 2017 | 57.08 | 57.14  | 86.67         | 22.22         | 13.40              |
| 2018 | 56.96 | 55.56  | 90.00         | 18.18         | 13.50              |
| 2019 | 58.61 | 58.58  | 85.71         | 0.00          | 14.02              |
| 2020 | 64.62 | 66.67  | 89.00         | 0.00          | 15.68              |
| Overall period | **57.59** | **57.14** | **90.00**     | **0.00**      | **14.36**          |

Table 3 Descriptive statistics on the percentage INEDs (%)
had boards larger than 13 directors, with the maximum being 22 directors. Evidence from the UK suggests that boards have 10 members on average (Spencer Stuart 2020). For the inferential analysis in the current study, the seven boards that consisted of more than 18 directors were classified as outliers.

Pertaining to the control variables, 7.88 per cent of the sampled companies had multiple stock exchange listings in one or more years over the research period. The average company size decreased from 2014 to 2020. The mean winsorised TSR values also declined considerably between 2016 and 2020. Negative mean TSR values were reported for several years, with the overall trend declining significantly (F 6,431: 10.87; p < 0.01). The South African economy entered a technical recession in 2019, with the gross domestic product increasing by the smallest percentage since 2009 (Stats SA 2020). Table 5 indicates the mixed-model ANOVA (with random effects) results.

As seen in Table 5, significant positive relationships were noted between shareholder voting opposition to director re-elections and two independent variables, namely board tenure and board size. These results imply that hypotheses H3a and H3b could be rejected. The significant positive relationship between shareholder voting opposition (the dependent variable) and board tenure suggests that shareholders’ concerns increased as board tenure increased. Ertimur et al. (2018) and Hillman et al. (2011) reported similar results. In contrast, Cai et al. (2009) documented a negative relationship between directors’ tenure and shareholder votes cast in favour of board-nominated INEDs.

Earlier scholars found that companies with longer-tenured INEDs face more corporate governance problems (Huang and Hillary 2018; Pozen and Hamacher 2015). Yet long-tenured directors can be beneficial to companies from the stewardship and resource dependence perspectives. Evidence from the USA, for instance, shows that an increase in director tenure reflects a corporate attempt to resist regulatory requirements, resulting in companies having to remove long-tenured members from their boards (Nili 2016). As a result, a so-called new insider emerged, namely an INED, who complies with regulatory independence requirements, but retains the corporate experience and knowledge normally held by executive directors, by serving on a board for longer periods (Nilli 2016).

Large boards are more likely to be viewed in a negative light by shareholders due to rising agency costs when directors do not discharge their duties effectively (Yermack 2004). The significant positive association between shareholder voting opposition and board size reported in Table 5 shows that larger boards elicit more shareholder dissent at the ballot box. Similar results were also reported by Hillman et al. (2011) who investigated the voting outcomes of over 2 000 director nominee elections at Fortune 500 companies. Ertimur et al. (2018) also noted a positive relationship between board size and shareholder votes (support) being withheld based on the recommendations of proxy advisors.

From an agency perspective, the difficulties associated with large boards and those with many long-tenured members offer suggestions as to why shareholders of South African companies show dissent to specific board-nominated directors. The outcomes of previous studies on successful shareholder activism in replacing dissident board members highlighted that shareholders are able to enact certain changes at investee companies (Viviers and Mans-Kemp 2020; Dimson et al. 2015).

When attempting to change a board’s composition, more than 50 per cent against-votes are required. However, only two of the sampled companies received more than 50 per cent against-votes at their shareholder meetings. In these cases, it was found that consortiums of institutional

| Variable                          | Standard error | Coefficient | F value | p value |
|-----------------------------------|----------------|-------------|---------|---------|
| Intercept                         | 0.52           | 0.32        | **280.70*** | < 0.01 |
| %INEDs                           | 0.01           | <0.01       | 0.20    | 0.65    |
| INDCHAIR                         | 0.08           | −0.08       | 1.08    | 0.30    |
| Lead INED                         | 0.07           | −0.02       | 0.34    | 0.56    |
| Board tenure                      | 0.01           | 0.03        | **9.96*** | < 0.01 |
| Multiboardedness                 | 0.03           | 0.03        | 1.29    | 0.26    |
| Board size                        | 0.01           | 0.02        | **7.23*** | < 0.01 |
| Cross-listed                      | 0.07           | −0.03       | 0.09    | 0.77    |
| Total share return (TSR) (winsorised) | <0.01     | 1.00        | 1.17    | 0.28    |
| Market capitalisation (log10)     | 0.05           | 0.02        | 0.01    | 0.91    |

*** Significant at the 1% level; ** Significant at the 5% level; * Significant at the 10% level
R-squared: 0.20
Significant of bold highlights statistically significant findings. The definitions of the stars are shown directly below the table.
shareholders joined forces to affect the boards’ composition. Viviers et al. (2019) likewise remarked that the monitoring role of shareholders of South African listed companies appears to be largely fulfilled by asset managers who can pool their votes.

The results of this study coincide with the difficulties mentioned by previous authors and practitioners regarding the construction of an optimal board (Wang et al. 2018; IoDSA 2016; De Andrés and Valledldao 2008; Dalton et al. 1998), in the South African context in particular (Kana 2020; Natesan and Du Plessis 2018; Muchenwa et al. 2016; Williams et al. 2016). An optimal board would reflect an appropriate balance of non-executive directors and INEDs on the one hand, and experienced executive directors on the other hand. INEDs should perform the monitoring role on behalf of shareholders and other stakeholders. Nomination committees in South Africa have the added responsibility of transforming boards to reflect the demographics of the country (Kana 2020).

Shareholder voting opposition to director re-election resolutions has been shown to have negative consequences for directors (Aggarwal et al. 2019). These authors found that opposition votes were related to an increased director turnover at other companies where the director also served as a board member. Directors should thus consider their reputation as it plays an important role in the managerial labour market (Aggarwal et al. 2019; Lel and Miller 2015). Board members should account for the reputational risk associated with substantial shareholder dissent against their re-election.

To investigate the reasons that shareholders opposed director re-elections, the researchers conducted a content analysis on the sampled companies’ integrated reports. The results are presented in Table 6.

The first observation from Table 6 is that the number of companies that received more than five per cent against-votes on the re-election of directors increased sharply over the research period, as did the number of reasons that shareholders provided for casting against-votes. Almost two-thirds of the reasons offered for casting against-votes related directly to the lack of independence (60.76%) with a further 18.98 per cent indirectly. Shareholders who voted were particularly perturbed about the lack of independence at the committee level as important decisions are taken by board committees. This finding corroborates calls by Weir et al. (2020) to improve the independence of JSE-listed companies’ audit and remuneration committees.

It is questionable whether voters mainly considered a board’s independence or whether they considered other factors as well when voting on director re-election resolutions. Therefore, keyboard considerations were included in the mixed-model ANOVA (Table 5) and content analysis (Table 6). The content analysis results show that voters were also quite concerned about the director overboardedness and poor meeting attendance, providing some support for the busyness hypothesis (Jiraporn et al. 2009; Harris and Shimizu 2004).

One shareholder who opposed the re-election of an overboarded director said: ‘We believe that duties of a CEO are complex and require intensive time commitments. We also believe that sitting on a board requires significant time commitments’. Another voter formulated their rationale as follows: ‘Directors should have sufficient capacity and energy to discharge their board and committee responsibilities both under normal circumstances and when special situations or when unexpected developments require substantial additional time commitments’. Yet another shareholder voted against a nominee for serving on an excessive number of public company boards as the shareholder believed that this raised ‘substantial concerns about the director’s ability to exercise sufficient oversight on this board’. It is interesting to note that most of these objections support the key assumptions of the agency theory, notably information asymmetries, moral hazards, and incomplete contracts.

Many dissenting voters also made it clear that they were not satisfied with the investee companies’ responses to their previous requests. Criticism of this nature was often levelled against companies that received significant dissenting votes about their remuneration policies and reports in previous years and against those companies that did not offer shareholders a say-on-pay. Despite the rising importance of board gender diversity globally and in South Africa (IoDSA 2020; Hoobler et al. 2018; Palmer and Bosch 2017; Gyapong et al. 2016), very few against-votes were motivated by the lack of women in the sampled companies’ boardrooms. More emphasis should thus be placed on the interplay between multiple board composition considerations, in particular between director independence, tenure and multiboardedness. Furthermore, these considerations should be taken into account when professional bodies like the IoDSA derive and refine corporate governance guidelines in the future, as will be outlined next.

Summary, implications, and recommendations

Viewed from an agency perspective, directors have a responsibility to protect shareholder wealth and should timeously tend to shareholders’ concerns. INEDs, in particular, play a vital monitoring role. These directors should also ensure that the legitimate demands of other stakeholders are considered as proposed by the stakeholder theory. Given that shareholders have the right to replace directors, this study investigated shareholder voting as a form of public activism in South Africa. The findings thus contribute to the limited body of knowledge on shareholder activism in the country.
| Reason                                      | Description                                                                                                                                                                                                 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Entire period | %    |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|------|------|------|------|------|------|---------------|------|
| Board independence questioned (B)           | Voters used different yardsticks to measure board independence. In most cases against-votes were cast when less than half of the directors were INEDs (whether based on the company’s classification or the voter’s perception)                         | 35   | 49   | 69   | 179  | 149  | 97   | 22   | 600           | 24.07 |
| Nominee independence questioned (N)         | Voters questioned the nominee’s categorisation as an independent NED. In most cases no explanation was provided. Sometimes the voter’s concern was based on the nominee’s lengthy tenure or the nominee’s relationships with executives, other companies and legal advisors. In a few cases specific mention was made of potential conflicts of interest | 12   | 19   | 41   | 84   | 65   | 33   | 15   | 269           | 10.79 |
| Nominee regarded as overboarded (N)         | The nominee held several other board positions and/or board committee seats concurrently. A distinction was often made between executive and non-executive directors. Voters were generally opposed to executives holding more than two outside seats at the same time, whereas non-executives were not supposed to hold more than three other directorships. Voters were concerned that multiboarded directors might be too busy to perform their duties effectively. This was especially true in the case of executives | 2    | 5    | 14   | 45   | 20   | 95   | 60   | 241           | 9.67  |
| Committee independence questioned (C)       | Voters were concerned about non-independent directors serving on board committees without specifying which committees. Some voters simply referred to ‘key’ committees, whereas others collectively referred to the audit, remuneration and/or nomination committees | 6    | 6    | 29   | 47   | 52   | 52   | 21   | 213           | 8.54  |
| Nomination committee independence questioned (C) | Voters questioned the independence of this committee, which was sometimes referred to as the governance committee                                                                                       | 4    | 9    | 13   | 47   | 38   | 50   | 11   | 172           | 6.90  |
| Nominee regarded as having an excessive tenure (N) | Voters were concerned about INEDs who had excessive tenures. The yardstick on what was regarded as ‘excessive’ varied, but it was generally longer than nine years                                               | 6    | 28   | 41   | 36   | 25   | 17   | 153  | 6.14          |      |
| Unsatisfactory remuneration committee performance (C) | Voters held the chair or members of this committee responsible for poorly structured packages, poor committee performance, and ‘problematic’ executive compensation practices                                      | 3    | 5    | 26   | 26   | 42   | 30   | 132  | 5.29          |      |
| Remuneration committee independence (C)     | Voters questioned the independence of this committee                                                                                                                                                         | 6    | 7    | 18   | 40   | 16   | 24   | 12   | 123           | 4.93  |
| Audit committee independence (C)            | Voters questioned the independence of this committee. Some voters used UK guidelines which require all members of this committee to be independent. Others phrased their opposition as follows: ‘We strongly believe that the board’s audit committee should comprise directors who are unquestionably independent and have appropriate qualifications, experience, skills and capacity to effectively contribute to the committee’s work’ | 8    | 9    | 21   | 16   | 32   | 7    | 7    | 100           | 4.01  |
| Reason                                      | Description                                                                                                                                                                                                 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Entire period | %    |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|------|------|------|------|------|------|---------------|------|
| Nominee has poor meeting attendance record (N) | Voters opposed nominees who missed scheduled board and/or committee meetings. Some voters expected directors to attend all meetings as they argued that directors’ attendance is crucial for making valuable contributions and fulfilling their fiduciary duties. In most cases, however, the bar was set at a 75 per cent attendance | 10   | 10   | 23   | 43   | 9    | 3    | 98   | 3.93          |      |
| Concerns about the board (unspecified) (B)  | Examples provided by voters: Poor response to repeated shareholder requests or dissent (especially where it pertained to remuneration considerations); failure to table climate change shareholder resolution; appointment term of directors too long; poor financial performance; insufficient controls; approving value-destroying mergers and acquisitions or investment decisions; and failure to avoid controversies | 2    | 1    | 1    | 2    | 14   | 26   | 14   | 60            | 2.41 |
| Unsatisfactory nomination committee performance (C) | Voters held the chair or members of this committee responsible for the lack of independence in key committees the failure to deal with overboarded directors, and the lack of board diversity | 1    | 2    | 1    | 3    | 20   | 23   | 9    | 59            | 2.37b |
| Concerns about the nominee (unspecified) (N) | Examples provided by voters: Concerns about the nominee’s overall performance; poor track record; involvement in scandals; and poor handling of board/subcommittee responsibilities | 2    | 7    | 1    | 6    | 31   | 5    | 52   |               | 2.09 |
| Board structure questioned (unspecified) (B) | No details were provided other than saying that voters were concerned about board structure. In a few cases, voters mentioned that the board’s structure was not in line with the requirements outlined in various iterations of the King report (King III applied from 2014 to 2016, whereas King IV applied during the remainder of the research period). Some voters also mentioned board size and the appointment of nominees as alternate directors as sources of concern | 3    | 5    | 6    | 21   | 16   | 51   |      |               | 2.05 |
| Rules regarding voting/shareholder rights (B) | Examples provided by voters: The company’s memorandum of incorporation should be amended to ensure the election of all directors, including executive directors, on a regular basis. Voters raised concerns about staggered board structures (multiple-class share structures and differential voting rights that might harm the interests of minority shareholders); the company does not provide shareholders with a direct vote on the remuneration policy | 2    | 5    | 1    | 8    | 8    | 7    | 31   |               | 1.24 |
| Lack of information/ poor disclosure (B)    | Voters could not make an informed decision on the re-election of a nominee as little or no information was provided or information was not provided timeously. This reason was often cited in relation to the appointment of an alternate director | 2    | 4    | 19   | 25   |      |      |      |               | 1.00 |
| Reason                                                                 | Description                                                                                                                                                                                                 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Entire period | %       |
|------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|------|------|------|------|------|------|---------------|---------|
| Chairperson independence questioned (L)                                 | Voters mentioned that contrary to good governance practice, the chairperson was not an independent NED, whether it was based on the company’s categorisation or the voter’s view                                       | 3    | 4    | 3    | 7    | 1    | 5    | 1    | 24            | 0.96(4) |
| Lack of board gender diversity (B)                                     | Voters mentioned the following: Too few women directors; a lack of board diversity in general                                                                                                                 | 3    | 2    | 13   | 5    | 23   |      |      | 0.92          |         |
| Concerns about director compensation (C)                               | Failure to link pay to performance; phantom share rewards                                                                                                                                                      | 2    | 2    | 9    | 6    | 2    | 21   |      | 0.84          |         |
| Related party transactions / conflicts of interest (N)                 | The nominee was involved in a related party transaction (a deal or arrangement made between two parties who were joined by a pre-existing business relationship or common interest). Mention was made about potential conflicts of interest, whether it was related to relationships with legal advisors, or due to long tenure and material links to the company or its executives | 1    | 6    | 5    | 8    | 20   |      |      | 0.80(5)       |         |
| Concerns regarding the lead independent director (L)                   | Voter concerns were raised about the lack of a lead independent director or questions that they had regarding this individual’s independence. One voter, for example, encouraged ‘the appointment of a lead independent director to ensure appropriate checks and balances on the board, support the chair[person], implement an orderly succession plan for the chair[person], and act as a point of contact for shareholders, non-executive directors and senior executives where normal channels of communication through the board chair[person] are considered inappropriate’ | 7    | 2    | 4    | 1    | 14   |      |      | 0.56(6)       |         |
| Unsatisfactory audit committee performance (C)                         | Holding the chair or members of the audit committee accountable for weak oversight/controls, which in some cases resulted in controversies                                                                    | 1    | 11   | 12   |      |      |      |      | 0.48          |         |
| Total                                                                  |                                                                                                                                                                                                            | 96   | 147  | 280  | 546  | 563  | 239  | 2493 | 100.00        |         |

*B* = Board concern; *N* = Nominee concern; *C* = Committee concern; *L* = Leadership concern
Directly related to independence, Indirectly related to independence
Significance of bold reflect the column totals
and other emerging markets facing similar corporate governance challenges.

A small increase was observed in shareholders opposing director re-election resolutions over the research period (2.24% in 2014 compared to 3.72% in 2020). The low level of voting opposition observed in this study confirms the notion that shareholders of JSE-listed companies are relatively apathetic when it comes to addressing poor corporate governance performance (Kana 2020; Viviers and Els 2017; Viviers and Smit 2015; Rademeyer and Holtzhausen 2004). This low level of voting dissent may also indicate that shareholders place their trust in nomination committees to ensure that their representatives are experienced individuals with unquestionable integrity, but who can also provide social networks and other resources as proposed by the resource dependence theory.

Significant positive relationships were found between shareholder voting opposition to director re-elections and two independent variables, namely board size and board tenure. The empirical findings suggest that shareholders often voted against the re-election of directors when the boards were already quite large and in cases where there were many long-tenured directors serving on the board. The empirical evidence confirms existing research on the importance of effective communication (which is better in small boards) and the loss of director’s independence as they become more familiar with a company (Ertimur et al. 2018; Huang and Hillary 2018; Pozen and Hamacher 2015; Hillman et al. 2011).

Shareholders who cast against-votes mainly did so because of their concerns about independence at board, committee, and nominee level. Boards and their nomination committees should caution against deriving conclusions based on aggregates when discussing board composition issues. They should account for the intricate interaction between multiple board composition considerations, notably independence, tenure, and overboardedness.

Although the responsibility of classifying a director as independent resides with the nomination committee, it is ultimately an individual director’s responsibility to practise independence of mind. Directors should ensure that they remain objective and unbiased throughout their tenure periods, regardless of their classification as an executive, a non-executive or an INED. More detailed guidance is furthermore required on factual versus perceptual director independence. The IoDSA should also consider offering more detailed guidance on multiboardedness and board tenure.

Since shareholders operate in the ‘middle ground’ between companies’ internal and external corporate monitoring mechanisms, they should take their responsibility to monitor the monitors more seriously. Pertaining to implications for practice, shareholders who are able to engage in private owing to the size of their shareholding are urged to bring problematic board composition matters to the attention of nomination committees. If private requests are not fruitful, shareholders should voice their dissent by doing so in public and voting more actively against the re-election of board-nominated directors. They could also initiate shareholder resolutions of their own. Minority shareholders are not without mechanisms to bring about change in investee companies. They can ask questions at shareholder meetings and stimulate debates by using traditional and social media. Shareholders, regardless of their size, are thus encouraged to support well-considered proxy contests.

Nomination committees screen and propose board candidates who stand for election at shareholder meetings. Committee members should therefore ensure that their review criteria are sufficiently robust to propose suitable candidates. Directors with longer tenure offer benefits such as knowledge, continuity and boardroom collegiality (Li and Wahid 2018), but may lack adaptability and agility, and may also lose their independence over time (Canavan et al. 2004).

By accounting for the theoretical implications of the busy-ness and experience hypotheses related to holding multiple board positions concurrently (Harris and Shimizu 2004), nomination committees should consider that shareholders tend to show stronger voting opposition to longer-tenured board members. This should be a key consideration when nomination committees reflect on board refreshment versus the nomination of long-serving directors for re-election. Furthermore, as approximately half of the sampled companies in the current study did not appoint a lead independent director, nomination committees should give more attention to this governance best practice. In line with Neville et al. (2019), it is recommended that a company’s broader societal context is clearly understood.

The current study revealed that some directors were strongly opposed to instances where shareholder concerns with directors were not sufficiently dealt with by the board. The reported results indicate that large boards and those with many long-tenured directors received more shareholder voting dissent. External control mechanisms are often activated when internal control mechanisms are deemed inadequate (Aguilera et al. 2015). If a board thus fails to ensure the appropriate balance of power that is expected by shareholders, it may result in shareholder dissent with potentially adverse implications for the company’s reputation. Another practice-related implication is that directors should carefully consider the number of external board positions they hold given the potential negative implications of becoming overboarded.

Whereas certain board-level independent variables, such as tenure and size are measurable, the consistency and reliability of the sampled companies’ classification of INEDs might differ given the subjective nature of classifying these directors. Ultimately, the onus rests on listed companies’
boards to classify directors as independent given the shift from a factual approach (King III) to a perceptual approach (King IV). The authors acknowledge this limitation given the usage of aggregated secondary voting data and a director’s independence as reported by the sampled companies. The voting data on JSE-listed companies were furthermore only available from 2014 onwards in the Proxy Insight database.

Suggestions for future research include that data on individual director re-election resolutions could be used to investigate shareholder voting opposition at the director level. A comparative study can also be conducted over a longer time frame for listed companies from various emerging countries. Permitting data availability, director independence issues can also be studied at the board committee level in such a cross-country study. Future scholars can also account for instances where an entire board has been replaced.

Whilst this study adopted a positivistic philosophy, prospective investigators can furthermore conduct a phenomenological study on shareholder monitoring. They can probe the views of institutional investors, directors, and proxy advisors by focussing on the motivations and preferred shareholder activism mechanisms to address board composition issues. Interviews with directors serving on the boards of companies in various emerging and developed markets might shed more light on factual versus perceptual director independence, as well as on tenure and multiboardedness considerations. Policymakers can account for the findings when refining board composition criteria in future. Better shareholder monitoring is likely to go a long way in enhancing sound corporate governance practices and sustainable value creation for a range of stakeholders.

Acknowledgements A special word of thanks is extended to Prof Christo Boshoff, Chairperson of the Department of Business Management at Stellenbosch University, for providing funding for this study. The authors are also grateful for the assistance provided by Messrs Lewis Rowe and Peter Mayhaw from Proxy Insight, Prof Martin Kidd and Ms Tyler Shiel for the support in the data collection and analysis phases of the study.

Declarations

Conflict of interest statement None of the authors had any conflicts of interest.

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