

Shareholders and Stakeholders around the World (Adams and Licht)

Discussion by Daniel Metzger (RSM)



RSM - a force for positive change

Very topical debate on purpose of the firm

- Very active debate in the recent years about the purpose of the firm...
- ... long debate in academia:
 - Is it best/efficient way of taking care of other stakeholders (e.g., multi-tasking problems, shareholders can do it themselves,...)?
 - Is it compliant with corporate law (“fiduciary duties of directors”)?
 - Shareholder value vs shareholder welfare argument (Hart and Zingales, 2017)
 - Is it democratic (e.g., small number of people deciding on those issues vs. more democratic process)?
- ... in the business world:
 - Business Roundtable released a new *Statement on the Purpose of a Corporation* in 2019: “ ... [CEOs] commit to lead their companies for the benefit of all stakeholders – customers, employees, suppliers, communities and shareholders.”

Determinants of goals and implementation

- Today: high and increasing support for “stakeholderism”
- What determines stakeholder goals and implementation success?
 - How to decide on goals? (e.g., shareholders voting on goals of firm)
 - How to measure goals and progress?
 - How to design explicit incentives contracts?
 - What is role of board in these processes?

This paper

- Starting point for this paper:
 1. Firms have some discretion where to “position” on the shareholder vs. stakeholder scale
 - E.g., different interpretation of laws or different weighting
 2. Directors are important contributors to those strategic considerations and implementation
- **Question: What shapes directors “decisions”?**
 - Considered dimensions: values (director-level), culture and law (country-level)
- Why interesting and important?
 1. Helps to understand observed heterogeneity (across countries, ...)
 2. **Important for hiring decisions on firm-level to implement certain goals**
 3. **Importing for fostering long-term change (e.g., due board quotas,...)**
 4. ...

Comment 1 – More „direct“ measure?

- Are there other, “better” measures at group-level which are more directly measuring attitudes toward “shareholderism”?
- Better able to explain heterogeneity in “shareholderism”?
 - E.g., cross-countries but also within-country
- Helpful for guiding hiring decisions?

Representative labor survey (ISSP)

International Social Survey Programme (ISSP)

- Cross country international survey program
- Annual surveys on topics important for the social sciences

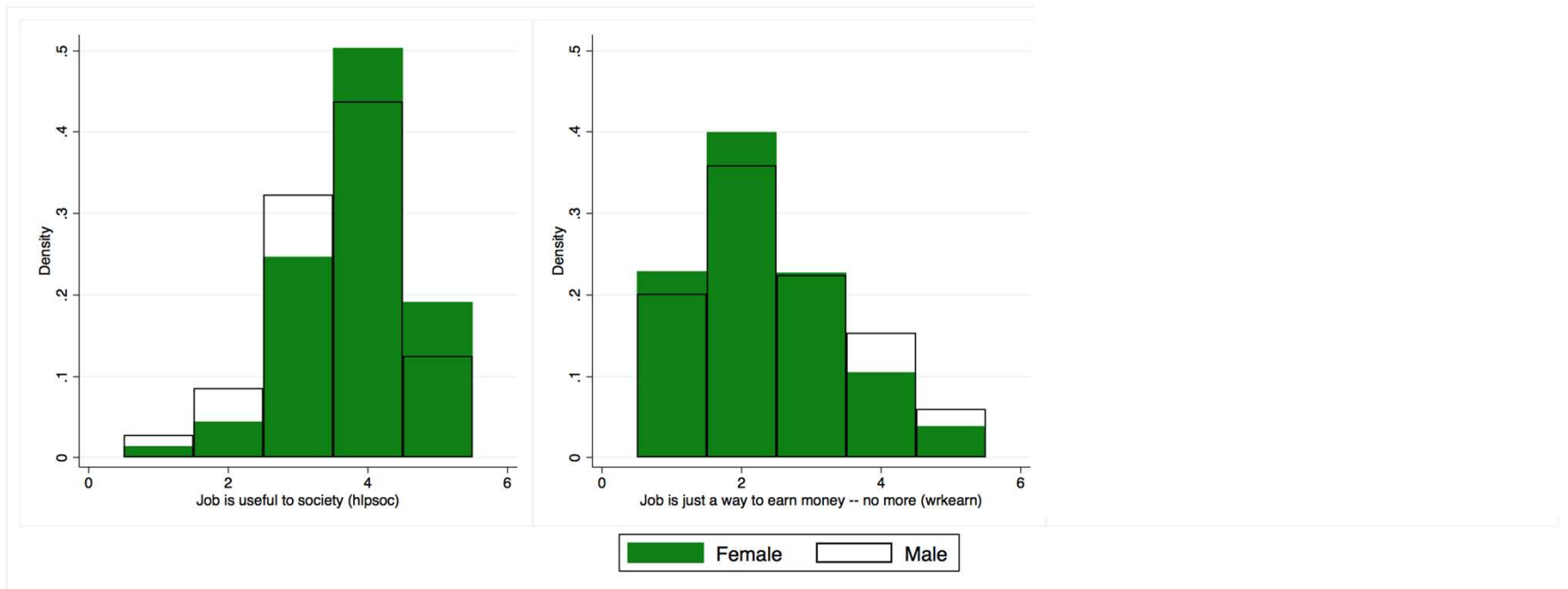
Work Orientations Survey (1989, 1997, 2005, 2015)

- Seeks to elicit participants attitudes toward work and private life

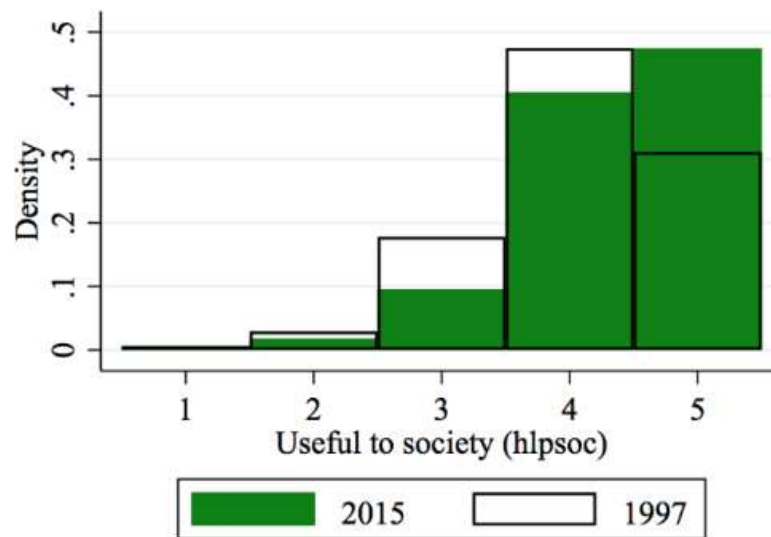
Representative labor survey (ISSP)

- ISSP measures “preferences” towards societal aspects of a job
 1. How important is that: *A job that is useful to society?*
 2. How much do you agree with the statement, thinking of work in general: *A job is just a way of earning money – no more ?*
- In Krueger, Metzger, and Wu (2020), we document substantial variation across different groups in the population
 - E.g., gender, generations, and education
 - Allows for cross-country comparisons as well

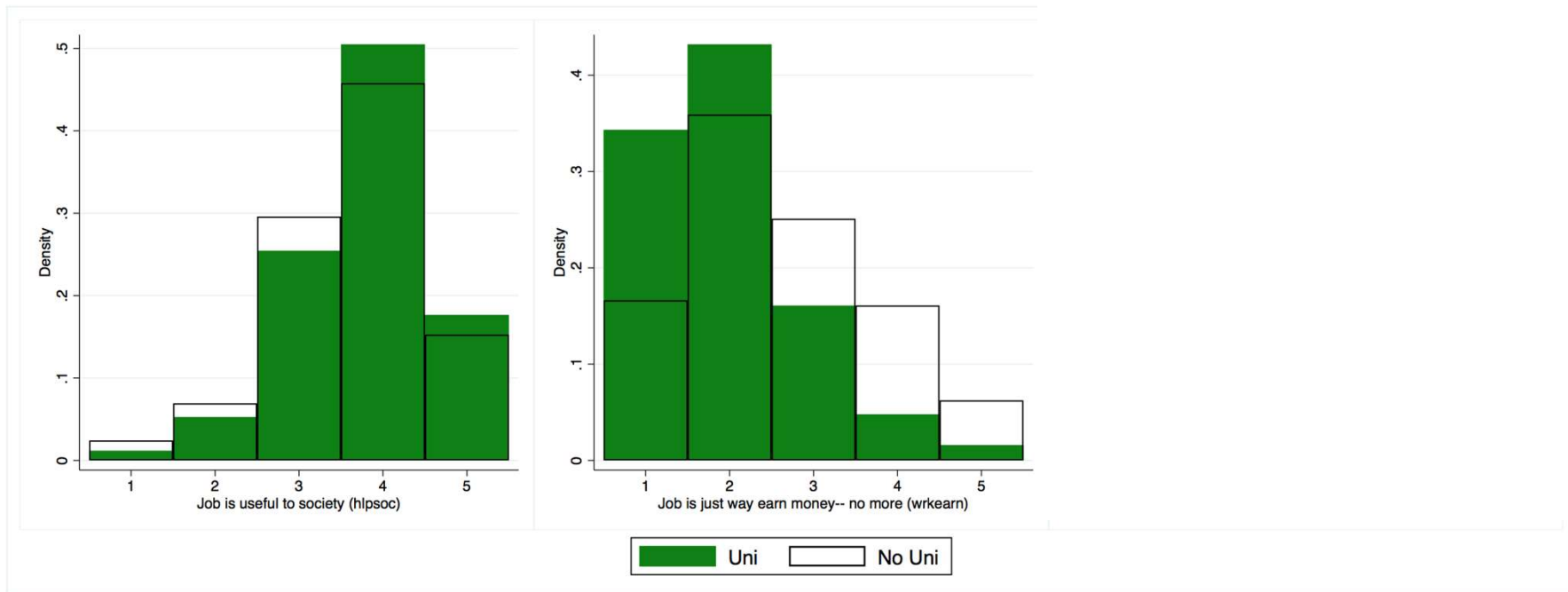
Heterogeneity of preferences (Sweden)



Heterogeneity of preferences (US)



Heterogeneity of preferences (Sweden)



Comment 2 – Decisions vs. Preferences

- What is survey actually measuring?
 - Survey measures directors' "shareholder vs stakeholder" decisions in several scenarios from law cases
 - Interesting and very nice idea!
 - Still unclear whether it is a proxy for actual decisions (as somehow suggested by the title) vs. "preferences/attitudes"?
- Is there evidence that those preferences translate into actual decisions?
 - Could be just "cheap talk"; directors may have no (or less) discretion in practice / means to affect decisions; ...
 - Would be interesting to see some supportive correlations.
 - [Can you say anything on composition?]

Comment 3 – Empirical implementation

- There are many variables on personal, country, legal origin level
- Might be good to take multiple hypotheses testing into consideration (e.g., List et al. (2016)).