

Comments on:

Renée Adams and Amir N. Licht

**Shareholders and Stakeholders around
the World: The Role of Values, Culture,
and Law in Directors' Decisions**

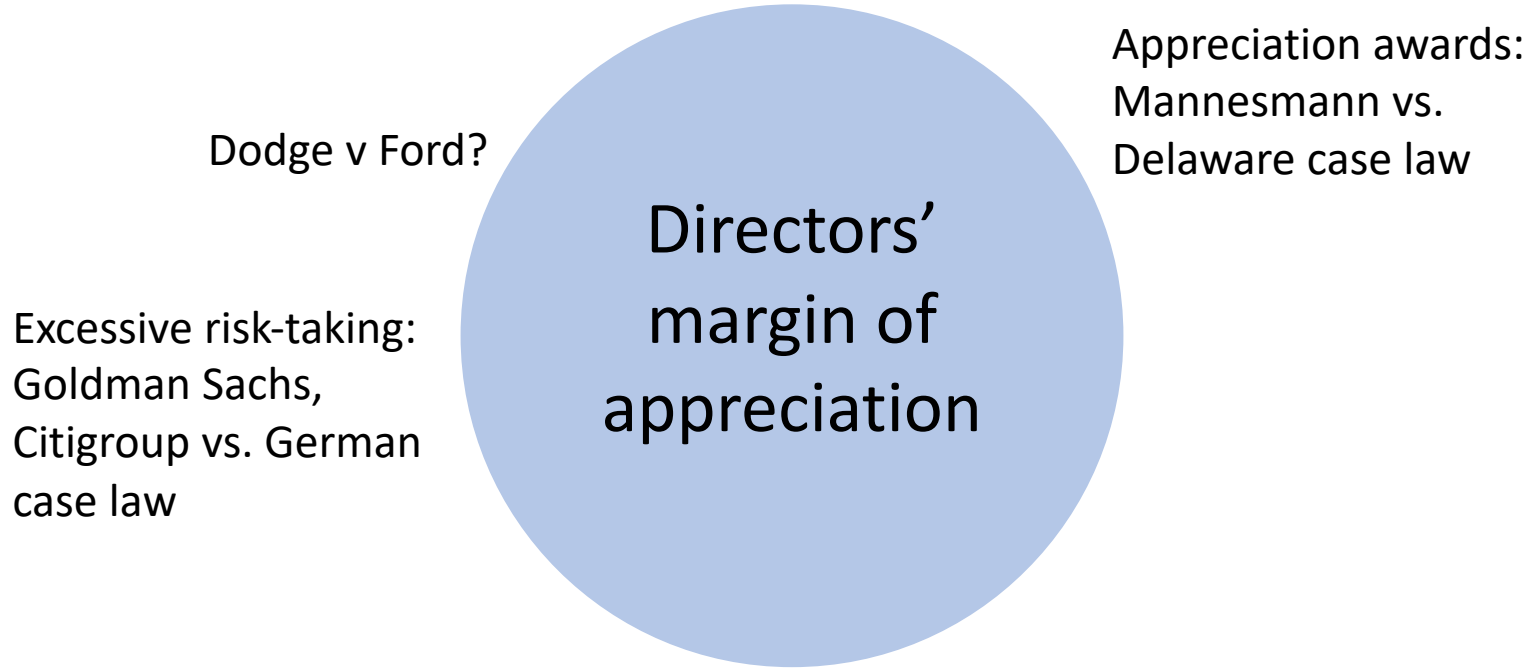
Main claims

- “Weak” claim: directors’ decisions channelled by their personal value priorities and the institutional environment (cultural heritage and applicable legal regime)
- “Strong” claim: Law does not matter (?)
- Adams & Licht: “While the results should not be read as saying that “law does not matter”, they do suggest that values’ and culture’s influence is **not dominated by legal injunctions.**” (p 19)
- “U.S. Senator Elizabeth Warren (D-Mass.) proposed legislation that would require very large American corporations to consider the interests of all corporate stakeholders. The present results suggest, however, that corporate leaders probably **cannot be told what to do** with regard to shareholders and stakeholders, including by legal injunctions.” (p 21)

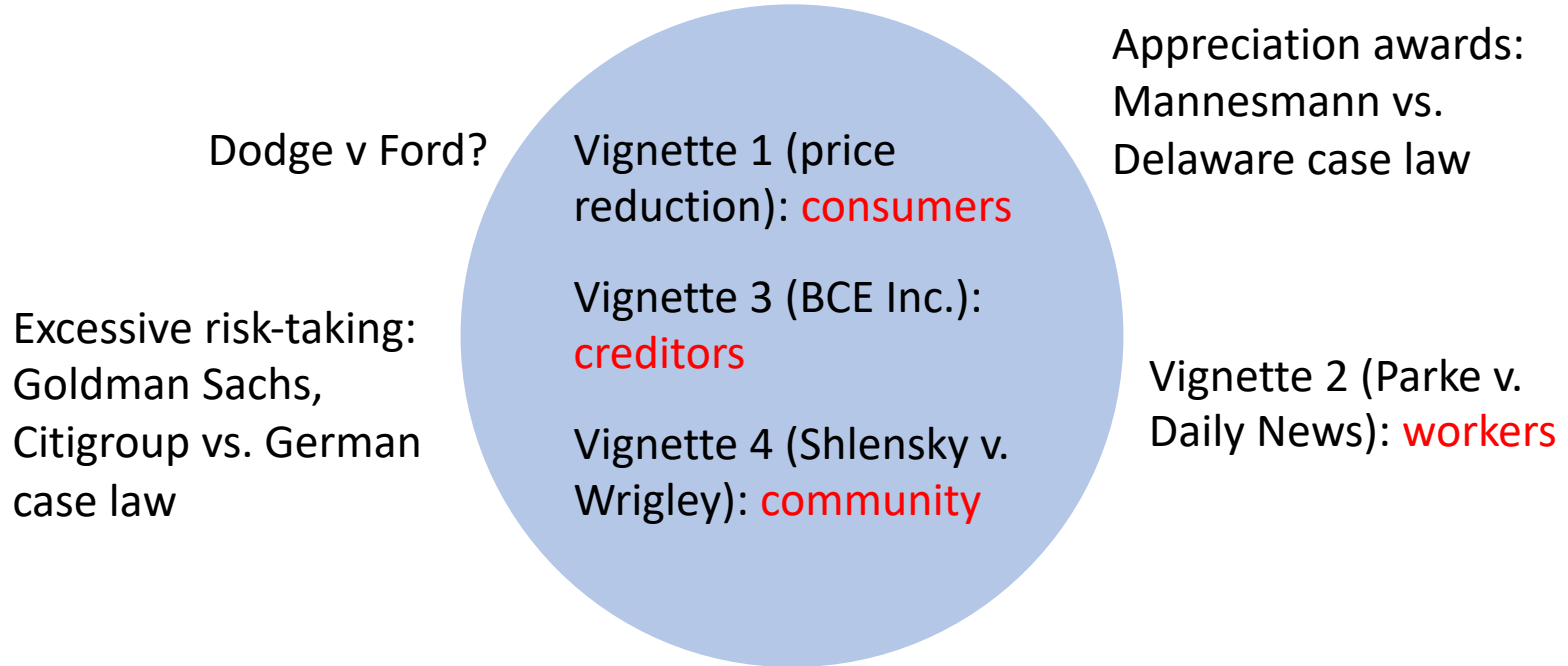
Some qualifications of the “strong” claim

- Conceptually: why *should* legal origins, anti-self-dealing and creditor rights indices be significant?
 1. **Law as culture:** legal origins and legal indices as “expressive social norms”
 - But law as reflection of societal preferences questionable/contested
 - Components of creditor rights/anti-self-dealing indices reflective of culture?
 2. **Threat of sanction:** law delineates permissible and impermissible spheres of activity and sanctions noncompliance
 - Where choice is permitted, personal values and culture may have an effect; where it is prohibited, values and culture will be dominated by legal injunctions

Permissible vs impermissible activity



Permissible vs impermissible activity



Some qualifications of the “strong” claim

- Expectation: the influence of personal values and culture will be dominated by law outside the directors’ margin of appreciation
- Law as a means of not only reinforcing, but also engineering (see Warren) societal preferences
- Question is *how* to engineer societal preferences if that is the policy goal – s. 172 CA 2006? Stakeholder reporting?