PURDUE UNIVERSITY | Krannert School of Management

Finance Seminar

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Mutual Fund Disagreement and Firm Value: Passive vs. Active Voice

Friday, December 10, 2021 | 10:30—noon

RAWL 2082

Bio

Jan Bena is an Associate Professor in the Finance Division at the Sauder School of Business, the University of British Columbia (UBC). After an entrepreneurial spell combined with doctoral studies in economics at the Center for Economic Research and Graduate Education – Economics Institute (CERGE-EI) in Prague, Jan earned a Ph.D. in finance from the London School of Economics and Political Science (LSE). At the UBC Sauder School of Business, Jas served as the director of the Ph.D. program in Finance and he is currently the Chair of the Finance Division. Jan was the program chair of the 2019 Northern Finance Association (NFA) Annual Conference and served as the President of the NFA afterwards. Jan is an Academic Director of the Portfolio Management Foundation (PMF) and an Advisor to the Aquanow DeFi Lab at Blockchain@UBC. Jan's research interests lie in the areas of corporate innovation, private equity, entrepreneurship, and finance and industrial organization. Jan's research was published in top finance journals and he regularly presents in seminars and major international conferences. At UBC Sauder, Jan taught a variety of finance courses for students in the Bachelor of Commerce, Master of Management, IMBA, MBA, and Ph.D. programs. He focuses on delivering courses where students apply key finance concepts and theory in real world situations in both investment and corporate finance contexts. Jan taught Capital Markets and Financial Derivatives courses at the Donau-Universität Krems, Austria in 2011-2015. During his Ph.D. studies, Jan taught a range of courses as a Tutorial Fellow at the London School of Economics (LSE), London in 2005–2009. In 2021, Jan received the UBC Sauder Alumni Talking Stick Award for significant pedagogical innovation.

Abstract

Using mutual funds' proxy voting behavior, we construct a novel measure of shareholder disagreement between passive and active mutual funds. To create the measure, we use mutual funds' voting decisions to capture the difference in "approval of management" between passive and active funds. We find that the disagreement among the two groups destroys firm value when the vote outcome of a proposal is not perfectly anticipated—viable. Using Federal Open Market Committee announcements with press conferences as events that create scope for investors to make informed votes and interpret news differently for individual firms, we show that such value-destroying effect is causal. When proposals are not viable, the presence of disagreement increases firm value. We show evidence consistence with such disagreement being a form of shareholder engagement that is interpreted in a positive way by the financial market participants.