

Governance Through Ownership and Sustainable Corporate Governance

Marc Goergen, Finance Department, IE Business School

<https://doi.org/10.1093/acrefore/9780190224851.013.370>

Published online: 23 March 2022

Summary

Sustainable corporate governance has been defined as corporate governance that ensures corporations are run in such a way that they are sustainable over the long term. Note that for corporations to be sustainable in the long run, they need to ensure the preservation, as well as possibly the enhancement, of their ecosystem. This not only includes establishing and maintaining good relations with their shareholders and stakeholders but also preserving their environment. Here, the term *environment* should be understood as taking on a broader meaning. Indeed, corporations preserving their environment should not be reduced to mere environmentalism but they should also operate in harmony with the broader economic and social system. Put differently, sustainable corporate governance should also ensure that corporations are run in such a way to avoid future crises, such as the Great Recession. This would require a move away from business models that focus on short-term shareholder value while endangering the survival of the corporation over the long term.

Whereas much of the existing literature suggests that corporations should merely maximize shareholder value and that a stakeholder approach will result in vague and often contradictory objectives for the management, long-term shareholder value creation is nevertheless compatible with the corporation looking after the interests of its immediate, as well as possibly more remote, stakeholders. Ultimately, sustainable business practices will not only benefit the corporation's employees, customers, and the broader society but also its owners.

The key question that arises is whether there is a link between various types of owners and sustainable corporate governance. A number of related questions emerge. What different types of owners are there and how influential are they in putting their stamp on how their investee firms are managed? Attempting to answer these questions requires revisiting the premise of the principal-agent theory that owners are typically disinterested from engaging with their investee firms. The main critique of this premise is that, even within the Anglo-Saxon corporate governance system, firms tend to have block holders, and there exist activist shareholders. Further, since the 1980s there has been an emergence—as well as an increase in the prevalence—of activist shareholders. Are some types of owners or shareholders more likely to enhance and maintain sustainability than others?

A review of extant evidence on the effects of various types of shareholders on long-term financial and non-financial goals suggests the following. While some types of owners are found to promote and support sustainable corporate governance, the effect of other types is less clear or even negative. This difference in effects could be due to three reasons. First,

context, including the national setting, is important. Second, some types of investors, such as sovereign wealth funds, show great diversity in their characteristics and objectives. Finally, the goalposts are shifting with an increasing number of investors embracing corporate social responsibility and environmental, social, and governance issues. Importantly, given the increasingly visible consequences of global warming and societal unrest caused by a worsening of wealth inequality, the transition to a more sustainable society should not merely be the responsibility of corporate owners. Others, including corporate executives and business schools, are key to achieving this transition.

Keywords: corporate governance, corporate ownership, corporate control, sustainable corporate governance, shareholders, stakeholders, corporate social responsibility (CSR), environmental, social and governance (ESG) issues

Subjects: Business Policy and Strategy, Ethics, Finance, Social Issues

Introduction

Likely fueled by the combination of the mounting evidence on the disastrous effects of global warming on the planet and the rise in wealth inequality across the world, there has been an increased consciousness among scholars, corporate leaders, and investors that corporations need to consider objectives that go beyond shareholder value maximization. Parallel to this, it has become evident that the economic and social consequences of the 2008 subprime mortgage crisis—commonly referred to as the Great Recession—hit the most vulnerable parts of society disproportionately hard, which might also explain the recent rise in populism and extremism across a number of countries (Brou et al., 2021; Han, 2016).

This increased consciousness has reignited the debate among scholars about whether corporations should go beyond serving their owners by contributing to the good for the wider society, and if so, how this can be achieved (see, e.g., Edmans, 2020; Mayer, 2013). At the core of this debate lies the key question about the sustainability of businesses. Here, sustainability should not be understood to mean merely environmentalism; rather, it should also be seen within the broader context of sustainable business practices from an economic, social, environmental, and systemic point of view. In what follows, the focus is on whether and how the owners of corporations are able to achieve and maintain the sustainability of their businesses.

This article proceeds as follows. First, it attempts to define sustainable corporate governance. Second, it revisits the principal-agent theory by critiquing its main premise that the owners of large corporations are mostly disinterested owners who find it easier to vote with their feet than voice their concerns and engage actively with their investee firms. Third, it reviews the evidence on the existence of activist shareholders within the Anglo-Saxon corporate governance system, the system that is also the implicit focus of the principal-agent theory. Fourth, it then moves from the Anglo-Saxon world characterized by widely held stock-exchange listed corporations with many small shareholders to the rest of the world where

large shareholders tend to be the norm. An important issue that arises outside the Anglo-Saxon world is that some of these large shareholders are indeed large owners, whereas others hold significantly more control rights than cash flow rights, making them powerful shareholders while keeping their ownership stake at relatively modest levels. In turn, this wedge between ownership and control creates its own conflicts of interests. Finally, the evidence on whether and how various types of owners promote and enhance sustainable corporate governance is revisited. The article concludes with some reflections on how to achieve the transition to a more sustainable society.

Sustainable Corporate Governance

Sustainable corporate governance has been defined in various, albeit interrelated, ways. First, sustainable corporate governance may refer to corporations being run in such a way that they do not merely focus on shareholder value maximization but also consider their stakeholders in their decision-making. While some of the academic literature (see, e.g., Botero et al., 2004) has typically assumed a zero-sum game whereby increasing the part of value generated by the firm that goes to the additional stakeholders reduces the part that goes to the shareholders, and vice versa, others (see, e.g., Amable, 2003; Edmans, 2020; Ferrell et al., 2016) have argued that looking after the interests of all the firm's stakeholders may increase the firm value, which in turn benefits the shareholders. In what follows, this issue is revisited where appropriate.

Second, sustainable corporate governance may refer to corporate governance practices that ensure that corporations are well governed so that they are not subject to failure and that they are able to weather shocks (Goergen & Tonks, 2019; Veldman, 2019). Ultimately, the aim of sustainable corporate governance should be the prevention of waves of corporate failures and scandals or, at the very least, reducing the magnitude and severity of such waves. Such waves of corporate failures and scandals affected the United Kingdom in the late 1980s to early 1990s and the United States in the early 2000s. More recently, the Great Recession has affected financial systems and economies at a global level. In the wake of the Great Recession, the U.K. government asked Lord Turner, chairman of the then Financial Services Authority (FSA), now the Financial Conduct Authority (FCA), to review the causes of this crisis (Turner, 2009). It also commissioned Sir David Walker, former chairman of Morgan Stanley, to review corporate governance in banks (Walker, 2009). While neither review contains the term "sustainable corporate governance," the Walker (2009) review uses the words "(un)sustainable" and "sustainability" 11 times (across 181 pages), while the Turner (2009) review uses the same words 12 times (across 122 pages). Whereas the Turner review mainly refers to the unsustainable expansion of credit or funding in the U.K. United Kingdom and beyond, it also refers to unsustainable (i.e., risky) business models and strategies on three occasions. In turn, the Walker review tends to refer to sustainable (improvement in) performance. The 2010 revision of the U.K. Corporate Governance Code then explicitly mentioned the "sustainable success of an entity over the longer term" as one of the principles of good corporate governance (FRC, 2010a).

Finally, sustainable corporate governance may refer to corporations pursuing sustainability more broadly defined. The report of the World Commission on Environment and Development of the United Nations (World Commission on Environment and Development, 1987), commonly known as the “Brundtland Commission,” provides such a broad definition of sustainability. It defines sustainability as meeting “the needs of the present without compromising the ability of future generations to meet their own needs” (para. 29). The commission’s report has a clear focus on reducing poverty across the world and the reduction of what it terms “environmental stress,” which is caused not only because of the growing demand for scarce resources by those who are relatively well off but also by the poor, who often must resort to destroying their immediate environment to survive. Nevertheless, this definition is broad enough to encompass 17 very diverse sustainable development goals (SDGs). The reader should also note that the *Financial Times* is gradually putting more weight on the coverage of the UN’s SDGs by MBA course syllabi in its rankings of MBA programs and business schools (see, e.g., Jack, 2020). More importantly, a lack of sustainable corporate governance—in the sense of the second definition—may ultimately cause economic, social, and governance (ESG) issues, which may affect not only present but also future generations. For example, the Great Recession increased economic inequality and poverty in the West, and austerity, the political reaction to the crisis, has also been suggested as one of the causes of the rise of populism across the globe (Brou et al., 2021; Foster & Frieden, 2019).

Note that these three definitions of sustainable corporate governance are not mutually exclusive. Importantly, all three definitions imply that, when it comes to shareholder value, the focus should clearly be on the creation of long-term shareholder value rather than short-term shareholder value (see also ECGI, 2021; Jensen, 2001; Roe et al., 2020; Sprague, 2010; Veldman, 2019). While a focus on the short term, often pejoratively referred to as short-termism (for a discussion, see, e.g., Miles, 1993), may boost profits and shareholder value in the short term, this may come at the cost of lower long-term shareholder value, which in turn may jeopardize the survival or sustainability of the firm over the long run. Short-termism may manifest itself in the firm turning down positive net present value (NPV) projects with a relatively long payoff period (Miles, 1993). For example, the firm’s management may refuse to switch to the latest technology as this shift would have a severe impact on profits over the short to medium term, including managerial compensation (Goergen & Renneboog, 2011). However, refusing to make this shift would then also make the firm less competitive in the long run, reducing its market share and ultimately affecting its chances of survival. Eventually, this short-termism would harm both the firm’s shareholders and other stakeholders. Put differently, the focus on long-term rather than short-term shareholder value ensures that, alongside shareholder interests, the firm considers the interests of its other stakeholders in its decision-making. Indeed, while polluting the environment may boost profits in the short run, such an act is likely to harm the firm’s reputation in the long term. This would not only destroy shareholder value in the long run but also affect the firm’s customers and employees.

To sum up, the third definition is the broadest one of all three definitions as it encompasses the first two definitions. While the first definition focuses on the firm's immediate or direct and narrowly defined stakeholders, the third definition adopts a much broader definition of stakeholders, including very remote and future stakeholders. The third definition also encompasses the second definition, which focuses on how the firm interacts with its ecosystem (see Moore, 1996, pp. 26–29, for a definition), and how the former affects the stability of the latter.

Hence, sustainable corporate governance is the set of arrangements that ensure that the firm focuses on maximizing long-term shareholder value, which goes hand in hand with the consideration of broader stakeholder interests in the firm's decision-making. The focus on long-term shareholder value creation not only enhances the survival of the firm in the long run, but it also promotes the preservation of the firm's ecosystem.

What follows is a discussion of governance through ownership. This discussion starts with a review of the principal-agency theory, which suggests that governance through ownership is a misnomer: Either one holds ownership rights in the corporation or one is in control of the latter. In contrast, owners who hold any sizeable degree of control are absent from the modern corporation.

The Principal-Agent Problem

The research monograph by Berle and Means (1932) is the first systematic study of corporate ownership and control. This study not only identified the control and ownership of U.S. corporations at the turn of the 19th century, but it is also highlighted a seismic shift in control and ownership from the concentrated ownership of the 19th-century business company to the dispersed ownership of the 20th-century stock corporation.

Put differently, Berle and Means (1932) uncovered the concept of what they called the modern corporation, which is run by professional managers on behalf of the shareholders. More specifically, in the modern corporation, there is a clear division of labor as the managers have the skills and knowledge to run the corporation but not the required funds to support it financially. In turn, the shareholders have the funds but not the knowledge to manage the corporation on a daily basis. This implies that the managers are effectively in control, making the day-to-day decisions about the corporation, whereas the shareholders' role is broadly limited to funding the corporation, in turn earning a return on their investment via dividend payments and capital gains.

It is precisely this separation of ownership and control that forms the premise of the Jensen and Meckling (1976) principal-agency theory. According to this theory, the separation of ownership and control in the modern corporation creates a conflict of interests between the managers, that is, the agents, and the shareholders, that is, the principals. As the managers do not own the corporation, their interests may be misaligned with those of the owners. The Scottish economist Adam Smith was the first to point out this misalignment:

It is in the interest of every man to live as much at his ease as he can; and if his emoluments are to be precisely the same, whether he does, or does not perform some laborious duty, it is certainly his interest, at least as interest is vulgarly understood, either to neglect it altogether, or, if he is subject to some authority which will not suffer him to do this, to perform it in as careless and slovenly a manner as that authority will permit.

(Smith, 1776 p. 422)

Apart from identifying the potential misalignment of interests between an agent and their principal, Smith (1776) also implicitly refers to what was later termed the “managerial shirking” (or “quiet life”) thesis, whereby managers actively avoid taking some critical actions that are in the interests of the shareholders as they deem these actions to involve too much effort on their part, for example, being cognitively difficult (Bertrand & Mullainathan, 2003).

Further, this misalignment of interests may manifest in the managers consuming excessive perquisites—or perks—as well as possibly engaging in empire building. Perks consist of on-the-job consumption of shareholder funds by the managers. While all the benefits from the perks accrue to the managers, the resulting costs are borne entirely by the shareholders. In practice, the magnitude of the perks (relative to, e.g., the firm’s sales revenue or net earnings) tends to be modest, at least in comparison to the extent of empire building. However, given that excessive perks are frequently combined with lackluster performance by the management—and sometimes even outright fraud—they tend to cause shareholder outrage. In turn, empire building consists of the managers pursuing growth for the sake of growth without due consideration of whether this push for growth creates shareholder value or destroys it. In its extreme form, managers may invest in negative net present value (NPV) projects, including pet projects, with a view to entrench themselves.

Why would managers focus on increasing the size of the corporation rather than on maximizing shareholder value? First, increasing the size of the firm requires less effort than the cognitively more costly identification of value-increasing, internal investment opportunities. For example, enlarging the corporation could be achieved by the managers going on a shopping spree and taking over other firms. Nevertheless, Bertrand and Mullainathan (2003) find that when managers are shielded from disciplinary takeovers, they prefer to have a quiet life rather than engage in empire building. Second, one of the main determinants of the level of managerial compensation is firm size. Khorana and Zenner (1998) study the link between the design of managerial compensation packages and the firm’s acquisitions of other firms. They find that, for firms that engage in more acquisitions, managerial compensation grows with increases in firm size. This is the case even for value-destroying acquisitions as the positive effect on managerial compensation from the acquisitions exceeds the negative effect caused by the drop in the stock return and sales post-acquisition, which would harm the value of managerial stock grants and stock options as well as depress their bonuses. Similarly, Harford and Li (2007) report that managers benefit from acquisitions via an increase in their compensation while they are shielded from the

consequences of a post-acquisition drop in performance. They do not find such an effect for internal investments for which the asymmetry of information between managers and shareholders tends to be much less pronounced.

Activist Owners

This discussion might suggest that there is no governance through ownership as it makes more sense for small shareholders to vote with their feet rather than engage in costly monitoring. However, it would be wrong to draw this conclusion for the following reasons.

Minority Block Holders

First, while the separation of ownership and control à la Berle and Means (1932) is an accurate description of the average stock-exchange listed Anglo-Saxon corporation, such corporations typically still have shareholders with relatively large holdings. For example, Holderness (2009) finds that 96% of a representative sample of 375 U.S. companies have a shareholder owning at least 5% of the common stock. Even in the S&P 500 index, which includes the largest U.S. listed corporations, this percentage remains high at 89%. Such shareholders, often referred to as block holders, tend to be institutional shareholders (see, e.g., Barca & Becht, 2001).

Importantly, institutional block holders are expected to monitor their investee firms, at least to some degree. Note, however, that the propensity for U.S. institutional investors to monitor their investee firms is likely greater than, for example, U.K. institutional investors. Indeed, the Employee Retirement Income Security Act (ERISA) of 1974 effectively made voting at annual general shareholder meetings (AGMs) compulsory for U.S. pension funds (see, e.g., Goergen, 2018). In contrast, the United Kingdom has so far stayed clear of making voting mandatory. This has been the case despite the Myners (2001) report accusing U.K. institutional investors of being mainly passive. Still, consecutive codes of best practice on corporate governance in the United Kingdom have been merely to encourage institutional shareholders to exercise their votes. This might explain why Fidrmuc et al. (2006) found little evidence of monitoring by U.K. institutional shareholders, whereas there was evidence of monitoring by other types of U.K. shareholders, that is, corporations and individuals or families. Still, this does not preclude some U.K. institutional investors from being highly activist. Indeed, Becht et al. (2010) found the Hermes UK Focus Fund, the manager of the British Telecom Pension Fund, to intervene frequently and often behind closed doors in its investee firms.

Finally, the United Kingdom was the first country to publish a stewardship code in the summer of 2010 (FRC, 2010b). The aim of the code was to encourage institutional investors to engage with their investee firms with a view of improving long-term value. The code included a number of recommendations, including that institutional investors should monitor their investee firms and should have in place a clear policy on voting. However, it remains to be

seen whether the code will be able to improve engagement by U.K. institutional investors (Puchniak, 2021), something that consecutive codes of best practice on corporate governance have failed to achieve.

Common Ownership

Second, common ownership has increased substantially since the 1980s in the United States and other countries. Whereas in 1980 less than 10% of block holders held a stake in at least two S&P 500 firms from the same industry (He & Huang, 2017), in 2015 this percentage increased to a staggering 81% (Lewellen & Lowry, 2021).

One would expect common ownership to increase the economies of scale of monitoring as the information collected on one firm can be used to appraise other firms from the same industry. Edmans et al.'s (2019) theoretical model predicts that common ownership results in better governance, even when it is not limited to related industries. Ramalingegowda et al. (2020) find evidence of improved monitoring efficiency of common institutional ownership as this type of ownership reduces earnings management by the managers. Nevertheless, the reader should note that common ownership may also have a downside, which is discussed later in this article when comparing and contrasting large owners to small owners with strong control.

The Emergence of New Types of Activist Shareholders

Finally, there has been an emergence of new types of activist shareholders since the 1980s in the United Kingdom and the United States, as well as other countries. Such activist shareholders include hedge funds, private equity houses, venture capitalists (VCs), and sovereign wealth funds (SWFs). Activist shareholders are shareholders that take "an equity stake in a company with the intention to influence the control or the management of the company" (DesJardine & Durand, 2020, p. 1055). Frequently, activist shareholders push for changes to a firm's governance as well as intervening more generally in the management's decisions (Bratton & McCahery, 2015; Filatotchev & Dotsenko, 2015).

Hedge Fund Activists

Importantly, hedge fund activists have been reported to target firms that engage in empire building. For example, Gantchev et al. (2020) find that hedge fund activists reduce the acquisitions made by firms engaged in empire building, while those acquisitions that occur post-activism are made on better terms for the acquiring firm. Hedge fund activists also reduce empire building by removing the chief executive officer (CEO) from their target firm and by redesigning managerial compensation as well as appointing new members to the board of directors.

This would suggest that hedge fund activists fulfill an important role in reducing agency problems. This claim is supported by hedge fund activists visibly intervening in their investee firms via proxy fights (Aguilera et al., 2019). Such interventions target changes to the firm's governance, capital structure, and assets, as well as possibly the sale of the firm. Still, the most significant type of intervention consists of the hedge fund activist obtaining a seat on the firm's board of directors (Ahn & Wiersema, 2021). In the United States, all these interventions tend to be highly public with hedge fund activists fighting to win votes against the management. However, outside the United States, such high-profile and public interventions tend to be rare and much less aggressive (Booth, 2020; Kuvandikov et al., 2022).

Nevertheless, there is also evidence that hedge fund activists transfer wealth from other corporate stakeholders to the firm's shareholders. For example, Klein and Zur (2010) find that the short-term and long-term wealth gains for the shareholders following the purchase of a stake by a hedge fund activist in a firm can be explained by equivalent losses for the bondholders of the firm. These losses for the bondholders are greater if the hedge fund activist holds a board seat. This study suggests that, while hedge fund activists enhance shareholder value, this may come at the cost of value destruction for other corporate stakeholders. Similarly, there is evidence suggesting wealth transfers from employees to shareholders in firms with hedge fund activists. For example, Kuvandikov et al. (2022) study the changes in the workforce in U.K. acquiring firms with ownership by hedge fund activists. They find that firms with hedge fund activists are more likely to reduce their workforce post-acquisition. However, they fail to find evidence that such reductions go hand in hand with improvements in financial performance and labor productivity. More generally, when it comes to firms engaging in corporate social responsibility (CSR), there is evidence of such firms being targeted by activist hedge funds. Indeed, DesJardine et al. (2021) find that firms with better CSR are more likely to be targeted by hedge fund activists, and this tends to be more so for firms whose levels of CSR exceed the levels of their industry.

This discussion suggests that some or all of hedge fund activism is unlikely to be sustainable given its focus on short-term shareholder value creation. Nevertheless, the mere threat of a firm being subject to hedge fund activism may ensure that its management runs the firm in the interests of its shareholders. This could then result in greater shareholder value over the long run.

Private Equity Houses

Another type of activist shareholder, that is, private equity houses, has been extensively studied as to its effects on value creation. Private equity houses are involved in the acquisition of mature firms. Such firms are typically stock-exchange listed, but they may also be larger, privately held firms (Achleitner et al., 2013).

Further, there are different types of private equity acquisitions (Renneboog et al., 2007; Wood & Wright, 2009). First, management buy-outs (MBOs) consist of the incumbent management of a firm buying out the existing shareholders with the help of private equity investors.

Second, in a management buy-in (MBI) an outside management team acquires a firm, again with the help of a private equity house. Finally, institutional buy-outs (IBOs) are acquisitions of mature firms that involve private equity houses as well as possibly other institutional investors. However, IBOs do not result in management ownership of the targeted firm, unless such ownership is part and parcel of the managerial compensation contract.

All three types of private equity acquisitions have been shown to generate gains for both the selling shareholders of the targeted firms and the private equity investors (see, e.g., Cumming et al., 2007). When it comes to the employees of the targeted firms, MBOs tend to benefit the employees via, for example, improved human resource management (HRM) practices as evidenced by Wright et al. (2007). In contrast, the effects of MBIs and IBOs on employees are much more mixed. For example, Goergen et al. (2014) find a significant drop in employment in IBOs following the acquisition. However, they do not find significant improvements in profitability and labor productivity following such acquisitions.

Hence, the evidence as to the sustainability of private equity acquisitions is mixed. While the evidence points out that MBOs not only generate shareholder gains but also improvements for the stakeholders, MBIs and IBOs tend to generate shareholder wealth potentially at the cost of the stakeholders, such as the employees.

Venture Capitalists

Venture capitalists (VCs) are frequently confused with private equity houses (Davis et al., 2015; Wood & Wright, 2010). However, as they specialize in the financing of early-stage firms, that is, firms that have not yet gone public, they are very different from private equity houses that focus on acquiring mature firms.

By their very nature, VCs are activist shareholders. First, they provide advice, as well as access to networks and resources to their investee firms (Hellmann & Puri, 2002; Hochberg et al., 2007; Sørensen, 2007). They also support their investees with designing their organizational structure, attracting key staff, setting up their top management team, and enhancing their market share (Hellmann & Puri, 2002). In addition, they enhance the innovative activity of their investee firms (Chemmanur et al., 2014; Kortum & Lerner, 2000; Lerner, 2012). Second, they are actively engaged in the governance of their investee firms. Importantly, VCs tend to have at least one representative on the board of directors of their investee firms (Lerner, 1995). More precisely, Chahine and Goergen (2011) report that in the average VC-backed U.S. firm, VCs hold a third of the board seats at the initial public offering (IPO), while the executives hold another third of the seats, and independent directors make up the remaining third. Their engagement in the governance of their investee firms takes on various forms, including the replacement of the founder manager by a professional manager, the design of the employment contracts, and the incentive structure of the top management team (Goergen, 2018; Hellmann, 1998).

While the impact of VCs on their investee firms has been shown to be positive (see, e.g., Suchard, 2009; Wood & Wright, 2010), younger VC firms may nevertheless suffer from conflicts of interests that may affect their objective function (Gompers, 1996). Indeed, VC firms are in the form of limited partnerships, with the limited partners providing the financing. Young VC firms may then be under pressure to take their investee firms public earlier than would be optimal to create a successful exit, thereby ensuring further funding from their limited partners. This grandstanding then results in higher IPO underpricing of their investee firms at the IPO given the greater uncertainty surrounding the future success of the firm. While the VCs reap the benefits from their grandstanding in terms of improved future funding, they share the costs of doing so, that is, the greater IPO underpricing, with the other pre-IPO shareholders, including the founders of the business. This would suggest that younger VCs may pursue short-term objectives rather than long-term ones.

Sovereign Wealth Funds

Sovereign wealth funds (SWFs) are “state owned financial vehicles that administer public funds and invest them” (Bahgat, 2010, p. 163). The Norwegian Government Pension Fund-Global (NGPF-G) is the largest SWF in the world with an assets value totaling US\$1,255 billion, including equity investments in 9,123 companies across 73 countries; the fund is not allowed to invest inside Norway (Norges Bank Investment Management, 2020). Globally, the average holding of the fund in listed companies is 1.4%, while it holds stakes between 2% and less than 5% in 1,278 companies. Stakes above 5% are rare with only 40 such stakes held by the NGPF-G.

Other large SWFs include the Abu Dhabi Investment Authority, the China Investment Corporation, China’s SAFE Investment Company, the Kuwait Investment Authority (KIA), the Government of Singapore Investment Corporation, and Saudi Arabia’s SAMA Foreign Holdings and Public Investment Fund (Goergen et al., 2018).

While SWFs are global in their reach, they also form a more heterogenous type of investor than all the previously reviewed investor types. For example, the NGPF-G is truly exclusive, given its strong ethical focus. The fund is owned by the Norwegian people and managed by the Norwegian Ministry of Finance, with the Norges Bank, a subsidiary of the Norwegian Central Bank, being in charge of the operational management (Norges Bank Investment Management, 2020). Importantly, the Ministry of Finance lays down ethical guidelines that are then used by the NGPF-G as the basis for excluding companies from the fund or for putting existing investee firms under close observation. The fund is not allowed to invest in companies that produce certain types of arms, extract coal, or manufacture tobacco (Norges Bank Investment Management, 2020). The fund may also exclude companies that violate basic ethical norms. In 2020 alone, the fund excluded 10 such companies. In the past, the fund excluded Walmart because of labor issues (Dixon & Monk, 2012) and the U.K. company Cairn Energy and the U.S. company Kosmos for what it considered serious violations of basic ethical norms (Milne & Kiran, 2016).

Although the NGPF-G holds relatively modest stakes, it is nevertheless an activist investor, rather than just one that exits troublesome firms, as reported by Goergen et al. (2018). Indeed, the fund voted against 15% of management proposals at general shareholder meetings, including the re-election of Jamie Dimon as CEO of JP Morgan and Lloyd Blankfein as chairman of Goldman Sachs. It also voted against the proposed issue of new nonvoting shares by BMW. Finally, Goergen et al. (2018) also found that U.K. firms with NGPF-G ownership were less likely to shed labor in the wake of the Great Recession than those without NGPF-G ownership, which again is in line with the fund's promotion of ESG issues and Norwegian values abroad.

While there is ample evidence of the NGPF-G being an activist shareholder targeting governance and ESG issues in its investee firms via direct interventions and if this fails, exiting such firms, the goals pursued by the other SWFs tend to be much more diverse, with some SWFs potentially pursuing one or several of very different goals. Such goals include acquiring technological knowledge (Mackinnon & Powell, 2010), creating access to global production networks for their domestic firms (Zhang & He, 2009), securing natural resources for their country of origin (Sun et al., 2014), and serving as a diplomatic device for enhancing the power of their country of origin abroad (Knill et al., 2012; Lenihan, 2014). To conclude, SWFs may be activist in more than one sense with their activism extending to objectives other than shareholder value maximization and improvements in the CSR performance of their investee firms. Hence, while the NGPF-G has a clear focus on sustainable corporate governance in its widest sense, as per the third definition, other SWFs are more likely to pursue their own narrower politically or economically motivated interests. While such interests may be long-term interests, they are nevertheless interests that serve some domestic audiences rather than a wider range of stakeholders. This argument is supported by Liang and Renneboog (2020) who do not find that in general SWFs affect the CSR performance of their investee firms.

Large Owners

While in the Anglo-Saxon world, large owners, that is, shareholders holding in excess of 10% of a company's equity, are rare, they are present in a significant proportion, if not the majority, of stock-exchange listed firms elsewhere. For example, in Western Europe (Barca & Becht, 2001) the percentage of listed firms with a majority shareholder ranges from 26% in Sweden to 68% in Austria, whereas in Eastern Europe (Gugler et al., 2014) the average stake held by the largest shareholder ranges from 35% in Lithuania to 60% in Croatia. While in Western Europe the most common type of large shareholder is other companies or holding companies, in Eastern Europe the most common type of large shareholder tends to be individuals and the state (Goergen, 2018).

In East Asia (Carney & Child, 2013) ownership is equally concentrated as the percentage of stock-exchange listed firms with a block holder holding at least 10% of the shares ranges from a low of 43% in Japan and Taiwan to a high of 97% in Malaysia. Families tend to be the most important type of shareholders across East Asia, except in Japan where other corporations

dominate as large shareholders. In addition, the corporate landscape in South Korea is dominated by *chaebols*, that is, business groups that are ultimately controlled by families. In turn, Japan has its own form of business groups, that is, *keiretsus*, which are characterized by cross-shareholdings and a bank at the core of the group but without family control at the top of the group.

Further, in China (Gul et al., 2010) the largest shareholder holds on average 43% of the equity while 67% of firms have the Chinese government or a government-related organization as their largest shareholder. Finally, ownership of Indian firms is also concentrated with 60% of the largest 500 firms on the Bombay Stock Exchange being part of a family-controlled business group (Chakrabarti et al., 2008).

Given that these large owners hold substantial stakes in their investee firms, it seems evident that they are active owners. However, the question still arises as to their overall effect on their investee firms. More specifically, do these large shareholders pursue their own interests, potentially to the detriment of the other owners and the stakeholders? Or do these large shareholders generate benefits that they share with the other owners and stakeholders? What follows attempts to answer these questions.

Large Owners Versus Small Owners With Strong Control

On the positive side, the large shareholder may mitigate, or even prevent, principal-agent problems. The substantial ownership stake provides the large shareholder not only with the incentive to ensure that management does not misuse shareholders' funds via shirking, excessive perks, or empire building but also with sufficient power to intervene in managerial decision-making should there be a need for this (Shleifer & Vishny, 1997). Importantly, monitoring the management performed by the large shareholders benefits all the shareholders, including minority shareholders. The monitoring performed by the large shareholder should be reflected in a higher firm performance and a higher share price. Grossman and Hart (1988) termed this value creation by large shareholders as the *security* benefits of control.

On the negative side, large owners may intervene too frequently in managerial decision-making, thereby curbing managerial discretion excessively, which could harm firm value (Burkart et al., 1997). In addition, the large owners may create their own conflicts of interests. While the large shareholders hold control over the firm, they share the ownership of the firm with the small or minority shareholders. Hence, the large shareholders may misuse their control to expropriate the minority shareholders' funds. The large shareholders may expropriate the minority shareholders' funds via tunnelling (Johnson et al., 2000), that is, outright stealing the firm's assets, and via excessive transfer pricing, whereby the large shareholders overcharge the firm for services or assets they provide. Grossman and Hart (1988) call this value destruction by the large shareholder the *private* benefits of control as they are not shared with all the shareholders.

Evidence in favor of private benefits of control comes in the form of the premium above the market price that buyers of blocks of shares are willing to pay to the sellers of such blocks. Dyck and Zingales (2004) find that the average premium ranges from -4% in Japan to a maximum of 65% in Brazil. More generally, Zingales (1995) finds that the price of a vote is about 10% of the price of the share with the same dividend rights but without a vote. Finally, Kalay et al. (2014) confirm that shareholders value voting rights, especially around extraordinary shareholder meetings, hedge fund activism, and merger and acquisition (M&A) events.

The risk of minority shareholder expropriation will be greater if the large shareholder holds more voting or control rights than ownership or cash flow rights (Grossman & Hart, 1988). How can this violation of the Grossman and Hart (1988) one-share one-vote rule be achieved? Put differently, how does a large shareholder manage to maintain control with a relatively modest ownership stake? Goergen (2018) provides a discussion of the main four ways of achieving strong control with reduced ownership.

First, the large shareholder or founder of a firm can maintain control by issuing dual-class shares. Dual-class shares consist of two classes of shares, with one class conferring at least one vote in addition to the usual cash flow right, and the other class conferring no vote or fewer voting rights. For example, in Sweden the superior class confers 10 votes whereas the inferior class confers only one vote. In turn, in Germany so-called preference shares (*Vorzugsaktien*) do not come with voting rights but offer superior cash flow rights (i.e., a fixed, guaranteed dividend on top of the usual variable dividend), whereas the other class, the ordinary shares (*Stammaktien*), confers both a vote and the right to a variable dividend. While dual-class shares lost their appeal during the 1980s to early 1990s, they have experienced a comeback since the 2000s, with high-tech firms such as Google and Snap adopting such dual-class structures at the time that they went public (Goergen, 2018).

Second, two or more large shareholders may sign a voting agreement whereby they agree to vote the same. Such a voting agreement was in place in the French cosmetics firm L'Oréal from 2004 to 2018, where the second-largest shareholder, Swiss company Nestlé, would always vote with the largest shareholder, that is, the founding family (Goergen, 2018). For the Bettencourt Myers family, this agreement would have boosted their 33% stake to a majority stake.

Third, a large shareholder may control more than one firm (see subsection "Common Ownership"), including firms via one or several intermediary companies. Figure 1 shows an example of a simple ownership pyramid, also called a control chain. The large shareholder owns all the shares of firm B via a direct or first-tier holding. More interestingly, they control firm A—with a majority stake—via an intermediary firm, that is, the Holding Co. As the large shareholder has majority control of the intermediary holding company and the latter in turn has majority control of firm A, they effectively control firm A with an ownership stake of just 26% ($= 51\% \times 51\%$).

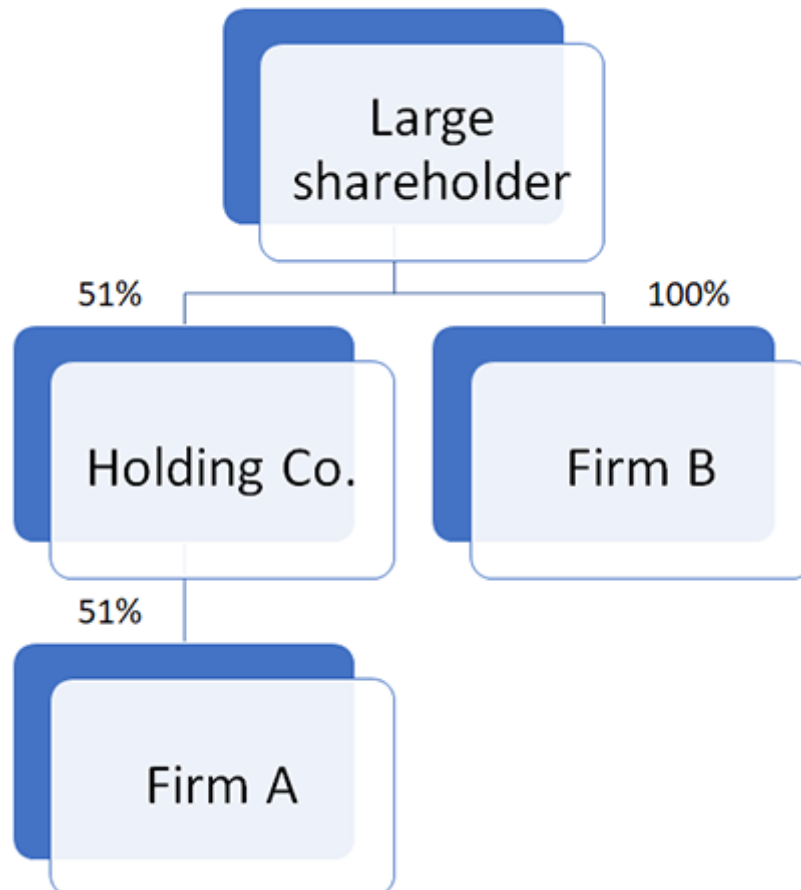


Figure 1. Ownership pyramid.

Given the wedge between the control and ownership held by the large shareholder in firm A, the large shareholder may force firm A to use the services of firm B at inflated prices. For every dollar that firm B is overcharging firm A, the large shareholder would then make a net profit of \$1 minus 26¢, that is, 74¢. Note that this net profit of 74¢ is equivalent to the sum of the loss made by the minority shareholders of firm A (49¢) and the loss made by the minority shareholders of the holding company (25¢ = 49¢ x 51%). More importantly, if the large shareholder were to hold a direct stake of 51% in firm A, their net profit would only have been 51¢. Hence, the holding company at the first tier of the ownership pyramid effectively acts as a lever, enabling the large shareholder to dilute their ownership in firm A while maintaining majority control of the latter.

Finally, national law may favor long-term shareholders by granting them additional voting rights once they have held their shares for a minimum period. This has been the case of France since 2004 when a new law, the Loi Florange, came into effect. This law automatically confers double voting rights to shareholders who have registered their ownership with the firm and have held their shares for at least 2 years. Similar to the previous three devices, this law creates a wedge between ownership and control. Nevertheless, French companies can opt out of this law if they wish to do so. Prior to 2004, France had a similar law in place. However, companies had to opt into this law as it did not apply by default as the Loi Florange does.

Owners and Benefits of Control

The previous discussion suggests that large or relatively large owners may be a double-edged sword (Grossman & Hart, 1988). On the one hand, they reduce principal-agent costs via their monitoring of management, thereby creating security benefits of control, which benefit all shareholders. On the other hand, they may expropriate the minority shareholders' funds by extracting private benefits of control from the firm.

Importantly, the two potential consequences of large shareholders, that is, the security and private benefits of control, can coexist; they are not mutually exclusive. What then matters is whether the overall effect of a given large shareholder on firm value and sustainability is positive or negative. Put differently, do the security benefits of control exceed the private benefits of control, or is the converse the case? What follows consists of a review of the evidence on the link between various types of shareholders and sustainable corporate governance.

Institutional Investors

When it comes to the effect of institutional investors on value creation in their investee firms, with institutional investors being the predominant type of shareholder in the Anglo-Saxon world, the empirical evidence is inconclusive. For example, Gugler et al. (2008) and Lee and Park (2009) find a positive effect on firm value. Both studies also find that institutional shareholders improve the quality of the firm's governance as evidenced by a greater sensitivity of executive compensation to firm profitability. Further, Hartzell and Starks (2003) find that institutional investors reduce the levels of executive pay. In contrast, Bhide (1993), Bushee (1998, 2001), and Burns et al. (2010) find that institutional investors have a negative effect on long-term firm value. These studies also find evidence of short-termism as they unveil evidence suggesting that institutional investors put pressure on managers to reduce expenditures that are crucial for the long-term competitiveness of the firm. In addition, this pressure on the firm's management increases the likelihood of financial misreporting.

The inconclusive empirical evidence on the performance effects of institutional investors may—at least to some extent—be due to the heterogeneity among such investors, including heterogeneity about their objectives and investment horizons. For example, Tihanyi et al.'s (2003) study suggests that U.S. pension funds, given their long-term outlook and buy-and-hold investment strategies, facilitate their investee firms' long-term foreign direct investment (FDI) strategies. In other words, some institutional investors may be more patient than others, thereby facilitating strategies that require long horizons. Similarly, Hoskisson et al. (2002) found evidence of pension funds being more patient when compared to investment funds. Pension funds tended to support internal innovation in their investee firms, whereas investment trusts preferred their investee firms to go down the quicker route of obtaining externally generated innovation by acquiring other firms.

Concerning institutional investors and CSR, Dyck et al. (2019) study the link between institutional ownership and environmental and social performance for firms from 41 countries. They find a positive link, which they interpret as evidence that institutional investors pursue not only financial objectives but also social ones. Further, Rahman (2021) investigates whether institutional ownership in Indian corporations increases the likelihood of a firm complying with regulation on mandatory CSR spending. He finds such evidence. Nevertheless, Fernando et al. (2017) also find that institutional investors are less likely to invest in firms with very high or very low CSR scores. This suggests that institutional investors prefer a middle of the road approach when it comes to CSR.

Banks

While banks are part of the wider pool of institutional investors, they have nevertheless assumed an important role in some national corporate governance systems, such as those of France and Germany. In these national systems, banks not only perform the role of lender to corporations but also frequently double up as shareholders (Shleifer & Vishny, 1997).

This dual role of banks generates advantages and possible conflicts of interests. On the one hand, banks being both creditors and shareholders reduces the agency problem of debt. This agency problem consists of the shareholders being tempted to gamble with the remaining funds in the firm if the latter is in financial distress (Jensen & Meckling, 1976). As the shareholders are the most junior claimants to the firm, they will almost certainly lose all the funds they invested in the firm if the latter is in financial distress. However, they could be tempted to invest the remaining funds, which would go to the debt holders once the firm is unwounded, into a high-risk project. If the high-risk project is successful, they first pay off the debt holders and then retain the rest of the cash earned from the project. If the project fails, they will neither be better off nor be worse off. On the other hand, the dual role of the bank may make it more likely that the bank pursues its own objectives rather than the interests of the firm (Goergen, 2018). This conflict of interests will be worse in corporate governance systems with strong networks between banks and firms, as is the case of the German corporate governance system. The bank would then likely pursue the interests of the network rather than the interests of the firm in question.

Given the importance of banks as shareholders in stock-exchange listed German firms, most studies on the effect of banks as shareholders have focused on Germany. However, the empirical literature on the effects of bank ownership and board representation on the performance and value of German stock-exchange listed firms is inconclusive. On the one hand, Cable (1985) and Gorton and Schmid (2000) find that bank ownership has a positive effect on firm performance. On the other side, Chirinko and Elston (1996, 2006) find no such link. Still, Dittmann et al. (2010) document that bank representation on the board of directors reduces firm performance. Further, they also find evidence that banks tend to look after their own interests, as lenders and as M&A advisers to the firm, which provides support for the argument about conflicts of interests being caused by the dual position of banks as both debt holders and shareholders.

Still, Lopatta et al. (2017) report evidence of a positive link between bank ownership of firms and CSR performance for a panel of data covering 24 different countries. They also find that this positive relationship is stronger in firms with a free float, which is higher than the semiannual sample mean.

Families

There is an extensive body of literature on family firms, including their performance and value. Importantly, family firms are different from other firms given the family's socio-emotional attachment to its firm (e.g., Gómez-Mejía et al., 2007, 2011). Given this attachment of the controlling family to its firm, family firms may not solely pursue the maximization of shareholder value (e.g., Cruz et al., 2011). What might be more important to the family than financial goals is the transfer of control over the firm from the incumbent generation to the next one, what Bertrand and Schoar (2006) call "dynastic thinking" (p. 75).

Given the dynastic thinking of families, top jobs within the firm might be filled by family members rather than the most suitable candidate for the job (Barnett, 1960; Schulze et al., 2001). This nepotism would likely be reflected in a lack of skills and professionalism in family firms, which in turn would harm firm performance and firm value. Therefore, family firms are a perfect example of a type of organization that may gain from security benefits of control while also being subject to sizeable private benefits of control. Still, Xu et al. (2020) also find evidence that, if the financial performance of family firms drops below a certain attainment level, then social-emotional considerations take the backseat and the family tends to push its firm to shift from the more risk-averse strategies favored by family firms to riskier strategies to improve financial performance. Hence, there are boundary conditions to the prominence of the socio-emotional attachment of the family to its firm over financial performance.

Nevertheless, similar to other large shareholders, family shareholders are a possible solution to the principal-agent problem. As they have sunk most or all of their wealth into their firm, they have the incentives to ensure that the managers run the firm in their interests. Hence, principal-agent costs should be substantially reduced in family firms. Frequently, the family may also be directly involved in the management of its firm (Goergen, 1998), thereby preventing the principal-agent problem from emerging.

What does extant empirical evidence conclude about the performance and value of family firms? At first sight, the literature might seem inconclusive about the link between family control and firm performance or value. However, in a nutshell, the literature tends to suggest that founder-run firms and firms run by a family CEO outperform other firms. This is the case for the United States (see, e.g., Anderson & Reeb, 2003) and for other countries such as Germany (Andres, 2008). Villalonga and Amit (2006) confirm this pattern: They find that Fortune 500 firms with a founder CEO or a founder chair who has hired a professional CEO outperforms other firms, whereas Fortune 500 firms with a CEO who is a descendant of the

founder underperform. Finally, Faccio et al. (2001) provide evidence of a specific type of private benefit of control affecting East Asian family firms. They find that such firms pay out dividends that are too low, thereby expropriating their minority shareholders' funds.

Returning to the non-financial objectives pursued by family firms, such objectives include sustainable relations with the firm's stakeholders. For example, Dyer and Whetten (2006) find that family firms have better corporate social performance than non-family firms. Similarly, Berrone et al. (2010) find that family firms have better environmental performance than non-family firms. They observe this positive effect independent of whether or not the role of the CEO is assumed by a family member. This positive relationship may be due to families caring more for their reputation than the CEOs of non-family firms. Finally, Kim et al. (2020) find that family firms are less likely to lay off their workforce. The likelihood of family firms downsizing their workforce is even lower in places with relatively low population density, which suggests that families are aware of the greater impact of employee layoffs on smaller communities.

Governments

Government ownership of corporations has dropped substantially over the last four decades (Goergen, 2018). This is due to privatization waves, which started in the United Kingdom during the 1980s and the 1990s in Continental Europe, including the former communist countries of Eastern Europe. China's economic reforms, which introduced private ownership in the mid-1980s, also resulted in large-scale but partial privatizations during the 1990s. An important step in the Chinese privatization process was the creation of the Shenzhen Stock Exchange in 1990 and the Shanghai Stock Exchange during the following year.

While two of the main objectives of the British privatization program were to widen share ownership across the population and to increase employee ownership, neither objective was achieved. As a result, individual ownership, which had already been declining before Margaret Thatcher launched the privatization program, was gradually replaced by foreign ownership, that is, typically ownership by foreign institutional investors. While foreign ownership accounted for a modest 7% of U.K. quoted shares in 1963, dropping to a mere 3.6% in 1981, it has been on the increase since the late 1980s, and it has consistently exceeded 50% since 2012 (Goergen, 2018; ONS, 2020). Similarly, in Eastern Europe the privatization and economic reforms of the 1990s boosted foreign ownership (Gugler et al., 2014).

What about the impact of privatizations on firm performance? Generally, the empirical literature suggests that firm financial performance improves post-privatization. For example, D'Souza et al. (2005) find that firm performance improves for a sample of 129 privatized firms from 23 developed, OECD countries. Interestingly, they also find that government ownership retained after the privatization has a positive effect on capital expenditure, possibly suggesting that governments have a longer horizon and are more likely to focus on long-term shareholder value than other types of investors. However, surprisingly they also find that post-privatization government ownership has a negative impact on employee numbers. D'Souza et al. (2005) interpret this result as a consequence of the government's desire to maximize the

sales price of its remaining stake by reducing excess employment. Boubakri et al. (2005) confirm the improvement in financial performance for a sample of 230 firms from 32 emerging and less developed economies. They also find that productivity and efficiency increase post-privatization. Nevertheless, they also document that these improvements are lowest in Africa and the Middle East, possibly due to the lower levels of trade and stock market liberalization in these regions.

Importantly, Boubakri et al. (2008) find that for 245 privatized firms from 14 developed countries and 27 emerging economies, the greater the percentage of government ownership post-privatization, the greater the likelihood that politicians and ex-politicians sit on the board of the part-privatized firms. When it comes to the effect of politicians on boards of directors, there are two views (Shleifer & Vishny, 1994). According to the first view, the “grabbing hand” view, politicians are essentially self-serving. All they care about is to improve their chances of getting re-elected as well as possibly filling their pockets with other people’s money. They increase their chances of being re-elected by ensuring that the firms on whose boards they sit carry excess employment. In turn, this excess employment harms financial performance and shareholder value. A less extreme version of this view is that, although there are benefits from having politicians on the board of directors, politicians will appropriate these benefits in their entirety via favors and bribes. Hence, the overall effect of politicians on the firms on whose boards they sit is negative or zero at best. The second view is the “helping hand” of government view. According to this view, having politicians on the board results in tangible government favors, such as granting subsidies and government orders. According to this view, firms with connections to politicians should perform better than firms without such connections.

The empirical support for the two views varies across countries. Studies that have investigated the sudden and unexpected death of politicians sitting on corporate boards generally have either found no stock market reaction to such events (Faccio, 2006) or a negative reaction (Faccio & Parsley, 2009; Fisman, 2001). This would suggest that at worst there is support for the less extreme version of the grabbing hand view, that is, any of the positive benefits of political connections are pocketed by the politicians themselves, and at best empirical evidence points toward the helping hand of the government.

Finally, when it comes to the CSR performance of firms with government ownership, Boubakri et al. (2019) find that such firms perform better before rather than after privatization. Nevertheless, even after these firms have been fully privatized and the share of government ownership has dropped to zero, their CSR performance tends to exceed that of other listed firms. Similarly, Hsu et al. (in press) find that firms with government ownership are more sensitive to environmental concerns than other firms.

Conclusion

While there is empirical evidence that some types of owners are more likely to promote and support sustainable corporate governance, for other types of owners the evidence is less clear-cut. This could be due to three reasons. First, context is important. Indeed, some studies suggest that other factors, including the type of national institutions in place, may moderate the relationship between a given type of owner and sustainable corporate governance (see, e.g., Boubakri et al., 2008; Filatotchev et al., 2013). Second, there can be great diversity within a given type of investors. For example, not all private equity investors behave in the same way; not all SWFs have a strong ethical focus like Norway's SWF. Finally, the goalposts keep shifting. Given investors' ever-increasing emphasis on CSR and ESG issues, there is mounting pressure on both corporations and institutional investors to adopt more sustainable business practices. In addition, as Somerset Webb (2021) reports, 63% of retail investors of ages 18 to 34 would consider a fund manager's approach to ESG issues when choosing a new fund manager. In contrast, only about a third of retail investors beyond 54 years of age would take this approach into account when choosing a new fund manager. Again, this would suggest that such issues are becoming increasingly more important.

To conclude, societal pressure, including the rapidly increasing demand from both retail investors and consumers for socially responsible investments and responsible corporate leadership, is gradually shifting the objective functions of corporate executives from the mere focus on shareholder value maximization to the more balanced consideration of the interests of a range of direct and more indirect stakeholders. Still, executives should—and need to—consider themselves as key actors achieving a more sustainable, equitable, and just society. This shift in attitude also puts the onus on business schools to place greater emphasis on ethical considerations and corporate social responsibility across the range of courses that are taught in their MBA programs. There is also mounting evidence that a shift toward a more sustainable society can only be achieved by making corporate boardrooms more diverse, which would include greater gender diversity (see Atif et al., 2021, for a review of this literature). Indeed, a growing body of literature suggests that female directors increase CSR performance and reduce the likelihood of environmental accidents and corporate fraud.

Further Reading

Barko, T., Cremers, M., & Renneboog, L. (2021). Shareholder engagement on environmental, social, and governance performance <<https://doi.org/10.1007/s10551-021-04850-z>>. *Journal of Business Ethics*.

Chen, J., Leung, W. S., Song, W., & Goergen, M. (2019a, September 12). Research: When women are on boards, male CEOs are less overconfident <<https://hbr.org/2019/09/research-when-women-are-on-boards-male-ceos-are-less-overconfident>>. *Harvard Business Review*.

- Chen, J., Leung, W. S., Song, W., & Goergen, M. (2019b). Why female board representation matters: The role of female directors in reducing male CEO overconfidence [<https://doi.org/10.1016/j.jempfin.2019.06.002>](https://doi.org/10.1016/j.jempfin.2019.06.002). *Journal of Empirical Finance*, 53, 70-90.
- Dimson, E., Karakaş, O., & Li, X. (2015). Active ownership [<https://doi.org/10.1093/rfs/hhv044>](https://doi.org/10.1093/rfs/hhv044). *Review of Financial Studies*, 28(12), 3225-3268.
- Filatotchev, I., & Nakajima, C. (2014). Corporate governance, responsible managerial behavior, and corporate social responsibility: Organizational efficiency versus organizational legitimacy? [<https://doi.org/10.5465/amp.2014.0014>](https://doi.org/10.5465/amp.2014.0014) *Academy of Management Perspectives*, 28(3), 289-306.
- Goergen, M., Chahine, S., Wood, G., & Brewster, C. (2019). The relationship between public listing, context, multi-nationality and internal CSR [<https://doi.org/10.1016/j.jcorpfin.2017.11.008>](https://doi.org/10.1016/j.jcorpfin.2017.11.008). *Journal of Corporate Finance*, 57, 122-141.
- Mayer, C. (2018). *Prosperity: Better business makes the greater good*. Oxford University Press.

References

- Achleitner, A.-K., Betzer, A., Goergen, M., & Hinterramskogler, B. (2013). Private equity acquisitions of continental European firms: The impact of ownership and control on the likelihood of being taken private. *European Financial Management*, 19(1), 72-107.
- Aguilera, R. V., Federo, R., & Ponomareva, Y. (2019). *Gone global: The international diffusion of hedge fund activism* [Working paper] [<https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3402966>](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3402966). ESADE Business School.
- Ahn, A. M., & Wiersema, M. F. (2021). Activist hedge funds: Beware the new titans [<https://doi.org/10.5465/amp.2018.0059>](https://doi.org/10.5465/amp.2018.0059). *Academy of Management Perspectives*, 35(1), 96-122.
- Amable, B. (2003). *The diversity of modern capitalism* [<https://oxford.universitypressscholarship.com/view/10.1093/019926113X.001.0001/acprof-9780199261130>](https://oxford.universitypressscholarship.com/view/10.1093/019926113X.001.0001/acprof-9780199261130).
- Anderson, R. C., & Reeb, D. M. (2003). Founding-family ownership and firm performance: Evidence from the S&P 500 [<https://doi.org/10.1111/1540-6261.00567>](https://doi.org/10.1111/1540-6261.00567). *Journal of Finance*, 58(3), 1301-1328.
- Andres, C. (2008). Large shareholders and firm performance—An empirical examination of founding-family ownership [<https://doi.org/10.1016/j.jcorpfin.2008.05.003>](https://doi.org/10.1016/j.jcorpfin.2008.05.003). *Journal of Corporate Finance*, 14(4), 431-445.
- Atif, M., Hossain, M., Alam, M. S., & Goergen, M. (2021). Does board gender diversity affect renewable energy consumption? [<https://doi.org/10.1016/j.jcorpfin.2020.101665>](https://doi.org/10.1016/j.jcorpfin.2020.101665) *Journal of Corporate Finance*, 66, 101665.

- Bahgat, G. (2010). Sovereign wealth funds: An assessment <<https://doi.org/10.1111/j.1758-5899.2010.00008.x>>. *Global Policy*, 1(2), 162-171.
- Barca, F., & Becht, M. (2001). *The control of corporate Europe*. Oxford University Press.
- Barnett, M. (1960). Kinship as a factor affecting Cantonese economic adaptation in the United States <<https://doi.org/10.17730/humo.19.1.d516h0872v41766x>>. *Human Organization*, 19(1), 40-46.
- Becht, M., Franks, J., Mayer, C., & Rossi, S. (2010). Returns to shareholder activism: Evidence from a clinical study of the Hermes UK focus fund <<https://doi.org/10.1093/rfs/hhn054.ra>>. *Review of Financial Studies*, 23(3), 3093-3129.
- Berle, A. A., & Means, G. (1932). *The modern corporation and private property*. Macmillan.
- Berrone, P., Cruz, C., Gomez-Mejia, L. R., & Larraza-Kintana, M. (2010). Socioemotional wealth and corporate responses to institutional pressures: Do family-controlled firms pollute less? <<https://doi.org/10.2189/asqu.2010.55.1.82>> *Administrative Science Quarterly*, 55(1), 82-113.
- Bertrand, M., & Mullainathan, S. (2003). Enjoying the quiet life? Corporate governance and managerial preferences <<https://doi.org/10.1086/376950>>. *Journal of Political Economy*, 111(5), 1043-1075.
- Bertrand, M., & Schoar, A. (2006). The role of family in family firms <<https://doi.org/10.1257/jep.20.2.73>>. *Journal of Economic Perspectives*, 20(2), 73-96.
- Bhide, A. (1993). The hidden costs of stock market liquidity <[https://doi.org/10.1016/0304-405x\(93\)90039-e](https://doi.org/10.1016/0304-405x(93)90039-e)>. *Journal of Financial Economics*, 34(1), 31-51.
- Booth, J. (2020). *Shareholder activism in the UK*. Activist Insight.
- Botero, J. C., Djankov, S., Porta, R. L., Lopez-de-Silanes, F., & Shleifer, A. (2004). The regulation of labor <<https://doi.org/10.1162/0033553042476215>>. *Quarterly Journal of Economics*, 119(4), 1339-1382.
- Boubakri, N., Cosset, J.-C., & Guedhami, O. (2005). Liberalization, corporate governance and the performance of privatized firms in developing countries <<https://doi.org/10.1016/j.jcorpfin.2004.05.001>>. *Journal of Corporate Finance*, 11(5), 767-790.
- Boubakri, N., Cosset, J.-C., & Saffar, W. (2008). Political connections of newly privatized firms <<https://doi.org/10.1016/j.jcorpfin.2008.08.003>>. *Journal of Corporate Finance*, 14(5), 654-673.
- Boubakri, N., Guedhami, O., Kwok, C. C. Y., & Wang, H. (Helen). (2019). Is privatization a socially responsible reform? <<https://doi.org/10.1016/j.jcorpfin.2018.12.005>>. *Journal of Corporate Finance*, 56, 129-151.
- Bratton, W., & McCahery, J. (2015). *Institutional shareholder activism: Hedge funds and private equity, economics and regulation*. Oxford University Press.

- Brou, D., Chatterjee, A., Coakley, J., Girardone, C., & Wood, G. (2021). Corporate governance and wealth and income inequality [<https://doi-org.ie.idm.oclc.org/10.1111/corg.12391>]. *Corporate Governance: An International Review*, 29(6), 612-629.
- Burkart, M., Gromb, D., & Panunzi, F. (1997). Large shareholders, monitoring, and the value of the firm <<https://doi.org/10.1162/003355397555325>>. *Quarterly Journal of Economics*, 112(3), 693-728.
- Burns, N., Kedia, S., & Lipson, M. (2010). Institutional ownership and monitoring: Evidence from financial misreporting <<https://doi.org/10.1016/j.jcorpfin.2010.06.001>>. *Journal of Corporate Finance*, 16(4), 443-455.
- Bushee, B. J. (1998). The influence of institutional investors on myopic R&D investment behaviour. *Accounting Review*, 73(3), 305-333.
- Bushee, B. J. (2001). Do institutional investors prefer near-term earnings over long-run value? <<https://doi.org/10.1506/j4gu-bhwh-8hme-le0x>> *Contemporary Accounting Research*, 18(2), 207-246.
- Cable, J. (1985). Capital market information and industrial performance: The role of West German banks <<https://doi.org/10.2307/2233472>>. *Economic Journal*, 95(377), 118.
- Carney, R. W., & Child, T. B. (2013). Changes to the ownership and control of East Asian corporations between 1996 and 2008: The primacy of politics <<https://doi.org/10.1016/j.jfineco.2012.08.013>>. *Journal of Financial Economics*, 107(2), 494-513.
- Chahine, S., & Goergen, M. (2011). VC board representation and performance of US IPOs <<https://doi.org/10.1111/j.1468-5957.2011.02240.x>>. *Journal of Business Finance & Accounting*, 38(3-4), 413-445.
- Chakrabarti, R., Megginson, W., & Yadav, P. K. (2008). Corporate governance in India <<https://doi.org/10.1111/j.1745-6622.2008.00169.x>>. *Journal of Applied Corporate Finance*, 20(1), 59-72.
- Chemmanur, T. J., Loutskina, E., & Tian, X. (2014). Corporate venture capital, value creation, and innovation <<https://doi.org/10.1093/rfs/hhu033>>. *Review of Financial Studies*, 27(8), 2434-2473.
- Chirinko, R. S., & Elston, J. A. (1996). Banking relationships in Germany; what should regulators do? In Federal Reserve Bank of Chicago (Ed.), *Rethinking bank regulation: What should regulators do?* (pp. 239-255). Federal Reserve Bank of Chicago.
- Chirinko, R. S., & Elston, J. A. (2006). Finance, control and profitability: The influence of German banks <<https://doi.org/10.1016/j.jebo.2004.01.004>>. *Journal of Economic Behavior & Organization*, 59(1), 69-88.
- Cruz, C., Firfiray, S., & Gomez-Mejia, L. R. (2011). Socioemotional Wealth and Human Resource Management (HRM) in family-controlled firms <<https://doi.org/10.1108/>>

[s0742-7301\(2011\)0000030006>](https://doi.org/10.1016/j.jcorpfin.2007.04.008). In A. Joshi, H. Liao, & J. J. Martocchio (Ed.). *Research in personnel and Human Resources Management* (Vol. 30, pp. 159–217). Emerald Group Publishing Limited.

Cumming, D., Siegel, D. S., & Wright, M. (2007). Private equity, leveraged buyouts and governance [<https://doi.org/10.1016/j.jcorpfin.2007.04.008>](https://doi.org/10.1016/j.jcorpfin.2007.04.008). *Journal of Corporate Finance*, 13(4), 439–460.

Davis, S. J., Haltiwanger, J., Jarmin, R., Lerner, J., & Miranda, J. (2015). *Private equity and employment* [<http://ssrn.com/abstract=1107175>](http://ssrn.com/abstract=1107175) [US Census Bureau Center for Economic Studies Paper No. CES-WP-08-07R].

DesJardine, M. R., & Durand, R. (2020). Disentangling the effects of hedge fund activism on firm financial and social performance [<https://doi.org/10.1002/smj.3126>](https://doi.org/10.1002/smj.3126). *Strategic Management Journal*, 41(6), 1054–1082.

DesJardine, M. R., Marti, E., & Durand, R. (2021). Why activist hedge funds target socially responsible firms: The reaction costs of signaling corporate social responsibility [<https://doi.org/10.5465/amj.2019.0238>](https://doi.org/10.5465/amj.2019.0238). *Academy of Management Journal*, 64(3), 851–872.

Dittmann, I., Maug, E., & Schneider, C. (2010). Bankers on the boards of German firms: What they do, what they are worth, and why they are (still) there [<https://doi.org/10.1093/rof/rfp007>](https://doi.org/10.1093/rof/rfp007). *Review of Finance*, 14(1), 35–71.

Dixon, A. D., & Monk, A. H. B. (2012). Rethinking the sovereign in sovereign wealth funds [<https://doi.org/10.1111/j.1475-5661.2011.00447.x>](https://doi.org/10.1111/j.1475-5661.2011.00447.x). *Transactions of the Institute of British Geographers*, 37(1), 104–117.

D'Souza, J., Megginson, W., & Nash, R. (2005). Effect of institutional and firm-specific characteristics on post-privatization performance: Evidence from developed countries [<https://doi.org/10.1016/j.jcorpfin.2004.12.001>](https://doi.org/10.1016/j.jcorpfin.2004.12.001). *Journal of Corporate Finance*, 11(5), 747–766.

Dyck, A., Lins, K. V., Roth, L., & Wagner, H. F. (2019). Do institutional investors drive corporate social responsibility? International evidence. *Journal of Financial Economics*, 131(3), 693–714. doi:10.1016/j.jfineco.2018.08.013

Dyck, A., & Zingales, L. (2004). Private benefits of control: An international comparison [<https://doi.org/10.1111/j.1540-6261.2004.00642.x>](https://doi.org/10.1111/j.1540-6261.2004.00642.x). *Journal of Finance*, 59(2), 537–600.

Dyer, W. G., & Whetten, D. A. (2006). Family firms and social responsibility: Preliminary evidence from the S&P 500 [<https://doi.org/10.1111/j.1540-6520.2006.00151.x>](https://doi.org/10.1111/j.1540-6520.2006.00151.x). *Entrepreneurship Theory and Practice*, 30(6), 785–802.

ECGI. (2021). *Call for reflection on sustainable corporate governance* [<https://ecgi.global/news/call-reflection-sustainable-corporate-governance>](https://ecgi.global/news/call-reflection-sustainable-corporate-governance).

- Edmans, A. (2020). *Grow the pie: How great companies deliver both purpose and profit* <<https://doi.org/10.1017/9781108860093>>. Cambridge University Press.
- Edmans, A., Levit, D., & Reilly, D. (2019). Governance under common ownership <<https://doi.org/10.1093/rfs/hhy108>>. *Review of Financial Studies*, 32(7), 2673–2719.
- Faccio, M. (2006). Politically connected firms <<https://doi.org/10.1257/000282806776157704>>. *American Economic Review*, 96(1), 369–386.
- Faccio, M., Lang, L. H. P., & Young, L. (2001). Dividends and expropriation <<https://doi.org/10.1257/aer.91.1.54>>. *American Economic Review*, 91(1), 54–78.
- Faccio, M., & Parsley, D. (2009). Sudden Deaths: Taking Stock of Geographic Ties. *Journal of Financial and Quantitative Analysis*, 44(3), 683–718. doi:10.1017/S0022109009990068
- Fernando, C. S., Sharfman, M. P., & Uysal, V. B. (2017). Corporate environmental policy and shareholder value: Following the smart money <<https://doi.org/10.1017/s0022109017000680>>. *Journal of Financial and Quantitative Analysis*, 52(5), 2023–2051.
- Ferrell, A., Liang, H., & Renneboog, L. (2016). Socially responsible firms <<https://doi.org/10.1016/j.jfineco.2015.12.003>>. *Journal of Financial Economics*, 122(3), 585–606.
- Fidrmuc, J. P., Goergen, M., & Renneboog, L. (2006). Insider trading, news releases, and ownership concentration <<https://doi.org/10.1111/j.1540-6261.2006.01008.x>>. *Journal of Finance*, 61(6), 2931–2973.
- Filatotchev, I., & Dotsenko, O. (2015). Shareholder activism in the UK: Types of activists, forms of activism, and their impact on a target's performance <<https://doi.org/10.1007/s10997-013-9266-5>>. *Journal of Management & Governance*, 19(1), 5–24.
- Filatotchev, I., Jackson, G., & Nakajima, C. (2013). Corporate governance and national institutions: A review and emerging research agenda <<https://doi.org/10.1007/s10490-012-9293-9>>. *Asia Pacific Journal of Management*, 30(4), 965–986.
- Fisman, R. (2001). Estimating the value of political connections <<https://doi.org/10.1257/aer.91.4.1095>>. *American Economic Review*, 91(4), 1095–1102.
- Foster, C., & Frieden, J. (2019). *Compensation, austerity, and populism: Social spending and voting in 17 Western European countries* [Working paper]. Department of Government, Harvard University.
- FRC. (2010a). *The UK corporate governance code*. Financial Reporting Council.
- FRC. (2010b). *The UK stewardship code*. Financial Reporting Council.
- Gantchev, N., Sevilir, M., & Shivdasani, A. (2020). Activism and empire building <<https://doi.org/10.1016/j.jfineco.2020.06.001>>. *Journal of Financial Economics*, 138(2), 526–548.

- Goergen, M. (1998). *Corporate governance and financial performance: A study of German and UK initial public offerings*. Edward Elgar Publishing.
- Goergen, M. (2018). *Corporate governance. A global perspective*. Cengage Learning, EMEA.
- Goergen, M., O'Sullivan, N., & Wood, G. (2014). The employment consequences of private equity acquisitions: The case of institutional buy outs [<https://doi.org/10.1016/j.euroecorev.2014.06.015>](https://doi.org/10.1016/j.euroecorev.2014.06.015). *European Economic Review*, 71, 67-79.
- Goergen, M., O'Sullivan, N., Wood, G., & Baric, M. (2018). Sovereign wealth funds, productivity and people: The impact of Norwegian government pension fund-global investments in the United Kingdom [<https://doi.org/10.1111/1748-8583.12179>](https://doi.org/10.1111/1748-8583.12179). *Human Resource Management Journal*, 28(2), 288-303.
- Goergen, M., & Renneboog, L. (2011). Managerial compensation [<https://doi.org/10.1016/j.jcorpfin.2011.06.002>](https://doi.org/10.1016/j.jcorpfin.2011.06.002). *Journal of Corporate Finance*, 17(4), 1068-1077.
- Goergen, M., & Tonks, I. (2019). Introduction to special issue on sustainable corporate governance [<https://doi.org/10.1111/1467-8551.12325>](https://doi.org/10.1111/1467-8551.12325). *British Journal of Management*, 30(1), 3-9.
- Gómez-Mejía, L. R., Cruz, C., Berrone, P., & De Castro, J. (2011). The bind that ties: Socioemotional wealth preservation in family firms [<https://doi.org/10.5465/19416520.2011.593320>](https://doi.org/10.5465/19416520.2011.593320). *Academy of Management Annals*, 5(1), 653-707.
- Gómez-Mejía, L. R., Haynes, K. T., Núñez-Nickel, M., Jacobson, K. J. L., & Moyano-Fuentes, J. (2007). Socioemotional wealth and business risks in family-controlled firms: Evidence from Spanish olive oil mills [<https://doi.org/10.2189/asqu.52.1.106>](https://doi.org/10.2189/asqu.52.1.106). *Administrative Science Quarterly*, 52(1), 106-137.
- Gompers, P. A. (1996). Grandstanding in the venture capital industry [<https://doi.org/10.1016/0304-405x\(96\)00874-4>](https://doi.org/10.1016/0304-405x(96)00874-4). *Journal of Financial Economics*, 42(1), 133-156.
- Gorton, G., & Schmid, F. A. (2000). Universal banking and the performance of German firms [<https://doi.org/10.1016/s0304-405x\(00\)00066-0>](https://doi.org/10.1016/s0304-405x(00)00066-0). *Journal of Financial Economics*, 58(1-2), 29-80.
- Grossman, S. J., & Hart, O. D. (1988). One share-one vote and the market for corporate control [<https://doi.org/10.1016/0304-405x\(88\)90044-x>](https://doi.org/10.1016/0304-405x(88)90044-x). *Journal of Financial Economics*, 20, 175-202.
- Gugler, K., Ivanova, N., & Zechner, J. (2014). Ownership and control in Central and Eastern Europe [<https://doi.org/10.1016/j.jcorpfin.2014.03.001>](https://doi.org/10.1016/j.jcorpfin.2014.03.001). *Journal of Corporate Finance*, 26, 145-163.
- Gugler, K., Mueller, D. C., & Yurtoglu, B. B. (2008). Insider ownership, ownership concentration and investment performance: An international comparison [<https://doi.org/10.1016/j.jcorpfin.2008.09.007>](https://doi.org/10.1016/j.jcorpfin.2008.09.007). *Journal of Corporate Finance*, 14(5), 688-705.

- Gul, F. A., Kim, J.-B., & Qiu, A. A. (2010). Ownership concentration, foreign shareholding, audit quality, and stock price synchronicity: Evidence from China [<https://doi.org/10.1016/j.jfineco.2009.11.005>](https://doi.org/10.1016/j.jfineco.2009.11.005). *Journal of Financial Economics*, 95(3), 425-442.
- Han, K. J. (2016). Income inequality and voting for radical right-wing parties [<https://doi.org/10.1016/j.electstud.2016.02.001>](https://doi.org/10.1016/j.electstud.2016.02.001). *Electoral Studies*, 42, 54-64.
- Harford, J., & Li, K. (2007). Decoupling CEO wealth and firm performance: The case of acquiring CEOs [<https://doi.org/10.1111/j.1540-6261.2007.01227.x>](https://doi.org/10.1111/j.1540-6261.2007.01227.x). *Journal of Finance*, 62(2), 917-949.
- Hartzell, J. C., & Starks, L. T. (2003). Institutional investors and executive compensation [<https://doi.org/10.1046/j.1540-6261.2003.00608.x>](https://doi.org/10.1046/j.1540-6261.2003.00608.x). *Journal of Finance*, 58(6), 2351-2374.
- He, J. (Jack), & Huang, J. (2017). Product Market Competition in a World of Cross-Ownership: Evidence from Institutional Blockholdings. *The Review of Financial Studies*, 30(8), 2674-2718. doi:10.1093/rfs/hhx028
- Hellmann, T. (1998). The allocation of control rights in venture capital contracts [<https://doi.org/10.2307/2555816>](https://doi.org/10.2307/2555816). *RAND Journal of Economics*, 29(1), 57.
- Hellmann, T., & Puri, M. (2002). Venture capital and the professionalization of start-up firms: Empirical evidence [<https://doi.org/10.1111/1540-6261.00419>](https://doi.org/10.1111/1540-6261.00419). *Journal of Finance*, 57(1), 169-197.
- Hochberg, Y. V., Ljungqvist, A., & Lu, Y. (2007). Whom you know matters: Venture capital networks and investment performance [<https://doi.org/10.1111/j.1540-6261.2007.01207.x>](https://doi.org/10.1111/j.1540-6261.2007.01207.x). *Journal of Finance*, 62(1), 251-301.
- Holderness, C. G. (2009). The myth of diffuse ownership in the United States [<https://doi.org/10.1093/rfs/hhm069>](https://doi.org/10.1093/rfs/hhm069). *Review of Financial Studies*, 22(4), 1377-1408.
- Hoskisson, R. E., Hitt, M. A., Johnson, R. A., & Grossman, W. (2002). Conflicting voices: The effects of institutional ownership heterogeneity and internal governance on corporate innovation strategies [<https://doi.org/10.5465/3069305>](https://doi.org/10.5465/3069305). *Academy of Management Journal*, 45(4), 697-716.
- Hsu, P.-H., Liang, H., & Matos, P. (in press). *Leviathan Inc. and corporate environmental engagement* [<https://doi.org/10.1287/mnsc.2021.4064>](https://doi.org/10.1287/mnsc.2021.4064). *Management Science*.
- Jack, A. (2020, December 6). Weighing up business schools' work on sustainability [<https://on.ft.com/36Kz13U>](https://on.ft.com/36Kz13U). *Financial Times*.
- Jensen, M. C. (2001, October). *Value maximization, stakeholder theory, and the corporate objective function* [<https://ssrn.com/abstract=220671>](https://ssrn.com/abstract=220671) [Tuck Business School Working Paper No. 01-09; Harvard NOM Research Paper No. 01-01; Harvard Business School Working Paper No. 00-058].

- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure [https://doi.org/10.1016/0304-405x\(76\)90026-x](https://doi.org/10.1016/0304-405x(76)90026-x). *Journal of Financial Economics*, 3(4), 305–360.
- Johnson, S., La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2000). Tunneling <https://doi.org/10.1257/aer.90.2.22>. *American Economic Review*, 90(2), 22–27.
- Kalay, A., Karakaş, O., & Pant, S. (2014). The market value of corporate votes: Theory and evidence from option prices <https://doi.org/10.1111/jofi.12132>. *Journal of Finance*, 69(3), 1235–1271.
- Khorana, A., & Zenner, M. (1998). Executive compensation of large acquirors in the 1980s [https://doi.org/10.1016/s0929-1199\(98\)00004-2](https://doi.org/10.1016/s0929-1199(98)00004-2). *Journal of Corporate Finance*, 4(3), 209–240.
- Kim, K., Haider, Z. A., Wu, Z., & Dou, J. (2020). Corporate social performance of family firms: A place-based perspective in the context of layoffs <https://doi.org/10.1007/s10551-019-04152-5>. *Journal of Business Ethics*, 167(2), 235–252.
- Klein, A., & Zur, E. (2010). The impact of hedge fund activism on the target firm's existing bondholders <https://doi.org/10.2139/ssrn.1526525>. *Review of Financial Studies*, 24(5), 1735–1771.
- Knill, A., Lee, B.-S., & Mauck, N. (2012). Bilateral political relations and sovereign wealth fund investment <https://doi.org/10.1016/j.jcorpfin.2011.11.002>. *Journal of Corporate Finance*, 18(1), 108–123.
- Kortum, S., & Lerner, J. (2000). Assessing the contribution of venture capital to innovation <https://doi.org/10.2307/2696354>. *RAND Journal of Economics*, 31(4), 674.
- Kuvandikov, A., Pendleton, A., & Goergen, M. (2022). Activist hedge funds and takeovers: Their effects on employment and performance <https://doi.org/10.1111/1467-8551.12507>. *British Journal of Management*, 33(1), 346–368.
- Lee, D. W., & Park, K. S. (2009). Does institutional activism increase shareholder wealth? Evidence from spillovers on non-target companies <https://doi.org/10.1016/j.jcorpfin.2009.03.002>. *Journal of Corporate Finance*, 15(4), 488–504.
- Lenihan, A. T. (2014). Sovereign wealth funds and the acquisition of power <https://doi.org/10.1080/13563467.2013.779650>. *New Political Economy*, 19(2), 227–257.
- Lerner, J. (1995). Venture capitalists and the oversight of private firms <https://doi.org/10.1111/j.1540-6261.1995.tb05175.x>. *Journal of Finance*, 50(1), 301–318.
- Lerner, J. (2012). *The architecture of innovation: The economics of creative organizations*. Harvard Business Review Press.

- Lewellen, K., & Lowry, M. (2021). Does common ownership really increase firm coordination? <https://doi.org/10.1016/j.jfineco.2021.03.008> *Journal of Financial Economics*, 141(1), 322-344.
- Liang, H., & Renneboog, L. (2020). The global sustainability footprint of sovereign wealth funds <https://doi.org/10.1093/oxrep/graa010>. *Oxford Review of Economic Policy*, 36(2), 380-426.
- Lopatta, K., Jaeschke, R., Canitz, F., & Kaspereit, T. (2017). International evidence on the relationship between insider and bank ownership and CSR performance <https://doi.org/10.1111/corg.12174>. *Corporate Governance: An International Review*, 25(1), 41-57.
- Mackinnon, A., & Powell, B. (2010). *China counting: How the West was lost* <https://doi.org/10.1057/9780230251038>. Palgrave.
- Mayer, C. (2013). *Firm commitment: Why the corporation is failing us and how to restore trust in it*. Oxford University Press.
- Meggison, W. L., & Weiss, K. A. (1991). Venture capitalist certification in initial public offerings <https://doi.org/10.1111/j.1540-6261.1991.tb03770.x>. *Journal of Finance*, 46(3), 879-903.
- Miles, D. (1993). Testing for short termism in the UK stock market <https://doi.org/10.2307/2234472>. *Economic Journal*, 103(421), 1379.
- Milne, R., & Kiran, S. (2016, June 29). Norway oil fund drops investment in Cairn and Kosmos <https://on.ft.com/3AEcNyz>. *Financial Times*.
- Moore, J. F. (1996). *The death of competition: Leadership and strategy in the age of business ecosystems*. HarperBusiness.
- Myners, P. (2001). *Institutional investment in the United Kingdom: A review*. HM Treasury.
- Norges Bank Investment Management. (2020). Annual report 2020 <https://www.nbim.no/en/publications/reports/2020/annual-report-2020/>.
- ONS. (2020, January 14). *Ownership of UK quoted shares: 2018, Statistical bulletin*. Office of National Statistics.
- Puchniak, D. W. (2021). *The false hope of stewardship in the context of controlling shareholders: Making sense out of the global transplant of a legal misfit* [Manuscript submitted for publication]. National University of Singapore (NUS) Law.
- Rahman, M. L. (2021). Institutional ownership and violations of mandatory CSR regulation <https://doi.org/10.1016/j.econlet.2021.109967>. *Economics Letters*, 206, 109967.
- Ramalingegowda, S., Utke, S., & Yu, Y. (2020). Common institutional ownership and earnings management <https://doi.org/10.1111/1911-3846.12628>. *Contemporary Accounting Research*, 38(1), 208-241.

- Renneboog, L., Simons, T., & Wright, M. (2007). Why do public firms go private in the UK? The impact of private equity investors, incentive realignment and undervaluation <<https://doi.org/10.1016/j.jcorpfin.2007.04.005>>. *Journal of Corporate Finance*, 13(4), 591–628.
- Roe, M. J., Spamann, H., Fried, J. M., & Wang, C. C. Y. (2020). *The European commission's sustainable corporate governance report: A critique* <<https://doi.org/10.2139/ssrn.3711652>> [European Corporate Governance Institute—Law Working Paper 553/2020, Harvard Public Law Working Paper No. 20–30]. *Yale Journal on Regulation Bulletin*.
- Schulze, W. S., Lubatkin, M. H., Dino, R. N., & Buchholtz, A. K. (2001). Agency relationships in family firms: Theory and evidence <<https://doi.org/10.1287/orsc.12.2.99.10114>>. *Organization Science*, 12(2), 99–116.
- Shleifer, A., & Vishny, R. W. (1994). Politicians and firms <<https://doi.org/10.2307/2118354>>. *Quarterly Journal of Economics*, 109(4), 995–1025.
- Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance <<https://doi.org/10.1111/j.1540-6261.1997.tb04820.x>>. *Journal of Finance*, 52(2), 737–783.
- Shleifer, A., & Vishny, R. W. (1998). *The grabbing hand: Government pathologies and their cures*. Harvard University Press.
- Smith, A. (1776). *An inquiry into the nature and causes of the wealth of nations*. (Reprinted from *World's Classics*, by K. Sutherland, Ed., 1993, Oxford University Press)
- Somerset Webb, M. (2021, May 7). Even non-ESG funds now have a greenish tinge <<https://on.ft.com/3nVIOY9>>. *Financial Times*.
- Sørensen, M. (2007). How smart is smart money? A two-sided matching model of venture capital <<https://doi.org/10.1111/j.1540-6261.2007.01291.x>>. *Journal of Finance*, 62(6), 2725–2762.
- Sprague, R. (2010). Beyond shareholder value: Normative standards for sustainable corporate governance <<https://scholarship.law.wm.edu/wmblr/vol1/iss1/3>>. *William & Mary Business Law Review*, 1(1), 47–82.
- Suchard, J.-A. (2009). The impact of venture capital backing on the corporate governance of Australian initial public offerings <<https://doi.org/10.1016/j.jbankfin.2008.10.018>>. *Journal of Banking & Finance*, 33(4), 765–774.
- Sun, X., Li, J., Wang, Y., & Clark, W. (2014). China's sovereign wealth fund investments in overseas energy: The energy security perspective <<https://doi.org/10.1016/j.enpol.2013.09.056>>. *Energy Policy*, 65, 654–661.
- Tihanyi, L., Johnson, R. A., Hoskisson, R. E., & Hitt, M. A. (2003). Institutional ownership differences and international diversification: The effects of boards of directors and technological opportunity <<https://doi.org/10.5465/30040614>>. *Academy of Management Journal*, 46(2), 195–211.

Turner, A. (2009). *The turner review: A regulatory response to the global banking crisis*. Financial Services Authority.

World Commission on Environment and Development. (1987). *Our common future / World Commission on Environment and Development* (400p). Oxford University Press.

Veldman, J. (2019). Boards and sustainable value creation: The legal entity, co-determination and other means [<https://kluwerlawonline.com/journalarticle/European+Business+Law+Review/30.2/EULR2019013>](https://kluwerlawonline.com/journalarticle/European+Business+Law+Review/30.2/EULR2019013). *European Business Law Review*, 30(2), 279–300.

Villalonga, B., & Amit, R. (2006). How do family ownership, control and management affect firm value? [<https://doi.org/10.1016/j.jfineco.2004.12.005>](https://doi.org/10.1016/j.jfineco.2004.12.005) *Journal of Financial Economics*, 80(2), 385–417.

Walker, D. (2009). *A review of corporate governance in UK banks and other financial industry entities: Final recommendations*. HM Treasury.

Wood, G., & Wright, M. (2009). Private equity: A review and synthesis [<https://doi.org/10.1111/j.1468-2370.2009.00264.x>](https://doi.org/10.1111/j.1468-2370.2009.00264.x). *International Journal of Management Reviews*, 11(4), 361–380.

Wood, G., & Wright, M. (2010). Private equity and human resource management: An emerging agenda [<https://doi.org/10.1177/0018726709353638>](https://doi.org/10.1177/0018726709353638). *Human Relations*, 63(9), 1279–1296.

Wright, M., Burrows, A., Ball, R., Scholes, L., Meuleman, M., & Amess, K. (2007). *The implications of alternative investment vehicles for corporate governance: A survey of empirical research*. Report Prepared for the Steering Group on Corporate Governance. OECD.

Xu, K., Hitt, M. A., & Dai, L. (2020). International diversification of family-dominant firms: Integrating socioemotional wealth and behavioral theory of the firm [<https://doi.org/10.1016/j.jwb.2019.101071>](https://doi.org/10.1016/j.jwb.2019.101071). *Journal of World Business*, 55(3), 101071.

Zhang, M., & He, F. (2009). China's sovereign wealth fund: Weaknesses and challenges [<https://doi.org/10.1111/j.1749-124x.2009.01133.x>](https://doi.org/10.1111/j.1749-124x.2009.01133.x). *China and World Economy*, 17(1), 101–166.

Zingales, L. (1995). What determines the value of corporate votes? [<https://doi.org/10.2307/2946648>](https://doi.org/10.2307/2946648) *Quarterly Journal of Economics*, 110(4), 1047–1073.

Related Articles

Corporate Social Responsibility

Corporate Governance in Business and Management

The Role of the Media in Corporate Governance

Governance in Digital Open Innovation Platforms

Sustainability in Business: Integrated Management of Value Creation and Disvalue Mitigation

