# The Managerial Placebo Effect: Clawback Clauses as Instruments of Symbolic Governance

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## Abstract

Can a governance tool influence stakeholder behaviour and restore trust—even when never activated? This question lies at the heart of this paper, which introduces and theorizes the managerial placebo effect in corporate governance. Specifically, the study would investigate whether the mere formal presence of a clawback clause—a provision that allows firms to recover executive pay in the event of misconduct—can elicit positive stakeholder responses through its symbolic existence alone.

Clawback clauses today occupy a hybrid governance space: they are legal provisions by design, remuneration control mechanisms by function, and reputational instruments by purpose. While they have become increasingly embedded in both regulatory mandates (e.g., SEC Rule 10D-1) and soft law frameworks (e.g., SRD II, UK Corporate Governance Code), their actual enforcement remains rare. This empirical scarcity of activation raises a deeper theoretical paradox: Can the expectation of accountability function as a substitute for accountability itself? This study re-examination clawback clauses as anticipatory legitimacy tools that may exert influence ex ante—by shaping investor expectations—even though they are legally intended to operate ex post. Drawing an analogical reinterpretation of the placebo effect within the context of medical research, the paper postulates that clawbacks can alter stakeholder behaviour not through enforcement, but through symbolic signalling and self-fulfilling belief structures. From this perspective, the paper introduces a reflection on the phenomenon of the "normative placebo," whereby contractual clauses are included which, although formally valid, are deliberately ineffective between the parties. These clauses give rise to an efficient—albeit deceptive—equilibrium; it is considered efficient in that it facilitates realignment between the contracting parties, yet it operates through the implementation of a deliberately misleading mechanism.

The paper is guided by the following research question:

RQ: Can the mere formal presence of a clawback clause, despite its non-enforcement even after a trigger event, generate increased institutional investor support through an anticipatory signalling mechanism, consistent with the logic of a managerial placebo effect?

To empirically test this causal logic, the paper adopts an event study methodology. It identifies a sample of listed firms that publicly disclosed the adoption of clawback clauses between 2022 and 2025, and isolates those in which the clause was never enforced—even after governance failures or misconduct events. The event date is defined as the first public disclosure of clawback adoption.

- Short-term analysis: Cumulative Abnormal Returns (CARs) are calculated using a standard market model within a [-5, +5] window to assess whether the disclosure generates positive market reactions (H1).

- Medium-term analysis: Over a 12-month post-event window, the study tracks shifts in:
  - Say-on-Pay approval rates,
  - Proxy advisor recommendations,
  - Analyst forecast dispersion and coverage,
  - ESG governance scores (MSCI, Sustainalytics).

This study contributes to the literature on symbolic governance and non-substantive compliance by providing a robust empirical test of the idea that formal presence can substitute for substantive action. It reinterprets clawback clauses not as mechanisms of legal coercion, but as performative artifacts that shape investor cognition and organizational legitimacy through anticipatory optics. In doing so, it offers:

1. A novel conceptualization of the managerial placebo effect in governance.
2. A rigorous empirical strategy to detect the symbolic efficacy of non-enforced policies.
3. A normative reflection on the risks and resilience of symbolic accountability in the eyes of institutional investors.
4. A reflection on the prescriptive effectiveness of contractual clauses such as those of the claw back with a view to their revision

**Keywords**: anticipatory legitimacy; behavioral signaling; event study methodology; institutional investors; symbolic compliance