We see plenty of headlines when corporations and their boards do things wrong. However, it's just as important to highlight businesses that do the right thing -- and shame their misbehaving peers by comparison.

eBay recently embraced two shareholder-friendly changes that other companies have bitterly resisted. The development may show that more corporations are accepting shareholder-friendly policies.

A double dose of sound policy

For years, activist shareholders like John Chevedden have been pushing companies to institute solid corporate governance policies, including ditching supermajority voting policies and declassifying boards.

At companies with supermajority voting requirements, a freakishly large majority of shareholders must approve major changes. It's easy to see why it might be a little weird to require 67% to 90% of shareholders' votes in order to approve changes.

A classified board structure lets corporate directors serve for different term lengths -- one may be elected for five years, while another comes up for election every three. This can encourage longstanding directors to become complacent, or get too cozy with management. It can also complicate shareholders' ability to replace directors if business starts going bad.

In one fell swoop, eBay has announced that it will eliminate its supermajority voting requirements and declassify its board. This move doesn't come out of nowhere; Chevedden filed a proposal to eliminate the supermajority voting rule (which received 63% shareholder approval), and the Nathan Cummings Foundation withdrew its declassified board proposal after eBay agreed to review its policy.

Chevedden points out that eBay's agreement to these types of changes sharply contrasts with companies like Kinetic Concepts, KBR, and Apache. In April, I covered Apache's and KBR's courtroom resistance to Chevedden's similar proposals. Kinetic Concepts piggybacked on KBR's case, also excluding Chevedden's proposal. Thankfully, a month later Kinetic Concepts announced that it would support annual elections after all.

More good headway

Despite some bitter battles, shareholders like Chevedden, the Nathan Cummings Foundation, and others are making progress toward better corporate governance. At several companies, boards even seem to know which way the wind is blowing; they've launched more shareholder-friendly policies without waiting for a shareholder revolt.
In early May, the American Corporate Governance Institute reported that 14 S&P 500 companies declassified their boards this year, marking a 10% decrease in companies with classified boards. Since 1998, the number of S&P 500 companies with classified boards has been more than halved, to 139 from 303. In case you're curious, a few of the major companies clinging to classified boards include McDonald's, Best Buy, and Juniper Networks.

Companies that have agreed to declassify their boards include Life Technologies and Eaton. These two companies' boards even had a change of heart, now recommending that shareholders vote for the move.

Fluor has also declassified its board and removed its supermajority voting provisions, after shareholders overwhelmingly voted for the changes. Fluor's board itself proposed these changes for a shareholder vote, stating in its proxy:

In developing this proposal, the Board (including all members of the Governance Committee) considered the growing sentiment, particularly in the institutional investor community, in favor of annual elections and believes that the Board would continue to be effective in protecting shareholder interests under an annual election system. In this regard, the Board recognizes that many investors and commentators believe that the election of directors is the primary means for shareholders to influence corporate governance policies and hold management accountable for implementing those policies.

**Shareholder-friendly in many ways**

Good corporate governance isn't just the *right* thing to establish; it may also encourage better shareholder returns.

The Harvard Law School Forum on Corporate Governance and Financial Regulation recently published empirical evidence supporting the purely financial reasons in favor of declassifying boards. According to studies the forum cited in its blog post, classified boards can be correlated with lower valuation, worse performance, and value-destroying acquisitions.

Fighting for shareholder-friendly measures like these is good for investors on many levels. Let's hope more and more companies and their boards do the right thing.