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INSTITUTIONALISATION OF SHAREHOLDER ACTIVISM IN CANADA: THE STORY OF MÉDAC

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ABSTRACT:

The goal of shareholder activism is to force companies to act according to the expressed expectations of certain shareholders. This activism takes the following two forms: financial and social. Financial activism is manifested by the submission of often very hostile proposals (and a vote) aiming to maximise short-term shareholder value at companies' annual general meetings (AGM). Social shareholder activism is expressed by the submission of proposals (and a vote) that seek to pressure companies to change their environmental, social or governance practices in order to improve their societal impacts. Although less hostile, these latter proposals nonetheless often cause controversy within organisations. This case study examines the various parties involved and the actions implemented by the Mouvement d'éducation et de défense des actionnaires (MÉDAC), a non-governmental organisation (NGO) that has played a major role in the Canadian social shareholder activism landscape

by helping to institutionalise this social movement. This study is intended to identify the actors and measures taken on the one hand, to ensure the means of action and the long-term survival of the NGO and, on the other, to initiate certain changes in Canadian corporate practices. Our data were collected from interviews with MÉDAC representatives and documents available on the SHARE (Shareholder Association for Research & Education) and MÉDAC websites, as well as on corporate websites and the official websites of the applicable government authorities. Our observations are interesting for individual shareholders wishing to express their expectations of corporate societal practices. By establishing its legitimacy, MEDAC was not only able to mobilise the resources it needed to carry out its mission to defend and educate individual shareholders but was also able to institutionalise corporate shareholder societal activism in Canada.

KEYWORDS :

Shareholder activism, Social activism, Institutional theory, Legitimacy, Non-governmental organization (NGO).

1. INTRODUCTION

In Canada, as elsewhere, financial markets have changed significantly in recent decades. The resulting financial neoliberalism has led to: 1) an increase in importance of the financial sector over the other sectors of activity of the economy; 2) the transfer of revenues from other economic sectors to the financial sector; 3) greater income inequalities and stagnating salaries (Palley, 2013), particularly with the relocation of production; and 4) unprecedented pressure on the planet's ecosystem stemming from unrestrained business practices. Financial activism owes its origin both to this paradigm (Girard and Gates, 2020) and to the rise of institutional ownership (Goranova and Ryan, 2014). Financial activists submit proposals at annual general meetings

that express their dissatisfaction with corporate governance or performance and often demand specific actions from corporate managers to improve shareholder value (Goranova and Ryan, 2014). They can also negotiate and exert non-proposal pressure or engage in proxy contests (Denes, Karpoff and McWilliams, 2017). This type of shareholder activism is perceived as a mechanism to monitor firm managers who may have interests other than value maximisation (Bouaziz, Ben Amar Fakhfakf and Jarboui, 2020). Prior studies show that firms targeted by this type of activism post lower performance in the years preceding activist intervention and perform less well than their peers (Albouy, 2020). Moreover, results in this field of research tend to show that activism associated with ownership blocks does not seem to effect significant change in the target firm value (Denes, Karpoff and McWilliams, 2017). Nevertheless, the financial shareholder activism exercised by hedge funds is associated with increases in share value (Denes, Karpoff and McWilliams, 2017; Guegen and Melka, 2021). Even though hedge funds have been criticised for employing short-termist strategies (Ahn and Wiersema, 2021), such as asset-based restructuring of targeted firms and cash flow redistribution, (Bessière, Kaestner and Lafont, 2011; Goranova and Ryan, 2014), a number of empirical studies show a positive medium and long-term impact on firms' accounting and financial performance (Bebchuck et al., 2015; Albouy et al., 2017; Albouy, 2020). However, these studies do not address the firms' societal practices.

As the ideological descendent of the 1960s civil rights movement (Goranova and Ryan, 2014), social shareholder activism is a very different phenomenon. It also involves shareholders' filing and voting on proposals at AGMs, but these proposals target environmental and social as well as governance issues. The actors in this type of shareholder activism are heterogenous investors

groups, such as religious groups, public pension funds, labour union funds, and individual investors, wishing to communicate their expectations to corporate executives about their practices. In Canada, social shareholder activism really began with the January 9, 1997, decision handed down by Justice Pierrette Rayle in the case of Yves Michaud, since dubbed the “Robin Hood of the banks”, against the National Bank of Canada and the Royal Bank of Canada. Justice Rayle ruled in favour of Michaud and ordered the two banks to include his proposals in their management circular accompanying the notice of meeting for their next AGM. Michaud’s proposals aimed at limiting CEO compensation and the number of terms directors could serve, as well as monitoring the governance practices of the chair of the board of directors, director independence, and executives’ debt programs.

Yves Michaud founded the Association de protection des épargnants et investisseurs du Québec (APÉIQ) on December 7, 1995, to provide a tool that would give a voice to small shareholders and a platform for them to exchange information and defend their cause (MÉDAC, 2021). On May 29, 2005, APÉIQ changed its name to MÉDAC. An examination of this NGO and the innovative path it took to achieve its goals will highlight the concrete actions that led to the institutionalisation of active social shareholder activism and contributed to socially responsible corporate behaviour.

Our study aims to answer the following questions: What were the actions, both in the association’s modalities of operation and in the deployment of activist strategies, that enabled MÉDAC to make a significant contribution to the institutionalisation of social shareholder activism in Canada? Our study examined data collected from interviews with MÉDAC representatives (three interviews with a number of respondents) and from documents available on the SHARE (Shareholder Association for Research & Education) and MÉDAC websites, as well as the official websites of the applicable government authorities (SEDAR.com). Our

analyses show that over time, the steps MÉDAC took to contest the many shortcomings in the societal practices of Canadian firms acquired a certain legitimacy. These actions contributed to real societal changes, including the adoption of Say on Pay by many organisations, more female directors on the boards of Canadian firms (and the regulation of the Canadian Securities Administrators to that effect), plus greater transparency in disclosing much societal information on the part of Canadian organisations.

Our study furthers understanding of how actions undertaken by an individual or even a group of individuals can contribute to the institutionalisation of better societal practices among organisations. In addition, the case of MÉDAC supports the explanations advanced by two theories developed in prior research. The NGO's modalities of operation corroborate the resource mobilisation theory (a social movement theory), while its action strategies (activism in a different form) are deployed around the three mechanisms of institutionalisation (regulative, normative and cognitive structures) explained by neoinstitutional theory (an organisational behaviour theory). These two theories explain how MÉDAC was able to establish and maintain its legitimacy and, though this legitimacy, able to bring about a number of societal changes within organisations.

2. THE ORIGINS OF SOCIAL SHAREHOLDER ACTIVISM

Although corporations have been a source of wealth and well-being ever since the dawn of the industrial age, they nonetheless have often serious repercussions on the societies in which they operate (Sjostrom, 2008), particularly with the advent of financial neoliberalism in recent decades. These repercussions may, for example, be the excessive exploitation of human and animal populations or of plant and mineral resources. At the same time, growth in firm size has significantly impacted corporate governance

structure. In the early years of industrialisation, most firms were run by their founding owner or other family members. However, their growing size enforced a separation of ownership and control for many firms (Berle and Means, 1932). Numerous large corporations are now owned by hundreds of thousands of shareholders and run by managers, making it much more complicated for other stakeholders affected by the organisation's activities to force them to act responsibly. The hundreds of thousands of shareholders are usually disorganised and fail to act in a concerted manner. This can lead to an asymmetry of information between these shareholders and management in the listed firms today. While very many studies on agency theory document practices that could attenuate the financial consequences of this information asymmetry (Scott and O'Brien, 2020), few identify practices that could help reduce corporations' social and environmental impact, which affects numerous other stakeholders.

Over the years, more stringent legislation, pressure from environmental and social activist groups, consumer boycotts, and shareholder activism have been the most common agencies and measures deployed to try to force corporations to change their behaviour, first in the United States and later in other countries like Canada. One of the earliest studies documenting this practice in the US was conducted by Proffitt and Spicer (2006), who examined proposals on human rights and labour standards submitted during the proxy seasons from 1969 to 2003 (Sjostrom, 2008). The vast majority of these proposals were sponsored by religious groups and public pension funds. In the early 1980s, several NGOs began to push for socially responsible investing, urging certain firms to change some of their practices (Guay et al., 2004). Under American and Canadian legislation, any shareholder is entitled to submit a draft resolution that will be voted on at the annual general meeting if the shareholder has continuously held at least \$2,000 in market value or 1% of the firm's share capital for at

least one year (six months in Canada). Since individual investors and NGOs do not always have the financial resources needed to take an equity position in listed firms, this legislative provision enables them to engage in shareholder activism. This is the case for Yves Michaud and MÉDAC¹.

3. METHODOLOGY

The observations used in the following analyses derive from two separate methodological approaches. First, three group interviews with a number of MÉDAC representatives were conducted during which the organisation's goals, operating practices and activism strategies were addressed. In addition, one researcher attended an annual general meeting. Second, data were collected on the proposals presented at annual general meetings and on other forms of activism from documents available on the SHARE (Shareholder Association for Research & Education) and MÉDAC websites, as well as the official websites of the applicable government authorities (SEDAR.com).

4. MÉDAC'S OPERATING PRACTICES

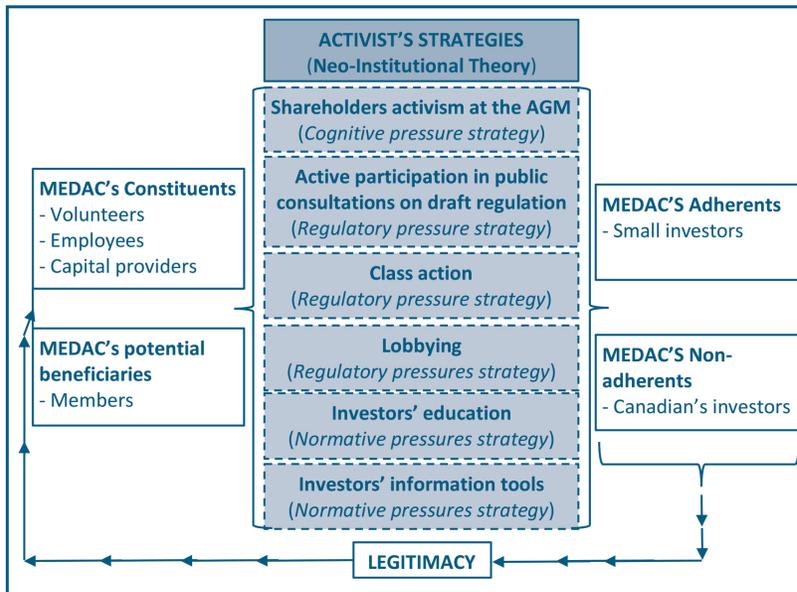
Figure 1 summarises the results of our observations and analysis of MÉDAC's operating practices and the activism strategies it deployed. As in all organisations, MÉDAC's creation and long-term survival is based on resources. Some theoreticians have

¹ Like in the United States and the United Kingdom, the financial system in Canada is market-based rather than bank-based as it is in continental European countries and Japan (Zogning, 2017). The market-based financial system is notable for the extent to which stock exchanges rather than banks provide capital to non-financial economic agents. In this type of system, the investors (particularly those holding a significant percentage of shares) are in a strong position to determine companies' policies. The governance model in this type of system is called the shareholder governance model. Minority shareholders are considered to be more protected in the market-based system, despite their limited ability to influence property rights and protect individual and institutional shareholders (Zogning, 2017).

suggested that organisations aiming to create social movements act like other organisations in society, inasmuch as they are formal organisations attempting to implement the preferences of a social movement or countermovement (McCarty and Zald, 1977; Martin, 2015). It is from this perspective that the resource mobilisation theory examines how these organisations effectively mobilise resources to successfully achieve their organisational goals. These resources may be material (e.g., incomes, assets, volunteer) or immaterial (e.g., friendship, moral commitment, reputation).

Like all organisations, “social movement organisations” have to compete with others for the resources controlled by individuals and other organisations (Martin, 2015). As well, any social movement has “adherents” who believe in the movement’s goals. Martin (2015) identifies four categories of adherents or nonadherents. The first category consists of the “constituents” who provide the resources. The second encompasses “potential beneficiaries”, those who would benefit from the achievement of the organisation’s objectives. The third is made up of “adherents” who are not potential beneficiaries but whom the organisation may attempt to mobilise to obtain resources. Lastly, there is the “bystander public” who are nonadherent and indifferent but are witnesses to the social movement (Martin, 2015). The interviews with MÉDAC representatives and information collected from its website showed us that MÉDAC’s creation and modalities of operation practices are consistent with the resource mobilisation theory on a number of points. However, we found that in MÉDAC’s case it is the legitimacy of the organisation’s goals and actions that enables the ongoing and long-term mobilisation of resources. Without this legitimacy, the resource mobilisation theory is simply the static representation of the mobilisation of the resources of an organisation aiming to establish a social movement. In MÉDAC’s case, we note that this representation can be dynamic (in a loop) by including the perceived legitimacy of its goals and actions.

Figure 1: MEDAC's Operation Modalities explained by "Resource mobilization theory"



MÉDAC'S history began with its widely publicised historic victory against the Royal Bank of Canada and the National Bank of Canada, Yves Michaud embarked on a crusade against other large Canadian banks, adding other proposals to his program (Crête, 1998). Since MÉDAC changed its name in 2005, it has not only drafted socially and environmentally oriented proposals targeting large Canadian listed firms, but also provided individual shareholders with information and educational tools. In addition, the organisation's mission has hinged on the following five goals: 1) to promote its members viewpoint on the operation of financial markets; 2) to foster better shareholder representation on corporate boards of directors; 3) to promote greater corporate management transparency; 4) to provide a platform for debate and the exchange of ideas; and 5) to ensure the education of its members.

Over the last 25 years, MÉDAC's board of directors and management team have been largely made up of volunteers dedicated to achieving these goals. They constitute what Martin (2015) calls the "constituents" category. They are the ones who provide the resources, which in MÉDAC's case, are mainly in the form of publicity and intellectual capital since they contribute on a volunteer basis. Throughout the organisation's history, a number of well-known Quebec personalities have contributed to MÉDAC's growth and reputation by participating as special advisors and/or directors.

These include Yves Michaud (naturally), journalist and politician committed to the defence of the French language; Jacques Parizeau, former Premier of Quebec; Claude Béland, former CEO of the Mouvement Desjardins; Fernand Daoust, President of the Fonds de solidarité FTQ; and Louise Champoux-Paillé, Founding Chair of the Bureau des services financiers² and member of the Order of Canada, Knight of the Ordre national du Québec and Fellow of the Ordre des administrateurs agréés du Québec.

Over the years, MÉDAC's board members, committed volunteers and permanent staff (one employee) have been able to use their intellectual capital and take concrete steps to fulfil the NGO's mandate to initiate activist actions, as well as secure the financing for these actions and the association's long-term survival. Through the years, MÉDAC has been able to procure financing from various partners, including the Autorité des marchés financiers, the Caisse de dépôt et placement du Québec, the Mouvement Desjardins, La Capital, and the Investment Industry Regulatory Organization of Canada. These organisations could be described as "adherent"

² *The Bureau des services financiers was a Quebec paragonovernmental regulatory organisation responsible for overseeing the distribution of insurance products, mutual funds and financial planning.*

organisations. MÉDAC also receives annual fees from members who are “potential beneficiaries”. This category can be much more far-reaching since MÉDAC’s activist actions are multiple and can benefit all Canadian investors and firms and civil society in certain situations. Lastly, the “bystander public” represents small and large Canadian investors who are witness to the societal changes triggered by MÉDAC’s activities. The constituents in this organisational field appear to be particularly important since the NGO is able to draw on their intellectual capital, which is crucial to the mobilisation of the material and immaterial resources necessary to achieve its organisational goals. The other parties involved are also important to MÉDAC’s survival since they form the foundation that enables it to attain the legitimacy needed to elicit the desired societal changes.

5. MÉDAC’S ACTIVIST STRATEGIES

According to the interviews with MÉDAC representatives, the organisation’s activism strategies that grant it its legitimacy are based on the following three institutionalisation mechanisms of the neoinstitutional theory put forward by DiMaggio and Powell (1983) and Scott (1995): regulative, normative and cognitive structures. Scott (1995) sees legitimacy as a condition reflecting cultural alignment, normative support or consonance with relevant rules or laws (Larrinaga-Gonzalez, 2007) necessary to the organisation’s survival. In his view, this alignment is the result of the isomorphism of organisations consequent to the regulative, normative and cognitive structures of the society within which these organisations operate. Although legitimacy is based on perceptions, it is considered to be a resource on which an organisation depends for survival (Dowling and Pfeffer, 1975; O’Donovan, 2002; Deegan, 2007). This is the perspective MÉDAC representatives adopted in deploying their activism strategies.

5.1 Shareholder activism

To reach its objectives, each year MÉDAC first prepares proposals based on the national and international monitoring of issues of interest, as well as the voting policies of large institutional investors and the recommendations of Institutional Shareholder Services (ISS) and Glass Lewis, two major voting advisory firms. To analyse these proposals, we used data respecting the socially and environmentally oriented proposals submitted to Canadian firms since 1982, available in the Shareholder Association for Research and Education (Share.ca) database. We codified and analysed the proposals included in this database for the period from 2000 to 2017. Table 1 presents the number of proposals submitted by MÉDAC by year and the issues in question. The number in parentheses represents the draft resolutions submitted by filers other than MÉDAC. As the table shows, over the 18 years under observation, MÉDAC submitted more than 717 draft resolutions or over 50% of the 1,428 of the proposals listed on the Shareholder Association for Research and Education (Share.ca) database. MÉDAC's proposals target issues in governance and management practices.

We broke down the proposals available on the Share.com database into six categories. The first includes the proposals associated with corporate boards of directors, addressing such concerns as increased female representation on boards, requirements for firms to ensure the board is two-thirds independent, the independence of the compensation committee and advisors, requests for companies to review their director recruitment policies, the nomination of more than one candidate for each director position and the election of directors individually, a provision not to hire auditors to perform non-audit work, the establishment of an ethics committee or a separate risk management committee, and the separation of the positions of chair and CEO. MÉDAC submitted

217 proposals in this category (30.3% all the proposals it submitted). MÉDAC was slightly more active than the other social shareholder activists, who filed 137 proposals on these issues.

The second category of proposals relate to executive and director compensation. It includes proposals requesting, for instance, that stock option plans be tied to performance, the adoption of an advisory shareholder vote on executive compensation, the capping of executive compensation, restricting executives' exercise of options to end of tenure, eliminating stock option plans, and limiting equity-based compensation due to change in control. Over the 18 years covered by the observations, MÉDAC filed 176 proposals (24.5% of all the proposals it submitted) on these issues. The latter issue was moreover the focus of 171 proposals from other social shareholder activists.

The third category, which is associated with shareholder rights, includes proposals on the elimination of multiple-voting-rights shares, simultaneous communication to all shareholders, requests that no major announcements be made in days prior to annual general meetings and that the board's voting recommendations not appear on the proxy ballot, as well as requests respecting shareholder approval prior to merger proposals. MÉDAC submitted 64 proposals (or 8.9% of all proposals it submitted) on these issues, in comparison with other shareholder activists, who filed 59.

The fourth category of proposals refers to corporate social reporting (CSR). In this category, MÉDAC submitted 48 proposals (6.7% of the proposals it submitted) associated with requests for stronger corporate commitment to clients, the communities and the environment, as well as respect of employee and human rights. These issues seem to be of more interest to other shareholder activists, who submitted 87 proposals in this respect in the period under study.

The fifth category focuses on executive compensation disclosures (e.g., disclosure of the cost of executives' severance arrangements or the total value of executives' pension benefits and related costs), governance (e.g., disclosure of identity and relationships of affiliated and related directors, disclosure of all boards on which directors have served in the past five years, identification of compensation consultants, etc.) and corporate social responsibility (e.g., publication of a GRI sustainability report, disclosure of methods for evaluating and mitigating climate risks in project assessment, disclosure of lending procedures in respect of climate change risk, etc.). MÉDAC filed 154 proposals (21.5% of all proposals it submitted) on these issues, while other social shareholders activists submitted 205.

The last category relates to such various issues as close operations in OECD-designated tax havens, increased dividends for longer-term shareholders, and the simplification of financial information. MÉDAC submitted 58 proposals (8.1% of all proposals it submitted) in this category, in comparison with other social shareholders activists who submitted 52. Overall, in the 18 years covered by the observations available in the Shareholder Association for Research & Education (Share.ca) database, the issues raised by the other shareholder activists are very similar to those defended by MÉDAC.

Table 1: Number of proposals submitted by year group and issue

	00-02	03-05	06-08	09-11	12-14	15-17	Total	% of total proposals
Governance								
Gender diversity		0(4)	19(1)	22(1)	9(1)	7(7)	57(14)	7.9(2.0)
Board independence		10(10)	0(8)	10(3)	12(4)	9(1)	41(26)	5.7(3.7)
Directors' profile	4(4)	10(0)	0(11)	11(6)	0(3)	7(1)	32(25)	4.5(3.5)
Nomination & vote		0(22)	0(13)	8(0)	14(1)	1(0)	23(36)	3.2(5.1)
Auditor	9(1)	7(8)			4(1)	0(2)	22(10)	3.1(1.4)
Ethic committee		5(0)	0(1)		6(0)	7(0)	18(1)	2.5(0.1)
Duality	2(0)	0(7)			3(2)		5(9)	0.7(1.3)
Other	0(5)	10(0)	0(1)	3(1)	2(5)	4(4)	19(16)	2.6(2.3)
Sub-total	15(10)	42(51)	19(35)	54(11)	50(17)	37(13)	217(137)	30.3(19.3)
Compensation								
Performance-based	9(0)	10(29)	16(20)	0(8)	19(7)	0(1)	54(65)	7.5(9.1)
Approval		0(2)	19(7)	13(26)	17(14)	7(4)	56(53)	7.8(7.5)
Limit		0(8)	0(4)	10(1)	5(3)	1(0)	16(16)	2.2(2.3)
Stock options	0(5)	4(6)	11(0)		8(0)	14(2)	37(13)	5.2(1.8)
Golden parachutes		0(5)	0(5)				0(10)	0.0(1.4)
Other		6(0)		2(0)	2(7)	5(5)	13(14)	1.8(2.0)
Sub-total	9(5)	20(50)	46(36)	23(37)	51(31)	27(12)	176(171)	24.5(24.1)
Shareholder rights								
Voting rights	7(0)	9(4)	22(9)	0(1)	0(1)		38(15)	5.3(2.1)
Communication	8(0)	0(5)	0(1)	0(3)	2(0)		10(9)	1.4(1.3)
Relative to general meetings	0(11)	5(5)	0(9)	0(1)	4(1)	0(2)	9(29)	1.3(4.1)
Approval (mergers, other)	7(0)				0(1)	0(5)	7(6)	1.0(0.8)
Sub-total	22(11)	14(14)	22(19)	0(5)	6(3)	0(7)	64(59)	8.9(8.3)
CSR								
Employee rights	0(4)	0(3)	11(1)	0(2)	7(0)	4(5)	22(15)	3.1(2.1)
Human rights			0(3)	0(1)	0(2)	0(8)	0(14)	0.0(2.0)
Customers/Clients (code of conduct)		0(6)	0(2)			9(1)	9(9)	1.3(1.3)
Communities		0(1)	0(8)	0(1)	5(2)	8(1)	13(13)	1.8(1.8)
Environment		0(1)	0(6)	0(7)	0(1)	1(7)	1(22)	0.1(3.1)
Other (major projects, PPP)		0(1)	0(7)	0(4)	3(1)	0(1)	3(14)	0.4(2.0)
Sub-total	0(4)	0(12)	11(27)	0(15)	15(6)	22(23)	48(87)	6.7(12.2)
Disclosure								
Compensation	7(0)	18(8)	10(10)	31(1)	3(13)	6(3)	75(35)	10.5(4.9)
Governance	8(7)	10(18)	8(3)		1(0)	12(1)	39(29)	5.4(4.1)
CSR	0(1)	0(31)	0(47)	0(21)	0(13)	0(3)	0(116)	0.0(16.3)
Other		0(1)	16(2)	0(5)	20(8)	4(9)	40(25)	5.6(3.5)
Sub-total	15(8)	28(58)	34(62)	31(27)	24(34)	22(16)	154(205)	21.5(28.8)
Other								
Tax havens	6(0)	0(7)	0(6)	0(8)		6(0)	12(21)	1.7(3.0)
Dividends			11(0)	0(2)	2(0)		13(2)	1.8(0.3)
Fin. info. & cert.		4(1)	8(0)			8(0)	20(1)	2.8(0.1)
Other	0(11)	0(8)	6(1)	6(2)	1(5)	0(1)	13(28)	1.8(3.9)
Sub-total	6(11)	4(16)	25(7)	6(12)	3(5)	14(1)	58(52)	8.1(7.3)
Total	67(49)	108(201)	157(186)	114(107)	149(96)	122(72)	717(711)	100(100)

The number in parentheses represents the proposals filed by activists other than MÉDAC.

As Table 2 shows, after MÉDAC, institutional investors are the most active type of filer, with 25.2% of the proposals submitted, followed by individual activists, with 21.6%.

Table 2: Number of proposals according to type of activist and issue

	Institutional Investors	Individual	Churches	Unions	MÉDAC	Other	Total
Governance	46	85	0	3	217	3	354
Compensation	102	65	0	4	176	0	347
Shareholder rights	17	38	0	4	64	0	123
CSR	48	29	5	1	48	4	135
Disclosure	134	52	6	0	154	13	359
Other	13	39	0	0	58	0	110
Total	360	308	11	12	717	20	1 428
	25.2%	21.6%	0.8%	0.8%	50.2%	1.4%	100%

Table 3 presents the number of proposals submitted by industry and activist type, showing that 922 proposals were submitted to firms in Canada's financial sector. Of these, MÉDAC filed 550, a figure that can be explained by the association's origins and its founders' areas of interest. The other firms MÉDAC targeted are generally large Canadian corporations. MÉDAC's representative explained that its strategy of targeting large, highly visible corporations in the business community is intended to have a snowball effect. In other words, if these corporations agree to the demands set out in the draft resolution, they could later serve as examples for other firms, encouraging them to change as well. Over the years, MÉDAC has invested the required amount in the portfolios of firms to which it has year after year submitted various proposals designed to change these firms' behaviour and, through imitation, that of other firms seeking to gain legitimacy. This strategy is based on the premise that organisations imitate those peer organisations that seem to be more successful and legitimate (Larrinaga-Gonzalez, 2007; Tolbert and Zucker, 1983).

This ideology underlies what DiMaggio and Powell (1991) consider to be pressures exerted by cognitive structures and constitute the source of organisational imitation (DiMaggio and Powell, 1983). These cognitive structures form the cultural support for the legitimacy of a firm's practices.

Table 3: Number of proposals by industry and activist type

	TOTAL	MÉDAC	%	OTHER	%
Energy and Materials	119	2	0.28%	117	16.46%
Industrials	113	42	5.86%	71	9.99%
Consumer Staples	78	37	5.16%	41	5.77%
Communication Services	153	67	9.34%	86	12.10%
Financial	922	550	76.71%	372	52.32%
Consumer Discretionary & Information Technology	43	19	2.65%	24	3.38%
Total	1,428	717	100.00%	711	100.00%

Table 4 shows that the percentage of shareholder votes supporting the proposals submitted is relatively low overall. Three hundred and fifteen proposals were approved by less than 5% of shareholders, while 221 were supported by shareholder approval of between 15% and 5%. In all, an average of 9.76% of the votes were in favour of MÉDAC's proposals. This figure is lower than for all other types of filers apart from individual activists. As could be expected, individual investors appear to be the most successful, with an average of 30.39% favourable votes recorded. It is worth noting that institutional investors withdrew 201 of a total 360 proposals, in contrast to MÉDAC, which withdrew 89 of a total 717. The proposals withdrawn are usually negotiated before the annual general meeting. When these negotiations lead to a conclusion the filer considers satisfactory, the resolution is withdrawn, which means that it will not be voted on at the annual general meeting. During our interviews with MÉDAC representatives, we learned that the organisation's strategy has changed over time and that its proposals are more and more frequently negotiated prior to the annual general meeting. A significant event in terms of legitimacy occurred at the annual general meeting of the National

Bank of Canada on April 23, 2021. At this meeting, a shareholder questioned the board of directors about the merits of allowing time for MÉDAC's representatives to present proposals. CEO Louis Vachon replied that the National Bank of Canada had a long tradition of discussion and dialogue with MÉDAC representatives and, given the importance of the many points raised and the legitimacy of the proposals from the perspective of MÉDAC and civil society, the board was of the opinion that agreeing to grant time to MÉDAC representatives to present their proposals at the annual general meeting is a reasonable compromise.

Table 4: Voting results by activist type

	Institutional Investors	People	Churches	Unions	MÉDAC	Other	Total
< 5%	16	157	2	2	315	4	496
5 – 15%	52	74	2	1	221	3	353
15 – 25%	17	10	0	1	44	0	72
25 – 35%	20	6	2	1	12	0	41
35 – 50%	19	9	2	1	12	2	45
50 – 75%	9	3	0	0	10	0	22
75% and more	19	1	0	0	14	0	34
Withdrawn	201	48	3	4	89	11	356
Omitted	7	0	0	2	0	0	9
Total	360	308	11	12	717	20	1 428
Average votes	30.39%	7.85%	19.27%	16.39%	9.76%	12.63%	

5.2 Active participation in public consultations on draft regulations, class actions and lobbying

MÉDAC also uses regulative structures to change corporate behaviour. It has participated in a number of public consultations on draft resolutions held by the Canadian Securities Administrators and other regulatory bodies. It has also participated in consultations on regulations respecting the protection of consumers of financial products and services. In addition, it has drafted a number of briefs (17 are available on its website) in response to these public consultations or to present arguments supporting the causes it champions to the appropriate authorities. Class action suits

are another key component of MÉDAC's strategies to defend individual shareholders. Since 1995, MÉDAC has launched three class action suits defending shareholders' interests against the actions of large Canadian corporations. These suits, which were directed against Nortel³, Cinar⁴ and Manuvie⁵, claimed that these firms' lack of transparency had led to losses for shareholders. MÉDAC won the three cases. MÉDAC also lobbies government bodies on occasion. The causes it has defended to date deal with banking practices and compliance with provincial consumer protection legislation and information disclosures on tax havens. These different strategies are intended to influence the regulatory structures determining legitimate corporate actions and always target issues that fall within MÉDAC's mission.

5.3 Education and Information tools

Other strategies that MÉDAC deploys to attempt to change corporate behaviours are linked to normative structures (Scott, 1995). In fact, one cause that MÉDAC has championed is the education of individual investors. It has organised a number of educational activities on topics such as the operation of financial markets, investment funds, equity investments, information sources for investors, and the assessment of corporate financial performance and governance practices. MÉDAC's website shares

³ MÉDAC launched a class action suit against Nortel for which Justice Michèle Monast approved the settlement in January 2007. Nortel was accused of having falsified its financial results for 2003 in order to drive up its share price (<https://www.recourscollectif.info/en/cases/nortel/>).

⁴ MÉDAC launched a class action suit against Cinar in 2000. MÉDAC claimed that Cinar had "failed to divulge that it had not complied with all the formalities giving it the legitimate rights to certain fiscal advantages which it had already benefited from in the past. Moreover, Cinar invested, without the consent of its board of directors, amounts totalling \$122,000,000 US. These omissions misled the private investor and Cinar's shareholders as to the real value of the company and affected the trading of its shares". (<https://www.recourscollectif.info/en/cases/cinar/>). Justice John H. Gomery approved the settlement of this suit in November 2002

⁵ MÉDAC launched a collective action suit in 2011 against Manulife, which was accused of having falsely represented the adequacy of risk management practices and failing to disclose the extent of the firm's exposure to stock market and interest rate risks. This suit was settled by the Ontario Superior Court and the Quebec Superior Court in 2017.

various links to Canadian Securities Administrators publications that provide investors with information on different aspects of investment. MÉDAC is also very active in the communication of information. It publishes a weekly digital newsletter that features news items in the investment world. Its site also includes a number of continually updated articles and press releases. These strategies aim to educate and inform the four categories of MÉDAC's adherents and nonadherents. As DiMaggio and Powell (1983) suggest, these strategies (e.g. formal education and professional networks) contribute to legitimating good corporate behaviour by promoting societal value and norms among organisations.

As Figure 1 shows, MÉDAC affirms its own legitimacy through its action strategies focused on the legitimacy of the firms it targets, not only among its adherents and nonadherents, but also among its constituents and potential beneficiaries (members). It is this legitimacy that provides the opportunities to mobilise the resources needed for MÉDAC to continue its operations and ensure its survival. When legitimacy is added to the resource-based theory, it then takes the form of a loop that contributes to an understanding of how MÉDAC ensures its long-term survival.

6. DISCUSSION AND CONCLUSION

All in all, MÉDAC employs a number of strategies that can be drawn from the neoinstitutional theory to influence not only corporate behaviour, but also the legislative context of many issues and societal values and norms. The draft resolutions submitted to annual general meetings often precede a change in practice, as was the case with those respecting the adoption of Say on Pay (Serret et al., 2016), the separation of powers between the board Chair and the Chief Executive Officer (CEO), the publication of audit fees, and increased female representation

on boards. Many firms have implemented the changes demanded. As well, the legislative framework has tightened up in some cases. Furthermore, the three collective action suits that were settled in MÉDAC's favour set a precedent for greater corporate transparency. MÉDAC is also very active on the information front, fuelling discussion by adopting positions backed by solid arguments and communicating information on the issues being defended. It thus contributes to the societal transformation of the values and norms surrounding corporate behaviour. MÉDAC's operation and the success of its strategies coincide on several points with the resource mobilisation theory (McCarthy and Zald, 1977). The organisation has only one full-time employee. Like all the volunteers involved in the association, who are often retired or well-known personalities in the political and business realm, this employee is highly committed to the causes the association defends. MÉDAC is an example of an NGO that chooses strategies based on legitimacy considerations in order to produce optimal results (Zchout and Tal, 2017). Our observations thus add the element of legitimacy to the resource mobilisation theory, showing that it is the perceived legitimacy of MÉDAC's actions that enables the organisation to mobilise resources.

This study has some limitations, one of which is the fact that MÉDAC operates within the Canadian legislative and cultural context. In addition, some data, including the number of proposals (from MÉDAC and other types of investors) have over time been collected from the site of the Shareholder Association for Research & Education. The number of proposals analysed therefore depends on the Association's ensuring its site remains up to date.

Our study raises several possible avenues for future research. It could be interesting, for example, to provide a picture of the activist strategies of other NGOs that are working to create societal movements to counter the rampant development of

financial neoliberalism. Organisations like Greenpeace, the World Wildlife Fund (WWF) and Amnesty International are just some examples. Few researchers appear to be interested in these types of strategies. Could the neoinstitutional theory help explain them? Are other types of institutionalisation mechanisms being used? How do the administrators of this type of organisation develop their action strategies? Do they always have the legitimacy of the target publics in mind when developing these strategies? This research would make it possible to document the success factors of social shareholder activities that often have different goals in relation to the firms targeted (Albouy and Schatt, 2009; Girard and Gates, 2014; Sikavica, Perrault, Rehbein, 2020).

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