Global shift towards stakeholder-oriented corporate governance? Evidence from the scholarly literature and future research opportunities

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Abstract

Purpose – By reviewing prior scholarly corporate governance (CG) literature and a review of more recent stakeholder studies, this paper aims to examine the extent to which stakeholders and their interests have gained in importance in recent years compared to the shareholder approach, which is dominant in many national economies and suggest future research opportunities.

Design/methodology/approach – This study conducts a literature review to examine major findings in prior studies.

Findings – The reviews and analyses provide support for a formal and informal convergence of CG systems towards more stakeholder-oriented elements globally. In general, at the institutional and firm levels, there are remarkable shifts to adopt stakeholder-oriented rules and practices. However, there is limited evidence that all these trends will actually lead to full convergence towards a single stakeholder-oriented governance model.

Originality/value – The paper offers an extensive summary of prior studies that investigate the impact of CG on firm stakeholder-orientation and social performance. Based on the review, this study suggests promising research directions.

Keywords Corporate social responsibility, Stakeholders, Corporate governance, Multinational enterprises, Shareholders, International corporate governance, ESG

Paper type Literature review

Introduction

Over the past decade, there has been a growing awareness within social movements and among activists, nonprofit organizations, policymakers, businesspeople and academic researchers around the world of the social and environmental responsibilities of corporations (Cagnin et al., 2012; Foray et al., 2012; George et al., 2016). Therefore, there have also been increasing calls from various groups for stakeholders, including voice-less stakeholders (e.g. nature), to play a greater role in corporate decision-making processes (ICSA, 2017; Seow et al., 2006), resulting in initiatives by corporations, governments and
In a sense, this is a reversal of the previously prevailing trend – fuelled by protagonists of agency theory (Fama and Jensen, 1983; Shleifer and Vishny, 1997) – to introduce CG instruments that safeguard shareholders’ interests, especially in so-called liberal market economies (e.g. the USA and the UK) (Hall and Soskice, 2001). Scholars and financial institutions, convinced of the superiority of such systems, made a strong normative case for convergence towards shareholder-oriented CG systems (e.g. Coffee, 1999; Hansmann and Kraakman, 2001). In fact, there is some empirical evidence of a shift of formerly more stakeholder-oriented CG systems in coordinated market economies towards shareholder-oriented CG systems (Deeg, 2009; Goyer, 2006). A similar trend has been shown with regard to emerging economies (Young et al., 2008).

Nevertheless, a critical review of the CG literature with respect to the hypothesized shareholder-oriented convergence at that time found only limited empirical evidence of such a convergence and aroused doubts about such a simplifying hypothesis (Yoshikawa and Rasheed, 2009). Moreover, the remarkably deep divide between Wall Street and Main Street fuelled by the Lehman Shock of 2008 (Bair, 2013; Lamin and Zaheer, 2012) raised more doubts about the superiority of the shareholder-oriented CG system (Dobbin and Jung, 2010; Dobbin and Zorn, 2005).

Against this historical backdrop and taking into account the contradicting trends, i.e. on the one hand, the adoption of a shareholder orientation in national CG systems at least until the first decade of the 2000s and, on the other hand, speculation of a countermovement in recent years towards more stakeholder involvement, stocktaking seems overdue. Hence, the objective of our article is to systematically review the relevant literature and analyse whether and to what extent the recent interest in stakeholder governance has found its expression in the literature. Furthermore, we discuss proposals for future research.

Our review contributes to international and comparative CG research by presenting potential similarities and differences between the prior shift to shareholder-oriented systems and the recent, observable trend for more stakeholder-oriented CG. Specifically, our review discusses how conventional CG mechanisms and some new CG variables are examined to find evidence of a shift towards stakeholder-oriented practices. This is of special relevance for international business research, especially because multinational enterprises (MNEs) encounter different national CG systems in diverse institutional contexts, and thus, have to manage global and local corporate social responsibility (CSR) needs. In this light, our review provides insights into the extent to which scholars have addressed the impact of stakeholders’ pressures on management practices and government regulations in local and global contexts.

The original “convergence” hypothesis: superiority of shareholder-oriented corporate governance

Financial economists and corporate law scholars, in particular, have repeatedly emphasized the superiority of the shareholder approach (Lazonick and O’Sullivan, 2000; Martin et al., 2009). They basically argue that agents, predominantly managers, pose a threat to investors’ objectives as they pursue their own interests at the expense of shareholders (Jensen and Meckling, 1976; Shapiro, 2005). Accordingly, maximizing shareholder value incorporates the justified demands of other stakeholders without the need for costly and inefficient government regulations. Based on the belief in the superiority of such a shareholder-oriented CG system, it should become the role model for formerly stakeholder-oriented or weak
institutions such as those in emerging countries. Hence, the global adoption of corresponding mechanisms would constitute a “convergence” (Aguilera and Cuervo-Cazurra, 2004; Gilson, 2004; Khanna et al., 2006). Proponents of the shareholder-oriented model believe that convergence is inevitable, as other models are not competitive alternatives and firms that compete globally need to choose the most efficient model (Coffee, 1999; Guillen, 2000; Hansmann and Kraakman, 2001). However, from the beginning, there have been doubts regarding the general superiority of shareholder-oriented CG and, hence, convergence (Lazonick and O’Sullivan, 2000).

A review of the CG convergence literature by Yoshikawa and Rasheed (2009) showed that indications of global convergence have been rather weak and revealed the necessity to define how to measure convergence, particularly at different levels. It showed that institutional-level studies have typically examined the adoption of CG codes, legal reforms and regulatory changes, while firm-level studies have focused on practices such as equity-based executive compensation and greater board independence. Changes in formal rules such as CG codes and regulations that influence corporate behaviour (Aguilera and Cuervo-Cazurra, 2004; Zattoni and Cuomo, 2008) and changes in firm governance practices, even without legal or regulatory changes (Fiss and Zajac, 2004; Geng et al., 2016; Sanders and Tuschke, 2007), have been treated as indicators that signal the extent of CG convergence. With respect to the convergence thesis, the empirical proof was found to be rather limited (Yoshikawa and Rasheed, 2009). While some studies have found that CG codes and regulations have become more similar across countries over time as a result of the greater global integration of product and capital markets and have concluded that some sort of convergence took place (Khanna et al., 2006), it is rather doubtful that these changes constituted substantive convergence. Despite some evidence of pressure regarding the adoption of shareholder-oriented practices and of liberalization in coordinated market economies, variety across countries has prevailed (Fiss and Zajac, 2004) due to factors such as path dependence and institutional complementarity. Even when some shareholder-oriented practices are adopted, they are often modified to suit the local institutional context (Yoshikawa et al., 2007). More recent trends even seem to trigger counter-movements.

In light of worsening social and ecological problems, for example, as expressed in the UN’s 17 sustainability development goals (George et al., 2016), there have been calls for the greater involvement of other stakeholders and their legitimate interests in corporate management and for a departure from the shareholder maximization doctrine (Business Roundtable, 2019; The Economist, 2019). However, does this induce a swing of the pendulum that results in a shift towards stakeholder-oriented CG that can be proven in the management literature?

Shift towards stakeholder-oriented corporate governance systems – does the pendulum swing over? A review of stakeholder-oriented corporate governance

Review methodology

Building on and updating the previous review of CG convergence literature (Yoshikawa and Rasheed, 2009), our review focuses on articles published subsequently, between 2010 and 2020. The convergence thesis was predominantly tested indirectly by analyzing empirical studies that address different research questions within subfields of the CG research (Table 1) to identify coherent patterns rather than similar cause-effect relationships. Hence, it was not appropriate to apply a meta-analysis at this stage (Field and Gillett, 2010; Orlitzky et al., 2003). Consistent with proposals regarding systematic literature reviews (e.g. Snyder, 2019) and with similar review papers in heterogeneous research fields (e.g. Crossan and Apaydin, 2010), we focused on empirical papers published in leading management journals.
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<th>Article (journal)</th>
<th>Outcomes</th>
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<tbody>
<tr>
<td>Perez-Batres, et al. (2010) (JBE)</td>
<td>Compliance with CSR guidelines is predicted for Latin American firms in countries with higher European influence and NYSE affiliation. Global institutional pressures can explain corporate motivation. State-signalling (via a Kyoto Protocol proxy) does not return any correlation</td>
<td>European influence and NYSE listing</td>
<td>207 large public firms from 6 Latin American countries (Quantitative; PDS)</td>
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<tr>
<td>Ntim et al. (2012) (CGIR)</td>
<td>Higher firm value when there is transparent information on good CG practices</td>
<td>Disclosure index (shareholder and stakeholder impacts) and the impact of South Africa’s CG disclosure policy reforms</td>
<td>169 out of all 291 nonfinancial JSE-listed firms, 2002 to 2007 (Quantitative; PDS)</td>
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<tr>
<td>Young and Marais (2012) (CGIR)</td>
<td>Higher aggregated CSR reporting in France than Australia (due to French regulations for listed companies; difference disappears for risky industries). French companies appear to report more on labour and environmental issues, business behaviour (French paradigm that views companies as social actors) and aggregated CSR policies</td>
<td>Managerial ownership; public ownership; foreign ownership; board independence and role duality and audit committees</td>
<td>220 Australian and French firms, 2009 (Qualitative; PDS)</td>
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<tr>
<td>Khan, et al. (2013) (JBE)</td>
<td>CSR disclosure is positively related to managerial ownership (with moderating effect of export-oriented industries) presumably due to international buyers as powerful stakeholders. Public or foreign ownership, board independence and audit committees are also positively related</td>
<td>Institutional context (legislatively or publishing rules and guidelines on NFD)</td>
<td>116 out of all 135 manufacturing companies listed in Bangladesh, 2005 to 2009 (Quantitative; PDS)</td>
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<td>Junior et al. (2014) (JBE)</td>
<td>Increasing global trend of sustainability reporting, though the proportion of assured sustainability reports has not increased significantly</td>
<td>Potentially related to society’s increasing awareness of environmental and social issues</td>
<td>484 organizations’ websites, covering over 20 countries (Qualitative; PDS)</td>
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<tr>
<td>Chauvey et al. (2015) (JBE)</td>
<td>More firms issued stand-alone CSR reports, increasing CSR informational breadth, but CSR informational quality did not improve</td>
<td>Impact of France’s CSR reporting requirement and subsequent move towards normativity</td>
<td>81 out of 120 French SBF index listed companies, AR 2004 and AR 2010 (Quantitative; PDS)</td>
</tr>
<tr>
<td>Luo et al. (2017) (AMJ)</td>
<td>Firms located in provinces with high GDP-growth priority issued lower quality reports; large firms with central government linkages issued reports faster and of higher quality in provinces with low-GDP growth priority and issued reports just as fast but with lower quality in provinces with high-GDP growth priority</td>
<td>Institutional linkage to central government (which issues CSR reporting guidelines; priority is given by provincial governments to GDP growth – focus is on the competing pressures from the central and local governments)</td>
<td>2,028 firms listed on SHSE or SZSE, 2008 to 2011 (Quantitative; PDS)</td>
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<tr>
<td>Baldini, et al. (2018) (JBE)</td>
<td>Structural country factors impact ESG disclosures of firms: positive correlation with equal opportunities, labour protections and unemployment rates; negative correlation with legal frameworks, corruption and social cohesion. Firm-level variables, ESG rank, analyst coverage, cross-listing, leverage and size show positive correlations</td>
<td>Political system (legal framework and corruption); labour system (labour protection and cultural system); cultural system (social cohesion and equal opportunities); visibility to investors and visibility to noninvestors</td>
<td>Datamart/Bloomberg ESG data on 14,174 firm-year observations from 42 countries, 2005 to 2012 (Quantitative; SDA)</td>
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<td>Chelli, et al. (2018) (JBE)</td>
<td>French environmental reporting substantially increased from 2001 to 2013, indicating the success of the French parliamentary regime. Conversely, the overall low level of disclosure and of compliance with Canadian regulations suggests deficiencies of the market-based regime. GRI guidelines led to better normativity than Canada’s local regime but lesser than France’s local regime</td>
<td>Normative effect of rule promulgations</td>
<td>40 French and Canadian listed firms, between 2001 and 2013 (Qualitative; PDS)</td>
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<td>Wang et al. (2018) (JBE)</td>
<td>Due to potentially reduced information asymmetry, firms mandated to CSR disclosure substantially decrease absolute discretionary accruals compared to non-disclosure firms</td>
<td>Impact of China’s mandatory CSR reporting</td>
<td>CSMAR data on 1,888 listed firms on SHSE or SZSE, 2003 to 2012 (Quantitative; SDA)</td>
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<tr>
<td>Kühn et al. (2018) (BS)</td>
<td>GDP, corruption and company-level determinants substantially impact CSR reporting</td>
<td>Country-level determinants (GDP, life expectancy, corruption) and company-level determinants (nationality, size, industry and degree of internalization)</td>
<td>211 listed firms’ websites, across seven sub-Saharan countries (Quantitative; PDS)</td>
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<tr>
<td>Boiral, et al. (2019) (JBE)</td>
<td>The quality of sustainability reports, as indicated by assurance statements, is limited due to cautious rhetoric/attitude and limited or moderate level of assurance. Statements provided tend to reflect companies’ expectations and to legitimize the quality of information disclosed</td>
<td>Potential pressures by reporting companies seeking to improve social legitimacy</td>
<td>301 assurance statements from mining and energy companies, 2006 to 2013 (Qualitative; SDA)</td>
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<td>Tashman et al. (2019) (JBE)</td>
<td>Due to less institutional pressure, home country institutional voids are positively related to EM-MNE engagement in CSR decoupling. Conversely, internationalization is negatively related though marginally significant, while it does not mitigate the imprinting effects of home country institutional voids on CSR decoupling</td>
<td>Home country institutional voids (voice and accountability; political stability and absence of violence; government effectiveness; regulatory quality; rule of law and absence of corruption)</td>
<td>MCSI IVA data on 93 EM-MNEs from UNCTAD’s list from 15 countries, 2005 to 2012 (Quantitative; SDA)</td>
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<td>Jackson et al. (2020) (JBE)</td>
<td>Countries with mandatory non-financial disclosure see an increase in CSR activity level depending on their previous level; increasing standardization of CSR practices</td>
<td>Country-level requirement of nonfinancial disclosure</td>
<td>Asset4’s 19,709 firm-year observations from listed firms, 2002 to 2014; 24 OECD countries reviewed (Quantitative; SDA)</td>
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<tr>
<td>Larrinaga et al. (2020) (JBE)</td>
<td>Increasing trend in third-party assurances of sustainability reports in Italy and the US, with some convergence, though findings also suggest some form of professional capture</td>
<td>Diffusion of sustainability assurance norms</td>
<td>All SR assurance statements published by large Italian and US organizations, 2003 to 2013 (Qualitative; PDS)</td>
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## Table 1

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<td><strong>Formal rule adoption</strong>&lt;br&gt;Maxfield et al. (2018) (JBE)</td>
<td>Bank governance reform leads to the inclusion of more stakeholders’ interests and the higher aggregate level of bank credit provision and lower net interest margins</td>
<td>Bank CG reforms (e.g., the introduction of risk control)</td>
<td>World Bank’s survey data from 134 countries, 2004 to 2011 (Quantitative; SDA)</td>
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<td><strong>Norm diffusion and market pressures</strong>&lt;br&gt;Levy et al. (2010) (BS)</td>
<td>The global reporting initiative (GRI) case is used to show the need for formal mechanisms and instruments tailored to users’ needs in addition to standardized commodified information. Centre of gravity of nonfinancial risk governance shifting from NGOs towards corporate consultants and auditors</td>
<td>Initial institutional entrepreneurs’ drive to improve the reporting field</td>
<td>GRI case study (Qualitative; CS)</td>
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<tr>
<td>Höllerer (2013) (JMS)</td>
<td>Explicit CSR commitment (as mirrored in public discourse) and potentially broader institutional change is negatively related to firm age, presence of block holdings and ownership influence and ties of the top executive to elites</td>
<td>Dependence on the international capital market; visibility of corporation in the media; global CSR media coverage; firm age and CEO relationships with established elites</td>
<td>1,636 annual reports/reporting years; 179 (total) and 102 (average) different corporations headquartered in Austria and listed on VSE or overseas, 1990 to 2005 (Quantitative; PDS)</td>
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<tr>
<td>Dashwood (2014) (BS)</td>
<td>Voluntary CSR initiatives (industry self-regulation) in the global mining sector are the result of both unilateral and collaborative efforts</td>
<td>Convergence is spurred by the norm of sustainable development (key variables: institutional dynamics and managerial preferences)</td>
<td>Major mining companies (revenues &gt; US $500m) from five advanced economies (Qualitative; MCS)</td>
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<tr>
<td>Maggetti (2014) (BS)</td>
<td>Publicly owned banks with a code of conduct are more receptive to pressures/reputational risks from international organizations’ blacklists and more able, and hence more likely to participate in the Wolfsberg initiative aimed at fighting money laundering</td>
<td>Necessary conditions for participation in the Wolfsberg Group; public ownership; code of conduct. Sufficient conditions: factors related to the type of financial institution and the existence of a blacklist</td>
<td>25 top private banking institutions (Qualitative; fuzzy-set analysis)</td>
</tr>
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<td>Podsiadlowski and Reichel (2014) (BS)</td>
<td>National-level (medium national diversity policy index, international openness) and company-level variables (public sector, bigger size, noninternational markets and high profitability) positively influence the foundation of action programmes for ethnic minorities. Normative and social considerations appear to be the main drivers</td>
<td>Influence of normative, economic and social driving forces</td>
<td>Cranet’s 2004 survey data of 1,865 organizations from over 10 countries (Quantitative; SDA)</td>
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<td>Wassmer et al. (2014) (IS)</td>
<td>Emergence of environmental collaboration (firm-government; firm-university; firm-interfirm; firm-NGO) as an increasingly ubiquitous phenomenon</td>
<td>Antecedents: resource and capability gaps; reputation issues; stakeholder relationship issues; governmental failure and institutional pressure</td>
<td>Literature on environmental collaborations, 1989 to 2012 (Qualitative; meta-analysis)</td>
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<tr>
<td>Hahn and Weidtmann (2016) (IS)</td>
<td>Legitimization of ISO 26000 as a form of transnational governance for corporate social responsibility</td>
<td>Normative legitimacy (democratic legitimacy and acceptability)</td>
<td>Single case study research design (Qualitative; CS)</td>
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<tr>
<td>Marano and Kostova (2016) (JMS)</td>
<td>CSR adoption by MNEs is affected by institutional factors and pressure in leading CSR countries, whether they originate in countries in which the MNE is economically dependent or when the company is engaged via FDI and not trade. To prioritize institutional influences, a weighing of institutional forces by their economic salience is needed</td>
<td>Strength of institutional forces; MNE’s economic dependence on country; heterogeneity of CSR institutional forces and exposure to countries with more stringent CSR requirements</td>
<td>KLD/PIERS data on 710 firms from 110 countries, 2007 to 2011 (Quantitative; SDA)</td>
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<td>Short et al. (2016) (IS)</td>
<td>Due to the development of key stakeholder relationships, corporate social performance (CSP) is enhanced; local community strengths and concerns increase over time while corporate governance strengths and concerns decrease over time. Selected firm-level and industry-level characteristics significantly impact CSP</td>
<td>Time needed for stakeholder relations development of main antecedents: firm-level characteristics (firm nonsubstitutable resource) and industry-level characteristics (market structure/mobility barriers, environmental complexity, rivalry and/or regulatory changes)</td>
<td>S&amp;P 500 KLD data totaling 4,107 CSP observations across 617 firms, 2003 to 2011 (Quantitative; SDA)</td>
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<td>Albareada and Waddock (2016) (IS)</td>
<td>Description of factors and processes related to the emergence of networked CSR governance (new multilateral collaborations) such as UNGC, GRI and ISO 26000</td>
<td>Systemic change prompted in four developmental stages by loosely coupled networks that promote global governance</td>
<td>Evolution of CSR initiatives, 1990 to 2014 (Qualitative; MCS)</td>
</tr>
<tr>
<td>Ownership structure</td>
<td>Ownership type (employees; individuals; firms; banks; institutional investors and state)</td>
<td>Ownership by employees, individuals and firms is negatively associated with CSR performance attributed to nonfinancial reasons prevailing over CSR in the investment decision. Holdings by banks, institutional investors and the state are found to be neutral with regard to the range of CSR involvement</td>
<td>EIRIS’s data on 691 European firms from 16 countries, 2005 (Quantitative; SDA)</td>
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<tr>
<td>Dan and Schotens (2012) (CGIR)</td>
<td>Positive effect of labour involvement laws on blockholder effectiveness; overall negative cooperative effect of labour action laws on blockholder effectiveness; inverted U-shaped relationship between block holding and firm performance</td>
<td>Strength of labour institutions and relational blockholder ownership</td>
<td>748,549 firm-year observations derived from 162 studies covering 23 European countries (Quantitative; meta-analysis)</td>
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<td>Rees and Rodionova (2015) (CGIR)</td>
<td>Closely held stock (especially family shareholdings) is negatively associated with ESG performance because undiversified shareholders may discourage potentially value-destroying actions, though the direction of causality is ultimately difficult to determine</td>
<td>Ownership type (Closely held stock and family holdings)</td>
<td>Asset 4’s data on 3,893 firms from 46 countries, 2002 to 2012 (Quantitative; SDA)</td>
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<td><strong>Research on firm-level factors</strong></td>
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<td>Helms et al. (2012) (AMJ)</td>
<td>Studies the likelihood of success of settlement on new CSR practice, i.e. ISO 26000; plurality initially obstructs and subsequently aids settlement over time, while greater committee participation and adoption of an imposing framing strategy reduces the likelihood of settlement</td>
<td>Logic pluralism within organizations; embeddedness and negotiation frames</td>
<td>ISO’s data from 130 organizations arising from the standard development process (Quantitative; PDS)</td>
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<tr>
<td>Husted et al. (2016) (JIBS)</td>
<td>The higher the density of facilities already certified within proximity, the higher the likelihood of rational CSR certification adoption; effect stronger for MNE subsidiaries compared to domestic firms. For global CSR certification, the authors find the opposite effect and they attribute this to overcoming the liability of foreignness versus localness</td>
<td>Local density of certification (as a proxy for the need for national/local or international/global legitimacy)</td>
<td>ELM Guide Automotive Supplier data on 451 Mexican auto supplier plants, 2000 to 2003 (Quantitative; SDA)</td>
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<tr>
<td>Schembera (2018) (BS)</td>
<td>The longer UNGC participation the higher the level of UNGC implementation and impact on organizational practices, moderated by the strength of local UNGC networks</td>
<td>Duration of UNGC participation. Moderating variable: Local UNGC network strength</td>
<td>UNGC database reflecting 2,280 business participants (Quantitative; SDA)</td>
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<tr>
<td><strong>Ownership structure</strong></td>
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<td>Berrone et al. (2010) (ASQ)</td>
<td>Due to socioemotional wealth protection (hypothesis), family-controlled listed firms show better environmental performance than non-family controlled listed firms; the presence of family CEO or CEO duality has no effect, but for non-family firms, CEO stock ownership shows the negative environmental impact</td>
<td>Family owned and family CEO status</td>
<td>EPA’s data on 194 US firms, 1998 to 2002 (Quantitative; SDA)</td>
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<tr>
<td>Oh et al. (2011) (JBE)</td>
<td>Large institutional shareholders and foreign investors positively impacted firms’ CSR ratings due to their long-term orientation. Ownership of TMT members negatively impacts CSR ratings, explained by the <em>chaebol</em> context. Foreign ownership is positively associated with CSR ratings</td>
<td>Institutional, managerial and foreign ownership</td>
<td>KEJI Index data on 118 Korean firms, 2005 (Quantitative; SDA)</td>
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<td>Lau et al. (2016) (JBE)</td>
<td>CSR activities are positively linked to a percentage of board members with foreign experience but negatively linked to concentrated ownership; CSR performance is positively related to larger board size and state ownership; TMT composition (foreign experience) less influential than board composition</td>
<td>Company ownership (state ownership, ownership concentration); board composition (outside/foreign directors); TMT diversity (foreigners) and foreign experience of board/TMT members</td>
<td>Rankins CSR Ratings, WIND data of 471 Chinese listed firms, 2010 and 2011 (Quantitative; SDA)</td>
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<tr>
<td>Lamb and Butler (2018) (BS)</td>
<td>Family owners and family CEOs have a positive impact on CSR strengths and a negative impact on CSR concerns and dedicated institutional owners are positively related to CSR concerns</td>
<td>Family ownership concentration (with family CEO); dedicated institutional owners and CSR strength and concern</td>
<td>Compact Disclosure and KLD data of 153 Fortune 100–300 firms, 1994 to 2016 (Quantitative; SDA)</td>
</tr>
<tr>
<td>Mun and Jung (2018) (ASQ)</td>
<td>Foreign investment growth and within-firm CSR/IR influence have a significant positive impact on board and management gender diversity</td>
<td>Foreign institutional ownership and within-firm influence of CSR and IR managers</td>
<td>800 Japanese firms, 2001 to 2009 (Quantitative; SDA)</td>
</tr>
<tr>
<td>Oh et al. (2018) (JOM)</td>
<td>Both monitoring and incentive alignment mechanisms result in higher KLD ratings (environment, community, diversity, employee relations, human rights, product quality and safety)</td>
<td>Monitoring mechanisms (ownership, outside directors) and incentive alignment mechanisms (TMT ownership and TMT incentive intensity)</td>
<td>GMI Ratings, KLD, Compustat, ExecuComp data of 1,559 US-listed firms, 2004 to 2010 (Quantitative; SDA)</td>
</tr>
<tr>
<td>Board characteristics</td>
<td>Larger proportion of outside or female directors on boards leads to higher environmental corporate social responsibility (ECSR) scores measured by higher KLD ratings; disclosed ECSR shows a curvilinear relationship with board member age and a positive relationship with boards that have higher proportions of directors educated in Western Europe and firms with more slack resources exhibit lower disclosed ECSR</td>
<td>Board composition (higher proportion of outside board directors; the presence of three or more female directors; average director age and a higher proportion of Western European directors)</td>
<td>KLD data of 78 chemical and electronics firms, 2006 and 2007 (Quantitative; SDA)</td>
</tr>
<tr>
<td>Post et al. (2011) (BS)</td>
<td>Firms with larger boards, larger representation of active CEOs on the board and more legal experts on the board are found to have higher environmental performance; moderation effects of certain board characteristics (higher director independence, lower concentration of directors appointed post-CEO and resources)</td>
<td>Monitoring and incentives (director independence, CEO-chair duality, directors appointed after CEO, CEO-director ownership, insider-director/outsider-director ownership); resources (board size, multiple directorships, active CEOs, law experts and board tenure)</td>
<td>KLD database data of 2,151 firm-year observations from 1,216 firms, 2003 and 2004 (Quantitative; SDA)</td>
</tr>
<tr>
<td>Villiers et al. (2011) (JOM)</td>
<td>Firms with larger boards, larger representation of active CEOs on the board and more legal experts on the board are found to have higher environmental performance; moderation effects of certain board characteristics (higher director independence, lower concentration of directors appointed post-CEO and resources)</td>
<td>Monitoring and incentives (director independence, CEO-chair duality, directors appointed after CEO, CEO-director ownership, insider-director/outsider-director ownership); resources (board size, multiple directorships, active CEOs, law experts and board tenure)</td>
<td>KLD database data of 2,151 firm-year observations from 1,216 firms, 2003 and 2004 (Quantitative; SDA)</td>
</tr>
<tr>
<td>Kock, Santaló and Diestre (2012) (JMS)</td>
<td>Anti-takeover amendments and the presence of limited liability provisions have a significant positive effect; pro-stakeholder directors, CEO equity compensation and CEO equity ownership have significant negative effects on waste produced by firms and a proxy for the level of environmental performance</td>
<td>Influence of stakeholders versus board of directors; equity-based managerial incentives; the market for corporate control exposure; managerial exposure to the legal and regulatory system</td>
<td>IRRC environmental data on 657 firm-year observations from 377 public manufacturing firms, 1998 and 2000 (Quantitative; SDA)</td>
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<tbody>
<tr>
<td>Ayuso <em>et al.</em> (2014) (BS)</td>
<td>Establishing a CSR function at the board level leads to increased stakeholder engagement (customers, employees and external stakeholders); moderating effects of national legal traditions (with exceptions; countries with stakeholder-centred CG systems outperform countries with shareholder-centred CG) and firms in coordinated market economies are more likely to engage stakeholders in institutionalized dialogue than firms in liberal market economies</td>
<td>CSR function at board level (CSR board responsibility and CSR board committee)</td>
<td>SAM Group’s data on 946 companies across 31 countries, 2004 (Quantitative; SDA)</td>
</tr>
<tr>
<td>Jizi <em>et al.</em> (2014) (JBE)</td>
<td>Board independence and size are positively related to CSR disclosure; for unclear reasons and CEO duality is also positively related to CSR disclosure</td>
<td>Proportion of independent directors; board size and CEO duality</td>
<td>107 US-listed national commercial banks, 2009 to 2011 (Quantitative; PDS)</td>
</tr>
<tr>
<td>Harjoto <em>et al.</em> (2015) (JBE)</td>
<td>Board diversity measure is positively associated with CSR strengths and negatively associated with CSR concerns. Specifically, gender diversity increases CSR strengths and reduces CSR concerns, while both director tenure and expertise reduce CSR concerns</td>
<td>Board diversity (gender; race; age; experience; director tenure; appointment before or after CEO appointment and expertise)</td>
<td>RiskMetrics Directors’ data on 1,489 US firms, 1999 to 2011 (Quantitative; SDA)</td>
</tr>
<tr>
<td>Ben-Amar <em>et al.</em> (2017) (JBE)</td>
<td>Ratio of women directors, board gender diversity, independent director percentage, CEO duality and the number of board standing committees have significant positive impacts on voluntary climate change disclosures. Two to three women directors are required for significant positive effects</td>
<td>Board gender diversity (proportion; gender diversity score [Blau] and absolute number)</td>
<td>Questionnaire data from 541 Canadian firms, 2006 (Quantitative; PDS)</td>
</tr>
<tr>
<td>Galbreath (2018) (BS)</td>
<td>Greater representation of women on boards has an indirect, positive impact on financial performance, with higher CSR levels acting as a mediator</td>
<td>Women representation on boards</td>
<td>296 ASX300 firms, 2004 and 2005 (Quantitative; PDS)</td>
</tr>
<tr>
<td>Al-Bassam <em>et al.</em> (2018) (BS)</td>
<td>Although compliance levels/CG standards have generally improved, they still vary substantially in Saudi Arabia. Larger board size, presence of a Big 4 auditor, presence of a CG committee and higher government/institutional ownership are positively related to an increase in CG disclosures. Higher block ownership significantly reduces CG disclosures</td>
<td>Board size; Big 4 auditor; ownership type (government; institutional and block) and CG committee</td>
<td>80 out of all 145 Saudi listed firms, 2004 to 2010 (Quantitative; PDS)</td>
</tr>
<tr>
<td>Al-Shaer and Zaman (2019) (JBE)</td>
<td>Positive effect of sustainability committees and independent external assurance on the inclusion of sustainability-related targets in CEO compensation</td>
<td>Sustainability committees and independent external assurance</td>
<td>Asset4’s data on 1345 observations from UK FTSE350 firms, 2011 to 2015 (Quantitative; SDA)</td>
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<tbody>
<tr>
<td><strong>Endrikat et al. (2020) (BS)</strong></td>
<td>Based on a meta-analysis, the authors confirm a positive impact of board size, board independence, female board representation and presence of a CSR committee on CSR</td>
<td>Dependent variable: CSR performance; Independent variables: board characteristics (board size, board independence, female board representation and CSR committee presence)</td>
<td>82 empirical studies with 167,317 firm-year observations, 1991 to 2019 (Quantitative; meta-analysis)</td>
</tr>
<tr>
<td><strong>Wong et al. (2011) (AMJ)</strong></td>
<td>Integrative complexity and decentralization have a significant positive effect on CSP, yet firms with low integrative complexity can still achieve high levels of CSP under conditions of decentralization</td>
<td>Top management teams' integrative complexity and decentralization of decision-making</td>
<td>61 Fortune 500 firms, 1996 to 2005 (Quantitative; PDS)</td>
</tr>
<tr>
<td><strong>Eccles et al. (2014) (MSc)</strong></td>
<td>High sustainability companies are characterized by direct board involvement in sustainability issues, top executive compensation linked to sustainability objectives, level of stakeholder engagement, long-term external communications, a larger proportion of long-term investors, greater attention to nonfinancial measures regarding employees, greater emphasis on external environmental and social standards for supplier selection/monitoring/measuring</td>
<td>Sustainability of companies (high or low, as determined by voluntary adoption of sustainability policies by 1993)</td>
<td>180 US companies, 1993 to 2011 (Quantitative; PDS)</td>
</tr>
<tr>
<td><strong>Lewis et al. (2014) (SMJ)</strong></td>
<td>While CEOs with MBA degrees and newly appointed CEOs are significantly more likely to voluntarily disclose environmental information, those with legal education resist the pressures to disclose</td>
<td>CEO educational background and CEO tenure</td>
<td>Carbon Disclosure Project/BoardEx data on 580 US firms, 2002 to 2008 (Quantitative; SDA)</td>
</tr>
<tr>
<td><strong>Marquis and Qian (2014) (OSc)</strong></td>
<td>Political dependence (proxied by CEO political membership, political legacy, firm financial resources) positively linked to CSR reporting; the higher administrative embeddedness is, the more substantive the CSR reporting is</td>
<td>Political dependence – CEO NPC/CPPCC membership; private control and financial resources (ROA and slack resources)</td>
<td>CSMAR and RKS data on approximately 1,600 listed Chinese firms, 2006 to 2009 (Quantitative; SDA)</td>
</tr>
<tr>
<td><strong>Tang, et al. (2015) (SMJ)</strong></td>
<td>CEO hubris is negatively associated with CSR performance, but the effect is weakened by higher firm resource dependence from stakeholders</td>
<td>CEO hubris (media-based measure, i.e. business press coverage)</td>
<td>KLD/IRRC data on 397 US firms, 2001 to 2010 (Quantitative; SDA)</td>
</tr>
<tr>
<td><strong>Yin (2017) (BS)</strong></td>
<td>TMT ethical commitments are positively related to employee responsibility; ethical corporate culture positively impacts responsibility regarding the market, employee and community; normative social pressure positively impacts market responsibility; partial support for other relationships among variables</td>
<td>Ethical corporate culture, top management commitment, globalization pressure, political embeddedness and normative social pressure (CSR antecedents)</td>
<td>173 questionnaire responses from 16 Chinese companies, 2009 (Mixed-method; QDS)</td>
</tr>
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Table 1. Future research opportunities
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<tr>
<td>Maas (2018) (JBE)</td>
<td>Proves a small increase in firms using CSP targets (quantitative, hard; qualitative, soft). CSP improvements are positively driven by purely quantitative, hard targets while impaired by qualitative, soft targets and quantitative targets show a negative impact on CSP weakness.</td>
<td>Adoption of quantitative hard CSP targets</td>
<td>MSCI ESG STATS data on 400 S&amp;P 500 firms, 2008 to 2012 (Quantitative; SDA)</td>
</tr>
<tr>
<td>Washburn et al. (2018) (JMS)</td>
<td>CEOs’ stakeholder values are positively related to extent of internal organizational change but not to structural change. CEO and TMT congruence of stakeholder values are positively related to greater work process change.</td>
<td>Congruence of CEO and TMT on the organizational and work process change potential; internal change (processes, programmes and policies) and structural change (acquisition or divestitures)</td>
<td>533 CEO and 3367 TMT member responses from approximately 633 firms from 20 countries (Qualitative; PDS)</td>
</tr>
<tr>
<td>Peters et al. (2019) (JBE)</td>
<td>Increased CSP positively associated with the presence of board environmental committees (size, number of meetings, expertise and overlap with audit committee) and corporate sustainability officers (CSO expertise). As for disclosure transparency, only CSO and environmental committees’ expertise are positively related and larger committee size is negatively related.</td>
<td>Increase in corporate sustainability officers introduced into top management teams and environmental committees</td>
<td>CDPs’ GHG data on 1,238 firm-year observations from FT500 and S&amp;P 500 firms, 2002 to 2006 (Quantitative; SDA)</td>
</tr>
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**Firm-level norm/market pressure responses**

| Meyskens and Paul (2010) (JBE) | Evolution of CSR reporting in Mexico (“the first generation” companies adopt global norms; “second generation” companies implement more local norms; maturing CSR practices as experience and perspectives broaden | Normative movement towards global international standards in CSR reporting and growing awareness of CSR in Mexico | 27 Mexican companies (Qualitative; PDS) |
| Crilly (2011) (JIBS) | Broad stakeholder orientation of a firm’s subsidiaries stems from certain configurations: subsidiaries which require specialized human capital and are subject to local government influence or their parent company has substantial slack; subsidiaries, which are located in an emerging economy, belong to a large corporation and depend on public authorities in the presence of slack and subsidiary is located in a collectivist society | External and internal resource constraints; societal norms concerning firms’ roles; governmental capacity to sanction noncompliance; exposure to global pressures; home-country norms and host-country developments | 148 semistructured interviews with senior executives from 13 MNEs (Qualitative; fuzzy-set analysis) |

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<tr>
<td>Mackenzie et al. (2013) (CGIR)</td>
<td>Compliance with FTSE4Good environmental management criteria depends on the extent to firms are affected by being engaged in the FTSE index and the effect of being expelled; time of continuous engagement is found to have a significant impact on management meeting these criteria</td>
<td>FTSE engagement; the threat of expulsion; the influence of concentrated equity ownership; corporate governance and the institutional environment</td>
<td>FTSE4Good’s data on 1,029 firms from 21 countries, 2002 and 2006 to 2010 (Quantitative; SDA)</td>
</tr>
<tr>
<td>Surroca et al. (2013) (AMJ)</td>
<td>Building on institutional theory, it is found that increased stakeholder pressure in an MNE’s home country induces a shift of corporate socially irresponsible practices in subsidiaries; such a transfer is more likely for unconnected subsidiaries, basically controlled by HQ through board interlocks, home countries’ enforcement rigidity and host country regulations being lax</td>
<td>Home country’s stakeholder pressure on MNE’s HQ; interlocked, minority-owned subsidiaries and institutional control</td>
<td>SGP/COMPSTAT Global Vantage/OSIRIS data on 269 publicly listed subsidiaries, 2003 to 2007 (Quantitative; SDA)</td>
</tr>
<tr>
<td>Klettner et al. (2014) (JBE)</td>
<td>Confirmation of the increasing use of integrated reporting, of embedding sustainability governance means (sustainability committee, dedicated senior executive committee and dedicated network of managers) and of nonfinancial performance components in remuneration schemes</td>
<td>Managerial shift away from orthodox shareholder primacy to enlightened shareholder value; growing acceptance that improved corporate sustainability is not only expected but of value</td>
<td>50 Australian listed companies (Quantitative; SDA; content analysis of annual reports)</td>
</tr>
<tr>
<td>Cruz et al. (2015) (BS)</td>
<td>CSR-based differentiation at the product and firm-level is positively related to innovation capabilities; export intensity is positively related to CSR-based differentiation at the product level, which is positively related to CSR-based differentiation at the firm level</td>
<td>Innovative capabilities (CSR-based differentiation strategy for export firms); export intensity (influence of external social and environmental institutions)</td>
<td>Questionnaire responses from 195 Brazilian export firms (Quantitative; PDS)</td>
</tr>
<tr>
<td>Higgins et al. (2015) (JBE)</td>
<td>Increase in sustainability reporting in Australia enhanced in high-impact industries and adopted by low-impact industries</td>
<td>Increasing strategic importance of sustainability (strategic differentiation)</td>
<td>Survey including 64 out of 126 reporting companies in Australia, 2009 (Quantitative; PDS)</td>
</tr>
<tr>
<td>Rathert (2016) (JIBS)</td>
<td>Adoption of CSR as a form of private governance by MNEs is affected by host country institutions, depending on whether they are standards-based or rights-based, while moderated by freedom of association; host country environments with strong issue salience/stakeholder power are weakly positively associated with the adoption of standards-based CSR/rights-based CSR</td>
<td>Issue salience (MNE subsidiary presence in host countries that have some degree of implementing institutionalized rules/norms related to labour rights) and stakeholder power (adoption of ILO conventions 87 and 98)</td>
<td>AMADEUS/Asset4’s data on 540 western Europe MNEs with 48,644 foreign subsidiaries from 16 countries (Quantitative; SDA)</td>
</tr>
<tr>
<td>Dorobantu and Odziemkowska (2017) (SMJ)</td>
<td>Strength of a community’s property rights and extra-institutional mobilization are positively associated with investors’ reaction to community benefits agreements (CBAs), as evinced by a cumulative abnormal return (CAR) post announcement, while contrary to expectations, a community’s capacity for institutional action is negatively associated</td>
<td>Property rights (weak, moderate or strong); extra-institutional mobilization and institutional action</td>
<td>148 legally binding CBAs in Canada, 1999 to 2013 (Quantitative; PDS)</td>
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</tr>
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<tbody>
<tr>
<td>Malik and Kanwal (2018) (JBE)</td>
<td>Improvement of disclosure level is mainly related to community involvement and has a positive impact on brand equity and firm financial performance</td>
<td>Corporate social responsibility disclosure, with brand equity as mediator; ROA and ROE</td>
<td>8 listed pharmaceutical firms in Pakistan (Quantitative; MCS)</td>
</tr>
<tr>
<td>Russo-Spena et al. (2018) (JBE)</td>
<td>Increase in social and environmental accountability through CSR reporting; environmental issues emerge as the preeminent interest in the automotive industry; rise in accountability and disclosure harmonization/standardization in the automotive industry</td>
<td>Normative pressure on standards</td>
<td>15 Automotive MNCs, 2010 to 2013 (Qualitative; PDS)</td>
</tr>
<tr>
<td>Hummel et al. (2019) (JBE)</td>
<td>Increase of sustainability reporting and external assurance in Europe; the negative relationship between CSP and assurance process depth, presumably because of legitimacy threats</td>
<td>CSP (environmental and social key performance indicators)</td>
<td>122 European firms, 2011 (Quantitative; PDS)</td>
</tr>
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and specialty journals that focus on business ethics, CG and the intersections of business and society [1].

We searched the Scopus database using the search terms “corporate governance, corporate social responsibility, corporate social performance, environmental performance, sustainability, sustainability reporting, nonfinancial disclosure, CSR disclosure OR shareholder”, each with the qualifier “stakeholder” OR “institutional” in “Article title, Abstract, Keywords”, resulting in 1,263 studies.

These studies were screened by reading the abstract and keywords and those that were not of an empirical nature (e.g. those that were conceptual or commentaries) or seemingly did not explicitly address CG and/or stakeholder-oriented practices were excluded. Subsequently, the two coauthors independently went through the resulting list of 449 articles to conduct an in-depth screening for relevance based on their expertise in the field of international CG. This selection process left us with 156 relevant articles (12.3% of all of the articles identified). To strike a balance between completeness and readability, we used several criteria (e.g. time-adjusted citations as a proxy for scholarly relevance and rigor, full coverage of the research phenomenon and the representation of otherwise neglected issues) to make a sufficient selection with respect to the proposed organizing framework, which is represented in Table 1.

Content-related results
Following previous research, which typically separates internal and external CG mechanisms (Misangyi and Acharya, 2014) and applying the proposed organizing framework, we present the content-related results of our review as shown in Figure 1. We will first summarize and assess our research findings on firm-level factors, i.e. the studies that examine the effects of key CG factors such as boards of directors, top management teams (TMTs) and ownership structures. Subsequently, we will analyse the studies that investigate the impact of institutional-level factors on stakeholder-oriented practices.

![Figure 1. Overview model of extant research](image-url)
Research on firm-level factors [2]

Board of directors and board committee

The importance of certain characteristics and procedures of boards of directors and board committees has been highlighted in many CG studies. Within the context of stakeholder orientation, two studies investigate whether sustainability targets are integrated into executive compensation (Al-Shaer and Zaman, 2019; Maas, 2018); one of them, a study by Maas (2018), observes that the use of sustainability targets is positively associated with the presence of sustainability committees. A variety of related factors have been empirically tested in the context of analyzing specific board characteristics that may impact firm environmental/social performance, including board independence, the percentage of and critical mass of female board members, the board size, the presence of legal experts on boards (Villiers et al., 2011), the proportion of Western European directors on boards (Post et al., 2011) or the existence of CSR committees (Ayuso et al., 2014; Endrikat et al., 2020). Specifically, Post et al. (2011) note two critical thresholds: boards with three or more female directors are associated with Kinder, Lydenberg, Domini (KLD) environmental strengths and boards with an average member age close to 56 have higher levels of disclosed environmental CSR governance.

Top management team

A study by Peters et al. (2019) reveals the increasing number and positive impact of corporate sustainability officers being introduced into TMTs. Lau et al. (2016) examine the effects of TMT diversity in terms of foreign experience in Chinese firms and provide evidence that the firms that have more executives with such experience show higher levels of CSR performance. Building on agency theory logic, Oh et al. (2018) examine the effects of monitoring mechanisms, including TMT incentive intensity and show that greater use of long-term variable pay over fixed pay leads to higher KLD ratings.

By focusing on the ability of TMTs to gather information on stakeholder needs and attend to them, Wong et al. (2011) investigate the effects of TMTs’ integrative complexity and decentralization of decision-making on corporate social performance and the study confirms that these two aspects of TMTs lead to higher levels of social performance. While many studies on TMTs have used data on executives’ demographic characteristics or team composition, this study provides unique insight into the relationship between TMTs and stakeholder-oriented firm behaviour, namely, that TMTs’ tasks and decision-making processes influence such behaviour.

Ownership structure

Monitoring mechanisms (e.g. blockholder ownership) and incentive alignment mechanisms have been found to be effective means of disciplining managers and maximizing shareholder value (Eisenhardt, 1989). Their effectiveness has also been proven to promote corporate social performance (Oh et al., 2018), often indicated by higher KLD ratings. Similarly, Lamb and Butler (2018) confirm that family ownership concentration (with family CEOs) through block holding is also likely to increase a firm’s social performance, though interestingly, dedicated institutional investors are positively associated with CSR concerns. Focusing on a specific stakeholder group, Mun and Jung (2018) find that the appointment of female directors and the proportion of female managers in Japanese firms is positively associated with foreign institutional ownership, which consequently ensures a higher degree of CSR orientation.
Research on institutional factors

Formal institutions

Institutions are often categorized into formal and informal institutions (North, 1991) and some studies examine both while others focus on one of them. Using an institutional lens to understand the global trend behind sustainability reporting, Junior et al. (2014) come to the conclusion that it is driven by societies’ rising awareness of environmental and social issues, as well as the resulting introduction of mandatory reporting laws. The latter causal link is confirmed by a subsequent quantitative study in which the authors review legislation from 24 OECD countries (Jackson et al., 2020). The authors find that nonfinancial disclosure regulations lead to significantly more CSR activities being adopted. However, they also reveal that such regulations – in their current forms – do not actually address the impacts of potentially socially irresponsible behaviour. Finally, they observe and report that CSR disclosure practices are becoming increasingly standardized. In support of these findings, Larrinaga et al. (2020) explore the complementary trend of the increasing use of third-party assurances of sustainability reports and confirm this trend.

Other studies analyse the impacts of CSR reporting regulations in different countries such as France (Chauvey et al., 2015), China (Wang et al., 2018) or South Africa (Ntim et al., 2012). All three studies observe a reduction in information asymmetry and a positive impact of CSR reporting on firm value (Ntim et al., 2012). However, one study in our review raises doubts regarding the efficiency of such measures (Chauvey et al., 2015). Among other inefficiencies, the authors point out the following: Due to a lack of normative force, the initial adoption of disclosure requirements was slow in France. With regard to postadoption, despite an increase in the number of disclosures, their quality remained quite poor, with notable omissions of negative performances. In support of such skepticism, another empirical study observes an increased propensity for decoupling in the CSR reporting (as mandated by the Central Government) of state-owned Chinese companies in light of the increasing prioritization of GDP growth by provincial governments (Luo et al., 2017).

Applying an explicit stakeholder approach, Maxfield et al. (2018) analyse the impact of post-financial-crisis bank CG reforms in 134 countries and provide empirical evidence of the fact that even introducing simple risk control may lead to a greater corporate focus on stakeholder interests.

Informal institutions

Multiple articles have canvassed several informal institutional developments that promote stakeholder-oriented practices. Schembera (2018), for instance, analyses the level of implementation of stakeholder-oriented practices by companies voluntarily participating in the UN Global Compact (UNGC) as an indication of growing CSR legitimacy. He shows that the UNGC effectively operates as a “long-term CSR learning platform” based on 10 universal principles that are subsumed under the following categories: human rights, labour standards, the environment and anti-corruption. His research reveals that participation duration has an impact on the implementation of this voluntary CSR initiative, as moderated positively by local UNGC networks.

Taking a different perspective, Hahn and Weidtmann (2016) and Helms et al. (2012) examine the emergence and legitimization of ISO 2600 as another form of transnational governance of CSR. These qualitative studies contribute to the understanding of the necessary normative forces underlying the emergence of this new voluntary institutional practice, which seeks to encourage increased social responsibility among member organizations by providing guidance and examples of best practices. Along the same line,
Maggetti (2014) examines the promotion of corporate responsibility in private banking via the Wolfsberg initiative against money laundering.

Discussion

Important variables used in prior studies are listed in Table 2. Based on the firm-level studies shown in Table 1 and the variables used in those studies, as shown in Table 2, there is some evidence that specific governance factors such as boards, board committees, TMTs and ownership structures substantiate a shift towards more stakeholder orientation in CG systems. Prior studies show that board characteristics, as well as the presence and composition of board committees dedicated to CSR, lead to greater corporate social performance. These findings are consistent with the previous research findings on the convergence to shareholder-oriented CG, i.e. that CG systems drive firm orientation towards shareholders or, in the more recent studies, towards different stakeholders. Another important and emerging governance-related trend is the inclusion of monetary incentives addressing various stakeholder interests in managerial compensation. However, the number of studies related to this issue, including cross-national comparisons of executive pay packages, is still limited compared to the number of studies on other governance mechanisms such as ownership structures and board composition; hence, there are promising research opportunities. From an international perspective, it would be interesting to know, for instance, whether such stakeholder-oriented components are adopted more frequently in liberal market economies than in coordinated market economies and how MNEs handle requirements deriving from multiple CG regimes in this regard.

One can also draw some general conclusions from the institution-level studies. Firstly, the empirical studies reveal a mix of top-down global CSR alliances and legislative reforms (i.e. mandatory CSR reporting or formal institutions) and organic, bottom-up stakeholder-focused initiatives/best practices in the corporate sector. Secondly, there is a distinct tradeoff between stringency (government regulation/hard institutions) and flexibility (self-regulation/soft institutions) in regard to promoting stakeholder-oriented practices. As emphasized by Jackson and colleagues (2020), the former prevents irresponsibility more effectively, at the expense of implementation rigidity. The latter focuses on encouraging responsibility but concurrently creates room for complacency. Finally, the disparate effects of similar government regulations also highlight the need to design country-specific regulatory implementations that consider the existing institutional complexities, infrastructures and norms.

Regarding research on the adoption of stakeholder-oriented CG practices, our review provides further insights. Firstly, similar to the previous shareholder-oriented CG convergence research findings, there is ample evidence that the key CG factors (Table 2) trigger the adoption and implementation of specific stakeholder-oriented practices. Despite there being ample room for decoupling, which calls for caution in realizing a substantive shift in formal institutions, there is empirical evidence of the formal adoption of stakeholder-oriented practices. Secondly, the disparate consequences of introducing mandatory CSR reporting also hint at the presence of complementarities and institutional embeddedness, whereby hybrid CG systems are formed through the combination of local and imported foreign practices (Deeg and Jackson, 2007; Yoshikawa and Rasheed, 2009). Of course, further empirical research in these areas is warranted to confirm these preliminary observations. In addition, on meta-level, institution-level formal shifts and the firm-level adoption of stakeholder-oriented practices may indicate a potential divergence worth exploring in future research.
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<tr>
<th>CG and Institutions</th>
<th>Drivers</th>
<th>Stakeholder-oriented practices</th>
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| Board of directors/Board committees | - Board size  
- Board independence  
- Board diversity (e.g. foreign experience)  
- Legal experts on board  
- Proportion of current CEO-appointed directors  
- Presence of female directors  
- Director age  
- Presence of Western European directors  
- Presence of CSR committee  
- Presence of sustainability committee | - CSR reporting (adoption and disclosure quality)  
- Sustainability reporting (adoption and disclosure quality)  
- Increase in CSR activities  
- Corporate social performance  
- Environmental performance  
- KLD ratings  
- CSR ratings  
- Compliance with standards  
- Incorporation of climate issues in business practices  
- Action programmes for ethnic minorities  
- Environmental collaborations  
- UN Global Compact (UNGC) implementation  
- Workforce gender diversity  
- Firm’s amount of waste released  
- Increased stakeholder engagement level  
- Prevalence of community engagement activities  
- Use of stakeholder values as guiding principles for executives  
- Community benefit agreements |
| TMT | - Managerial incentive alignment mechanisms  
- Managerial exposure to the legal and regulatory system  
- Managerial beliefs  
- TMT commitment to public interests  
- TMT’s integrative complexity and decentralization of decision-making  
- Congruence of CEO-TMT stakeholder values  
- CEO duality and hubris | |
| Ownership structure | - Blockholder ownership  
- Institutional ownership  
- Foreign institutional ownership  
- TMT ownership  
- Board ownership  
- Family ownership  
- Employee ownership | |
| Institutions | **Formal**  
- National institutions/context/structural factors  
- Strength of labour institutions  
- Promulgation of CSR regulations  
- CSR reporting requirement  
- Corporate governance disclosure policy reforms  
- Level of governance standards | **Informal**  
- Normative, economic and social forces  
- Norm of sustainable development  
- Normative legitimacy  
- Diffusion of sustainability assurance norms  
- Society’s increasing awareness of environmental and social issues  
- Exposure to international capital markets  
- Local UNGC network strength  
- Level of social development  
- Home country institutional voids |
One apparent gap deriving from our review is that most of the studies do not link institution-level and firm-level governance factors to examine how stakeholder-oriented CG practices are adopted at the firm level. Rare exceptions are the study by Essen et al. (2013), which examines how the strength of labour institutions positively affects the effectiveness of blockholder ownership in Europe and the study by Desender and Epure (2020). The latter shows that ownership structures such as block holdings and government holdings have stronger effects on corporate social performance in liberal market economies than in coordinated market economies. Because institutional factors have important effects on CG practices at the firm level in different regions, there is a need to conduct more multilevel studies to better understand how institution- and firm-level factors interact with regard to the adoption of stakeholder-oriented practices and social performance.

**Future research directions**

Building on prior studies that have examined the effects of CG mechanisms on stakeholder-oriented practices, additional drivers of a shift can be analysed. Of special interest in this context are the growing numbers of ESG investors, i.e. investors who explicitly include environmental, social and governance issues in their economic rationales (Busch et al., 2016; Flammer, 2013; Yan et al., 2019). Such research may be seen as an extension of the previous research regarding the consequences of different ownership structures. Traditional institutional investors that manage the global portfolios of firms have been perceived as key drivers that facilitate the diffusion of shareholder-oriented CG (Useem, 1998; Yoshikawa and Rasheed, 2009). Consequently, ESG investors may play a similar role in pushing for greater stakeholder orientation. Although previous research examines the effects of firm ESG or CSR engagement on performance (e.g. Broadstock et al., 2020; Durand et al., 2019), we still need to know more about the impact of ESG investors on the interdependent social, ecological and financial performance of corporations, especially in international contexts, where ESG investors evaluate MNEs’ CSR behaviour from a global perspective.

Another driver of the shift towards stakeholder-oriented CG is the emergence of powerful interest groups and non-government organizations (NGOs). For example, the rising public awareness of societal and environmental challenges and the general assumption that corporate activities are both causes of and possible solutions to these challenges have raised awareness of the existence of important stakeholders that drive various initiatives across national boundaries (Yang and Rivers, 2019), e.g. the UN, as well as environmental activists and social movements. One expression of the growing power of such stakeholders is their influence on (mainly democratic) jurisdictions to enact laws and regulations that require firms to report on their social activities and social performance, for example, through sustainability reports (Chauvey et al., 2015; Jackson et al., 2020; Ntim et al., 2012). These NGOs’ global activities are a decisive factor in pushing firms, especially MNEs, to embrace stakeholder-oriented CG. However, there is an apparent need for more research to better understand the impact of these groups, as well as their motives, strategies and behaviour.

Although there are prior studies that examine the effects of institutions on firm social performance (Essen et al., 2013; Kühn et al., 2018), we still know little about multiple patterns of stakeholder orientation within certain institutional contexts. For example, are firms in stakeholder-oriented contexts more likely to adopt even more stakeholder-oriented CG practices? If so, who are those stakeholders and which CG practices cater to such stakeholders? Furthermore, do firms need to change their target stakeholder groups, for instance, from employees and suppliers to broader stakeholder groups that may not have direct stakes in the firms? Do the same CG practices lead to similar outcomes when they are adopted by firms in shareholder-oriented contexts? Finally, as many firms and their
stakeholders act across borders, there is a need for comparative studies aimed at identifying and explaining different patterns of stakeholder-oriented CG in international contexts.

Against this background, it is also possible that local institutional contexts still influence how firms will respond to social and environmental issues because there are differences in terms of the public awareness of such issues and the extent of firm exposure to capital market participants who care about such issues across countries. In addition, although the general trend towards stakeholder-oriented CG has implications for many firms, MNEs likely face more challenging tasks than domestic market-focused firms face. It is quite challenging for MNEs to maintain legitimacy, as they are exposed to multiple complex environments that confer and define legitimacy and are characterized by ambiguity in the legitimation process (Kostova and Zaheer, 1999). As MNEs operate in multiple jurisdictions, where there are different expectations and norms for corporate social activities and different market and nonmarket actors who shape such expectations, there are interesting research opportunities for international business researchers. Given, for example, the important discrepancies between global and local CSR requirements that expose MNEs to frequently contradictory pressures, MNEs have to find ways to address multiple expectations and stakeholder groups’ goals (Husted and Allen, 2006; Muller, 2006). Global CSR, which is based on fundamental principles that transcend national boundaries, includes issues related to human rights and environmental protection that impact broad stakeholder groups and communities (Spicer et al., 2004), whereas local CSR often focuses on specific issues that affect the particular local community and domestic stakeholders (Reed, 2002). These demands may compete for limited corporate resources and even be incompatible in some cases.

Depending on their scope of global operations, however, MNEs have to face these pressures to reconcile competing demands from global and local stakeholders and determine their resource allocation accordingly. Furthermore, even regarding local CSR requirements, different countries likely prioritize different stakeholder interests; for example, some countries may treat economic inequality as their primary issue, while others may prioritize the development of rural areas. In responding to different global and local stakeholder pressures, the CG systems in the countries where firms’ corporate headquarters are located are extremely important because the board and committee composition, ownership structure and executive incentive practices of parent companies affect how firms deal with competing demands. For example, board members’ global experience and diversity in terms of nationality may be important factors for boards in responding to competing demands effectively. Similarly, ownership structures characterized by predominantly domestic investors or government owners may hamper firms from allocating greater resources to global CSR activities. In short, the CG systems of parent firms can impact how the subsidiaries behave in terms of their stakeholder-oriented activities.

Conclusion
As our literature review shows, the number of studies on stakeholder-oriented CG and the relationships between CG and stakeholder-oriented practices has recently been increasing. These studies suggest that firms are increasingly paying attention to their stakeholders and attempting to enhance their social performance. However, there is also persistent skepticism that decoupling and greenwashing is not uncommon and that many firms may not genuinely care about their stakeholders, especially indirect and voiceless stakeholders. Indeed, some studies have revealed decoupling behaviours (Luo et al., 2017; Tashman et al., 2019). We need more research on the substantive and symbolic adoption of stakeholder-oriented practices and the impact of CG on such practices.
The current COVID-19-induced economic and social crisis appears to reinforce the rising awareness among the general public, politicians and policymakers, corporate leaders, NGOs and international agencies that corporations should give greater attention not only to shareholders but also to stakeholders. Indeed, the crisis has focused global attention away from firm financial performance towards firm “character” (Clark, 2020; Lipton et al., 2020) and there are increasing indications that corporate leaders have started to respond by pledging to care for stakeholders (International Corporate Governance Network, 2020; World Economic Forum, 2020). However, we still know little about whether such actions will be sustained after the current crisis is over, even though there are still other major global issues such as climate change, that impact all stakeholders. Researchers, thus, need to monitor whether the current interest in stakeholder-oriented CG turns out to be temporary or whether it will be a continuing trend.

Notes

1. As we were interested in empirical evidence of a shift towards stakeholder-oriented CG systems, we excluded management journals that do not publish empirical studies such as, most prominently, the Academy of Management Reviews. Hence, we selected management journals listed in FT50, as well as specialty journals that focus on business ethics, corporate governance and the intersections of business and society, namely, the widely recognized top management journals: the Academy of Management Journal, Administrative Science Quarterly, the Journal of International Business Studies, Management Science, Organization Science and Strategic Management Science (in alphabetical order). We further included the two other general management journals contained in the FT 50 list: the Journal of Management and the Journal of Management Studies, as well as the leading journals at the crossroads of our study, i.e. Business and Society, Corporate Governance: An International Review and the Journal of Business Ethics.

2. As Table 1 offers a comprehensive summary of all the articles chosen for our review, we discuss only several representative articles in this section.

3. Articles that are part of the literature review but not explicitly cited in the text in the body of the article will be provided by the corresponding author upon request.

References [3]


Bair, S. (2013), Bull by the Horns: Fighting to save Main Street from Wall Street and Wall Street from Itself, Simon and Schuster.


The Economist (2019), What are companies for? Big business is beginning to accept broader social responsibilities, August 22.


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